State of Davos – The camel's nose in the tents of global governance

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By custom and by law, the formal management of inter*nationa*l affairs is a matter for sovereign nations and their representatives. Of course global high politics has long been an opaque realm managed by elites. Yet the inescapable, but risky work of transnational governance should ideally occur through open, accountable public authority guided by democratic norms. That is not a new idea. After all, the UN Charter begins with "We the peoples" and affirms the "equal rights of men and women and of nations large and small".

Today the defense of those principles, though never robust, seems weaker than ever. The camel of private interests, having made itself at home in the tents of domestic political life, has today pushed its nose and much more into the rickety tents of international governance. Helping it has been a shrewd camel-trader, a broker of corporate ideas and networks, the World Economic Forum (WEF). Its annual invitation-only gatherings in Davos, Switzerland, have given rise to the half-mocking term "Davos Man". That archetype represents a global elite who "have little need for national loyalty, view national boundaries as obstacles that thankfully are vanishing, and see national governments as residues from the past whose only useful function is to facilitate the elite's global operations".[1]

"Everybody's business" : the Davos Man Plan

This chapter pursues several storylines converging around a simple proposition widely held in the private sector and vigorously pushed by the WEF: When it comes to tackling global problems, nation-states and their public politics are not up to the job. Their old, run-down institutions should be re-fitted to serve a sleek new system in which 'stakeholders' -- that is, governments, 'civil society' and business, chiefly as represented by transnational corporations -- will together manage the world's affairs. Nation-states are to become just one participant among several holding authority over us all.

That scenario is no dystopian fiction from a crackpot scribbler. On the contrary it is a carefully-wrought piece of political engineering formulated by hundreds of well-paid, well-adjusted but powerful people. One of its working prototypes has been running for years already: the WEF's annual gathering at Davos. At those elite events, business chieftains get to schmooze with senior politicians and a few members of 'civil society', the participants of which are carefully selected to minimize risks of any unpleasantness. Davos meetings exemplify perfectly the stakeholder approach. Across many fields of transnational governance, noted later in this chapter, that approach is now gaining altitude.

A comprehensive plan whereby 'stakeholders' would run the world began to take shape in 2009 when the WEF started its Global Redesign Initiative (GRI). Seizing an opportune moment -- the West's economy in crisis, its political classes disoriented -- the WEF set off "to stimulate a strategic thought process among all stakeholders about ways in which international institutions and arrangements should be adapted to contemporary challenges." Bankrolled mainly from Qatar (yes the same Qatar that bankrolls jihadists in Syria, Mali and other war zones), the GRI enlisted services of some 1200 experts, most grouped in the WEF's theme- or region-focused 'Global Agenda Councils' around the world. In 2010, after running some ideas past "ministers, CEOs, heads of NGOs and trade unions, leading academics and other members of the Davos community" the WEF published a massive final report of the GRI, Everybody's Business: Strengthening International Cooperation in a More Interdependent World.

Ranging across issues as varied as Chronic Diseases, Ocean Governance and Systemic Financial Risk, the GRI report argues that the stakeholder approach is the way to go in just about every field of policy -- global finance excepted. Its proposals are premised on voluntarism, codes of conduct and other kinds of soft law. Public guarantees and hard law are unwelcome –- except where corporate interests may be at risk .[2] Yes, corporations have to be part of global authority. But no, nothing is mandatory for them. They are free to walk away if they choose. Duties and obligations are for others to assume.

An essential sub-text, articulated by the WEF's Global Agenda Council on the Future of Government, is that governing today is no longer a matter for states and their agents alone, nor should it be. Government's "basic 'public functions' have already been redefined through the irrepressible growth of both private sector and civil society involvement in public affairs." Hence the challenge ahead is to "re-invent government as a tool for the joint creation of public value."

The term "joint creation" refers to such things as public-private partnerships (PPPs). Never mind the lack of evidence that PPPs routinely deliver 'value for money', let alone evidence that they fairly apportion costs and risks between public and private interests. On the contrary, a British Parliamentary Committee recently found that Britain's flagship PPP, the Private Finance Initiative, effectively ripped off British taxpayers while enriching private financiers. Corporations thus prefer PPPs, while cash-strapped or 'captured' public authorities (and some NGOs) go along in the public-private "joint creation" tide. On global levels, the democratic deficits of PPPs raise even more serious challenges.[3]

The Davos Man Plan: Critical Notes

Fortunately the Davos Man treatise on running the world has begun to attract close, critical attention. At the Center for Governance and Sustainability at the University of Massachusetts, Boston, a team led by the American political economist Morris Gleckman has produced a trenchant review, the Readers' Guide to the Report of the Global Redesign Initiative. Its main points also appear in a short paper by Gleckman. In measured language, the *Readers' Guide* carefully probes the GRI's arguments and evasions. It exposes the shaky foundations of this masterplan to claim joint authority while ducking obligations. The *Readers' Guide* distills the essence of the WEF scheme as follows:

At its core, WEF is advocating against the organization of international affairs based on the progressive development of universally recognized frameworks. In short, its position might be summarized as:

Universal frameworks out, ad hoc private sector and NGO frameworks in;

Inter-governmentally adopted standards out, self-selection of international standards in;

Effective implementation by international organizations and governments out, corporate opt-in/opt-out implementation systems in;

and

Progress on international conventions out, self-enforcing systems in.

What are some likely consequences of such approaches? Have these been carefully pondered? The *Readers' Guide* identifies dozens of inconsistencies and unanswered questions. Its lead author draws particular attention to five major problems :[4]

First, when state authority over international terrains is rolled back, while corporations face no formal requirements to account for extra-territorial consequences of their behaviour, today's gap in accountable authority will turn into a yawning abyss. The Davos Man Plan ignores this.

Second, if the pool of potential participant is extended beyond nation-states to include the vast and varied universes of business and 'civil society', there arise problems of representation. Which stakeholders are to be invited, under whose authority? Who is to have access to which deliberations, according to what criteria of selection, ratified by what process? The Davos Man Plan is silent about such things.

Third, if stakeholders are free to pick and choose among activities they feel like taking part in, free to take part for as long or as little as they want to, and free to ignore things they don't fancy, it is not hard to imagine that arbitrary and inefficient management would rapidly become the order of the day. Such capricious, ad hoc approaches to governance would clearly risk a swift loss of public confidence and of the legitimacy of the system as a whole. Yet the Davos Man Plan insists that voluntarism is part of the solution, not part of the problem.

Fourth, how should decisions be validated or ratified? The current standard is balloting by those qualified to vote. Consensus-seeking in multi-stakeholder forums leaves decision-making vulnerable to routine abuse of power by well-resourced groups over those lacking resource clout, including nation-states. Given the likelihood of skewed and patently illegitimate outcomes, active or passive resistance to such decision-making would soon bring systems toward the edge of political breakdown. The Davos Man Plan neither analyses alternatives, nor proposes any specific models of decision-making.

Fifth, multi-stakeholder arrangements cost time and therefore money. Currently, funds to promote deliberative processes are anything but abundant and stable, let alone equitably distributed. The Davos Man Plan says nothing about assuring equity on the "input" side of the stakeholder model. The clichéd business term 'level playing field' is nowhere to be found in the lopsided world of stakeholderism.

Private sector in transnational governance: mission creep

There is no space here to provide a fuller synthesis of the Readers' Guide. However a main focus of its attention, the rise of 'stakeholder' governance, lends itself to some elaboration by way of the following chronological overview. It draws on both the Readers' Guide and on a prescient study by the German political scientist Jens Martens (2007) Multistakeholder Partnerships – Future Models of Multilateralism? It suggests the forward march of private -- especially transnational corporate -- interests in setting political agendas and rules of the game, especially toward issues of the environment, health and infrastructure.

1919	International Labour Organisation founded. Its formal supervision involves governments, employers and organized labour, usually on a 2:1:1 ratio.
1946	United Nations ECOSOC created consultative status for non-state organizations, including trade union bodies, NGOs and others such as the International Chamber of Commerce. Individual corporations became eligible for ECOSOC consultative status in 2000.
1948	International Union for Conservation of Nature (IUCN) founded. It combines governments, state agencies and national and international NGOs. Strategies to engage business, and to develop 'payment for ecosystem purposes' paradigms, were first set in motion in 1996.
1967	FAO's Industry Cooperative Programme involved Western agribusinesses in projects until 1979, when under Scandinavian pressure it was discontinued. Yet the FAO's Committee on World Food Security (est. 1974) today involves corporations and NGOs in the FAO, though not in its formal governance.
1992	Rio Summit (UN Conference on Environment and Development) adopts Agenda 21, which states: "Governments, business and industry, including transnational corporations, should strengthen partnerships to implement the principles and criteria for sustainable development." As market fundamentalism reached new heights of influence in the early 1990s, Rio gave partnership/stakeholder paradigms a major boost, at least regarding environmental issues.
1994	UNDP sets up the Public-Private Partnerships (PPPs) for the Urban Environment (PPUE) facility to promote PPPs for urban water, waste management, public transportation and energy.
1995	Money Matters Initiative launched via World Summit on Social Development in Copenhagen, with support from the UNDP and the World Bank, to engage the banking sector to press for 'financial reforms' in developing countries.
1997	At the WEF gathering in Davos, Kofi Annan announces: "The close link between the private sector and the work of the United Nations is a vitally important one. (...) Strengthening the partnership between the United Nations and the private sector will be one of the priorities of my term as Secretary-General." This pledge took further form in 2000, with Annan's launching of the Global Compact, linking the corporate world with the United Nations
1998	'Global Health Partnerships' involving global pharmaceutical firms, becomes priority policy of the WHO under its Director-General Gro Harlem Brundtland

2002 March	Monterrey Consensus (a result of the UN International Conference on Financing for Development) repeatedly calls for engagement of the private sector in development tasks and financial governance, holding that "collective and coherent action is needed in each interrelated area of our agenda, involving all stakeholders in active partnership."
2002 Sept	Rio+10 in Johannesburg (World Summit on Sustainable Development, WSSD), about which the head of a Washington DC lobby group wrote, "This Summit will be remembered not for the treaties, the commitments, or the declarations it produced, but for the first stirrings of a new way of governing the global commons – the beginnings of a shift from the stiff formal waltz of traditional diplomacy to the jazzier dance of improvisational solution-oriented partnerships that may include non-government organizations, willing governments and other stakeholders" .[5] So-called 'Johannesburg Partnerships' are a continuing outcome of Rio+10. Numbering in the hundreds, these focus on implementation, not participation in decision-making.
2003	UNESCO started a 'partnership' with Microsoft. Today there are hundreds of active 'partnerships' between UN agencies and transnational corporations.
2004	Common Code for the Coffee Community (4C), initiated by the German aid agency GTZ and the German Coffee Association. Since the early 1990s, dozens of comparable partnerships to set industry standards or codes of conduct have emerged, from the Forest Stewardship Council (1993) to the World Committee on Tourism Ethics (1999).
2007	UNDP set up its Private Sector Division, flanking earlier initiatives such as its Growing Inclusive Market Initiative (est. 2006) whose slogan is "Business works for Development – Development works for Business" and the Business Call to Action (2008), a networking and advocacy effort of the UNDP and the British government.
2011	UN General Assembly approves Resolution 66/223, 'Towards global partnerships' that reiterates official enthusiasm for private sector involvement, emphasises voluntary nature of partnerships and warns against "imposing undue rigidity in partnership agreements".
2013	World Water Council (est. 1996) an "international multi-stakeholder platform" dominated by corporations, convenes together with the UNDP the Budapest Water Summit, which endorses notions that water has to be a commodity, not a basic entitlement. Dozens of such international gatherings take place every year; they endorse similar policies and try to legitimise them by talk of 'multi-stakeholder' consultation.

Corporate self-rule: the wider shores

Hybrid or private-public 'stakeholder' governance has long been at work in other realms of global capitalism. In several chapters of her 2006 book Territory, Authority, Rights, Saskia Sassen analyses how rule-setting and even enforcement have shifted from public to private authority. This has occurred in realms such as dispute settlement in trade and investment, codified risk calculations governing financial markets, and the global construction industry. She writes: "International commercial arbitration is basically a private justice system, credit rating agencies are private gate-keeping systems, and the lex constructionis is a self-regulatory regime in a major economic sector dominated by a limited number of large firms. Along with other such institutions, they have emerged as important governance mechanisms whose authority is not centred in the state."

The global reach of private authority manifests itself elsewhere. The International Chamber of Commerce has long influenced the making of global regulations. From international boards that standards for specific industries to the bodies that are supposed to supervise the financial sector, the rise of 'governance lite' is evident in the capture of regulatory agencies by corporate interests and the forceful insistence on self-supervision and self-regulation. Routinely ignored are calls for genuine public supervision, such as the following from a mainstream economist: "Unfortunately, self-regulation stands in relation to regulation the way self-importance stands in relation to importance and self-righteousness to righteousness. It just isn't the same thing."[6] Corporate capture also crops up informally, through staff selection and rotation through the revolving doors between private and public sectors. Among many examples is a little-known United Nations body based in Vienna, the Commission on International Trade Law, which "creates soft law on issues like electronic trade, transport regulations, securities, arbitration etc." and in which US corporate lawyers "occupy a dominant position" .[7]

These obscure but powerful bodies fall short of the principle of multistakeholder governance, for they routinely exclude, even in token form, voices from civil society. Yet that omission doesn't seem to bother proponents of the multistakeholder model, who have political momentum. A rising stream of vision statements from commissions of global notables testifies to its persuasiveness. One recent example is the October 2013 final report of the Oxford Martin Commission for Future Generations, chaired by former WTO chief Pascal Lamy. That elite group put multistakeholder partnerships first on the list of its recommendations for the future.

Conclusion

Against this wider panorama, the World Economic Forum's design for running the world is already taking concrete forms. In realms such as health, nature conservation and trade in tropical products, the engineers' plans have passed from drawing boards to routine practices. Meanwhile in other realms –- finance, taxation and the use of force in the name of 'security' –- people with obvious stakes in their workings and impacts are denied access to information and to means to call the powerful to account. Billed as a matter of everybody's business, the bold 'global redesign' looks like yet one more gimmick to prevent people from taking part in matters that are very much their business .[8]

1 Timothy Garton Ash, 'Davos man's death wish', *The Guardian*, 3 February 2005. Garton Ash credits Samuel P. Huntington (1927-2008), a professor of political science at Harvard and conservative publicist, as originator of the term 'Davos Man'.
2 Juan Hernandez Zubizarreta, 'Lex Mercatoria: New Global Corporate Law' in *America Latina en movimiento*, issue 476, Quito: ALAI & Transnational Institute, June 2012, p. 10
3 M. Bexell and U. Mörth (eds.) (2010). *Democracy and Public-Private Partnerships in Global Governance.* Palgrave Macmillan, Basingstoke. http://bit.ly/1b0noU7
4 Harris Gleckman (2013) *Multi-stakeholder Governance: An Evaluation of a Component of World Economic Forum's Comprehensive Proposal for a Post-nation-state Governance System*, Earth Systems Governance Tokyo Conference on Complex Architectures and Multiple Agents, pp. 7-12
5 Jonathan Lash, President of the World Resources Institute (2002), cited in Martens 2007, p. 17
6 Willem Buiter 'Self-Regulation Means No Regulation' The Financial Times, 10 April 2008
7 Nicolas Tenzer, 'Where is soft power?', Open Democracy 2009-01-28 http://www.opendemocracy.net/article/economics/where-is-soft-power
8 Paraphrasing Valéry (1943): « La politique fut d'abord l'art d'empêcher les gens de se mêler de ce qui les regarde.