GLOBE GLOBAL GOVERNANCE AND THE EUROPEAN UNION
Future Trends and Scenarios

Deliverable 10.1
Working paper on stocktaking

DISSEMINATION LEVEL

Confidential

1. Introduction

This deliverable 10.1. marks the transition between the analytical and the recommendatory stage. It takes stock of the results of the five analytical work packages (WPs) to set the groundwork for recommendations on specific strategies, which will be an essential part of deliverable 10.4, the strategy book for the European Union.

In detail, this deliverable assesses first the results of the different WPs, fleshing out two (or three) of the most relevant challenges. Then it examines the role of the EU in this problem complex and suggests recommendations. Considering the chronology, it first accesses WP 3 to 6 on trade, security, climate change and finance; then, it assesses the importance and imminence of the cross-cutting challenges identified in WP7. Finally, this working paper closes with a matrix of possible challenges and responses by order of importance and relevance for the EU and its likelihood.

2. Global challenges and the EU

a) Trade

In the area of trade, two main challenges were identified by GLOBE research: Gridlock at the multilateral level (WTO) and integrating sustainability concerns. Considering the WTO gridlock, several issues have chipped away at the WTO's ability to set the course in global trade governance in recent years. This includes contestation from major economies like the US and the paralysis of the appellate body, the lack of consensus on how to integrate "non-trade issues" into trade policy and how to accommodate the needs of developing economies. This gridlock has contributed to secondary challenges, including the proliferation of bilateral and plurilateral agreements, unilateral action, and increasing numbers of and reliance on private, non-state actors in trade governance. The 12th Ministerial Conference (MC12) of the WTO in June 2022 proposed several reforms, but only limited progress has yet to be made.

Considering integrating sustainability concerns in trade policy, they are now well recognised that the primary goal of trade governance – the reduction of barriers to trade in the name of economic growth – often entails several negative consequences, including widening inequality, loss of biodiversity, social precarity, and environmental degradation. Thus, the challenge is to articulate a more comprehensive and sustainable trade policy that accounts for and ensures a variety of sustainability objectives alongside traditional economic goals. While the EU has already been integrating these so-called "non-trade" issues in its trade policy, it still

needs to generate global cooperation.

The EU responds to this through a mix of unilateral and bilateral approaches. The EU can (continue to) develop a more assertive trade policy to protect its interests and values through unilateral measures. The EU is actively doing this through various regulatory initiatives, such as the new batteries regulation and the conflict minerals regulation, to name a few. The EU is also pursuing an ambitious bilateral trade and investment agreements agenda and can further develop this, including finalising some current negotiations. The EU can also pursue partnerships and coalitions with sets of like-minded states to advance trade policy more quickly, though on a smaller scale. Finally, the EU can also explore strategic partnerships with non-state actors, such as voluntary sustainability mechanisms, to establish a valuable division of labour to tackle sustainability regulation.

The EU can seek to reinvigorate cooperation at the multilateral level by focusing on incremental reform that takes into consideration diverse perspectives. For the EU, reforming the dispute settlement mechanism and restoring the WTO as a forum for negotiating trade rules and further liberalisation is paramount. To do so, the EU will need to build upon existing relationships and not send mixed messages strategically (i.e. not simultaneously pursuing a proactive unilateral measure while also attempting to build consensus). The EU may continue to pursue some goals unilaterally or plurilateral in the short term while working toward longer-term multilateral reform. The key will be not to work to counter purposes and to maintain credibility by remaining true to a consistent set of values and goals.

GLOBE has several suggestions on how the EU could address these global governance problems about current or expressed responses. For both issues, the EU has significant leadership potential. As a major trade power committed to multilateralism, the EU is well-poised to lead the way in the reform of the WTO, for which it has already made proposals. The EU should attempt to build on warming transatlantic ties to broker a consensus between the United States and other economies wishing to restore the dispute settlement mechanism. Additionally, the EU has long recognised the need to integrate sustainability concerns into trade policy. The EU should continue to do so in its unilateral and bilateral trade policy instruments but should develop these in a dialogue with the targets of these policy instruments, most notably developing countries. Many developing economies share similar concerns related to trade policy, even if for different reasons. The EU should look for linkages between developing economy proposals and sustainable development goals to build consensus with a broad coalition and move forward on new rules for more sustainable trade.

b) Security

In the field of security, the growing assertiveness of several states has accompanied multipolarity (e.g., China, Russia, Iran or Turkey), all preoccupied with the affirmation of their national sovereignty. This has expanded and shifted the weight in the list of security actors that matter. As new constellations of actors, interests and values arise, and as pre-existing governance configurations are no longer seen to be in the interest of influential players, we begin to observe the emergence of a competing world order with multiple global governance implications.

There are multiple challenges in the security field, but the GLOBE project suggests emphasising the following ones. First, there are **normative gaps and the contestation of existing norms** (see also GLOBE D4.1, governance gaps section). Above all, the normative gaps did intensify in recent decades, questioning the 'rules-based multilateral order' and implying that the established norms are eroding. Besides that, we identify the need for commonly agreed-upon norms, e.g., on new issues such as cybernetics, new weapons, Artificial Intelligence (IA), and established norms. With a common ground for identifying and assessing threats, international cooperation is possible.

Second, there is the issue of the **ineffectiveness of International Organisations (IOs)**. The dominance of states in the security architecture means that rivalry and contestation, or the lack of political will, can hamper the effectiveness of formal international organisations. For example, the Security Council of the United Nations (UNSC) gridlock is triggered by the rivalry between permanent members. Another shortcoming is that it does not have a functioning Military Staff Committee, intelligence analysis unit or an excellent post-conflict building body.

In the security architecture, coordination issues and duplication efforts are not uncommon. However, some trends to overcome state-centric gridlocks in using the force of global governance have been observed in recent decades, with the involvement of multiple NGOs and informal transgovernmental organisations. Besides that, we find related problems, which include dependency on member states for funding; and issues related to legitimacy, representativeness and effectiveness. All these factors have prevented these larger, formal structures from fulfilling their purpose, i.e., to maintain peace and facilitate cooperation, as Article 1 of the United Nations Charter states, opening up governance gaps and weakening security governance globally.

Besides that, we **find new security issues due to new scientific and technological advances**, which pose difficulties to existing security architectures. We find unregulated technologies: e.g., salient cybersecurity issues, the development of AI, and issues related to

data and privacy, which are all essential factors of a technological race, which also includes quantum computing and 5G. Also the weaponisation of tech by states is crucial. The EU lags behind US and China in all these fields.

Cybersecurity is crucial within these identified new security challenges, but its global governance structure is weak. This is partially due to the ideological differences and geopolitical tensions between states on this issue, which have only increased over the past few years. Whereas certain states, such as China, Russia and most Arab states, support greater governmental control over cyberspace, the US, EU, Japan and others defend the current multi-stakeholder system in which non-governmental institutions play an essential role. However, other countries float between these extremes; they include India, Brazil, and South Africa. These differences have led to limited effectiveness and gridlock in international organisations with (near-)universal membership.

The weapons of mass destruction (WMD) architecture cannot keep pace with the speed at which scientific and technological advances happen. Moreover, the fast progress in science and technology impacts the implementation of international commitments since the strategic materials and goods that must be controlled are constantly being expanded or modified, making it very difficult for the states and concerned parties to update themselves.

One of the main shared gaps in the area of these new security challenges – and possibly the most difficult to solve – is the knowledge gap that emerges due to the increasingly fast pace of science and technological innovation evolution. In addition, the speed at which industrial production processes are developing poses a significant obstacle for institutions to keep the normative frameworks updated and, thus, to keep the threats under control.

This knowledge gap can, therefore, quickly result in a normative gap: it is difficult to shape norms under conditions of uncertainty and when the boundaries of an issue are still unknown. Additionally, scientific developments, especially in biology, genetics and bioethics, can raise moral questions that result in controversial dilemmas that are difficult to solve at an international level.

Considering the first two challenges in the field of security: **normative gaps and the contestation of existing norms and the ineffectiveness of IOs,** we recommend a shift in the politics of the EU towards coalitions of the willing, smaller ad hoc settings and more informal cooperation, instead of traditional multilateral institutions. These are more flexible and less costly arrangements. The EU could focus on the minimum common denominator and issues for which a generalised agreement exists. It should allow for reforms in key institutions to improve representativeness. The EU could explore all options and institutional settings in global governance beyond IOs. EU could start working with other interested parties towards reform options for the UNSC.

Considering the third challenge, **new security issues due to new scientific and technological advances**, the EU could contribute to multilateral efforts to regulate new technologies through international institutions, whether formal or informal. It could foster information-sharing with academic institutions and epistemic communities specialised in new scientific and technological advances affecting international security. It should promote investment in key strategic technologies and position the EU in strategic positions in supply chains. The EU could also develop cooperation with key third-country partners on critical technologies and access to critical materials. In more detail, on the EU level or regional level, the EU could focus on the implementation of the Digital Services Act, Digital Markets Act, Data Governance Act or AI Act. On the global stage, the EU could focus on supporting/working with the G20, Global Partnership on AI, Convention on Certain Conventional Weapons (CCW) and the Group of Governmental Experts (GGE) on emerging technologies in the area of lethal autonomous weapons systems (LAWS).

c) **Climate Change**

The main challenge in the field of climate change is **slow and insufficient progress**. Time is running out, and ambition and implementation must be scaled substantially to keep average global temperature rises as close to 1.5C as possible. Global climate governance has not been inconsequential, but it has failed to inspire the rapid and systemic change we need to see to get to "net zero" whilst also addressing related sustainability challenges, such as biodiversity loss. The EU has been comparatively ambitious but has yet to show leadership by updating its 2030 climate targets.

There is the danger of **new polarisation in climate politics**. As the costs of climate inaction become more apparent and rapid systemic change is required, we are seeing a new polarisation of the debate, both on the domestic and international levels. With climate impacts becoming more severe, global negotiations have increasingly spotlighted issues such as adaptation, finance and loss and damage, often reinforcing rifts between rich and developing countries. The need for rich countries to mobilise finance for climate action and loss and damage has emerged as a critical focus of discussion at COP27 and previous climate summits. In addition, countries in the EU and elsewhere are under pressure to provide financial support to their populations in light of rising living costs. Money and the distributive consequences of climate action are thus set to create divisions both within and across UNFCCC state parties. A lot of trust in the UNFCCC process has already been lost over the failure of developing countries to live up to their promise (first made over a decade ago) to deliver $100 billion a year in climate finance by 2020. Such loss of trust in multilateral channels should be a

significant concern for the EU. There are other challenges facing global climate governance, many of which go beyond the UNFCCC. For instance, the activities of other international institutions must also be aligned with the Paris Agreement (e.g. calls for reform of multilateral development banks in line with climate objectives). Furthermore, as corporate actors are increasingly expected to step up, it is unclear what measures could ensure that they actually "walk the talk" and deliver on climate commitments. Again, an overarching danger is that unfulfilled promises and misaligned agendas erode trust in the "bottom-up" architecture of the Paris Agreement to which the EU remains deeply committed.
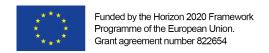
GLOBE suggests the following techniques for how the EU could address these global governance problems in relation to current or expressed responses. First, leadership by example has always been an important part of EU climate diplomacy and remains crucial. The EU needs to demonstrate increased ambition by updating its Nationally Determined Contributions (NDC) – specifically, the 2030 goal to reduce emissions by "at least 55%" – as soon as possible. The EU is a first mover in many policy innovations. Therefore, its leadership could do more than inspire others to step up their ambition – it could demonstrate *how* systemic change can be achieved. For this to happen, it is also imperative for the EU to demonstrate that systemic change can be achieved relatively and inclusively.

Moreover, because the EU is often a regulatory first-mover (e.g. on green finance taxonomy), it is especially important that regulation is as robust as possible from the start, given the risk of locking in loopholes. In the immediate future, it is vital that the Ukraine crisis does not distract from these objectives and that emergency responses do not lock in a carbon-intensive future. On the global level, the EU can leverage strategic alliances to push for more ambition in UNFCCC negotiations – something it has successfully done in the past. However, beyond promoting ambitious mitigation action, the EU must also show leadership on climate justice issues and step up on climate finance and support, which will be vital to restoring trust in the multilateral process. More broadly, the EU should embed climate and other sustainability concerns in all its external policies.

d) Finance

The GLOBE project has identified two main challenges in the field of global finance. First, there needs to be **more global coordination,** which is crucial to establish a global financial safety net when facing sudden financial risks. Second, there are **problems with the inclusiveness of global governance institutions**. In particular, developing countries, such as Asia or Africa, need to be represented better.

The current global governance settings in finance are quite favourable to Europe

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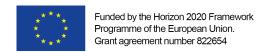
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(European countries have significant participation in International Monetary Fund (IMF), the World Bank (WB) and Bank for International Settlements (BIS). However, the EU should ensure that EU agencies and European Central Bank (ECB) are among the most influential global actors. The role of national and EU-level participation in global governance is still blurring, and no clear preeminence of European institutions has been achieved. In any case, the presence of the ECB in BIS is becoming fully consolidated, having acquired a relevant representation in different organisational structures and committees currently active within the BIS. Not so well established as an EU agency, the role of the European Securities and Markets Authority (ESMA) in the International Organization of Securities Commissions (IOSCO) is still being developed but progressively has gained some representative spaces.

In the last 15 years, the emergence of EU agencies in different financial areas, as well as the involvement of the ECB in banking supervision, has produced a greater capacity for the EU to be involved in global financial governance, considering the different spaces of interaction currently open. Moreover, as informal international organisations dominate in this area, the involvement of EU agencies has been more accessible compared to areas where formal organisations are more central, and states have a formal monopoly of representation. Still, EU agencies have some room to make their presence more relevant, leading policy initiatives, better coordinating with relevant agencies from Member states, and being capable of interacting directly with significant regulators such as American and Chinese agencies.

As to the presence of EU institutions in Bretton Woods organisations (World Bank, IMF, etc.), it is crucial to recognise that their role remains quite constrained, actually more informal in many aspects. The state-based logic of representation limits EU involvement until a significant reform in these organisations allows some major changes. For example, the IMF's involvement in the European financial crisis in 2010-12, with a direct contribution to rescue some EU countries, reflected a logic of national state direct intervention. Once risk-prevention mechanisms have been established in the EU in recent years, such a mode of action would not be expected anymore. On the contrary, we might expect a more cohesive intervention of the EU in the coming global financial crisis.

e) Cross-cutting challenges

Besides the challenges for the four sectors identified in GLOBE, we have also discovered the following cross-cutting challenges for the EU. One of them is **resilience to global crises**. The financial, public health, and energy crises (2008 and 2022) put the Union and its policies under severe stress, often leading to delayed responses, partial measures, and policies that drove a wedge between member states. For example, despite quick and resolute statements

condemning Russia's war in Ukraine, the EU and many member states showed remarkable vulnerability to geopolitical changes and Russia's energy blackmailing. Due to the EU's high global interconnectedness and mutual dependencies, it is not surprising that EU infrastructure and coherence are threatened. However, the extent to which the EU may cope with these numerous challenges depends on its institutional resilience (flexibility of response).

There are also growing tough **authoritarian challenges** from within and without. Both state and non-state actors (parties, transnational movements) mobilise unprecedentedly to challenge institutions and foundational global governance norms. From within the EU, populist parties and movements increasingly reject EU policies that foster democracy and human rights (e.g., extension and legal protection of women's rights) or delay the support of the international politics of the EU (e.g., Hungary and sanctions against Russia). From without, authoritarian states, often in tandem with non-state actors (parties), probe the Union's policy cohesion and entertain close relations with domestic actors that challenge the authority of the EU (e.g., authoritarian populist parties). Moreover, rising authoritarianism undermines EU efforts to achieve multilateral and peaceful outcomes (e.g., further autocratization in Iran puts a de facto end to settling the nuclear stand-off).

Concerning resilience, the EU takes note of threats and challenges quickly, yet its policy responses often meet with strong opposition (and implicit veto) by some member states. For example, initial reactions to energy crises were adequate, but implementing policies that protect EU citizens takes too long to implement. Concerning external authoritarian challengers (e.g., states), the EU is aware of these threats. For example, the Commission recognises and warns of conflicts between democratic and authoritarian states. Moreover, it tries to protect Union from the undue influence of major authoritarian powers such as Russia or China. Concerning internal authoritarian challengers, the EU has applied the threat of financial sanctions, which led Hungary and Poland to take back some part of its most controversial backsliding reforms. These actions, however, reflect a reaction at a late stage of internal authoritarian challenge(r)s to democratic norms. In many other cases, the EU does not act (e.g., women's rights and compliance with Istanbul Convention, abortion rights in Poland).

Based on this, we make the following recommendations for resilience and severe challenges. First, EU institutions should simplify decision-making and give the European Parliament authority over all Union policies. Second, EU measures should be taken against particularistic state interests when they protect Union citizens from external shocks. To ensure that these measures enjoy an adequate level of legitimacy, the European Parliament should be responsible for debating and adopting Union policies. Concerning the external authoritarian challenges: it would be essential to revisit economic and infrastructural dependence on authoritarian states and formulate binding rules for member states to avoid unnecessary

dependencies. Concerning internal authoritarian challengers: the EU should enforce its rules early on democracy, the rule of law, and human rights and connect it more vital to EU cohesion funding. The first steps are made with the financial sanctions in the "rule of law conditionality" field, which was applied first to Hungary in 2022. A consequent application of these rules and extension not only to corruption practices but also the various rule of law infringement would translate into protecting citizens' and minorities' rights and democratic institutions from populist attacks.

3. The evaluation by GLOBE experts

This deliverable builds on in-depth assessments by academic experts involved in the GLOBE project. It was conducted electronically between October and November 2022 and completed by five GLOBE project teams. The survey captures the view of a highly committed pool of experts, who – unlike citizens or practitioners – have closely studied IOs in their field for many years and are familiar with the challenges of Global Governance.

The survey covers the five most relevant issue areas of the GLOBE project. For each issue area, we asked the respective expert team to evaluate critical challenges and the likelihood of EU responses. The resulting sample allows us to explore these questions within and across issue areas. However, given the small size of the survey, we should take these findings with care and avoid generalisations.

First (a), we asked respondents about the importance of the challenges identified for the EU, using a 1-10 points scale, with 10 being the maximum score. The second question (b) assessed the possible responses by the EU. Here we asked about the likelihood that the EU would respond in the way recommended by the GLOBE experts.

a) The importance of the challenges identified for the EU

The GLOBE experts identified **slow and insufficient progress in the climate crisis** (10/10) as the most relevant challenge. As the second most important challenge aspects of the trade regime were identified, **the gridlock at the multilateral level (WTO)** (9/10) and the **integration of sustainability concerns** (8/10). It is followed by two cross-cutting challenges: **resilience to global crisis** (8/10) and **growing tough challenges** (7/10). Less relevant was the other aspect of climate change: **the polarisation around finance for climate action** (7/10). Finally, the challenges in the security field have been evaluated over the board with a score of 7 out of 10: **Ineffectiveness of IOs (UNSC)**, **normative gaps and the contestation of existing norms and new scientific and technological advances** (cyberthreats,

weapons). Also the main challenges in the field of finance: **global coordination to prevent facing financial risks** and the **better inclusiveness of global governance institutions**, have been evaluated with a 7.

b) Likelihood of EU responses

The most probable of the EU responses were identified in the field of trade. The likelihood that the **EU will strengthen global leadership** has been evaluated with 9 (out of 10) and that it will **become a broker by pushing integrating sustainability concerns into global trade policy** with 8. Next, come the aspects connected to climate change. The likelihood that the EU will strengthen **the leadership by example** has been evaluated with 8 out of 10 and that it will **leverage strategic alliances to push for more ambition in UNFCCC negotiations** with 6 out of 10. The likelihood of responses in the field of finance has been evaluated with a 7: that the **EU will establish its institutions as the most critical actors in global finance architecture** and **that the EU will avoid internal incoherencies**.

Less likely are the responses of the EU in the field of security. While **fostering information-sharing with academic institutions and epistemic communities** has been evaluated with 7 out of 10, **working with other interested parties towards reform options for the UNSC** has been evaluated with 4. Also the likelihood of responses to the cross-cutting challenges has been evaluated as low. **More financial sanctions against the democratic backsliders** have been evaluated with 6. Finally, **revisiting economic and infrastructural dependence on authoritarian states** and **simplifying EU decision-making by giving European Parliament authority over all Union policies** have been evaluated with four points only.