Legitimating Global Governance:  
Multinational Corporations and the G8’s Multi-Stakeholder Approach


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Abstract

During the past decade, the G8 countries have discussed a number of issues related to the governance of cyberspace. These include (among others): the regulation and taxation of e-commerce, the protection of individual privacy and security, the maintenance of infrastructure security, and the promotion of broadband infrastructure. While these discussions were mostly initiated by the U.S. government, they moved over time in a number of directions not anticipated by any of the G8 governments. One of these new directions involves the use of a new mechanism, called the multi-stakeholder approach, to encourage the meaningful participation of various types of civil society organizations in what are normally purely intergovernmental forums. In this paper, I discuss some of the issues connected with the creation of multi-stakeholder deliberative bodies and try to provide some methods to analyze and assess their impact on multinational corporations.
Introduction

Global governance as provided by international institutions like the G8, the WTO, the IMF, and the World Bank has been under attack from the anti-globalization movement as undemocratic. Many groups within the movement have been asking for better and more direct representation of “civil society.” Since the above-mentioned institutions are mostly intergovernmental in nature they have not historically allowed for direct representation of nongovernmental actors. The organizing principle behind most intergovernmental organizations is that whatever representation of civil society is necessary can be done satisfactorily through the domestic political processes of member governments. Anti-globalization groups (and others) argue that this is no longer sufficient and that civil society organizations need to be represented directly in global governance institutions.

A number of theorists and practitioners have begun to address alternatives to the intergovernmental model of global governance. Phil Cerny, for example, has been promoting the concept of “multi-level governance.” Inspired by the example of the European Union, Cerny suggests that it is necessary to recognize the desirability of allowing for a distribution of governance tasks across a variety of political levels. Some of these levels go beyond the traditional ones of local, state/provincial, central governmental, and international to incorporate cross-local, cross-regional, and transnational forms of governance. Along with advocating multi-level governance, Cerny recognizes the need to create new forms of participation by civil society groups in the various levels (Cerny 2005).
Some theorists have been calling for a “global republicanism” to replace the currently limited representation of civil society in intergovernmental forums with something more like the republican forms of democracy in liberal democracies (Doyle 1986; Onuf 1998; Ikenberry 2001; Alker et al. 2001). In a period when republican forms of government are on the rise again, this makes a bit more sense than it did, for example, at the height of the Cold War. Nevertheless, the problem remains that a republican form of global governance will be difficult to implement fully until the globe is populated entirely by governments with elected representatives. Even in organizations like the G8 where all the member governments are republics, international governance remains intergovernmental rather than republican in essence.

David Held calls for a “cosmopolitan multilateralism” to replace the “executive multilateralism” of the contemporary period (Held, n.d.). The term executive multilateralism was coined by Michael Zürn to represent “a decision-making mode in which government representatives (mainly cabinet ministers) from different countries coordinate their policies internationally, but with little parliamentary control and away from public scrutiny.”¹ This is very similar to intergovernmentalism as I have used it above. Zürn argues that executive multilateralism is the essence of what John Ruggie earlier called “embedded liberalism” – a solution to the problem of diversity of forms of government among the liberal democracies after World War II so that they could pursue the development of the world economy though liberalization of trade and financial flows without having to harmonize domestic social welfare policies (Ruggie 1982).

Held argues that a new kind of multilateralism is needed to recognize the changes caused by globalization: 1) the creation of overlapping networks of power that cut across
territorial boundaries, 2) the fact that the locus of effective political power can no longer be assumed to be simply national governments, 3) gaps in existing political institutions caused by the first two factors, and 4) increasing global inequality which engenders a “moral gap.”

What is cosmopolitan multilateralism? According to Held, it involves:

a) [a] recognition of the increasing interconnectedness of political communities in diverse domains (including the social, economic and environmental);

b) the development of an understanding of overlapping ‘collective fortunes’ which require collective norms and solutions – locally, nationally, regionally and globally;

c) the acknowledgement of the need for more decisions and more effective and accountable decisions at transnational levels

d) the extension and transformation of our existing multilevel, multilayered polity, running from the local to the regional and global, so that it adopts, within its modus operandi, the principles of transparency, accountability, and democracy (Held, n.d.).

As we shall see, the G8’s attempt at cosmopolitan multilateralism in the governance of cyberspace is called the “multi-stakeholder approach.” While the intention was to address criticisms from the anti-globalization forces about the undemocratic nature of G8 governance, the actuality was a form of global neo-corporatism that has its own problems
of legitimation (Streeck and Kenworthy 2005; Wilson 1983; Gerber 1995). According to Philippe Schmitter, corporatism can be defined as:

a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports (Schmitter 1974, p. 13).

There are two main forms of corporatism. *State corporatism* occurs in dictatorial states that rule using state-instituted bodies (e.g. Nazi youth or women’s organizations) in a simulacrum of group representation. *Neo-corporatism* occurs in postwar European democracies where the state (already subject to republic forms of representation) shares “the public space with social groups organized on a more voluntary basis and entitled to various forms of collective participation and self-government, provided the recognized the primacy of parliamentary democracy (Streeck and Kenworthy 2005).” I will argue below that the move away from intergovernmentalism or executive multilateralism toward a cosmopolitan multilateralism of a neo-corporatist variety of was clearly a step in the right direction for the G8.

**The G8 and the governance of cyberspace**

The representatives of the countries that comprised the Group of Eight (G8) began to address the problems of coordinating policies regarding the governance of cyberspace
in the early 1990s.\textsuperscript{2} The governance issues they dealt with initially included, among others, the establishment of norms, principles, and rules regarding the interconnection of computer networks via networks of networks like the Internet, rights of access to those networks, pricing of access, monitoring of network-mediated economic transactions, intellectual property protection, taxation of goods and services delivered via the networks, privacy, security, and a variety of other matters thought to affect the confidence of users. Towards the end of the decade, the G8 turned to a new issue: reversing the tendencies toward an increasing “global digital divide” between rich and poor countries.

One of the key questions addressed here is why the G8 turned from the previous set of cyberspace governance issues in 1999 to consideration of how to bridge the digital divide. In a previous paper I suggested that one of the main reasons was the G8’s need to respond to the criticisms by anti-globalization forces that G8 governance was undemocratic and therefore contributed to increased global inequality. The members of the G8 wanted to provide a counterargument to the anti-globalization movement’s claim that there was a democratic deficit in global governance. To do this credibly, the G8 attempted to transcend its inherently intergovernmental character by including representatives from “civil society” in its deliberations on the global digital divide. The DOT Force developed a method called the “multi-stakeholder approach” to do this. Based on the survey of participants discussed below, many of them considered this innovation to be a success, but some thought it should be deepened and generalized to other issue-areas.
Origins of the debate over the digital divide

Although originating in the late 1960s in research begun under the auspices of the U.S. Department of Defense Advanced Research Projects Agency (ARPA), the Internet emerged in the 1990s as the most important network of networks with the capability, in principle, to interconnect every computer (large or small) on the planet. While the ARPANET was built in the 1970s to interconnect military contractors with one another, it was succeeded first by the NSFNET, which expanded interconnection to university scientists and engineers, and then by the Internet. Commercial interconnection to the Internet began in the late 1980s and soon many businesses had shifted at least some of their activities to cyberspace (Abbate 1999; Berners-Lee 2002, Cerf 2004; Hafner and Lyon 1998; Hart et al. 1992).

By the early 1990s, the U.S. government began to ask the rest of the world to adopt policies that it believed would be conducive to the spread of Internet-based commercial activity. This was the Global Information Infrastructure (GII) initiative of the Clinton administration.

One particularly important aspect of the Clinton administration’s GII initiative was the push for policies of minimal restrictions on e-commerce in order to encourage the shift of economic transactions to the Internet. According to one official publication, *The Framework for Global Electronic Commerce*, there was a danger of killing off the goose that lays the golden eggs:

Commerce on the Internet could total tens of billions of dollars by the turn of the century. For this potential to be realized fully, governments must adopt a non-regulatory, market-oriented approach to electronic commerce, one that facilitates the emergence of a transparent and predictable legal environment to support global business and commerce. Official decision makers must respect the unique nature of the medium and recognize that widespread
competition and increased consumer choice should be the defining features of the new digital marketplace (The White House 1997).

The Clinton administration called on the World Trade Organization (WTO) to declare the Internet a tax-free environment and to request the development of a uniform commercial code for electronic commerce. They asked that there be a WTO effort to make national intellectual property regimes more consistent and enforceable. A series of reports were issued to provide background information for these and other related policy proposals over the next three years (Smith et al. 2001, p. 12). The U.S. government was largely successful in these policy initiatives, although not without generating considerable controversy.

The Clinton administration also called for a meeting of the information ministers of the G8 in 1995 to be held on February 25-26 in Brussels. The main topic of discussion was the means by which to “encourage and promote the innovation and development of new technologies, including, in particular, the implementation of open, competitive, and world-wide information infrastructures.” The conference concluded with the identification of a set of pilot projects that would benefit from international cooperation (European Commission 2001). These projects were adopted formally and funded by the G8 at the following summit.

At around the same time, a joint symposium of the Asia-Pacific Economic Cooperation (APEC) countries and the Organization for Economic Cooperation and Development (OECD) in Vancouver, Canada, addressed “Building the Foundation for the 21st Century.” The APEC-OECD symposium laid the framework for a market-led policy for infrastructure and service development. The OECD followed up in Turku, Finland, in
1997 with a joint government and business conference on the theme of “Dismantling the Barriers to Global Electronic Commerce.” In 1998, the OECD held a ministerial conference in Ottawa on “A Borderless World: Realizing the Potential of Electronic Commerce (OECD 1998).” It was at this conference that the members of the OECD agreed to the Ottawa Taxation Framework Conditions (see below for details). APEC also held follow-up meetings that focused on using the Internet and information technologies to solve problems of economic development. These meetings probably influenced later discussions on bridging the digital divide among the G8 (Beaird 2003).

A Global Information Infrastructure Commission (GIIC) was formed in February 1995 that has met annually since then. The first full meeting of the GIIC took place in Washington in July 1995. The GIIC was designed to facilitate cooperation between governments and the private sector in order “to foster private sector leadership and private-public sector cooperation in the development of information networks and services to advance global economic growth, education and quality of life (GIIC 1995).”

The National Telecommunications and Information Administration (NTIA) of the Commerce Department issued a report in 2000 entitled Falling Through the Net: Toward Digital Inclusion (NTIA 2000). This was the first major U.S. governmental effort to study and document inequalities in access to and usage of the Internet across social groups. The report showed a trend of increasing usage of the Internet but also an increasing gap in usage between urban and rural, minority and non-minority groups, and high and low socio-economic status households. For some variables, such as gender and income, the gap was decreasing. But the key finding was that “noticeable divides still exist between those with different levels of income and education, different racial and
ethnic groups, old and young, single and dual-parent families, and those with and without disabilities (NTIA 2000, executive summary).”

The NTIA report focused mainly on the United States, but it did not take long for similar studies to appear that highlighted international aspects of the digital divide. For example, the World Economic Forum (WEF) launched its Global Digital Divide Initiative (GDDI) in 2000 “to develop public-private partnerships that would help bridge the gap between those who have ICT access, skills and resources and those who do not (WEF 2002).” The International Labor Organization (ILO) released a study in 2001 arguing that lack of access to information and communication technologies (ICTs) on the part of workers in the developing world denied them access to jobs in the technology sector. The report noted that access to ICTs without appropriate education and training would not be a sufficient response to the growing North-South digital divide (ILO 2001). Similar studies were done by the World Bank and special agencies of the United Nations.

**The Okinawa Charter**

At the international economic summit held in Okinawa and Kyushu in June-July 2000, the G8 adopted the *Okinawa Charter on Global Information Society* (Government of Japan 2000). A draft for this document was prepared for pre-summit discussions with representatives from developing countries at a meeting in Tokyo just before the summit under the sponsorship of Japanese Prime Minister Yoshiro Mori. The Japanese government wanted the G8 to go beyond the scheduled discussions of debt relief in Okinawa summit, partly as a response to the demonstrations against the G8 and the WTO that had taken place in Seattle in 1999. It raised the possibility that there would be a
large fund of new aid money available to developing countries to assist them in the
process of integrating new information technologies into their ongoing economic
development efforts – possibly as much as $15-20 billion (Chandler 2000).

The Okinawa Charter started by stating that ICTs are “fast becoming a vital
ingine for the world economy.” It argued that ICTs have the potential to transform
economies and societies because of their “power to help individuals and societies use
knowledge and ideas.” The Okinawa Charter put forward a principle of inclusion in
which “everyone, everywhere should be enabled to participate in and no one should be
excluded from the benefits of the global information society.” It stressed the importance
of governmental leadership in creating an “appropriate policy and regulatory
environment” which included the fostering of competition and innovation in an overall
environment of economic and financial stability. It called for “collaboration to optimize
global networks, fight abuses that undermine the integrity of the network, bridge the
digital divide, invest in people, and promote global access and participation.” The last
paragraph of the preamble to the Okinawa Charter reiterated the G8’s commitment to
bridging the global digital divide (Government of Japan 2000).

The second section of the Okinawa Charter focused on the need to create the right
policy and regulatory environment for ICTs to have a positive impact. The private sector
“plays a leading role” but “it is up to governments to create a predictable, transparent,
and non-discriminatory policy and regulatory environment…” The document went on to
stress the importance of enforcing intellectual property rights and liberalizing
international flows, especially e-commerce. It urged taxation policies consistent with
those pursued by the OECD, “continuing the practice of not imposing customs duties on
electronic transmissions,” and the adoption of interoperable, market-driven standards. Like the OECD efforts described briefly above, the Okinawa Charter identified privacy protection, electronic authentication, and security to be important areas for future discussion.

The remainder of the document reaffirmed the commitment of the G8 to bridging the global digital divide and suggested ways of working with other international organizations and private sector groups to achieve this goal. In the final pages, the Okinawa Charter announced the decision of the G8 to establish a Digital Opportunity Taskforce (DOT Force) to respond to the needs of the developing countries. The Okinawa Charter became the foundational document for a G8 effort that was to begin in 2000 and end in 2003 with the creation of a number of pilot programs, reports, and policy dialogues meant to advance the state of art in applying ICTs to development concerns.

The DOT Force

After the Okinawa Summit, forty three teams from organizations representing governments, the private sector, non-profit organization, and international organizations were assembled to “identify ways in which the digital revolution can benefit all the world’s people, especially the poorest and most marginalized groups (DOT Force 2001).” The first meeting of the DOT Force was held in Tokyo on November 27-28, 2000. The meeting was chaired by Japanese Deputy Foreign Minister Yoshiji Nogami. A schedule was established for the preparation of a report prior to the next international economic summit in Genoa. The report, to be finished by May 2001, would be drafted with the help of the World Bank and the United Nations Development Program (UNDP). It
would deal with the issues discussed in the Okinawa Charter and would be “action-oriented (DOT Force 2000).”

The report that resulted, *Digital Opportunities for All: Meeting the Challenge*, concluded that “when wisely applied, ICT offer enormous opportunities to narrow social and economic inequalities and support sustainable wealth creation, and thus help to achieve the broader development goals that the international community has set (DOT Force 2002, p. 3).” It proposed four areas for action:

1. fostering policy, regulatory, and network readiness;
2. improving connectivity, increasing access, and lowering costs;
3. building human capacity; and
4. encouraging participation in global e-commerce and other e-Networks (DOT Force 2002, pp. 4-5).

The members of the DOT Force went so far as to assert that “the basic right of access to knowledge and information is a prerequisite for modern human development.” The enthusiasm for using ICT as the primary vehicle for this was palpable in the report’s verbiage.

The report went on to discuss and summarize the UN Millennium Declaration and the related Development Goals, which included, among other items, reducing the number of people living in extreme poverty by half between 1990 and 2015. It stressed the potential utility of using ICTs to reduce global inequality but also the need to put “in place the appropriate infrastructure,” which “is a multi-sectoral and multi-stakeholder task.” The report referred to the need for governments to work together with non-profit organizations, private firms, and international organizations. The report claimed that the
DOT Force was the first G8 initiative to take this idea seriously. This emphasis on multi-stakeholder participation was no doubt partly a response to the criticisms of the so-called “civil society organizations” about their lack of access to decision-making in the G8, the WTO, and the World Bank/IMF systems.

The report did not ignore the difficulties of the tasks it recommended the G8 to undertake. It included discussions of the problem of general skepticism about the potential role of ICTs in development, opposition to using ICTs to enhance transparency and thereby reduce corruption, and the possibility of negative reactions to the effects of ICT diffusion on employment patterns. It called for fresh thinking on these matters and for a search for best practices on a global basis. The report concluded with nine “action points” that later were called the Genoa Plan of Action. The Plan of Action was fully endorsed by G8 leaders at the Genoa Summit in July 2001.

The G8 was led by Italy in 2001 and Canada in 2002. The governments of the two countries were given the responsibility to facilitate the work of the DOT Force after the Genoa Summit. The DOT Force implementation teams proposed a number of new projects in the following seven areas:

- national e-strategies
- access and connectivity
- human capacity building
- entrepreneurship
- ICTs for health
- local content and applications
- global policy participation
These projects and the subprojects associated with them would continue beyond the life-span of the DOT Force itself, mainly via a hand off to working groups of the newly created UN ICT Task Force.

The DOT Force prepared a final document entitled *Report Card: Digital Opportunities for All* that was published in June 2002 in time for discussion at the G8 summit in Kananaskis (DOT Force 2002). This report asserted that the “multi-stakeholder approach of the DOT Force now serves as the model for other global ‘ICT for development’ initiatives that follow in its footsteps (DOT Force 2002, p. 2).” With the conclusion of the Kananaskis summit the DOT Force officially ceased operations.

**Results of an email survey of participants**

In another paper, I describe the results of an email survey of participants in which it is generally agreed that the multi-stakeholder approach was intended to address the criticisms of the G8 by anti-globalization forces and that the approach actually helped to legitimize G8 governance by creating an atmosphere of trust that did not previously exist, especially among NGOs and third world governments who were normally locked out of G8 processes. Many of the participants wanted to see this approach applied more widely and in other areas.

Some of the participants noted that the multi-stakeholder approach would have been more effective if the basis for selection of representatives on nongovernmental representatives had been more widely known and if there had been efforts to deepen the discussions so that they included a broader circle of societal actors. One representative of an NGO remarked about NGOs that “we’re a hard to satisfy group!” Some participants
thought that the shift toward security issues that followed the September 11, 2001 attacks and the change in US administrations meant an uncertain future for the multi-stakeholder approach (which they regretted). Another participant argued that the need for such approaches arose from the fact that “governments of the industrial countries realized that they are losing control [of] globalization processes (Hart 2005).”

There were some differences in opinion about the multi-stakeholder approach across the types of participants. Generally speaking, representatives of nonprofit associations were the most enthusiastic while business participants were the least enthusiastic. Business had worked hard over a decade or more to win a seat at the table in cyberspace governance forums. They saw the NGOs as newcomers and interlopers who had not paid their dues. Like the representatives of governments, they were not fully convinced of the value of giving NGOs access to governance bodies, as opposed to access to forums for discussion and protest. Representatives of governments were not fully convinced of the value of giving private businesses representatives access to international governance bodies, but if forced to do so, they seemed to prefer giving access also to the critics of private business.

Conclusions

The multi-stakeholder approach was probably a step in the right direction for legitimating global governance in the G8 because it inherently recognized the need to supplement the traditional intergovernmental approach with direct representation of societal interests, but the most important objections to it echoed the political objections to neo-corporatism in domestic governance debates. Neo-corporatism gives the state (or, in
this case, the member states of the G8) the power to privilege certain social groups by giving them a seat at the table. While this may enhance the legitimacy of governance somewhat, there will be objections to the exclusion of other unrepresented groups. Included groups may be criticized for allowing themselves to be co-opted by the member states: that is, their critics will argue that they have traded effectiveness for access.

The ability to privilege some groups over others may be a useful tool for governance bodies who wish to draw distinctions between what they deem legitimate and illegitimate forms of representation. In republics, this occurs on a regular basis when, for example, radical groups eschew direct lobbying of executives or parliaments in favor of civil disobedience, mass demonstrations, or other protest activities while more moderate groups focus on lobbying. This occurs partly because the moderate groups are more likely to be invited to testify at parliamentary hearings or to be given access to the offices of individual elected representatives. The difference between neo-corporatist forms of representation and more purely republican forms of government is that some genuinely popular interest groups are denied access, thus creating a chink in the legitimating armor of the republic.

In conclusion, my advice to managers of private firms is to consider these issues when confronted with opportunities to participate in multi-stakeholder processes. It may be that the direct participation that they prefer in certain international governance bodies, like the G8 or the OECD, is more likely to persist and deepen if governments can argue that private interests are being offset by including representatives of other opposing interests. The long-term cost, however, beyond having to compromise from time to time
with anti-business civil society organizations, may be that the multi-stakeholder approach will not necessarily end criticisms about the democratic deficit in global governance.

Notes

1 Held acknowledges Zürn as the source in Held n.d.

2 I will use G8 to stand for both the Group of Seven (G7) major industrialized countries that met annually at international economic summits from 1974 through 1997 (the United States, Canada, Japan, Britain, France, Germany, and Italy) and the Group of Eight (G8) that began in 1998 with the addition of Russia as the eighth member of the group.

3 I thank Derrick Cogburn and Ernest Wilson for reminding me of this difference which is informed by their extensive field research on cyberspace governance.

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