

Shaping a Globalized World Global Policy Council Berlin

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Shaping a Globalized World
| Bertelsmann Stiftung

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Preface

Globalization is a driver of social change around the world. Its implications need to be managed politically. At the Bertelsmann Stiftung, we want to think deeper about the political agenda of a globalized world, about strategies for action and modes of governance. To this aim, we have developed the project “Shaping a Globalized World”. The project seeks to elaborate ideas and suggestions on how globalization can be managed politically and to incorporate these ideas into an international debate. The project is meant to be a pathfinder and an advisor to policymakers and the public. Its purpose is to spur participants to think more deeply about the political agenda of a globalized world, about strategies for action and modes of governance.

“Shaping a Globalized World” attempts to examine global governance issues inclusively and equitably. Much of the debate on globalization and global governance up to now has been defined in primarily Western terms. The Bertelsmann Stiftung is convinced that this imbalance must change. We cannot manage the new challenges of a globalized world without integrating the perspectives of emerging powers in Asia, Latin America and Africa.

Against this background, our first step is to reflect upon and to discuss the issues and priorities of the emerging global agenda. This will be the focal point of the Global Policy Council Meeting (GPC) on March 12 - 13, 2009 in Berlin. The GPC, which the Bertelsmann Stiftung created in 2006, is a brainstorming meeting of leading global affairs thinkers. The GPC aims to identify and discuss the components of a truly global agenda and to develop a fresh approach to global governance that is more holistic and more inclusive than previous efforts.

In preparing for the conference, the project team has invited think tank representatives from all continents to reflect and comment on the essential challenges of the globalized world from the perspective of their particular country or region and on the longer term preferences of its political elites. Each think tank was asked to answer the following five questions:

1. What are the essential issues/problems/challenges of the globalized world that require a political response and action? Please differentiate internal/external response and short-term, medium-term and long-term issues.
2. Which important interests of your country/region are promoted by globalization, which are currently neglected or frustrated in the process of globalization?
3. What are the preferred instruments of managing a globalized world? What role for structured multilateralism (such as UN), what role for structured regionalism (such as EU or ASEAN)?
4. Should governance of a globalized world be based on general or universal principles? If so, which ones?
5. Who should lead the process of building transnational governance?

This reader contains the position papers written in response to these questions. The contributions received from all around the world together exemplify the extent to which perceptions on globalization vary, its positive and negative effects are unequally distributed and challenges and opportunities differ depending on one’s vantage point. Finding a common global agenda evidently

becomes a more difficult task within that context, as it not only is an exercise which consists of *defining* a number of items. Rather, a truly global agenda must be concerned with reconciling interests, understanding all actors as having an equal footing (perhaps for the first time in history), and pursuing the global good.

How difficult this is has become apparent throughout last year: 2008 has been a year of crisis. Extreme food insecurity due to a plethora of reasons, soaring oil prices and the ever more urgent need for climate protection as well as a financial and economic crisis of dimensions unexpected just some months ago underline the need for global concertation and cooperation in an impressive manner. Yet, the way in which all these developments unfolded also illustrates the tremendous difficulties encountered when trying to provide global answers to global crises.

At the Bertelsmann Stiftung, we are nevertheless convinced that there is no alternative to managing globalization politically. For this reason, we decided to meet the challenge and engage in the debate on global governance with this very project these papers are a part of. In times of rapid change worldwide, such a debate is more relevant than ever.

Josef Janning
Guetersloh, March 2009

Expert Report Brazil

Denise Gregory

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Abstract

In this expert report, Gregory and Flôres discuss globalization as an enabler of rapid growth for Brazil through business expansion and trade opportunities. However, the recent financial crisis, also amplified through global connectedness, has begun to unfold with disastrous consequences around the world. Despite Brazil's growth and increased international relevance, the authors doubt the country will emerge as a global player that can influence the impact of the financial crisis. The authors perceive three further essential challenges of globalization that require Brazilian as well as international political response: the internationalization of crime and unilateral reactions to it; unequal technological development and competition; and natural resource preservation. In the following, Gregory and Flôres elaborate a Brazilian perspective on principles and instruments needed for proper international governance of these issues.

About the authors

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Introduction¹

In their controversial book, *Empire*, Michael Hardt and Antonio Negri² argue that in a world where globalization is pervasive, with media, information and telecommunication facilities reasonably accessible to nearly everyone, building up an empire in classical terms, with hegemonic power, would become impossible. So many opportunities, loopholes, fractures and regional to micro associations are created or made possible, that centralized absolute power and hegemonic behavior would be much more difficult.

Though agreeing with their broad view, we think that “globalization” – whatever connotations it might have – interacts in complex and still unknown ways with local to national power, being not at all clear the form of the ultimate outcome. If it raises problems and opportunities, it is not certain that the latter surpass the former. The specific economic conditions of each country, the response and interests of the elites, together with the pressures and organization level of the poor and minorities, strongly condition how a problem can transform itself into an opportunity and vice versa. The enlarged environment, with its (regional) neighbors, main suppliers and trade partners, and likely allies also plays an important role. It is with these points in mind that we address the five questions posed by the Bertelsmann Foundation.

1. What are the essential issues/problems/challenges of the globalized world that require a political response and action?

We identify four issues/challenges. The first is the internationalization of finance, and the ensuing lack of control of the international financial system. Since the second semester of last year, we have been watching the unfolding of a very serious crisis which, in the past few months, led to disastrous consequences in the US, Europe and, to a certain extent, all over the world. The crisis is far from finished, new impacts being expected at least until mid-2010.

In the aftermath of the huge US shock, nearly everybody around the globe talked about more regulation. It is not our purpose here to discuss either the crisis itself or solutions to it; but it provides an interesting case study for the cleavages suggested in the question. From the internal viewpoint, banking (and financial sector in general) regulation in Brazil is fairly solid, being stricter than the US one and displaying a more diversified array of controls and safety nets. But the country did suffer, and will still suffer from the crisis, via the numerous (financial) globalization channels. As regards external responses, it can only act through its seat in the G20³, its membership in international organizations like the IMF – International Monetary Fund and the informal (and personal) individual clout of its president and diplomats. In spite of its size and nowadays relevance, Brazil is not a major player in this arena, and we wonder how much influence

¹ The views reflected here are those of the authors and neither of the Brazilian Center for International Relations – CEBRI, nor the Fundação Getúlio Vargas.

² *Empire*, M. Hardt and A. Negri, Harvard University Press, Cambridge, Mass. 2000.

³ Given the present Brazilian presidency of the group, a meeting was conveyed in São Paulo, during the November 8-9, 2008 weekend, to discuss ideas of solutions to the crisis.

it can actually have in the discussions over the next months. This is surely a long-term (effects) issue on which the country and its elites have limited control.

A second issue is the internationalization of security measures, of constraints created by the 'fight against terrorism' and the new ways – sometimes overtly unilateral - of solving armed conflicts. Closely linked to this, are the international networks of drug trafficking and corruption, with their strong socially de-stabilizing role. This is a crucial short to medium term issue for a developing country with so many social fractures like Brazil. Here, the line between internal and external actions is somewhat blurred, so powerful and diversified are the ways through which external views and conditions introduce themselves in daily life. However, though reasonably impotent in a global dimension, the country has the ability to exert a fair amount of control in the regional dimension. Be it as a go-between among its more vocal neighbors and the Northern powers, or as a main actor in the triple boundaries in the Southern Cone, or, still, as an ever more concerned defender of the Amazon forest, there is room for a manifold of actions, part of them having not been fully implemented yet. Political elites are becoming more aware of the importance of safe and properly secured borders, particularly in the Amazon region⁴. Enlightened diplomatic work is crucial in all instances of this challenge, and has been reasonably well conducted. Much, unfortunately, remains to be done both in the internal and regional sphere.

A third issue is technological development and competition in a global world. In spite of Hardt and Negri's favorable view on the spread of information, globalization has heightened technological competition and concentrated innovation and creative development in a set of "focal centers" around the globe⁵. While most of these centers were previously located mostly in the Western Hemisphere (notably the US and the European Union), a shift towards Eastern Asia is more than noticeable nowadays. This has brought forth drastic changes in the (world) social and technical divisions of labor, with corresponding changes in the direction and content of the international trade flows.

How is Brazil inserted in this fast and highly competitive lane? We see, in this case, attitudes close to omission from the elites, government and a great part of the productive sector. The first and main internal response has to do with education – in all levels -, something still poorly cared for in the country. Existing islands of competence, like the core of São Paulo's metropolitan region, are not enough to push the country towards a higher level of technological skill. Additional incentives come from trade competition and the urge to open new markets, something which produced positive externalities in the agribusiness sector as a whole, but, again, it is not enough. On the other hand, a huge and slow bureaucracy counteracts many of the positive external incentives. The long-term consequence of this unfortunate attitude is to secure a peripheral position of the country in a world dominated by fast technological change. This will have not only economic consequences, but equally serious social ones.

⁴ The military have always been aware of this.

⁵ Nobel laureate in Economics Paul Krugman, in a series of papers (a few in co-authorship with Anthony Venables), has formalised this phenomenon: a world with clusters/agglomerations of (advanced) industries, surrounded by 'deserts' of (lack of) innovation.

The fourth and last issue is the climate change/global warming issue, combined with rhetoric on sustainable development and natural resources preservation. This problem has many faces, ranging from “who should pay the largest part of the bill” to the plethora of conservation and carbon reduction strategies, many of debatable efficiency. We forecast that, in the international arena, such a confusing rhetoric may turn – under global governance excuses – into more control and intrusion in resources-abundant countries like Brazil. As in the previous issue, we see not a well defined strategy for coping with this challenge.

The country has a relatively, or rather, comparatively clean energy matrix, is the world top producer of ethanol for fuels and has a few innovative policies in energy conservation. However, taking for instance ethanol, it faces, externally, the outrageous US subsidized policy of (expensively) extracting ethanol from corn and the lovely-speech-zero-practical-measures of the European Union, which progressively creates – beyond the existing tariffs – non-tariff barriers to the Brazilian product. ‘Deforestation’, ‘criminal replacement of food for energy crops’, ‘non-sustainable practices’ are a few of the clichés used against Brazilian products and policies by those who either ignore the geography of the country or deliberately want to alter the truth. But the country responses are inadequate both in the internal and external fronts. Internally, a certain lack of coherence and of more aggressive (and assertive) policies, as regards the Amazon, Pantanal and ‘cerrados’ borders, raises doubts on the fairness of Brazilian programs. Externally, the country – also a major oil producer, and prospectively a top one – plays an ambiguous game, not explicitly denouncing the numerous lies aired in meetings and by the media, while lacking transparency in many of its decisions and attitudes. The cost of such behavior is already evident in the short run, and tends to aggravate in the medium to long term, as this issue will become ever more crucial.

2. Which important interests of your country/region are promoted by globalization, which are currently neglected or frustrated in the process of globalization?

In the case of Brazil, the internationalization of its activities, notably in the form of the new Brazilian multinationals, has been strongly promoted by globalization. The more open domestic attitudes all over the globe to foreign direct investment (FDI), the increased mergers and acquisitions activity, progress in communications, together with varied technological and managerial advances, have paved the ground for the expansion of Brazilian firms – like Vale, Petrobras and the Gerdau and Mindlin groups, to cite a few -, always strongly backed by a substantial domestic demand.

The extremely successful functioning of the WTO – World Trade Organization, globalization’s first international organism –, in spite of the many (due) criticisms that may be raised against it, has also significantly helped and encouraged the more aggressive and diversified Brazilian trade policies.

The worldwide debate on climate change and food provision problems also opens interesting windows of opportunity for the global positioning of the country. However, in these issues, as mentioned in the answer to Question 1, contrary to the two examples above, Brazil hasn't fully explored both its strong arguments and position yet.

Global awareness of the serious poverty/inequality question has also prompted, or helped to implement, dearly needed assistance programs and diversified initiatives. In some areas the country has designed and implemented novel, creative policies. Exchange of such experiences with other countries that are trying to attack the same or related problems, like Mexico, Pakistan, Cuba, Venezuela and many African states, as well as with international organizations and NGO's, is still somewhat limited, though has been increasing of late. Also, a broader discussion on the next steps of the basic assistance programs, profiting from the opportunities, funding and knowledge sources provided by globalization, and defining the proper thresholds for enabling the poor to become a productive and participative citizen is lacking.

3. What are the preferred instruments of managing a globalized world? What role for structured multilateralism (such as UN), what role for structured regionalism (such as EU or ASEAN)?

We see both as important. Structured multilateralism ensures the key 'one country, one vote' right and the adequate forum for debating systemic issues triggered by globalization. The price, as known, is slower progress in decision making and the risk of adverse strong coalitions blocking the whole process. Notwithstanding, it is the perception of a country with the size and (relative) importance of Brazil that UN-like fora are the only ones to give political legitimacy to solutions to problems posed by globalization. Of course, outdated structures within the UN system, like the Security Council, must receive a new, modern formulation.

But structured regionalism also has its place, particularly in a region with vast and varied natural resources that follow no political boundaries and frontiers. It is our contention that in a continent so generously endowed with energy, water, vegetation and biodiversity abundance, regional answers, in the form of ever more integrated management, conservation and wise exploitation policies, are the right way to cope with the various challenges that globalization poses to this. Adding the existing and potential agribusiness producing systems, Brazil has much to gain in a structured regional cooperation mode with its South American neighbors.

Last but not least, the continent itself is becoming an important trade partner for Brazil, absorbing diversified manufactured goods, as well as parts and components from technologically more sophisticated Brazilian firms. Closer trade relations are a key factor from both the internal and external viewpoints. From the former, it means consolidation of different sectors, with the needed (from an international competitiveness perspective) expansion of their domestic market. From the

latter, it may mean a more efficient social division of labor in the continent, turning it, as a whole, into a more competitive bloc in international trade terms.

In spite of the relevance of both approaches, in the case of opting for one of them, or under scarce resources for tackling a specific item or question, the multilateral route should be preferred.

4. Should governance of a globalized world be based on general or universal principles? If so, which ones?

Present global governance (the structure of international institutions) is not equipped to take up the challenges of today's much complex world. It suffers from a democratic deficit: a lack of legitimacy, regulation, redistribution of resources, and justice. Growing threats from climate change to global terrorism, poverty, diseases, transnational crime, finance and development, security and defense call for concrete cooperative problem-solving arrangements. Indeed, these worldwide problems go beyond the capacity of individual states to solve them.

International arrangements must be found, taking the shape of laws or formally constituted institutions (public or private), or informal arrangements, as in the case of coalitions. The convergence of new problems and the interests of a wider set of emerging powers and non-state actors make it necessary to rethink the changing nature of international relations and global governance. The mobilization of public opinion and trans-national movements constitutes one of the most positive elements of the development of globalization.

We believe that, ideally, effective Governance should reflect a universal set of principles, based on certain core and shared values, which would oblige all parties and be measured, monitored and analyzed. Unfortunately, universally agreed principles, like the Right to Life (under minimally decent conditions), are few and difficult to be found. In practice, we should perhaps pursue adoption of general, not necessarily universal, principles like: democracy, where society must freely choose its government and the functions of the state must reinforce the rule of law; freedom of expression, transparency, accountability and representation; the efficient management of resources, and associated policies and regulations; access to knowledge and information; and respect for the institutions that govern economic and political interactions.

Brazil has historically defended multilateralism and collective action by the United Nations as the best way to provide for global governance. Its diplomatic doctrine and practices have shown its strict obedience to international law principles of non-interference in other countries' domestic affairs, peaceful solutions in interstate controversies, respect to human rights, and the belief that only the UN has the legitimacy to solve conflict between states. The answer to emerging threats relies on pre-emptive monitoring and we believe and want the UN to act preemptively. Universal membership and international legitimacy give the UN unmatched convening and mobilizing power and involve all the actors of global governance.

However, since the UN traditional mechanisms are considered inappropriate to deal with new global concerns, the UN should be reinstated to strengthen its reach and effectiveness. The General Assembly is the only forum with universal representation, but its decision-making process, the Security Council structure and the Bretton Woods Institutions did not follow the changes in global economic order. The General Assembly progressively lost power to the Security Council, which overstepped its original mandate to deal with issues such as climate change, Africa and debt forgiveness. The UN system is in danger, and the US unilateral action of invading Iraq in 2003 has further damaged it.

The great challenge is to accommodate emerging economies and developing countries in a more representative and democratic framework. Global leadership is required to guarantee that the UN will continue to exercise its ability to integrate peace, security and development, as well as to organize a number of global conferences to debate major issues, actually various gaps in global governance, ranging from knowledge and normative gaps, to institutional and implementation aspects of global policies.

5. Who should lead the process of building transnational governance?

Existing international institutions are incapable of effectively addressing the challenges of globalization. The resolution of many multi-sector global challenges calls for the modernization and reform of the global institutional architecture. The world economy has become more diversified, with new poles of national and regional powers interacting with global networks of economic and financial interdependence. An individual state or sub-set of states cannot efficiently and sustainably solve their own global tensions, such as climate change, scarce resources, trade, global epidemics, weapons proliferation and rogue states.

Globalization resists centralization. The world faces the challenge of having to deal cooperatively and collectively with ever more problems, despite critical divides among key negotiating blocs, especially between producers and consumers, and developed and less developed countries. The new actors had no voice when the rules were drafted sixty years ago. They are pushing for more equitable participation and representation and are challenging the existing western dominance in the intergovernmental organizations, from the composition of the Security Council to the governing structure and weighted voting systems of the IMF and the World Bank.

It is increasingly difficult to establish comprehensive multilateral agreements. The number of participants in the trade system, for example, rose from 20 in 1947 to 150 today. Several members opted to enter into bilateral and regional agreements, which circumvented the existing multilateral rules and led to an excessive number of exceptions to the most-favored-nation clause.

At the global level there is a need for leadership, which can only be provided by some sort of informal council: the setting of a forum at top government leaders' level. Leaders have the ability to

mobilize their governments through top-down political direction, ensuring that their global commitments translate into national action. They can also rise above domestic politics and adopt policies that provide global collective benefits.

The G7 was established as a forum of like-minded liberal democracies, but one “club” cannot address alone global concerns and does not have the legitimacy or the means to impose effective decisions. We support the proposal of enlarging the G7 plus Russia (the G8), by bringing in Brazil, China, India, Mexico, and South Africa (the G5), due to their economic size, relevance for regional politics and security stability, role and responsibility in managing social and environmental problems with global impact. But is a G13 a “correct” arrangement for leading global governance? Ideally, we need a “16 to 20 country steering committee”, in order to assure representativeness from each region; a group of “key” countries to agree upon certain rules, principles, and practices, and be bound by them, not only among themselves, but in the relationship with the rest of the globe.

The world nonetheless is so complex and diverse in interests, that it is hard to imagine such a steering committee will be able to address all relevant issues under consideration, political, economic, financial, energetic, or security related. The question is where to draw the line. We should thus determine which issues are susceptible and ripe to progress in a steering arrangement. Arrangements evolve by their nature and are a living process, bringing together countries that would most effectively contribute to the particular subject under consideration. We favor a variable geometry approach, where additional countries may be invited to the table, depending on the topic to be discussed. The format and composition of the group will change according to the nature of the problem to be addressed.

We have been witnessing the outburst of variable geometry coalitions of like-minded developing countries, working together around specific global agenda goals, irrespective of sometimes diverging political and economic visions. From climate-change to trade and the current financial crisis negotiations, what we see gradually happening is a concrete burden-sharing among key responsible stakeholders. Examples are ad hoc alliances of emergent powers as the BRICs – Brazil, Russia, India, and China; the IBSA – India, Brazil, and South Africa; and the G20 agriculture coalition in the Doha Trade Round, which are articulating common interests on different issues.

In sum, the process of building transnational governance should be led by a joint forum of the G8 leaders with the full and permanent participation of G5 and a few other countries from missing regions, like Islam and the Middle East, but not excluding variable geometry arrangements.

Expert Report Europe

Barbara Kunz

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Abstract

This paper is an attempt to capture the current state of European debates on globalization, the perspectives for global governance and the role Europe can and should play in that context. Given the paper's high level of aggregation, no country-specific answers will be offered. Rather, the ambition has been to take stock of the major strands of the somewhat diffuse state of mind in the twenty-seven EU member states regarding these issues.

As shall be argued, before Europe is ready to provide leadership in a globalized world, some homework remains to be done. Moreover, it is useful to distinguish between procedural and content-based leadership: whereas procedural leadership means to make forums available allowing the world to get together, content-based leadership requires a much higher degree of concertation among Europeans in order to promote common policy goals. For Europe's and the world's benefit, Europe's ambition should be to provide both types of leadership.

About the author

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This paper is an attempt to capture the current state of the European debate on a number of questions to be answered below. As such, it is evidently located at a level of aggregation which does not allow to take every single aspect of domestic debate into account. Rather, the ambition has been to take stock and capture the most important strands of what appears to be the somewhat diffuse European state of mind regarding globalization and global governance. The report has been informed by the debate at the Bertelsmann Stiftung's European Caucus meeting held in Brussels on December 11 and 12, 2008. Yet, any conclusion drawn here is exclusively the responsibility of the author. This paper does thus not attempt to summarize earlier papers and debates.

1. What are the essential issues/problems/challenges of the globalized world that require a political response?

As of 2009, the globalized world is facing a number of challenges. Not all issues are equally urgent from all vantage points, and not all actors are equally prone to (re)act. In the following pages, this paper sets out to discuss the global agenda from a European perspective, identifying the essential issues, problems and challenges in a variety of policy fields: economics, the equality gap and the fight against poverty, climate change and ecological governance, energy, migration and, finally, matters related to security and the global distribution of power.

1.1. The economic crisis and the issue of global economic governance

The current economic crisis is, according to the apparent consensus in Europe's¹ political sphere(s) and media, the single major challenge a globalized world needs to manage. This is even true in a double meaning: the crisis not only requires solutions for the concrete problems at hand – pertaining to the regulation of (financial) markets, the provision of credits and cash and avoiding bankruptcies – but in many ways also serves as a litmus test for global governance. No government will single-handedly be able to face this crisis and its global ramifications, making cooperation and coordination imperative.

Almost all European governments have implemented or are about to implement measures designed to counter the economic downturn, yet limited to the domestic sphere. These programs generally focus on support for the banking sector and other key industries in peril as well as infrastructure and are not coordinated within the EU. Yet, despite the consensus on the crisis' dimension, ideas on how *exactly* to react to the crisis differ; old dividing lines are revived. The idea of an "economic government" may serve as an illustration²: while stipulated for years by especially French policy makers as well as recently by former Belgian Prime Minister Guy Verhofstadt³, it is

¹ In this paper, "Europe" refers to the member states of the European Union.

² That stipulation is based on the conviction that, in order to implement successful economic policies, monetary and fiscal policies need to go hand in hand. At the time being, the Eurozone has a common monetary policy by the European Central Bank, whereas fiscal policies – within the framework set by the so-called Stability and Growth Pact – remain with the individual member states.

³ Guy Verhofstadt (2008) "The Financial Crisis: Three Ways out for Europe", Guetersloh: Bertelsmann Stiftung.

strongly opposed by Germany. Similarly, the idea of a common bond⁴ for the Eurozone is far from being considered a good one in all interested capitals.

Beyond the EU, many European states were represented at the 2008 G20 Summit in Washington, initially a Franco-British initiative. For the first time in the group's existence, a G20 meeting received considerable attention in the media. The summit's main goals consisted in finding an agreement on how to deal with the financial crisis and how similar crises should be avoided in the future. In addition, the leaders present in Washington agreed on common principles to guide financial market reform.⁵ How successful the meeting was remains to be seen. Yet, the fact that it brought together leaders from around the world instead of the traditional Group of 8 already now illustrates the shift in world order and the European view on it. Beyond managing the current crisis, it hence becomes evident that the world needs a new framework for global economic and financial governance – and that Europe seems to be well aware of that need. What, however, remains to be done is to translate this awareness into actual policies in contexts beyond the G20 summit.⁶

1.2. The equality gap and the fight against poverty

Despite the room currently taken by the economic and financial crisis, the more structural question of global equality and the fight against poverty remains one of the corner stones of the global agenda. Yet, as far as Europe is concerned, “poverty reduction” does not necessarily refer to the same matters: for the richer West European nations, “poverty” is essentially a problem in the developing world, whereas the poorer, especially South-East European countries still face the need to tackle poverty at home. What exactly is considered “poverty” does of course depend on the surrounding circumstances; nevertheless, gaps in income and wealth are wider in the East than in the West.

Europe was part of adopting the United Nation's Millennium Development Goals.⁷ Yet, ending poverty worldwide is clearly not the first priority in most national discourses, a fact that becomes even more apparent in times of global economic crisis. As the food crisis, which peaked in 2008, has illustrated, the focus continues to lie on ad hoc emergency disaster relief. The structural contributors to the world-wide inequality - such as subsidies and other asymmetric barriers to trade - nevertheless remain untouched, as becomes obvious when for instance looking at the various “blocks” in the Doha negotiation rounds: essentially, the pattern of “the West” against “the rest” remains intact.

1.3. Climate Change and ecological governance

In the European media, climate change is currently arguably the second major topic after the economic crisis. There seems to be a general consensus that climate change is a fact and that action needs to be taken in order to reduce green house gas emissions.

⁴ This debate is about the question whether all Eurozone countries should issue a common bond in order to support those of them with budgets under strain due to the financial crisis.

⁵ Cf. The White House, Office of the Press Secretary (2008) “Fact Sheet: Summit on Financial Markets and the World Economy”, Washington DC, November 15, available at <http://www.whitehouse.gov/infocus/financialmarkets/index.html>.

⁶ Robert Vehrkamp (2008) “One Voice for the Euro”, *Spotlight Europe*, August 2008. Available on the Bertelsmann Stiftung's website at www.bertelsmann-stiftung.de.

⁷ Cf. <http://www.un.org/millenniumgoals/> for details.

Yet, ambitious climate protection goals by the European Commission are seen with scepticism in a number of European countries, in particular but not exclusively among the new member states led by Poland, due to fear that they might hamper economic growth and competitiveness. The so-called Climate Package, adopted by the European Council at its summit on December 12-13, 2008, reflects these mixed ambitions and concerns. Its critics argue that the package is so much the result of compromise and horse-trading that its effects will be insufficient. Because in tackling climate change, relative measures simply mean that Europe is doing “more” than other countries or regions and will not do the trick in reaching the absolute goal of reducing emissions and protecting the environment. Yet, given the fact that attaining low-carbon economies comes at considerable cost, all states face the challenge of reconciling the need for economic growth with reducing pollution. As of the spring of 2009, most European capitals seem to believe that this trade-off should be met by prioritizing the economy.

At the same time, the increasingly evident need to shape the transition toward low-carbon economies creates a thrust for modernization and technological developments, which means that they have the potential to open up chances for increased competitiveness. Growing demand for green technologies thus represents a chance for Europe to establish and maintain its industries on a cutting edge market.

1.4. Energy

As the repeated Russian-Ukrainian rows over gas (the most recent in January 2009) illustrate, energy security remains a top priority on the European agenda. Yet, energy security is only one aspect of the wide field of energy-related matters. Several aspects need to be named:

- securing and diversifying the supply of oil and gas, especially
- balancing vulnerability and the benefits of interdependence in view of Europe’s geostrategic position
- within that context, accommodating different preferences among European states in that regard
- ultimately, attaining to the realization of a common energy market within the EU as the most direct and efficient way of dealing with energy scarcity
- in terms of research and development, finding and promoting sustainable alternatives to oil and gas (including: overcoming the adverse effects of agofuel⁸)

The increasing concern for energy security in times of growing interdependence and interconnectedness may lead to more security as a consequence of more diversified supply. Concrete projects, however, are currently not underway with the exception of the – highly controversial – North Stream pipeline linking Russia to Germany, bypassing Ukraine, Belarus and Poland.

In this context, differences among European states also become apparent regarding nuclear energy. Whereas some are about to abolish it, others are betting on nuclear energy in order to deal

⁸ The term “agofuel” is preferred to the more commonly used “biofuel” in order to avoid the positive connotation of “bio-“ and to emphasize the fact that the use and production of agofuel not necessarily has less negative effects than mineral sources of energy: arable land is used to produce crops instead of food, in part promoting monoculture, food prices soar due to increased demand for crops etc.

with resource scarcity and insecure supply (and the dependencies arising as a consequence). These differences are also relevant as far as climate change and climate protection are concerned, as perceptions of what is a “good” and adequate reaction vary accordingly.

1.5. Migration

In Europe, migration is an issue seen from both the angle of immigration and emigration countries. Especially the Eastern and South Eastern countries have a significant portion of their population working abroad. As far as immigration is concerned, the two major issues at hand are internal migration within the EU (at best, partly related to globalization) as well as immigration from third countries. The highly mediatized situation on the European southern rim illustrates the migration pressure on Europe, as well as the lack of perspective at home of those desperately trying to enter EU countries. In Europe at large, however, the matter does not qualify as a major concern debated as such in the public sphere.

Migration is moreover an issue in terms of labor force and brain drain. The increasing global economic competition also implies a competition for qualified workers, experts and thinkers. Europe as a whole has thus far been less successful than North America in attracting qualified migrants. Against the background of demographic change underway, this is an issue almost certain to gain in importance. Accordingly, other matters related to migration will increasingly come to the fore, such as integration and ultimately the question of national identity.

1.6. Hard security, terrorism and the global distribution of power

As of early 2009, it no longer takes a visionary to establish that what has been termed the “unipolar moment” in world history is over. This, however, does have considerable consequences for the ways in which the international system and its governance function. The main systemic challenge lying ahead is therefore the transition from unipolarity to multipolarity and the update of multilateral modes of global governance.⁹ The new global distribution of power in all its aspects will hence be a decisive factor in shaping a globalized world. As the authors of the National Intelligence Council’s report on *Global Trends 2025: A transformed world* contend, the emerging international system will be characterized by “multipolarity without multilateralism”. If this is the accurate description of the international system in the 21st century, global governance will be an even more complicated challenge than in the past. With unprecedented levels of interdependence among actors, the need for coordination and common approaches increases in times when the likelihood for such coordination and common approaches decreases due to systemic factors and patterns. Therein probably lies the biggest challenge for global governance, faced by Europe as well as by any other player. Yet, whether Europe (or the West in general) will continue to play the same outstanding role in such a new world order remains to be seen. In order for Europe to maintain a certain level of influence in world affairs, a multipolar world order necessarily needs to be endowed with a multilateral mode of governance and current institutions need to be adapted to that effect. This is valid for a number of fields:

⁹ This matter is to be discussed below. These two concepts do sometimes cause confusion: “multipolarity” refers to system structure, whereas “multilateralism” designates a mode of governance.

- Global economic governance requires the reform of the post-Bretton Woods system and the formal extension of the G8 circle to G20 and even beyond
- Climate change must be dealt with within the framework of an effective multilateral system of ecological governance
- Hard security issues must be dealt with in times when the composition of the United Nations Security Council seems more archaic than ever; and more specifically:
- Non-proliferation regimes need to be extended and become more efficient.

Closer to home, the crucial questions remain unchanged: what should Europe do with its Eastern neighbors, including Russia? As becomes obvious with respect to energy security, there certainly is no common European approach. Nonetheless the North Stream pipeline project through the Baltic Sea may serve as an illustration. In the security field properly speaking, the planned US missile defense system is another bone of contention. Certainly linked to Russia are moreover the issues of Belarus and Transnistria, and to some extent also Ukraine and Georgia. Although not “global” in nature, these problems require European answers which would have implications for Europe as an actor (or non-actor) on the global scene.

Further connected issues are the question of institutional enlargement, both regarding the European Union and NATO. As far as NATO expansion is concerned, last year’s Bucharest summit in April led to the postponement of Ukraine’s and Georgia’s accession (a decision confirmed by the foreign ministers’ meeting in December 2008), despite the United States’ and some Central European members’ (most notably Poland’s) pushing for these countries’ adherence.

Hard security as such does not qualify as a major contemporary challenge in European debate and beyond so-called out-of-area missions, although opposing trends are observable in Europe: whereas NATO is adopting an increasingly wide approach to security, the European Union is more and more getting engaged in traditional, hard security activities through its European Security and Defense Policy.

Terrorism is probably not to be considered as a major concern beyond what has to be termed “the usual” these days as far as the terrorist threat to Europe itself is concerned. Terrorism in general, however, will require a global response, as the recent attacks in Mumbai as well as the ongoing fight against the Taliban in Afghanistan illustrate. Through NATO’s ISAF mission, Europe is taking part in that fight. Other European contributions in the struggle against terrorism deal with piracy or border control in many parts of the world.

2. Which important European interests are promoted by globalization, which are currently neglected or frustrated in the process of globalization?

Europe is a central playing field of globalization and, overall, Europeans have benefited significantly from the mutually reinforcing dynamic between market forces, technological change and public policies. As an increasing body of research shows, the various forces of globalization have, on the whole, fostered large gains for European countries and citizens and ensured

unprecedented economic growth and prosperity.¹⁰ Yet although globalization has made life better for most Europeans, many remain ambivalent, worrying about job losses and the pace of global economic change that seems to threaten their prosperity. The reason for this ambivalence is that the benefits of globalization have not been evenly shared among and within European societies and for many Europeans globalization has meant disruption and uncertainty. As Daniel S. Hamilton and Joseph P. Quinlan have pointed out, “[t]here have been winners and losers. Globalization’s gains are widespread, but often they seem abstract or diffuse. Globalization’s pains on the other hand, can be tangible and traumatic, and can have an outsized impact on particular companies and communities. Globalization is not the only source of economic change and disruption in Europe, but like other sources it can inflict real costs on particular members of society.”¹¹ Against this background, opportunities and challenges of globalization differ from country to country, and from policy field to policy field. In other words, a wholesale assessment of globalization’s effects in Europe is difficult, if not impossible, to achieve.

2.1. In economic terms: trade, foreign direct investment and access to markets

In a nutshell, Europe both benefits from the effects of globalization and, simultaneously, faces new challenges. Export-oriented European economies such as Germany find new markets, trading partners and possibilities to outsource their production. Membership in international trade regimes and especially the World Trade Organization (WTO) facilitate worldwide exchanges of goods and services. Nevertheless, not all European countries are equally well integrated in the global economy, nor do they attract similar amounts of foreign direct investment (FDI).

At the same time, the increasingly global economy brings along the emergence of competitors, with the quality gap constantly diminishing. Huge differences in wage levels lead companies to relocate production sites further and further eastward. One, if not *the* major challenge Europe faces therefore is the reconciliation of competitiveness in terms of production costs and the preservation of Europeans’ quality of life, welfare standard and social contract.

In order to benefit from the effects of globalization, economies need first of all to be integrated in the world market - a criterion that remains unfulfilled for many European nations, especially in the continent’s eastern and southeastern periphery. Incomplete transition to market economy, lacking infrastructure and not least a lack of human capital may serve as explanations.

2.2. In social terms: societal equality and culture

Although the term has been widely used for a number of decades in Europe, the very idea of globalization remains difficult to grasp. For that reason, debates about globalization and its consequences are often characterized by a lack of clarity. As is arguably the case for most European countries, the discourses on globalization can essentially be subsumed under two tendencies: pro-globalization actors with a focus on economic aspects and so-called anti-globalization actors focusing on negative consequences (or developments allegedly caused by globalization). As one illustration of the latter, one may want to recall the (in)famous “Polish

¹⁰ See for instance Daniel S. Hamilton and Joseph P. Quinlan (2008) *Globalization & Europe. Prospering in the New Whirled Order*, Washington DC: Center for Transatlantic Relations.

¹¹ *Ibid.*, pp. 1-2.

Plumber” invented during the 2005 EU referendum campaign in France, said to take jobs away from Frenchmen. In more general terms, there are tendencies of fear of the loss of national, regional or religious “culture” observable throughout Europe. This fear is nonetheless linked to migration and a (perceived) Americanization (or rather: developments believed to be “typically American”) of European and/or national culture. On the other hand, there clearly is another tendency, almost diametrically opposed to what is described above. Globalization (and migration) can thus be seen as an enriching phenomenon. This is valid both for immigration countries (e.g. the United Kingdom, France, Germany...) and those nations in Europe which currently are emigrating countries (i.e. much of Central and Eastern Europe).

Which one of these tendencies prevails is not a matter of specific European countries. Rather, whether Europeans tend to emphasize the disadvantages or the advantages of globalization is a matter of social-economic factors, age and levels of education.

The economic challenges described above do naturally have social consequences. Nonetheless unskilled workers and more generally people employed in the producing sector suffer from the global competition for cheap labor. As a result, the European middle-classes as a social stratum are under pressure. In Western Europe, for the first time for decades, parents no longer expect that their children will have better opportunities than they had themselves. Youth unemployment is a major problem in many countries, both for the unemployed and society at large. The welfare state is under massive strain, a fact exacerbated by demographic developments throughout the continent. Finding answers for the future of Europe’s social models is therefore among the challenges globalization is posing.

Although most European governments seem to acknowledge the tremendous importance of education in light of these developments, few let words follow deeds worth considering relevant. This applies to all levels of education, from kindergarten to the universities. Reforms mostly remain half-hearted and inconsistent. Yet, given that Europe is extremely unlikely to be able to win the “wage war” against regions with much cheaper costs of labor, fostering the “knowledge society” becomes crucial.

In political terms, less and less homogenous societies – due to both immigration and diminishing social cohesion – may be seen as increasing the risk of extremism. While links of causality remain to be established, it is a clearly observable trend throughout Western Europe that more and more political parties drift away from the (imaginary) “center”. As a consequence, political systems undergo change, both in terms of structure, governability and political culture. Post-communist Eastern Europe, in turn, has essentially been living with mostly heterogeneous party systems ever since transition to democracy, not necessarily reflecting the cleavages usually structuring Western European politics.

In sum, and when talking about frustrated and promoted European interests, it is impossible to stick to sharp distinctions between the various realms of the political. Adverse effects of globalisation in the economic field have repercussions in the social and cultural fields, which in turn at least in part determine the political landscapes of Europe. In most European countries, the welfare state and corresponding economic models are an integral part of national identities and self-understanding. The more the European social models – and ultimately the social contract(s)

on which they rest – come under strain, the more European identities are challenged. In that sense, politics, economics and socio-cultural aspects are intertwined in a way almost impossible to disentangle. Despite all the benefits globalization implies, it is thus necessary to keep in mind that in the perception of many, globalization appears as a threat to a distinct “European model”.

3. What are the preferred instruments of managing a globalized world? What role for structured multilateralism (such as UN), what role for structured regionalism (such as EU or ASEAN)?

Structured multilateralism seems inevitable if the globalized world is to be governed in an efficient way, both at the global and regional level (i.e., structured regionalism). It is hard to imagine efficient governance without appropriate institutions; ad-hoc coalitions of the willing hardly qualify as a promising perspective. The question raised above does, however, need to be answered from different angles: what instruments and structures should be implemented at a global level and what mechanisms at a European level will allow the European Union to play a role in these global structures?

In European debates about international governance and the structure of the international system, multilateralism seems to be widely favored. Yet, it is important to bear in mind that multilateralism must not be considered an end in itself, but merely a tool to achieve larger objectives pertaining to international governance. Given that it is unrealistic to expect the emergence of an entire set of new mechanisms allowing to manage a globalized world, it seems obvious that the currently existing mechanisms and instruments will need to be adapted and updated. The most suitable – since most “global” such instrument at the time being – is the United Nations system. Yet, the UN centered around the UN Security Council, reflects the international system as a snapshot from 1945. In the present context, one of the main challenges ahead from an overall “Western” vantage point consists in managing the transition from post-Cold War unipolarity to multipolarity.

At the European level, the European Union’s external action needs to become more efficient and coordinated if the EU is to play an international role commensurate to the sum of its members’ political weight in international affairs. Whether this is desirable does, however, remain an unanswered question – with perspectives varying from European capital to European capital. As a matter of fact, only few successful initiatives have been launched to seriously enable Europe to speak with one voice on the international scene, perhaps with the exception of trade issues. Most often, European governments continue to act as nation states. Although the principle of subsidiarity may be appropriated in many cases, Europe will eventually need to not only pool sovereignty, but also its interests.

4. Should governance of a globalized world be based on general on universal principles? If so, which ones?

4.1. The normative aspect: what norms and principles?

Stating that norms and values are universal is always problematic. Norms and values are intrinsically linked with culture and, as some would argue, religion, meaning that there hardly can be self-evident values for the entire globe. Yet, at the individual level, the human condition is universal. This conviction is at the core of most attempts to establish a list of “universal values”, such as the United Nations’ Universal Declaration of Human Rights. This catalogue of human rights could and should serve as universally accepted principle in a globalized world. In such a world, how citizens interact with citizens should remain a matter to be dealt with at the national level. International norms and principles should exclusively focus on how states treat other states, people and non-state actors in general such as companies or NGOs.

At the state and international level, the United Nations Charter provides a set of rules pertaining to how states should deal with each other. These rules may be in need of an update, but they nevertheless constitute the (only available) body of an “international constitution”.

Among the questions that need to be addressed, some are of particular importance. For instance, the principle of state sovereignty as laid forth in the Charter and practices since the 17th century is theoretically irreconcilable with the idea of “responsible sovereignty” or the “responsibility to protect”. Yet, as desirable as the implementation of these notions may seem at a first glance, they remain highly problematic: why, for instance, would NATO’s attack on Serbia 1999 be justifiable whereas the Russian incursion in Georgia would not? In other words, the question of international rules of the game must necessarily lead to answers based on compromise and arbitration rather than unequivocal assertions of right or wrong.

4.2. The practical aspect: how to implement general principles

The international system being first and foremost characterized by the absence of an authority, implementing general principles is among the major problems for international governance. Given states’ sovereignty, implementing principles is in fact dependent on states’ goodwill and ability to do so. Even the emergence of global governance will not change much in this respect. Global governance will not change the fact that the international system is first and foremost characterized by anarchy.

In an increasingly interconnected world, it is, however, fair to assume that the non-respect of previously agreed upon values will come at a higher symbolic cost than some decades ago. States’ reputation is an important currency in international politics, an element of their prestige. As such, it must be handled with care. Lost prestige is difficult to recover. For that reason, it may well be that increased social control in international politics – also from NGOs, pressure groups and other civil society actors – will facilitate the implementation of general principles. The use of “smart” or “soft” power (however badly defined, these concepts remain in contemporary academic work) is thus likely to increase; “shaming” as a means to punish recalcitrant members of the international community like Belarus or Zimbabwe is likely to be a common means (although its effectiveness

remains contingent on the punished state's vulnerability to such measures). In a wider sense, economic statecraft and sanction policies are likely to stay a part of the toolkit of international diplomacy. If this proves to be correct, the economic cost of non-compliance with international norms is thus also likely to increase. This could be considered an (indirect) beneficial effect of increased interdependence: the more the world is interconnected, the more actors stand to lose from being excluded.

5. Who should lead the process of building transnational governance?

Instead of asking who *should* lead the process of transnational governance, it seems more appropriate to ask who is in a position to do so. In an ideal world, all interested parts would get together and design the structure of transnational governance under the circumstances of a Rawlsian state of nature guaranteeing utter justice. In the real world, unfortunately, this seems unlikely. Rather, the international system is characterised by the absence of a supreme authority as well as the unequal distribution of power, capacity to exert coercion and ability to distribute rewards – in short: a high degree of inequality. The fact that it is the great powers that shape the international system and its governance, not the small states, therefore remains unaltered by globalization and increased interconnectedness. As desirable as a more “democratic approach” may be, it unfortunately continues to be unrealistic. Moreover, it may be helpful to bear in mind that the powerful – including the so-called West – hardly ever let the rest of the world play a decisive part in the past, be it on moral ground or for the sake of “values”. There is little reason to believe that China or India would behave differently once they are in the position to lead.

Against this background, and instead of deploring the unlikelihood of an ideal and perfectly just mode of international governance, it seems more appropriate to focus on making work what is possible. Moreover, Europe should attempt to shape a globalized world before others do without it. This also includes the United States under President Barack Obama: Europe should obviously seek the closest extent of cooperation possible, yet without forgetting about the option of proactive approaches without Washington. As argued above, Europe has legitimate interests to defend and should therefore be compelled to play its part in building, renovating and adapting transnational governance. In a multipolar world, few nations will effectively be in the position to *lead* the process, given that discrepancies in relative power decrease compared to unipolarity. This, in itself, represents a window of opportunity for international cooperation and the shaping of global governance: in the foreseeable future, no state alone will be able to single-handedly impose a mode of governance to the rest of the world. Interdependence and interconnectedness among actors leave leaders around the world bound to cooperate. In that sense, no actor will be in the position to dictate the contents of global governance. For that reason, the contents of global governance will necessarily be subject to negotiation and diplomacy.

At the same time, an updated mode of global governance will hardly emerge by itself – unless the brute forces of power politics are to be unleashed. For that reason, the process of shaping a globalized world will require facilitators in order to get the *process* started. In other words, it is important to distinguish the two aspects of leadership: one is content-based, one is procedural. Procedural leadership may and should indeed be offered by Europe through various initiatives bringing the world together. Events such as last year's G 20 summit in Washington or the

Copenhagen conference on climate change to be held in December 2009 may be considered a promising start.

Concluding remarks

Seen from outside, Europe seems to carry the promise of a “better world”. These are expectations difficult to live up to. The right mixture of normative approaches, European-style leadership and interest based strategies will be a prerequisite for Europe and the European Union to play an adequate role in shaping a globalized world. Before the Union is ready to take on such a role, however, some homework must be done. In order to provide leadership at the global level, priorities and interests need to be defined, strategies elaborated and possibilities explored. Whether Europe will or will not be able to take on a leading role is to a very large extent a matter contingent on decisions in Europe itself. Europe should live up to its potential, for its own benefit but also for the benefit of an increasingly interdependent and interconnected world.

Expert Report Ghana

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Abstract

In this paper, Emmanuel Gyimah-Boadi offers a very critical assessment of globalization from the perspective of a marginalized Africa. Negative effects of an uneven and exploitative globalization have eroded the economic and financial sovereignty of African nations and frustrated the emergence of a common identity among the struggling poor on the continent. While globalization has theoretically promoted a greater respect for human rights, democratic governance, transparency and political accountability, positive impacts have been undermined by the selective and subjective use of these principles. In the following, Gyimah-Boadi denounces the application of Western principals and paradigms on Africa and calls for an emancipated civil society to lead «globalization from below».

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1. What are the essential issues/problems/challenges of the globalized world that require a political response and action?

Beginning in the late 1980s and continuing into the new millennium, there has been a dramatic restructuring and reshaping of the contemporary global economic system. This restructuring of the contemporary global economy has been captured under the rubric of globalization. A hegemonic process in its own right, globalization has had economic, political, social, cultural, and technological effects and called into question the sustainability of the existing architecture of the contemporary world system.

This process of globalization is part of an emerging neoliberal hegemonic discourse informed by a strong reliance on the market and in accordance with the logic of capital. A powerful transformative process in its own right, this globalization logic of the market and capital has acquired hegemonic status as a result of its operative logic and ideological connotation, as well as its widening reach of networks of social activity and power. However, the widening reach and uneven nature of globalization has provoked resistance and political counter-movements aimed at challenging its exclusionary practices, its silencing of the voices of the people, and its undemocratic or even anti-democratic tendencies.¹

Globalization is an old wine in a new bottle; the process of globalization has been going on for centuries² and can be traced to the beginning of the historical expansion of religion, the rise of empires, the triumph of technology and the internationalization of economy. The twenty first century saw the accentuation of two forms of globalization – (a) the information super highway through the computer and the Internet (b) the economic super highway through global capitalism, transnational corporations and international trade. Thus, it can be argued that the most comprehensive definition of globalization is: all changes, which are leading the world towards a global village. Globalization is the “villagization” of the world.³

Other aspects that are unique to the present form of globalization are the Americanization of the World, the propagation of a universal paradigm for economic and political development, and the dominance of unilateralism as a way of conducting international relations. The Americanization of the World is the result of the huge and unprecedented gap between the United States and its nearest rival in each and every sphere—military, economic, technological and cultural—which is in turn transformed into the unequaled American influence on international issues and decision-making, including those with the purview of major international institutions such as the United Nations System, the Bretton Woods institutions, and the World Trade Organization. Globalization has therefore increasingly taken the appearance of the transformation of the international system

¹ Falk, R., *Predatory Globalization: A Critique*. (Cambridge, UK: Polity Press, 1999); Gill, S., Globalization, Market Civilization and Disciplinary Neoliberalism, *Millennium: Journal of International Studies*, 24 (3), (1995: 399-423).

² See Mohammed A. Bamyeh, *The Ends of Globalization* (Minneapolis: University of Minnesota Press, 2000); Mark Rupert, *Ideologies of Globalization: Contending Visions of a New World Order* (London and New York: Routledge, 2000); and Colin Hayes and David Marsh, eds., *Demystifying Globalization* (New York: St. Martin's Press in association with Pölsis, University of Birmingham, 2000).

³ See Marshall McLuhan and Bruce R. Powers, *The Global Village: Transformations in World Life and Media in the 21st Century*, (New York: Oxford University Press, 1989).

from a multi-polar system to an imperial system under American hegemony. Within this system, decisions and outcomes are largely the result of American unilateralism. A major consequence of this is the propagation of a universal paradigm for both economic and political development, in the form of the so-called Washington Consensus, whose main features are market forces and liberal democracy, without regard to the historical and cultural specificities of individual countries.

The asymmetry in the distribution of power results in different perceptions and evaluation of the impact of globalization, especially with respect to the distribution of the benefits of globalization. In the case of Africa, its position in the international system has been considerably weakened by the fact that it has been losing the race for economic development in general, and human development in particular, to other regions. The poor performance by African countries accounts in part for the political and social instability and the rise of authoritarian regimes that have characterized much of post-colonial Africa, further weakening the ability of African countries to deal effectively with globalization.

Specific impacts of globalization on Africa are located in the political sphere. The most important consequence is the erosion of sovereignty, especially on economic and financial matters, as a result of the imposition of models, strategies and policies of development on African countries by the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO). On one hand, globalization has promoted greater respect for human rights and contributed to the development of an African press. This has opened African countries to far greater scrutiny than in the past, making it somewhat more difficult for African governments to get away with blatant and excessive abuses of democratic governance and transparency. However, this positive development is negated by the fact that these principles of democratic governance and transparency tend to be applied selectively and subjectively. More important is the fact that globalization for the most part does not facilitate the establishment of the economic conditions necessary for genuine democracy and good governance to take solid roots.

To the extent that a core of common understanding and some consensus has emerged on the definitional context of globalization, the meaning of globalization can be theorized from the work of different authors writing from different disciplinary backgrounds. Held, McGrew, Goldblatt, and Perraton define globalization as “a process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions—assessed in their terms of extensity, intensity, velocity and impact—generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power.”⁴

What these definitions seem to suggest is the long reach of the new globalization logic of the market and capital. It is viewed as a process(-es) that not only is reconstituting and restructuring national economies but is breaking down national borders and integrating the world economy into a single system.

⁴ Held, D., McGrew, A. (Eds.). *The Global Transformation Reader: An Introduction to the Globalization Debate*. (Cambridge, UK: Polity Press, 2000: 55).

Yet, to suggest that globalization is a one-dimensional process concerning the world economy is to miss out on its various facets. Indeed, the evidence suggests the contrary. Rather than a single process, globalization has come to be seen as a multifaceted and multidimensional phenomenon with wide-ranging effects in the political, economic, social, cultural, and technological spheres. It is a process (or processes) that is transforming and restructuring the nature of global, national, and local politics, economies, cultures, technologies, and governance, producing complex relations of mutual interdependence.⁵ To buttress this point further, Richard Falk refers to this transformation as a “new alignment of forces that is being crystallized by a constellation of market, technological, ideological and civilizational developments.”⁶

From this perspective, globalization raises key questions about cultural and societal aspects of life, and the political. Recognizing the multidimensional aspects of globalization also allow us to move beyond the confines of economic reductionism and highlights the unprecedented effect of these processes brought under the rubric of globalization.

MARGINALIZATION

Marginalization is the face of globalization in Africa, although heterogeneous, given the differential effect of the phenomenon on the various African countries. Generally, globalization in Africa has observed the exploitative relationship where Africa’s cheap unskilled labour and inputs for primary production are no longer a tenable basis for economic competitiveness.⁷ The post-industrial North increasingly trades exclusively with itself. Africa urban areas, though growing in population, lack the capacity and infrastructure to compete economically and have become “completely marginalized.”⁸ By 1996 Africa’s proportion of world exports had dropped from a minuscule 2.4 percent in 1980 to an irrelevant 1 percent. Take away South Africa and the oil producing states, the percentage is next to nothing. According to the World Bank’s own statistical report on Africa, growth slowed in 1998-9 to 1 percent, while in the decade of the 1990s, official aid to sub-Saharan Africa fell by 50 percent to less than \$20 per head per year. Africa has experienced a net capital flight and has lost attractiveness as a market for foreign direct investment even in comparison to other developing areas.

Given the ongoing marginalization of African peoples, a culture of counter-empire-resistance developed. It is important to recognize the “counter-empire,” and differentiate between the multiple processes we understand as globalization and globalization “from below” manifested by the exploited gathering together to resist “corporate globalization.” The relationship between globalization and the movements against it is a dialectical one, with each impinging on the other. The political task is not to resist these processes but to redirect them towards new ends.

By exposing the limits of the discourse and processes of globalization, critics are able to set the stage for articulating a new political response. The challenge or counterweight project of

⁵ Ibid., p. 155.

⁶ Falk, R., State of Siege: “Will Globalization win out”? *International Affairs*, 731(1), (1997: 123-136).

⁷ Stren, R. and M. Halfani. “The cities of Sub-Saharan Africa: From Dependency to Marginality.” *Handbook of Urban Studies*, ed. Ronan Paddison (London: SAGE Publications, 2001: 473).

⁸ Ibid., p. 473.

globalization-from-below is one that represents a site of contestation of globalization and that seeks to empower civil society through the articulation of a new politics of resistance and emancipation. The emerging global movement should serve as the basis for forging new transnational alliances that incorporate groups hitherto marginalized by the project of globalization. This alliance should interrogate how and to what extent the constellation of social forces representing globalization-from-below is representative of marginalized African voices? This is crucially important given the disproportionate adverse effect as well as effects of globalization on the third world in general and Africa in particular. In its Human Development Report,⁹ the UNDP provides evidence to show that “people living in the highest-income countries had 86% of world GDP—the bottom fifth just 1%...The world’s 200 richest people more than double their net worth in the four years to 1998, to more than \$1 trillion. The assets of the top three billionaires are more than the combined GNP of all least developed countries and their 600 million people.”¹⁰

In the case of Africa, Rok Ajulu provides further insights into the effect of globalization on the continent in terms of its “lack of capacity and, possibly, the will to influence the global market,¹¹” in very stark terms:

Incorporated into the global economy towards the end of the 19th century as a junior partner, and predominantly as a producer of primary products, Africa was largely destined to be a marginal player in the world market...Already weakened by the structural adjustment programs (SAPs), it was inevitable that globalization should intensify the marginalization of Africa economies. It is not surprising, therefore, that African countries are now among the weakened members of the international trading system. As globalization has proceeded, Africa has become further marginalized from the mainstream of the global economic activity [...] Not only has its economic growth lagged behind other economies, its share of global flows of foreign investments has fallen sharply, not to mention the fact that many economies on the continent remain heavily indebted. Yet economies in sub-Saharan Africa are deeply integrated into world trade even if predominantly still as exporters of primary products...Africa not only suffer from economic relegation, it is further marginalized from institutions of global governance.¹²

Because the politics of emancipation and empowerment that form the basis of the politics of resistance are predicated on the detrimental effect of globalization on the state and its engendering of deepened inequalities, it is crucially important that we guarantee that African civil society, however conceived, is represented in the global network.

As can be gleaned from the critical discourse of empowerment and emancipation, the new global social forces aligned to articulate politics of resistance represent a new agenda that intends to represent the new voices, interests, and needs of those excluded and marginalized by the project of globalization. Viewed from this vantage point, the predatory nature of globalization has opened up new possibilities for challenge to the status quo. To be genuinely transformative, however, as opposed to another northern-initiated discourse and project, this new constellation will have to open up space for new voices from Africa for empowerment and for the politics of resistance.

⁹ UNDP, *Globalization with a Human Face: Human Development Report* (New York: Oxford University Press, 1999: 3).

¹⁰ *Ibid.*, p. 3.

¹¹ Ajulu, Roy. “Thabo Mbeki’s African Renaissance in a Globalizing World economy: The Struggle for the Soul of the Continent.” *Review of African Political Economy*, 87, (2001: 27-42).

¹² *Ibid.*, pp. 28-30.

Overall therefore, the negative consequences of globalization on Africa far outweigh their positive impact. To reverse this situation Africa must meet two major challenges. The first is to introduce far-reaching changes in the assumptions, values and objectives of the existing states, so as to transform them into truly developmental states that are strong without being authoritarian. The second is to diversify African economies away from dependence on a few primary commodities—especially those that deplete natural resources—, ensure a balance between agriculture and manufacturing and increase the competitiveness of African goods in the market. The achievement of these goals need energetic and concerted action by governments, civil society, other stakeholders, and society at large, with active and sustained support from the international community.

ISSUES AND PROBLEMS

The economic history of Africa followed a violently different trajectory from the liberal democracy propounded by capitalism. The economic changes imposed by the colonial states were designed or intended to promote genuine liberal national economies or the consolidation of nation-states. Instead, the colonial powers created economies that functioned as appendages of their economies, and heavily laden with preferences for their economic groups and interests. Thus, at the time of independence, Africa countries inherited economies that were fragmented and dominated by entrepreneurs that were often neither indigenous nor committed to the economic prosperity of the country concerned and who therefore lacked interest and stake in building successful national economies and nation states similar to those which had emerged in the developed countries.

Globalization on the whole impacts negatively on the development and consolidation of democratic governance. One form of this is the reduction of the capacity of governments to determine and control events in their countries and thus their accountability and responsiveness to their people, given the fact that the context, institutions and processes by which these decisions are taken are far from democratic. In addition, the fragmentation of national economies, politics, societies and cultures that is triggered by globalization weaken national consciousness and cohesion, leading to social divisiveness and instability, which in turn facilitate the emergence of authoritarian rule. Strong countries are, however, in a better position to fend off these negative consequences and may even see their democracies strengthened.

Although, some positive outcome has resulted from globalization as mentioned, generally, most of the forces unleashed by globalization have had a negative impact on the growth and consolidation of democratic governance in Africa. Among these are the following long-term issues:

- While calling for greater accountability and responsiveness of leaders to their people, globalization has often pressured African leaders to adopt policies and measures that are diametrically opposite to the feelings and sentiments of the vast majority of their people. This has led to the rise or reinforcement of authoritarian regimes. A good recent example of this is the pressure on many African governments to take certain measures in the fight against terrorism at the behest of external powers;

- By defining basic and generally accepted principles of democratic governance, such as good governance, transparency and accountability, in narrow terms, conditioned by particular historical, political, social, and cultural factors, while leaving little or no room for adapting them to different societies and cultures, democracy takes on the image of something alien and imposed from the outside. Support for the fundamental principles of democracy is thus undermined, cynicism arises, and the effort itself fails to develop roots in the countries to which they are being artificially transplanted;
- Globalization leads to the emergence of anti development by declaring the state irrelevant or marginal to the developmental effort. Development strategies and policies that focus on stabilization and privatization, rather than growth, development and poverty eradication, are pushed by external donors, leading to greater poverty and inequality and undermining the ability of the people to participate effectively in the political and social processes in their countries. Welfare and other programs intended to meet the basic needs of the majority of the population are exorcised from governmental responsibility. As a result, governments become weak in legitimacy and are not accountable. The consequent gap between government leaders and the public leads to alienation of the population from the political and creates a favorable environment for the emergence of non-representative governments;
- By imposing economic specialization based on the needs and interests of external forces and by transforming the economies of African countries into a series of enclave economies linked to the outside world but with very little linkages among them, divisions within African countries are accentuated and the emergence of national consciousness and the sense of a common destiny is frustrated. Democracy, with its emphasis on tolerance and compromise, can hardly thrive in such an environment;
- Further, because the economic specialization imposed on Africa countries makes rapid and sustainable growth and development impossible, conflicts over the distribution of the limited gains realized from globalization become more acute and politicized. Vulnerable groups, such as women, the youth, and rural inhabitants, fare very badly in this contest and are discriminated against. This further erodes the national ethos of solidarity and reciprocity that are essential to successful democracies;
- Lastly, globalization, by insisting on African countries opening up their economies to foreign goods and entrepreneurs, limits the ability of African governments to take proactive and conscious measures to facilitate the emergence of an indigenous entrepreneurial class. Consequently, due to their weakness and incapacity to operate on a national basis, rather than being forces for national integration and consolidation, African entrepreneurs reinforce social divisions based on ethnicity, religion, race, language, culture, and location.

In summary, rather than being an asset for development and consolidation of effective democratic governance in Africa, globalization is more of a liability. This does not however mean that Africans are helpless in the face of these obstacles. There are strategies and measures that can be adopted to rectify the situation and enhance the prospect of creating and consolidating effective democratic governance in Africa.

AFRICAN RESPONSES

The challenges of globalization on economic development and effective democratic governance in Africa are numerous, multifaceted and severe. A number of actionable long-term measures will be considered under the following themes:

Citizens and civil society

African leaders should invest in their human capital through education and the empowerment of its citizens to fully contribute to the overall development of their countries. To achieve this objective, African countries must invest heavily in building, developing and maintaining their social capital, especially health and educational facilities that cater to the broad masses of the people rather than to a tiny elite. By creating sustainable human development and investing in its people, Africa will be in position to own its own history and destiny and to compete effectively with rest of the world.

In the development of its human capital, Africa should pay particular attention to the areas of science and technology, which play an important role in the development and spread of culture. This is one area in which Africa is perhaps weakest, and explains the apparent fragility of African culture in the encounter with other cultures. Africa's backwardness in science and technology also explains its economic, political and military weakness, all of which have a bearing on its position at the bottom of the global hierarchy. An investment in the development of the scientific and technological skills and capabilities of its people is thus paramount. In this respect, national, sub-regional and regional institutions engaged in research and development should be established and strengthened, and close and active cooperation developed among them. Cooperation with scientific and technological institutions in the South, as well as with those in the developing world, should also be encouraged. At the level of international institutions, African countries must work energetically to change the rules and regulations, which limit their access to advanced technology, at a reasonable price, while frustrating their efforts at developing indigenous technologies.

Although, a growing number of civic and non-governmental organizations (NGOs) are evident in numerous Africa countries, these organizations are institutionally weak, many of them are either subsidiaries of, or depend heavily on, financing from organizations based in developed countries. This dependence compromises their ability to pursue policies and programs grounded in the realities of their respective countries. It also undermines their legitimacy and support because of the perception that they are agents of foreign forces and interests. This is especially important and true of civic organizations, NGOs, religious organizations, trade unions and political parties. These organizations must endeavor to reduce their external dependency and enhance their capacities for domestic mobilization. They should also try to compensate for their individual weaknesses by networking with and promoting alliances and coalitions with like-minded institutions in their countries.

Leadership and capacity building

One of the consequences and causes of economic underdevelopment is institutional underdevelopment and this is particularly true in Africa. The extreme form of this is institutional decay, in the form of failed states in Africa, which have received so much attention. In many ways,

and for reasons addressed above, many of which are the consequence of globalization, many African “states” are weaker and poorer today than they were at the time of independence. This trend should be arrested and reversed. All organs of the state should be strengthened, especially the executive, legislative and judicial organs.

The effectiveness of institutions is a function of competent leadership. Accordingly, the question of dedicated and competent leadership in ensuring effective democratic governance cannot be overstated. Unfortunately, leaders in Africa have placed their retention of power and personal enrichment ahead of the interests of the countries they lead. As a result, their relationship with the people they govern has been weakened, while their dependence on external support to stay in power has increased. It is thus, not astonishing that in international negotiations, these leaders lack the wherewithal, interest and the domestic support needed to effectively defend the interests of their citizens. Africa must therefore do everything possible to ensure that it is led by competent leaders, dedicated to the welfare of their people, and whose strength emanates from the support of the people they lead.

Another area of particular importance is instilling in the government, the armed forces and society at large values, attitudes and behavior regarding the appropriate role and functions of the police, army and paramilitary forces in a democratic society, especially in their relations with the government and with the citizens. In light of the pervasiveness of internal conflicts in Africa, determined efforts should be made to develop and strengthen institutions for conflict prevention, management and resolution. This should involve all organs of state as well as the public, civic society and the press.

The goal should not only be to strengthen the state. Equal attention should also be given to making it more accountable and responsible. In this regard, the principle and values of accountability and transparency must be inculcated in all organs of the state, and internal mechanisms for ensuring these values as well as impartiality in the conduct of public affairs, such as ombudsmen.

One institution that plays a crucial role in ensuring effective democratic governance is the bureaucracy. They play an important role in policymaking and implementation, serve as the interface between the public and the organs of state, and have regular and direct contact with the public. Bureaucrats therefore need training not only on how to do their jobs efficiently and effectively, but also on their responsibilities and obligations to citizens in a democracy. All too often, African bureaucrats act more like overseers than servants of the public. For effective democratic governance to be consolidated, this attitude needs to be reversed.

Lastly, networking among African bureaucracies should be encouraged to facilitate the exchange and transfer of knowledge, experience and skills. This should lay emphasis not only on the role of African bureaucracies at the level of each country, but, perhaps more importantly, their responsibility and tasks in strengthening African economic and political cooperation and integration. In this way, African bureaucrats would be transformed from being obstacles to African cooperation and integration to becoming one of the vanguards for this process. This exchange should also deal with the role of bureaucracies in democratic governance. A network of African

experts should also be created so as to supplement and assist in the work of African bureaucrats at the national, sub-regional and regional levels.

Economic Development Paradigms

As it has been argued, development strategies and policies followed by African countries are increasingly those formulated by outsiders, which are then uncritically imposed on African countries as a condition for aid, investments, trade access, and political military support. Not surprisingly, these strategies and policies serve more the interest of external forces than those of the African people they claim to be assisting. Efforts by African countries to formulate economic models, strategies and policies which, in their view, favorably reflect their situation, interests, goals and objectives, embodied in documents such as the Lagos plan of Action, Africa's priority Program for Economic Recovery and Development, the Abuja Treaty that created the Economic Community and the Accra Plan of Action, have all been abandoned.

It is now time for African policy makers, academics, and representatives of civil society and other stakeholders to revisit these initiatives to determine what went wrong and why they were abandoned. Lessons drawn from past experiences and the effects of globalization on the African polity should inform and guide new initiatives such as the New Partnership for Africa's development (NEPAD). Unless this is undertaken in a serious and comprehensive manner, with full participation of all political and economic organs and institutions, civic organization and other stakeholders, academics and the public at large, it is very doubtful that these new initiatives would yield favorable results.

In articulating a new approach to the economic development of Africa, stress should be given to the question of the nature, ownership, management, allocation, utilization and distribution of resources. These issues are at the very heart of any political economy and condition, the nature and type of economic and political development, the pace of these developments, the sustainability of the process, and who gains or loses from them in society. The inter-independence between capitalism and liberal democracy and the role of national entrepreneurs in development, should force African governments to give special attention to the emergence of an indigenous entrepreneurial class that has an interest in, and the ability to contribute to, the development of truly integrated national economies.

Regional and International Cooperation

Given the fragility and weakness of most African polities, economies and societies, it is evident that few if any of them can successfully implement the series of reforms advocated above. Cooperation with others should therefore be a central objective of African countries. This cooperation should start at the sub-regional level and extend to the regional level, as was advocated in the Lagos Plan of Action and the Abuja Treaty. In this respect the multiplicity, capabilities, functions, objectives, and accomplishments of the plethora of sub-regional inter-governmental organizations in the continent must be analyzed with a view to their rationalization, so as to ensure that they make an effective contribution to sub-regional economic cooperation and integration, a sine qua non for regional economic cooperation and integration.

A very important initiative recently launched by African leaders is the Peer Review Mechanism enshrined in NEPAD. This provision, which provides African countries with the instruments to monitor their own behavior, can play an effective role in reducing external intervention in the affairs of the countries. Care should however be taken that it does not end up becoming a mechanism for doing what outside forces are unable or reluctant to do through direct intervention. Rather, the stress should be on African economic cooperation and integration, in keeping with the spirit of the Lagos Plan, the Abuja Treaty and subsequent Plans. These plans emphasized the primacy of these goals. In this regard, it is vital that NEPAD should not evolve as an initiative that concerns only African heads of State and top bureaucrats as such a development would portend doom. Instead, civil society, intellectuals and broad masses of the people, most of whom are far more committed to African economic and political cooperation and integration than their leaders, should be closely associated with and play an active role in this effort. Only in this way would NEPAD be provided with the solid base of broad social support it needs for it to succeed.

In addition to sub-regional and regional cooperation and integration, African countries should energetically strive for South-South cooperation. This form of cooperation made a positive contribution to Africa's independence and was a vital and influential force in international political and economic relations in the Sixties and Seventies, under the aegis of the Group of Seventy Seven and the Non-Aligned Movement. Unfortunately, South-South cooperation has been considerably weakened, again partly as a result of globalization and the emergence of an imperial system under the hegemony of the United States. South-South cooperation is however needed more now than in the past, as no region of developing countries acting alone has the capacity to transform the existing international system and ensure that it promotes the interests of developing countries as a whole.

Given the transformations brought about by science and technology, Africa must interact and cultivate relations with the developed world, work with multilateral organizations such as the United Nations and the European Union and bilaterally with interested stakeholders to push their agenda forward. These partnerships should not be at the expense of African interests. There are individuals, groups and organizations in the developed countries motivated by considerations of justice, equity and fairness that support or could be persuaded and encouraged to support African interests. African countries should therefore cultivate and consolidate ties with these individuals and groups and strengthen them as the relationship develops. Such individuals and groups can become powerful lobbies for Africa within the world body, such as the UN and other groupings such as the EU.

The ambitious nature of these recommendations demand that each African country adapt it to its needs and make the appropriate decisions about how these measures are to be prioritized and sequenced, taking into account their capabilities and the stage in which they find themselves in regards to ushering in and consolidating effective democratic governance. In addition, African countries would have to supplement these broad measures with specific ones targeting civil society and other stakeholders.

Other stakeholders

Workers in Africa are, with the possible exception of farmers, the group most severely affected negatively by globalization. It will be necessary to interrogate their concerns through Trade Union Organizations. Trade unions have a responsibility to safeguard the interests and welfare of workers. This means that they pay particular attention to how the programs and policies of the government affect workers and endeavor to encourage and safeguard humane labor laws.

The forces of technology unleashed by globalization have enormous impact on workers, and trade unions must therefore pay particular attention to this problem. In this regard they must try and protect the physical safety and interests of workers and enhance their capacity to cope positively and effectively with technology transfers. In particular, they should insist on conducting social impact assessments before new technology is transferred, so as to ensure that the technology to be imparted is for the most part labor-intensive and appropriate to the local resource endowment. The technology to be imported should also be environmentally friendly and in conformity with the government's policies and procedures for the importation of technology. Particular emphasis should be given to encourage the use of locally developed technology or to those from other African and Third World Countries as a way of reducing Africa's technological dependence on the developed world, while at the same time promoting African cooperation, integration and South-South solidarity.

The above exposition points to the fact that most African countries are a long way from ensuring sustainable, effective democratic governance in their countries. While some aspects of globalization tend to facilitate those processes, globalization on the whole, because of its negative effects on state and nation building, and economic development tends to make this task more difficult. Internal forces also affect this process both positively and negatively. The political will necessary to introduce and sustain the radical reform process in order to achieve these goals is still not sufficiently strong among powerful groups and within Africa. Equally important is the creation of the capacity necessary, both in terms of variety and magnitude, to launch and sustain these processes. This is particularly true of the capacity needed by civil society and other stakeholders who have a crucial role to play in ensuring the success of this enterprise.

INTERNAL RESPONSE

The global is the world's financial institutions and Africa is decidedly marginal. In contrast to the subordination of the local as a place of little agency and self-determination, it is precisely from the marginalized local, as anti-globalization activists argue, that a new global consciousness can emerge and the global can be rethought. But it is not a linear process.

The attempts by the people of Niger Delta and the Ogoni people to challenge the inhumane and mindless capitalistic wastage of their marine life environment through a series of mass protest and attacks on the forces of globalization that have destroyed much of the basis for subsistence is a case in point. The "local" site of struggle in South Africa has a robust anti-apartheid history of linking workplace and "civic" struggles around issues of human necessity—water, electricity, housing and

food.¹³ These struggles of the “poor” are battles for survival but they also have a global reverberation; they are part of a global condition that can be understood by people around the world.

Globalization has helped create via the concentration and centralization of capital—new collective responses and new sensibilities toward alternatives, especially in terms of subsistence economies and ecological perspectives. This has been, in part, necessitated by capitalism’s process of creating workers, which, in many parts of Africa, is defined by its unemployability. The process has taken place alongside the commodification of land. Primitive accumulation is a constant process of “enclosure” of what was previously held in common. The last 20 years have seen the enclosure of new areas such as airwaves, radio waves, and bandwidth. In Africa, the dynamic of enclosure remains the enclosure of communal land. In the face of food crisis in Africa ordinary people continue to take initiatives towards producing food, which include cultivating unenclosed marginal or vacant plots.

If the dominant worldview of Africa is marginal, then among emergent anti-globalization worldviews, Africa is central to the vision of a human alternative and to the emergent connections being made between social movements and globalization. Claude Ake’s prescription that marginalization is “what Africa needs”,¹⁴ draws on the best of what he calls “Africa traditions” of local democracy and conflict resolution and has at its core, Ake argues, an agricultural strategy with a small holder and subsistence focus. The focus also has at its base a feminist dimension. As Ake knows, most of Africa’s farmers are women and, as Brownhill and Turner argue, promote a “life centered vision.” This conception of a life-centered political economy draws on what Bennholdt and Mies called the subsistence perspective¹⁵ and represents a conceptual “Copernican revolution” in our understanding of capitalism. This perspective, which puts land at the center and women’s subsistence work as a “realistic alternative to capitalist globalization,” is a moral economy that proposes a new way of life. It implicitly suggests the possibility of a moral “leadership” emerging from the struggle that challenges established “leaders and begins to question the relationship between spontaneity and organization and the very notion of what constitutes a leadership.

On leadership

In reaction to the current phase of globalization, African leadership has showed an eagerness to chart a requisite response as articulated in the NEPAD. This new sensitivity emerges from an introspection that recognizes the failure of past African leadership and of previous development plans.

The relevance of leadership in shaping Africa’s response to the current era of globalization can be asserted from several interrelated dimensions. As a result of failed policies, Africa faces hard choices that require a leadership embodying and intent on making globalization a strengthening

¹³ See Bond, P. *Commanding Heights & Community Control: New Economics for a New South Africa*. (Johannesburg: Ravan Press, 2002); Desai, A. *We Are the Poors: Community Struggles in Post-Apartheid South Africa*. (New York: James Curry, 2002).

¹⁴ Ake Claude. *Democracy and Development in Africa*. Washington, DC: The Brookings Institution (1997).

¹⁵ Bennholdt-Thomsen, V., and M. Mies, *The Subsistence Perspective: Beyond the Globalized Economy*. (London: Zed Books, 1999).

process for Africa. The greater the extent of marginalization, the harder the choices are and the more critical the need for a coherent leadership possessing foresight.

The necessity of addressing leadership stems from the failure of successive development policies in the last four decades, marginalization from the global economy, poverty, and a health calamity because of the widespread HIV/AIDS virus, and lack of capacity for sound socioeconomic development. To a great extent, these conditions or their exacerbation are related to the way in which development policies have been elaborated and implemented. The drive for rapid socioeconomic development has not revealed leaders of remarkable stature, unlike the era of nationalist and liberation struggle.

Previous attempts at addressing policy failures in Africa have focused on the dysfunctional character of the African state, pointing to its weakness in managing complex and large societal issues. "Structural adjustment politics"¹⁶ became the key orientation underpinning institutional restructuring in the 1980s and 1990s. The hope was that the political logic of state intervention in the market would subside and institutional reform would improve the functionality of the state.¹⁷ The link between dysfunctional policies and leadership was neglected, yet it lies at the heart of the problem. In fact, erroneous policies reveal the insufficiency, inefficiency, and incapacity of political leadership. Reforming the structures in which the rulers are embedded does not necessarily induce change in the behavior of those in power.

The relevance of leadership is clear in context where governance structures such as democratic elections exist but rulers have subverted them to diminish the cumulative public benefit. For example, in countries such as Gabon, Cameroon, Togo, and Congo Brazzaville rulers have strengthened security ties with former colonial power to remain in office, despite democratic change. France's intervention in these former colonies has consolidated the power bases of such rulers as Gabon's Bongo, Cameroon's Biya, Chad's Debi, Togo's former President Eyadema, Burkina Faso's Compaore, and Congo-Brazzaville's Sassou-Nguesso, producing "pseudo-democracies" and prolonging authoritarianism. In all these cases the relationship with France has created conditions for rulers to ensure a continued flow of military and financial resources supporting their rule while maintaining a façade of democracy to conceal manipulation for resources extraction. Such underhanded maneuvering by dominant powers has facilitated the fiction of democracy while providing conditions for the exploitation of resources by foreign governments, on paper string supporters of democracy with the desire for political stability and the pursuit of their national interest.¹⁸

Africa has yet to witness the emergence of the kind of leadership needed to cope with its social and economic predicament and to eradicate habits of political mismanagement. It is not clear what prevents current disagreeable circumstance from being fertile ground for visionary political leadership. In the midst of current difficulties, there has emerged at least one initiative that reflects the emergence of a leadership conscious of the imperative to shape an adequate response to

¹⁶ Herbst, J. "The Structural Adjustment Politics in Africa." *World Development* 18 (7) (1990: 949-58).

¹⁷ See World Bank, *Can Africa Claim the Twenty First Century?* (Washington DC: The World Bank, 2000).

globalization, which threatens national and regional integrity but also provides opportunities that could be advantageous to Africans.

The NEPAD constitute a development strategy grounded on “a pledge by African leaders, based on a common vision and a firm and shared conviction, that they have a pressing duty to eradicate poverty and to place their countries, both individually and collectively, on a path of sustainable growth and development, and at the same time to participate actively in the world economy and body politic.”¹⁹ The wording reflects a conceptual effort to reveal both a strong commitment to cope with the continent’s bleak situation and concern with its marginalization.

The NEPAD establishes ground for strengthening the global influence of African rulers through collective leadership. The pledge made by the Heads of States and Government conditions them to work both individually and collectively, to promote principles of good governance, democracy, security, human rights, and sound economic management.²⁰ These principles underscore an ethical character of political responsibility to create conditions for socioeconomic development. They are part of the social change that leaders can help bring about.

2. Which important interests of your country/region are promoted by globalization, which are currently neglected or frustrated in the process of globalization?

Regionally, globalization has disintegrated or disarticulated the industrial sector of most countries, if not all polities in Africa. This has been particularly evident in the areas of cost of production which has become uncomfortably high in most of the developing countries (e.g. Nigeria and Ghana); also in the lack of government’s incentives to encourage local production; subversion of local products through high importation, currency devaluation; and depletion of foreign reserves.

Nation States in Africa today, rarely define the rules and regulations of their economy, production, credits and exchanges of goods and service due to the rampaging menace of globalization. They are hardly now capable of volitionally managing their political, economic and socio-cultural development. Globalization has imposed heavy constraints on the internal management dynamics of most if not all the polities of Africa where the government now finds it difficult in most cases to meet the genuine demands of the governed on many issues of national urgency (e.g., June 1st, 2000, 50% hike in the prices of petroleum and related products and its attendant crippling national strike by the Nigeria workers; recent global economic downturn adversely affected basic food prices and high energy costs, emasculating and impoverishing the majority of people in the region). The reality in Ghana and Nigeria today, as it is for most African nations, is that, globalization has made it immensely difficult for governments to provide social insurance – one of their central

¹⁸ Ottaway, M. From Political Opening to Democratization? *Democracy in Africa: The Hard Road Ahead*, ed. M. Ottaway. (Boulder, CO: Lynne Rienner Publishers, 1997: 2)

¹⁹ NEPAD. *A New Partnership for African Initiative: Merger of the Millennium Partnership for the African Recovery Programme (MAP) and Omega Plan*, (July 2001: IV 53.1)

functions and one that has helped many developed nations to maintain social cohesion and domestic political support. Trends like these have been largely dictated by the asymmetry powers that accompany globalization (i.e., inequality in the status of the members of the “villagized world” and, their inability to resist imposed policy options). In fact, this asymmetry which is undergirded by a system of production where capital rules, particularly in the area of “internet connectivity” which has often been used as a bait for luring Africa and other developing polities into the villagized world, has recently been put into perspective by a variety of authors, thus: The world is gradually moving in a unidirectional manner and, the tendency towards uniformity has never been so appealing as it is now...Consequently, there is a serious concern that nations like Nigeria whose contributions to the internet pool is low may lose their identity.

Generally, globalization has become a threat to the poor rather than an opportunity for global action to eradicate poverty. The predicament of the people of the Niger delta (particularly Ogoni people of North Eastern Nigeria) in Nigeria is a stark example of the policy failure and the negative impact of globalization. The predicament of the Ogoni people is explicable within the context of the (deliberate) inability of the Nigeria government to equitably protect the interests and environment of the people of the Niger Delta from the rapaciousness of the forces of globalization represented by the multinational companies.

Oil exploration has negatively affected the environment of the Niger Delta and the Ogoni people in particular, leading to a worsening socio-economic situation for the people. In fact, more than 2 million barrels of oil are explored from the Niger Delta daily.²¹ Despite the immense contribution of the Niger Delta (particularly the Ogoni people) to the fiscal basis of the Nigeria State as well as to global capital, the area remains basically underdeveloped due to deliberate neglect and eclipsing from the rational policy agenda of the Nigerian State.

A manifestation of these negative impacts is the replacement of the traditional economy that was founded on fishing, farming and hunting for economic sustenance with petrol-dollar economy. Thus, as the World Bank,²² noted the impact of oil exploration in the Niger Delta Area (particularly in the Ogoni Communities) by the forces of globalization has decreased agricultural productivity and fishing in the areas, leading to the prevalence of poverty, which has put above national average. This shows that Africa has a plethora of problems particularly in the areas of industrial and economic growth, which her continuous “unequal partnership status” in a villagized world further worsens.

With the above caveat in mind and acknowledging the limiting role of international institutional arrangements in the development of the continent polities, the IMF and World Bank have played crucial roles in the enthronement of global capital. This has been done through policies or removing artificial restrictions on production, exchange or use of goods, services and factors or production, there has been a liberalization of international trade and factor movements, which are

²⁰ Ibid, p. IV 53.1.

²¹ Human Rights Watch, *The Price of Oil: Corporate Responsibility and Human Rights Violations in Nigeria Oil Producing Communities*. (New York, Human Rights Watch, 1999: 202).

²² World Bank, *Poverty in the Midst of Plenty: The Challenge of Growth with Inclusion*. (Population and Human Resources Division, Eastern African Department, Africa Region, World Bank, 1996).

necessary conditions for firms to globalize. Indeed, firms, national companies play crucial roles since the logic of private enterprise is the drive for profits, the movement of firms and capital across borders in pursuit of profits is inherent in the expansion of firms. Thus, economic activity could not be global without the capacity of business to operate simultaneously in more than one country, but the unique capacity for organizational flexibility and integration that characterizes many transnational corporations today, serves as a driving force for globalization.

Privatization has deepened unequally the integration of African countries into the global systems of production and finance by encouraging capital inflows and bringing foreign ownership of formerly public-owned enterprises. It is imperative to observe, this international dispersion of ownership has been asymmetric: the privatization policy in the African countries has attracted capital from the developed countries, but it has disbursed ownership mainly to domestic residents in the developed countries. The protagonists of globalization with collaboration from elites in the various developing countries have through these instruments lured developing countries (particularly in African countries) into the “Villagized World” without much guarantee of equality and fairness. This has been achieved through laying emphases on the advantages of science and technology particularly in the areas of “internet-connectivity”, “new information communication technologies” “customization”, “internet-based cybermall”, and, “modernized agriculture” and, its propensity for “transparency” and reduction of the problems of hunger and possibly stoppage of Africa’s food crisis.²³

The news is not all bad. Globalization has engendered an era of political accountability (used advisedly) among African governments and those who seek political office through democratic elections. The reign of one party state is all but over on the continent as citizens call on politicians to justify their election. This is evident in the upcoming Presidential and Parliamentary elections in Ghana, where the incumbent cannot rely on their incumbency status to unfairly manipulate the electoral process in their favor; where the main opposition party is forced to “repent” for their “bloody” historical misdeeds in wresting power illegitimately.

3. What are the preferred instruments for managing a globalized world? What role for structured multilateralism (such as UN), what role for structured regionalism (such as EU or ASEAN)?

Globalization has internationalized development policy. Therefore the contribution of the international community to the development of poor nations is critical. More importantly it is crucial in creating a stable and equitable global system within which Africa can realize her development goals. A significant factor for the stability of the international economic environment is that its governance be based on the principle of fairness, and especially fairness to the developing countries.

²³ See Grieco, M. and L. Holmes. “Tele Options for Community Business: An Opportunity for Economic Growth in Africa,” *Africa Notes* (October, 1999: 1-3); Jensen, M. I “Internet opens New Markets for Africa,” *Africa Notes* (October 1999: 4-5) and Colle, R. ‘Information and Communication technology for Africa’ *Africa Notes* (February 2000: 6-10).

The multilateral trading system

As adumbrated above, African countries have not benefited significantly from the World Trade Organization (WTO) trading system. In order to ensure that it is beneficial to Africa, it is important that the constraints these countries continue to face be addressed, particularly problems of market access and obstacles to trade and investment and access to technology. These problems have been intensified by the introduction of new issues, such as labor and environmental standards, as well as TRIPS and TRIMS. Moreover, while tariffs have been significantly reduced, they have been replaced with new forms of protection that are harder to assess and quantify, and thus difficult to contest. They include “fair trade laws”, such as anti dumping and countervailing laws, as well as the introduction of labor and environmental standards. The “fungibility” of protection across different trade regimes are compounded by technological advances that have resulted in the development of products in areas where there are no agreed standard—for example in GM foods.

The benefits of globalization are not likely to accrue to Africa without fundamental change in the thinking of key WTO players about Africa’s development interests. For example the EU notified in 2000 that it would push for maintaining existing provisions in the Agreement on Agriculture, which are the bedrock of EU’s Common Agricultural Policy (CAP) and the basis of the protection of EU market from overseas agriculture exports. By insisting on the renewal of the special safeguard provisions under The Agreement on the Agriculture and defending the “blue box” to ensure implementation of CAP reform, the EU will be continuing to operate against the development interests of Africa.

As has been pointed out by UNCTAD and others, future rounds of negotiations need to go beyond trade liberalization to address the broad development needs of Africa, particularly the need for full liberalization of export commodities in which Africa has a comparative advantage. Organizations such as the EU and UN should facilitate “a development round” during future trade negotiations. Specifically, such a round should be one that takes up explicitly the questions of adapting obligations and timing of their implementation, to the needs and capacities of the poorer members of the WTO.²⁴ In this spirit, besides ensuring the accession of all developing countries and economies in transition to be WTO on fair and equitable terms, the main components of development-oriented agenda negotiations could include the following:

Exports

- Ensuring development friendly, further liberalization – notably agriculture, whilst taking into account the special role of agriculture in developing countries and the need for food security and of services of particular interests to developing countries;
- A fairly large across-the board reduction of tariffs, particularly peak agricultural and industrial tariffs for products of major exports interest to developing countries;

²⁴ See Ricupero, Rubens, Secretary General of UNCTAD: *Statement to the Second Committee of the General Assembly of the United Nations*, UN Headquarters, New York, 11 November, 1999.

- Substantial expansion of the tariff rate quotas for developing countries and binding-in quota tariffs at the same rate as the average tariffs applicable to manufactured products;
- Tighter disciplines on subsidies, including the removal of agricultural export subsidies and production incentives, and more stringent disciplines on export credit and associated measures in developed countries;
- Stricter discipline on anti-dumping and countervailing duties;
- Tightening of the “green box” criteria, so they will not provide loopholes for illegal output-increasing support measures, completes elimination of the “blue box” in the Agreement on Agriculture; and including in the Agreement on Agriculture a “development box”;
- Seeking the recognition of the special problems of landlocked countries, and therefore valuing imports from them on f.o.b.. rather than c.i.f. basis.

TRIMS and TRIPS Agreement

- Providing effective technical assistance and ensuring effective technology transfer to the least developed countries.
- Ensuring mechanism for codifying, enhancing and protecting indigenous knowledge;
- Granting exemption from all obligations imposed by TRIMS Agreement and recognizing the importance of taking into account the development, financial and trade needs of least developed countries in applying the provisions of TRIMS;
- Providing technical assistance for studies, on the basis of which informed differentiation between the various elements of TRIMS can be made by Africa, to determine what provisions foster development – and should therefore be permitted – and what do not, and should be eliminated or phased-in over a longer transition period.

Global governance

Facilitating effective participation by Africa in the WTO process is crucial. Towards this goal, it is important that the decision-making processes be made more transparent. This undermines Africa's quest for sharing in the ownership of WTO process, and ultimately the legitimacy of the process. In particular, the governance structure should consist of strong institutions, which are democratic and legitimate in their decision-making processes, in the sense that they represent and deliver to all constituencies of the WTO, including developing countries. The industrialized member countries of the WTO must act to dispel African countries' perceptions based on previous participation in Ministerial Meetings, that they do not have equal opportunity in terms of allotted time vis-à-vis developed countries, to present positions in the various sessions.

Financing development

Trade is one facet of external sources of financing for Africa's development. At present levels of savings (about 15 percent of GDP and projected ODA (Official Development Assistance)), if the poverty reduction targets of the World Social Summit are to be met, there remains a financing gap equivalent to 9 percent of GD. While private rather than public transfers will eventually be the decisive factor in sustaining growth, public investment in infrastructure and the social sectors needs to increase rapidly in Africa over the next few years in order to reduce operating costs of private enterprises and increase competitiveness. Two sources of financing those investments could be ODA and debt relief.

Official Development Assistance

ODA in the past helped to bridge resource gap and hastened the development process in a number of countries. But a number of actions are now needed to preserve the integrity and contribution of ODA to Africa's development:

- Reversing the declining trends in ODA flows to Africa, particularly since conditions that were largely responsible for its ineffectiveness in the past are changing dramatically with implementation of sound economic policies, democratization and improvements in governance;
- Implementing innovative ODA delivery mechanisms, including selection of recipients, based on the commitment to the implementation of policies supportive of development and therefore increasing the effectiveness of ODA;
- Paying more attention to the ownership and participation of key stakeholders in development programs in aid programming, in order to enhance the focus, cohesion, effectiveness and sustainability of development assistance

Debt relief

Debt relief is a potential non-conventional source of financing public investment and poverty programs, which also improve business confidence for private sector financial flows, Key action needed are:

- Looking at debt initiative not in terms of sustainability issues but in the context of the continent's overall development financing needs;
- Linking the impact of debt relief and the objective of poverty reduction;
- Strengthening the political will and moral courage on the part of creditor nations and institutions to resolve the debt overhang issues;
- Developing a full partnership with African nations in the way forward with the debt crisis, with the possible involvement of third-party mediation, if possible at the technical and negotiating levels, to arrive at a fair arrangement, including debt moratorium options, on terms designed to enable African economies to grow;

- Helping Africa to strengthen information management, administrative capacity and political structures to effectively manage and control public expenditure programs for proper debt management in Africa.

In the above context and today's interdependent world, the development problems of Africa become also problems for the entire international community. The contribution of the international community will, therefore, be important in addressing the constraints African countries face in their efforts to integrate into the global economy. That contribution is likely to further energize African countries to deepen their domestic policy reforms in a sustainable manner.

4. Should governance of a globalized world be based on general or universal principles? If so, which ones?

The governance of the globalized world should be based on ethics, fairness and justice. The following are the principles on which the global should be governed:

- Globalization of solidarity: A counter-emphasis: Indeed, a counter “counter-cultural” emphasis—to the driving force of globalization that today so negatively affects Africa is offered in the following phrase: “a globalization in solidarity, a globalization without marginalization”. The question, which should guide the globalizing process is, “will everyone be able to take advantage of a global market? Will relations between States become more equitable, or will economic competition and rivalries between peoples and nations lead humanity towards a situation of even greater instability?”
- Human friendly globalization: A distinctive African emphasis that provides an ethical critique of the present process of globalization is found in the discussions of the African synod (1994). Here a model of church (or a mosque) was proposed that envisions the church as the “Family of God.” As such, the church must be an instrument of universal solidarity for building a world-wide community of justice and peace. An attractive approach to a human-friendly globalization would be based on the familial values of respect and sharing that mark African traditions.
- Globalization from below: Integral human development, sustainable development, depends more on harmonious human relationships than on the organization and operation of an unfettered free market. A fundamental fault with globalization as experienced in Africa is that it is not rooted in community but structured from above according to abstract economic laws. To counter this situation in an ethically authentic and creative fashion calls for the promotion of local communities that work for integral human development and are effectively linked with similar groups across national boundaries. Much—but not all—of the recent worldwide explosion of NGOs activity is an expression of this effort to build globalization from below. Indeed, the section on Africa responses can act as a catalyst for looking at the principles that should guide a global world.

5. Who should lead the process of building transnational governance?

Transnational governance should be let be led individually and the in the first instance, by the respective countries, supported by regional organizations. In the case of Africa, this should be undertaken by the Regional Economic Communities (RECs), in partnership with national and regional civil society organizations, NGOs as well as the Africa Union. The appropriate UN organ or agency will backstop these endeavor through their regional and country offices.

Expert Report Gulf Region

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Abstract

According to Abdulaziz Sager, internal development and growth in the face of globalization remain the main challenges for the six member states of the Gulf Cooperation Council (GCC): Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. As the region with the largest youth population, the GCC and its ruling families must manage the delivery of a new social contract between the government and its population and prepare an indigenous labor force for a future in the global competitive system. In this expert report, Abdulaziz Sager emphasizes the importance of GCC states taking more ownership of regional security—an approach which would include participation from difficult states such as Iraq, Iran and Yemen. While he asserts that issues should be dealt with primarily on a national and regional state level, this leadership could be supported by the broader international community on a multilateral rather than on a bilateral basis.

About the author

Abdulaziz Sager was born in Makkah, Saudi Arabia in 1959. He is the founder and chairman of the Gulf Research Center, Dubai, as well as the president of Sager Group Holding in the Kingdom of Saudi Arabia, active in the fields of information technology, aviation services and investments. Mr. Sager holds a M.A. degree in International Relations from the University of Kent at Canterbury and has special research interest in Gulf strategic issues. He is a regular contributor and commentator to international and regional media and participates in regional and international forums and conferences held on issues relevant to the Gulf region.

Challenges of Globalization for the Gulf Region

The Gulf region composed of the six member states of the Gulf Cooperation Council states (GCC - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) in addition to Iran, Iraq and Yemen is faced with numerous geopolitical, social, economic and security challenges. Some of these are the result of current trends within the context of globalization, others have a more regional and domestic character with the roots found closer to home. All of them are in some way affected by the forces of globalization, and they require answers from the governments and their respective leadership. The answers to the present challenges are neither easy nor straightforward, and policies that are enacted within a particular context will require constant adjustments and re-assessments. Given the weak institutionalization and limited capacity that currently exists in the Gulf region, the ability to respond adequately to challenges brought forth and accentuated by globalization has to be considered a daunting task indeed.

What has been observed specifically over recent years as information and communication technologies have begun to link even remote areas of the globe, is an increased blurring of boundaries that separate the various challenges which the Gulf region also faces. The lines of distinction between internal and external factors or between domestic, regional and international forces of change are no longer very clear. This in turn has significantly complicated the decision-making process, a trend that is particularly difficult for the GCC countries to absorb given their relatively young status as nation-states and the fact that they are still in the midst of internal consolidation. In fact, given that they themselves still present young state entities, the institutional set-up is very much subject to and intertwined with the current challenges that globalization presents. To be sure, globalization does not negate the role of the state or suddenly turn regional realities into global ones. There is in fact a greater concentration on issues closer to home as differences between the domestic front and external arenas are accentuated and emphasized. This is because domestic developments are no longer judged within their singular local context but they are increasingly seen against changes and shifts occurring elsewhere with national populations unwilling to accept the status quo or the possibility of being left behind. At the same time, the ability to control all the forces impacting the domestic environment has lessened and there are a large number of developments that are beyond one government's singular control. In this context, globalization challenges the Gulf region in the broader sense to update itself if it wants to maintain the linkages with the rest of the world.

What this means more precisely becomes evident when one looks at the immediate challenges that the Gulf region faces. Among the more obvious and direct issues that governments and their respective societies find themselves confronted with are the following:

- Maintaining economic development and growth in the face of the global economic crisis and the wide volatility on the world's commodity markets.
- Containing the threat posed by terrorist organizations both to the regional and domestic stability and security of the Gulf States.
- Maintaining the security of energy supplies in addition to the developments in relation to fluctuating oil prices.
- Instituting wide-ranging reform plans at the national societal level to effectively move towards the delivery of a new social contract between the government and their populations

to ensure that the societies can meet the challenges that are likely to emerge within the next two decades.

All of these are internal challenges that require a short-term response. But these are complicated by an unstable regional environment where there exists an urgent need to assure a balance of regional security in light of the repercussions of the Iranian nuclear program and its impact on the overall regional balance of power, the security environment in Iraq and the consequences of a continued security vacuum inside Iraq for the rest of the region, and the foreign military presence, particularly that of the United States, in the Gulf region. In the Gulf context, it is next to impossible to differentiate between the internal and the external environment and, therefore, to seek completely separate internal and external responses.

In light of the above, the issue of regional security presents itself in a multi-dimensional and complex context. Threats and challenges emerge from many different directions and they can no longer be identified as having a clear domestic, regional or international cause. Furthermore within the regional security framework, there are the also political, economic, energy, social perspectives that need to be considered. The overall environment is thus highly complex, a fact that does not seem to be adequately understood either by policy- and decision-makers within the region or by external actors with significant interests within the Gulf.

If one were to put this discussion in the broader framework of a globalized world by outlining some of the most important factors that will govern the future strategic situation in the Gulf, the picture would be equally diverse. Here the impact that the process of globalization has on the Gulf becomes more manifest as one takes a more medium- to long-term perspective. Among the factors that need to be considered are:

1. The balance of power in the region – on the military, demographic, economic, and scientific levels. In this context, one must consider from a comparative perspective, the balance of power in all the aforementioned categories between the GCC countries, on the one hand, and Iran, Yemen and Iraq, on the other.
2. The nature and scale of cooperation and coordination among the GCC countries, especially in the economic and military fields. This is one of the main factors that will determine the GCC's role in formulating the future of the region and the extent of efficacy of this role. It also relates to preferred instruments that can be engaged as the many issues begin to assert themselves, in turn requiring differentiated answers.
3. The Iranian nuclear crisis and its international repercussions in addition to the direct impact on the security of the GCC countries. The worst scenario associated with this crisis would be the breakout of a new conflict situation which would prove devastating to all concerned parties. But the discussion about the nuclear program needs to be seen within the larger context of a renewed arms race in the broader Middle East and its consequences for the existing proliferation regimes, and within the context of energy security and the demand within the region for sustained development supported by possible civilian nuclear energy programs. On both fronts, there is also increased competition among nuclear suppliers for a concerted push into the region.
4. The overall role of external forces within the regional politics of the Gulf and the means being employed to ensure their respective national interests.
5. The rising threats from internal challenges as represented by terrorism and other extremist activities. Here, instead of being confronted by local incidents as has been the case in the

past, the Gulf region is faced with the globalization of terrorism. Al-Qaeda now seems to operate with ease across different regions of the globe. This makes it all the harder to both categorize and control.

6. The various internal developments in each of the Gulf countries including the developments in Iraq and their impact on the future of the entire region, the nature and outlook of the political system in Iran and how this will reflect on its role as a source of stability (or lack of it) in the region, and the future of the reform process within the GCC states.
7. The continued reliance on foreign labor and the various migration patterns which have put a stress on internal stability. The large percentage of foreigners in the GCC states is a distinct security issue and needs to be viewed as such. In addition to the impact on the labor market, besides the difficulty of weaning an indigenous national population off the safety net of the state after years of complacency, there are also the broader parameters of population movements and migration to consider including issues such as human, drug and arms trafficking.
8. The global demand for Gulf oil and the related problem of energy security. Certainly, this is a key factor when it comes to determining the extent of global interest in the security issues of the Gulf but it has an equally important domestic dimension in terms of prospects for continued economic development and its respective political dimensions.

What is significant is that all the issues mentioned above have a short- as well as a medium-term component that have to be kept in mind. For example, the immediate challenge being posed by Iran's nuclear program cannot be divorced from the overall issue of proliferation and prospects for a regional arms race. Neither can it be expected that an internal response alone will be sufficient to handle the given problematic in its fullest sense and, therefore, it becomes necessary to seek policy solutions that involve a mix of both internal and external responses.

Benefits and Drawbacks of Globalization in the Gulf

Despite the numerous challenges which the Gulf finds itself confronted with, there can be no doubt that globalization has provided concrete benefits to the region. Most explicitly, the Gulf is no longer an isolated part of the world, a region of the globe where one only finds oneself involved on extreme and rare occasions. Instead, it has become an integrated part of the world that finds itself subject to many of the same forces that are shaping events in other areas of the globe.

Given the Gulf's position as the world's principal energy supplier, the region attracts a high degree of attention. With all the various forecasts that abound in today's world when it comes to the issue of future supply of energy, the one fact that sticks out is the preeminent position of the Gulf region. The Gulf contains two-thirds of the world's proven reserves of oil, produces more than one quarter of total world oil production and supplies nearly one-third of total world consumption. With the International Energy Agency (IEA) stating that world oil demand is set to increase from 84 million barrels in the year 2005 to 116 million barrels a day by the year 2030, the Gulf's share of oil production in ratio to total world consumption is projected to increase to 33 percent by 2020. Even outside of oil, the importance of gas equally suggests continued Gulf dominance as Iran and Qatar hold two of the three largest gas reserves.

The Gulf's strategic significance, however, has risen across the board over the past decade in part supported by many of the changes induced by globalization. The situation is such that no area captivates the daily headlines as much as the Gulf does and while in the past, the preoccupation about the Middle East was primarily defined by the Arab-Israeli conflict, this is today no longer the case. One can make an effective argument that the center of gravity has shifted eastward to the Gulf region. In fact, it is the Gulf that has taken center stage in the major conflict situations of the past decades. Beginning with the 1979 Iranian Revolution, an event that is still defining the security environment in the region almost 30 years later, the Gulf has also witnessed the eight-year Iran-Iraq War, the invasion of Kuwait by Iraq in 1990, and finally the 2003 US invasion of Iraq and the downfall of the regime of Saddam Hussein. While Iraq continues to struggle with bringing about a more stable domestic political environment, the current dispute over the Iranian nuclear program holds within it the potential for another conflict.

To see the Gulf as a region of war and permanent instability is, however, only part of the picture. In fact while much of the region is consumed by turmoil, stretching from Afghanistan to Iraq to Lebanon, the GCC states themselves represent an oasis of development and progress. The GCC states earned approximately \$450 billion in 2008 from oil sales and reached a cumulative current account surplus of \$700 billion by the end of 2007. GDP growth has averaged well above 5 percent, and there has been a 74 percent increase in nominal GDP growth in the past three years alone. The combined trade surplus of the GCC countries during the period from 2005 to 2008 is larger than China's and Japan's combined. Despite the recent steep decline in oil prices, the GCC states are generally well-positioned to weather the current global financial crisis although due to the globalization of financial markets the negative effects of the crisis on the region cannot be denied. Here, it must be emphasized that the role of the region's sovereign wealth funds can only be understood within the context of globalization. But what is equally clear is that alongside rising incomes, the Gulf economies have increasingly diversified into areas outside of hydrocarbons to the point where an increasing portion of their GDP is being supplied by other sources of income. Diversification is not just happening in places without oil resources like Dubai. Qatar, which has abundant oil and gas resources, and Abu Dhabi are also breaking loose and eyeing the manufacturing sector to compete with Dubai's excellence in the services sector. What can be stated is that economically speaking, the region has shown a degree of resilience that is greater than expected from rentier states. More importantly, and given its geographic location, the Gulf has been able to take advantage of increased trade flows between the EU and Asia in turn becoming a key cross-road for world commerce.

The positive impact on the economic side has also brought forth a broader political, social and cultural component that must be mentioned. In a Middle East region characterized by stagnant political systems and autocratic regimes, the only significant political development taking place has been in the GCC states where parliaments are increasing their functional role, press freedoms are being expanded and women are contributing at an ever-expanding pace to the development of their own societies. To be sure, the Gulf is far from being the democratic ideal that is an ultimate must, but the large youthful population being offered increased educational opportunities is a driving force that is pushing the Gulf monarchies towards greater openness and representation. Moreover, the Gulf cultural landscape is being transformed by migration to the region and the growing exposure of Gulf citizens to the outside world. Through increased travel and the preponderance of satellite television, there is a growing level of exchange taking place that is transforming the societies from within.

The positive impacts are, of course, balanced out by broader impacts that have begun to challenge the way the region conducts its politics and business. One of the aspects that makes the process of globalization particularly challenging for the Gulf region is that it has brought forth a sudden transformation of the traditional Gulf societies. From a certain perspective, it can be argued that the region very much remains welded to the international order which existed when many of the states were first created and which facilitated their initial development. Yet today, the Gulf States are challenged to transform from tribal societies to modern nation-states within the span of just one or two generations. This rapid pace of change is causing significant social disruptions and cleavages which are not easily overcome. Furthermore, globalization has confronted the Gulf States in several ways, both in terms of the internal political strategies being put in place and also the external environment which sees the Gulf's own influence in the region being subject to several challenges.

Domestically, the GCC states face the challenge of developing an indigenous labor force that can not only contribute to national development but be competitive globally as well. This challenge acquires added significance because of the rapid demographic developments which are likely to test national governments in numerous ways. Arab countries have the world's largest proportion of young people – 38 percent under the age of 14. What is alarming is the fact that more than 25 percent of the world's unemployed youth between 15 and 24 years are in this region. Between 2002 and 2025, with Saudi Arabia's population expected to double to 48.5 million, Egypt's likely to grow from 73 to 103 million, and Iraq's from 24 to over 40 million, unemployment and its impact should indeed be a priority concern. The case is illustrated by the population statistics in Table 1.

Table 1
Selected Gulf Population Statistics

Country	Total Population 2008	Projected Population 2050	% of Population below Age 15 2008
Bahrain	800,000	1,200,000	27.0
Iran	72,200,000	100,200,000	26.0
Iraq	29,500,000	61,900,000	42.0
Kuwait	2,700,000	5,000,000	24.0
Oman	2,700,000	3,900,000	30.0
Qatar	900,000	1,400,000	23.0
Saudi Arabia	28,100,000	49,800,000	38.0
United Arab Emirates	4,500,000	7,800,000	19.0
Yemen	22,200,000	55,800,000	45.0

Source: Population Reference Bureau, 2008 World Population Data Sheet

It is particularly clear that a sustained diversification effort over an extended period requires continuous attention to the development of a qualified indigenous work force. Economic reform has encouraged private sector growth, which, in turn, has provided competitive and unconnected/underprivileged nationals with opportunities to take up challenging jobs, outside the often mundane and over-employed public sector.

There is also an increased recognition about the importance and relevance of the knowledge economy. The announcement and creation of various foundations in the region with large-size

endowments is specifically aimed at contributing to the development of a knowledge-based society, by supporting and empowering young minds and putting the focus on research, education and investment in the infrastructure of knowledge. To cite one example, Saudi Arabia has announced new scholarships for those interested in studying in Malaysia, Indonesia, India, Pakistan and Singapore, thus signaling that they are no longer bound to send students simply to the United States or the United Kingdom for post-secondary education. Such steps are a recognition both of the widening knowledge gap between the region and the developed world in the West and in Asia as well as the need to bridge it. At the same time, this is a fairly recent phenomenon and, up to this point, the amount of money invested into creating such knowledge society has not yielded the desired returns. What is instead required is more emphasis on the establishment of research partnerships between higher education institutions and public industries and to also look into the role that private businesses play to boost not only the region's economies but also how they can return value in other fields to their societies.

By itself, the surge in real numbers and the large percentage of youth place great strains on the governing systems in the Middle East in terms of the required expansion of social services, particularly in the fields of education and health. Up to this point, this is an area where Middle Eastern governments have failed to meet expectations and the sense of discontent will only rise as the competition over limited public resources intensifies. However, the true significance of this phenomenon only becomes clear when combined with the likely developments that will occur in terms of education and the related impact of the spread of communications and information technology. This is because the current youth generation growing up is generally more literate, has greater access to educational opportunities including university studies, a greater awareness of regional and international events due to the spread of resources like the Internet, and as a result of the spread of communications technologies, increased exposure to possibilities and opportunities in other parts of the world. The result is a general rise in the level of political consciousness throughout the region which, in turn, is bound to translate into a greater determination to take part in the overall political debate. More than anything else, the direction that this trend will take will determine the policy approaches of the Gulf governments over the coming years.

A quick review of some relevant statistics as provided in Table 2 again proves very insightful. Throughout the region, literacy rates have continued their steady improvement even within the span of a few years from 1998 to 2006. As a result, the majority of Gulf States now have literacy rates well above 70 percent. Similarly, net secondary school enrollment rates have improved reaching 90 percent or just below in countries such as Bahrain and Qatar. In this context, it has to be acknowledged that the overall quality of the educational system in the Gulf continues to lag behind those of other regions in the world. At the same time, the very fact that exposure to continued education is expanding directly reflects itself in a segment of the population that is more aware of the developments taking place all around and more willing to engage in a possible political discourse.

Table 2
Selected Middle East Country Education and Technology Statistics

Country	Total Literacy % (age 15 and over)		Net Secondary School Enrollment Rate		Fixed Lines and Mobile Telephones (per 100 people)		Internet Users (per 100 people)	
	1998	2006	1999	2006	2000	2007	2000	2007
Bahrain	86.7	87.0	81.6	90.0	58	149	6.2	33.2
Iran	73.6	77.0	N/A	78.0	16	75	1.0	32.4
Iraq	N/A	74.0	33.0	38.0	3	N/A	N/A	0.2
Kuwait	80.6	93.0	49.7	78.0	43	117	6.8	33.8
Oman	68.4	81.0	58.5	75.0	16	106	3.7	11.5
Qatar	80.8	89.0	78.0	87.0	46	180	4.9	42.0
Saudi Arabia	74.2	79.0	N/A	52.0	21	134	2.2	25.6
UAE	75.0	82.0	67.5	62.0	75	206	23.6	52.7
Yemen	43.9	49.0	37.0	N/A	2	18	0.1	1.4

Source: *World Development Indicators Database*, January 2009; UNESCO, *Global Education Statistics 2006*,

The real impact in this regard will likely come about due to the expansion of information technologies throughout the Middle East. The increase of Internet users is astounding and is having a significant impact on the government's monopoly over information with people having increased access to more independent sources of data. The movement towards greater exposure to IT is clearly being driven by the youthful population and, therefore, it can be expected that such expansion will continue in a major way. With the status of the ruling regimes as the arbiters of truth no longer guaranteed, governments are finding themselves under rising pressure to provide real policy solutions and to take the concerns and aspirations of their populations more seriously. This not only challenges government to introduce reforms that deliver a greater degree of openness, transparency as well as accountability, but it also puts pressure on overcoming much of the existing apathy that still exists in the region. While in the long-term, the spread of IT is probably a positive development in the sense that access to information is more widespread and outlets for political expression are multiplied, in the short term it can also lead to greater instability as the ruling arrangements of the present will be subject to increased scrutiny and as people vent their frustrations over the current predicament they find themselves in. As far as the ruling regimes are concerned, the combination of youth, education and IT is the key problem area to be tackled as these regimes will be forced to deal with its associated developments which invariably will mean some devolution of power.

Underlying these assumptions is the fundamental problem of absorptive capacity and being able to handle, even rudimentarily, the demands of globalization. The fact is that globalization is not a one-dimensional phenomenon that government can accommodate by increasing their commitment to education, for example. The demands being placed on the system come from different directions and they require human resources that can effectively handle and manage the demands that are placed upon them. And while the influx of foreign workers into the region has allowed the states to promote regional economic development, the continued reliance on such labor cannot be

considered sustainable. Instead, there will also be a need to look into various strategies for nationalization so that the people involved attain a stake in the continued development and stability of the system that they are a part of. In this sense, globalization is confronting the region's states not simply with re-ordering their priorities and instituting certain reforms, but actually introducing different modes of thinking and a new mind-set.

On the foreign relations side, there can be no doubt that globalization has widened the strategic arena that the Gulf States have to deal with. It is no longer sufficient to simply concern oneself only with their national environment and the immediate neighboring states because the challenges now also emerge from other adjoining areas. What makes the issue of Gulf security increasingly complicated is that there is at the same time an interaction between the immediate regional actors (the six GCC states, Iran, Iraq and Yemen), the wider regional neighborhood (Afghanistan, Pakistan, India, Syria, Turkey, Israel, Somalia), and the broader international community (the United States, Europe, and increasingly also Asian countries such as China and Japan). Within this environment, the GCC states are attempting to carve out their own role and promote a policy of dialogue and cooperation that could ultimately serve as a basis for better and more structured security relations both within the region and with external actors.

In this context, there has been a shift away from a near-exclusive reliance on the United States as the main actor in the region to a more differentiated point of view that also looks at how other actors such as European and Asian states can play a role when it comes to security issues that until recently have been considered the exclusive domain of the US. Much of this shift is driven by economic interests. Within the past decade, Asia has become a more important economic trading partner and has even replaced Europe in that top position. Asia consumes 23 mbpd of oil – 30 percent of world demand – while the GCC exports two-thirds of its oil output to Asia, a figure that could more than double by 2020. In addition more than half of the GCC exports go to Asian countries while a third of the GCC imports are from Asia. Also, of the 12.5 million expatriates in the region, 70 percent are Asians and they send home nearly \$30 billion in remittances annually.

Overall, James Russell has argued that the “altered distribution of power has changed the nature of the security dilemma for regional states.”¹ Within this context, the Gulf States, despite being dependent on US military protection, have begun to actively build not only political and economic but also military partnerships with other powers including India, China, Russia and Pakistan. He adds that “State behavior in the [Gulf] region is the product of an altered security dilemma, in which internal political pressures are discouraging regional states from entrusting responsibility for their strategic security to outside powers, and instead are moving them to redirect their security efforts inward.”²

Managing Globalization and Issues of Governance

As ground-breaking reports from the United Nations Development Program (UNDP) in both 2002 and 2003 made clear, the region as a whole and its population finds itself confronted by a fast-changing environment that has produced deep cleavages between the governments and their

¹ James A. Russell, *Regional Threats and Security Strategy: The Troubling Case of Today's Middle East* (Carlisle, PA: US Army War College, Strategic Studies Institute), October 2007, viii.

² Russell, *Regional Threats and Security Strategy: The Troubling Case of Today's Middle East*, x.

citizens and within society itself. The different pulls being exerted reflect themselves in plain contradictions. For example, at the same time that ruling regimes pursue policies aimed at consolidating the existing status quo or offer only piece-meal reform, the forces of globalization that are equally reaching into the Middle East and the Gulf as they are into other parts of the globe, are demanding ever greater openness, accountability and personal freedom. In terms of the general population, it is increasingly, albeit slowly, clear that ruling arrangements in their present state are simply insufficient to meet rising public expectations. Yet, this trend toward a greater participatory order is being resisted by ruling elites who fear eventually being swept from power or of provoking a heightened period of instability or both. And while this is a dilemma being confronted throughout the region, what is missing is the focus on the actual factors that are driving such a transformation, factors which will determine the future path of the region despite the actions of the existing ruling elites.

Yet it cannot be denied that there is a causal relationship between globalization, rapid economic development and domestic political development as so far in the GCC states political reforms remain largely cosmetic with the traditional rentier-state mentality still largely in place. Given the present weak, non-existent and/or nascent civil society sector in the Gulf, the importance of the role of political elites in managing political change and introducing new elements cannot be underestimated. At the same time, it would be inaccurate to claim that there have been no changes taking place or that political culture in the GCC states has remained stagnant. There has in fact been a constant re-formulation process underway whereby political relations among state and society is being re-formulated by a very slow nevertheless existing reform process. New institutions that are being developed are not established simply for the sake of increasing representation but rather to improve on the functional effectiveness of government as a whole. Thus, while leadership has always been about the ability to bring about compromise, the new institutions emerging in the GCC states are similarly about doing the same thing but with a view to maintaining regime stability and ensuring the superiority of the ruling families. There is thus a need to look at pre-dominant modernization and democratization theories from a different angle. There is in addition something to be said about the effectiveness of the present ruling families as monarchies are in some way better placed to achieve reform and implement change, including controlled political liberalization.

The key question that now confronts the region is whether the system in place remains sustainable. Certainly, there are visible trends which suggest that it is not. This involves most centrally the overall changing dimensions of security from a purely state-centric perspective to a broader concept. Here, it appears fundamental to comprehend that the realist conception of the security dilemma, i.e. where actions by states to protect themselves in order to enhance their security necessarily creates insecurity for surrounding states, can no longer be viewed as absolute. The spread of globalization cutting across national boundaries means that the concept of security has taken on a broader meaning. Thus, security can be achieved with and not against one another. Taking the relationship between the Arab Gulf States and Iran as an example, the GCC countries know full well that their security vis-à-vis Iran rests on diplomacy, and not on military prowess. Fully aware that they have to continue to live with Iran as their next door neighbor, the Gulf States have been seeking ways to avoid any direct confrontation which carries with it widespread regional as well as domestic consequences.

The bottom line in this equation is the realization within the Arab Gulf States that they have as a result of the above developments a lot more to protect and also a lot more to lose if the region continues in its current cycle of conflict. Gulf security is thus not only a domestic but more

importantly a regional as well as a global phenomenon that cuts across a host of overlapping and complex factors including concerns about energy security, terrorism, weapons proliferation, border disputes, political development, education, human rights, just to name some of the more obvious examples.

To overcome many of the above outlined inherent dilemmas, it has to be one of the objectives of the Gulf States to begin the process of taking ownership of the regional security process. The Qatari Prime Minister Shaikh Hamid Bin Jassim Al-Thani clearly stated early in 2008 that: "We cannot disregard the effects of globalization challenges ... since the concept of regional security and that of international security go hand in hand."³ He further noted that: "The issue is no longer a protection of the state's borders against threats. The main concern for nations today is how to meet life requirements represented in securing sustainable job and income, ensuring health care, environmental sanitation, eradication of crime perpetration and respect of human rights. Hence, when tackling the issue of the security of the region, we should proceed from this comprehensive concept rather than discussing the issue from a political perspective alone."⁴

What this results in is the need to establish an agenda based on modest yet concrete forms of cooperation formulated around common security perceptions such as the long-term economic development of the region and stability in the flow and price of oil. The bottom line within this context is that security should not be determined solely by external factors. In addition, it has to be clearly understood by everyone that there can be no Gulf security system without the comprehensive involvement of all parties including the GCC states alongside Iraq, Iran and Yemen. Any future architecture of the Gulf must be based on inclusion rather than exclusion. If this can be achieved in the coming years, the GCC will indeed have proven invaluable to the peoples and states in the region. In fact, the GCC has emerged since its establishment as the only successful example of a functioning regional Arab organization and, despite some of its shortcomings, has matured as an institution.

As such, when looking at the preferred instruments of managing the challenges being presented by globalization, it might be necessary to look at a mixture of structured regionalism supported by both a bilateral as well as a multilateral framework composed of vital and interested parties. This is because there is at present not one approach that would allow the region to address the changing circumstances in a comprehensive and satisfactory manner. Certainly in regard to many of the internal challenges concerning national employment, educational reform and opening the political process to broader participation, there is a need to allow the process to develop its own inherent dynamic and that cannot be imposed from the outside. Furthermore, in addition to being seen and rejected as external interference, the role of outside actors tends also to be counter-productive in its ultimate aim and outcome.

Regarding the external role that could be played, up until recently, bilateralism between the GCC states and the US has been the preferred form of assuring regional security with the result that efforts to provide a broader-based multilateral cover have never been seriously considered. Yet, as has been shown, bilateralism also has distinct drawbacks including contributing to domestic

³ "Arabian Gulf Security, Responsibility of Gulf Sons: Qatari PM," *Kuwait News Agency*, March 10, 2008.

⁴ Speech by H.E. Shaikh Hamad bin Jassim bin Jabr Al-Thani, Prime Minister and Minister of Foreign Affairs of the State of Qatar on the theme "Security of the Gulf Region – To where," presented on the occasion of the 7th Doha Cultural Festival, Doha, Qatar, March 9, 2008 and available under http://english.mofa.gov.qa/minister.cfm?m_cat=3&id=59 [accessed March 10, 2008]

instabilities and complacency on the side of those being protected, shifting the emphasis away from the need to cooperate, importing a foreign approach to an indigenous problem and overwhelming the stabilizing aspects of the balance of power. Furthermore, bilateralism does not meet the requirements of a multi-polar world in geo-economic terms. But, at the same time, there is also a degree of skepticism towards the process of exclusive reliance on multilateral instruments given that as far as regional security is concerned, there has been very little tangible success at this level. This includes the fact that multilateral agencies, up to this point, had neither the means nor the willingness to put forward the necessary mechanisms that would allow them to actually play an effective and substantive regional role. Nevertheless, what could help the Gulf to escape its dilemma is the involvement of the European Union, its member states and key Asian states – in other words not less but more international involvement. This is because the multilateral component that could force a different set of security relations in the region remains a missing piece of the puzzle. Given the Gulf's strategic importance in reference to the issues mentioned above, this might exactly be the direction in which things are in fact moving.

There is also a mixed picture as far as transnational governance is involved. For example, while all of the GCC states are members of the World Trade Organization (WTO), the accession and participation has placed a tremendous burden on the respective national economies and institutions with regard to meeting WTO requirements, which again is also a reflection of lacking capacities. It is in contexts such as these that globalization is often seen as more a part of the problem than a part of the solution. It is also not accepted that the effects of globalization are necessarily the same in the Gulf as they are in other parts of the world. While in the end, regional leaderships are confronted with a similar set of questions as others face, including how to institute some measure of control on the process when many of the forces lie outside the direct control of the respective elites, they nevertheless base their responses on local priorities and how to structure answers within a domestic context. As such, it cannot be argued that universal principles are applicable but rather that general principles in terms of governance issues must guide the way forward. And rather than framing them within the specific principles of democracy, human rights, and liberty, concepts that still have a very Western connotation, the responses to be considered should be based on the ideas of accountability, transparency, rule of law and cooperation. This might not be a very satisfactory catalogue around which to formulate policy prescriptions but could be the starting point around which to build a broad consensus that will allow more effective policy mechanisms to be constructed. Similarly, in terms of promoting the process of transnational governance, there needs to be a coalition primarily driven at the national and the regional levels and supported, if applicable, by the broader international community that can promote the development of a consensus about how to adequately handle the challenges posed by globalization. The weight within such a coalition might shift according to given circumstances, but the overall construct must remain the same.

Given its strategic location and its central role in global energy markets, it is more than apparent that Gulf regional security has implications for all parts of the world. Security of the region is not the domain of one power, neither are the regional states capable of solely providing for their own security. In light of the Gulf's importance, it would be illogical to expect external powers to turn an indifferent eye to events in the region. In this context, other regions such as Asia and Europe must increase their role as far as urgent security matters in the Gulf are concerned. Such internationalization could prove crucial in determining whether a fourth Gulf conflict materializes or not. At the same time, the ultimate initiative must remain with the local actors who can determine

the scope and direction of the policies to be applied. To find the right balance in this equation is probably the greatest challenge brought about by globalization.

Expert Report India

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Abstract

In this contribution, Sundeep Waslekar and Ilmas Futehally assess India's challenges in the context of a globalized world through the lenses of two conflicting political camps: The "power-seekers" aspire toward a powerful India, enabled through loyalty to the United States as the sole superpower while the "revisionists" seek a fundamental reform of the global governance architecture and the emergence of a multipolar world order. Waslekar and Futehally find that the very expressions of globalization—cheaper transportation and eased communication—which have facilitated rapid economic growth, expanded consumer choice and increased India's prominence abroad have also plagued the country's security efforts. According to the authors, fundamental, more representative reforms of multilateral organizations are needed in order to improve their ability to tackle international challenges.

About the authors

Sundeep Waslekar is President and Founder of the Strategic Foresight Group, a think-tank specialized in anticipating and influencing the global future. Under its auspices, he has advised governments in various continents and has been involved in creating new concepts and processes to address some of the intractable problems of the world including West-Islam relations, terrorism, geopolitical conflicts in South Asia and the Middle East, sustainability issues and emerging global systemic problems. Waslekar has served as faculty at Davos and spoken at the committees and forums of Indian Parliament, UK House of Commons, European Parliament, League of Arab States, UN Secretary General's Alliance of Civilizations and other forums.

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Introduction

India gained independence from the British rule in 1947. For the first five decades, India had a revisionist view of the world. India championed the concepts of non-alignment, nuclear disarmament, new international economic order and a world based on the principles of global social justice. During this period, the Indian political elite shared a consensus about the nation's worldview.

In 1998, India tested nuclear weapons and initiated a strategic dialogue with the United States. Since then the Indian elite has been divided into two categories: power-seekers and revisionists. The power-seekers envision India to emerge as a great power with the help of the United States, which they consider the sole superpower of the world. They want the world to be led by the United States, so that India can benefit in such a world by its strategic alliance with the United States. They want the present architecture of global economy and security to be only slightly modified to allow the inclusion of India and China in it. The power-seekers dominate important positions in the executive branch of the government, two largest parties, think-tanks (*not* Strategic Foresight Group) and the English-speaking media.

The revisionists seek the revision of the architecture of global governance. They want a genuine multilateral framework to govern the world. They prefer a collaborative problem-solving approach and rule of law to the dominance of any one power. The revisionists are dominant in the Parliament, smaller and regional parties, civil society and the indigenous language media.

Since power-seekers are well organised and articulate, their perspective attracts the world's attention. However, since the revisionists represent people's will through democratic institutions, they finally carry the day. For instance, the power-seekers were in favour of India sending troops to Iraq to help the United States. The revisionists made it impossible for the government to pursue such an option. The power seekers would have liked India to open its economy much faster and introduce capital account convertibility of the Indian currency. The revisionists have only allowed gradual process of liberalisation. The high profile of the power-seekers in the last ten years can be attributed to the Bush administration's diplomacy to a significant extent. If the Obama administration formulates a different approach, the revisionists in India may regain their upper hand.

1. Issues

Prosperity of the periphery

India's primary concern in a fast globalising world is prosperity of the periphery. This is one issue on which there is a near consensus in the country. Currently, half of the world's 6.6 billion population lives in the market while the other half (about 3.3 billion people) lives in the periphery

where people are unable to purchase even basic amenities of life. India's own experience, and the experience of other Asian countries, provides hope that by 2025-2030, around 2 billion people will join market, taking the total to 5.3 billion. However, by then the population of the world will increase to around 8.6 billion. Therefore, almost 3.3 billion (the same number as today) will continue to live in the periphery. The critical question is whether new breakthroughs in global governance methods and technological developments will enable a much larger proportion of the periphery to join the sphere of prosperity or whether those languishing in periphery would turn into a destabilising force for the global society.

India's concern about prosperity of the periphery is driven by realities within the country. Since 2001, India has managed to move about 150 million from the periphery to a sphere of relative prosperity. However, during the same period the country's population has increased from 1 billion to 1.15 billion. Therefore, while people living in relative prosperity have increased from about 170 million in 2001 to expected 320 million in 2010, the number of people living in periphery continues to be in the range of 800-850 million. India is expected to achieve a growth rate of 7% or more in the next year, which will enable it to expand the size of its population in the market segment to 600 million by 2025. However, by then India's population will increase to 1.4 billion. Therefore, the size of the periphery will be still around 800 million. Thus, India has and will have about a fourth of the burden of the world's periphery of 3.3 billion in the period from 2010 to 2025 or 2030.

Such a co-existence of differentiated realities means the Indian bureaucratic and technocratic elite identify themselves with fast growing parts of North America and Western Europe. At the same time, India's political elite identify themselves with the concerns of a vast proportion of the country that is comparable to Sub-Saharan Africa. The Indian democracy mediates between the two interest groups and produces responses that sometimes tilt in favour of one group while favouring the other group on other occasions.

Therefore, the Indian Prime Minister speaks about 'inclusive globalisation'. It is reflected in India's advocacy of the interests of the poor people and poor countries in negotiations on a vast range of issues from climate change to trade. The Indian leadership is sometimes seen as obstructive as in the case of the failure of the Doha Round of talks on the world trade. However, the Indian political elite, concerned about their survival in a democratic process, have no alternative but to seek an inclusive approach to manage a globalising world economy.

India is committed to reducing poverty by half by 2015 as prescribed by the Millennium Development Goals of the United Nations. India takes this commitment seriously.

The key to creating prosperity of the periphery is to be found in revival and reform of the rural economy. In this respect, the government has found it difficult to move at a fast pace. The farmers face severe market entry barriers, problems in obtaining credit and insurance, fragmentation of land, lack of access to modern know-how to increase their productivity, and physical connectivity to markets. In the last ten years, several efforts have been made to respond to these problems. These include market reforms in agriculture, new schemes for farm credit and insurance, spread of micro-finance institutions in rural areas, construction of roads to connect villages to cities, and

others. However, these measures have been introduced in a slow and incremental manner. Therefore, they are not able to make a difference on the ground. On the other hand, the number of farmers committing suicides, joining terror groups and resisting land acquisition by business groups has increased substantially. It is estimated that the number of districts under the influence of Naxalism (agrarian terrorism) increased from 60 in 1995 to 160 in 2008, out of a total of 600 districts in India. During the same period, the incidence of suicide by farmers increased from 14,000 in 1997 to about 18,000 in 2007.

This problem is not confined to India. According to UNDP Human Development Report, the income ratio between the richest and the poorest countries in the world has worsened from 3:1 in 1920 to 35:1 in 1950 to 75:1 in 1990 to 100:1 at the beginning of this decade.

Smt. Pratibha Devisingh Patil, President of India, articulated the views of the Indian elite on this issue most succinctly while addressing the SFG Conference on *Responsibility to the Future* in June 2008. She said: "World Domestic Product reached a level of more than \$48 trillion in 2006 but along with the increase, the distribution of wealth and income is becoming even more distorted. Two percent of the world's richest people own more than 50% of the world's wealth, while the poorest 50% of people own one percent. This situation is unsustainable. Such a large proportion of the world's population cannot be left on the periphery. We need to have a process of inclusive globalisation, one which will lift all boats in its tide."

Trade Talks

India considers trade, rather than aid, to be the main strategy for revising the process of global governance in a way that will benefit the world's poor. At present only 10 countries account for 60% of the global merchandise trade. Another 40 countries account for 30% of it. The remaining 150 countries share 10% of the world trade. Thus, so-called globalisation is not reaching many of the smaller and poorer countries in the world. Moreover, there are internal inequalities between people who are able to participate in the trading process or benefit from it either directly or indirectly and those who are in the periphery. With this background, if the multilateral world trade regime is reformed, it can be an effective instrument to spread prosperity to the periphery.

The division of the Indian elite between power-seekers and revisionists is clearly reflected in India's trade policy. The power-seekers want bilateral trade deals with established and emerging economies. The revisionists want new rules to be written by the WTO.

India has signed regional trade agreements for free or preferential trade with a number of countries. These include the South Asian Association for Regional Cooperation, Association of Southeast Asian Nations, a new group made of India-Brazil-South Africa, Gulf Cooperation Council and a growing number of bilateral agreements. India expects billions of dollars of goods to be traded by these special agreements. India is not alone in looking for bilateral trade agreements in the wake of the failure of the Doha Round of talks. According to some estimates, there are some 400 bilateral and regional preferential or free trade agreements.

At the same time, India takes its role in the WTO and Doha Development Agreement negotiations very seriously. India steers emerging and developing economies in pushing for a new system of fair trade rules and agreements.

The Doha Development Round began in 2001 at the fourth Ministerial Conference. The negotiations included controversial issues such as agriculture and intellectual property rights, amongst others. The 2001 meeting has been followed by several others, many of which such as the Cancun Round in 2003 and the recent Geneva Round in July 2008 have failed due to differences over agriculture – a sector that is most crucial for the people living in the periphery in poor countries.

The latest round of negotiations, held in Geneva, reached an impasse mainly due to a standoff between the U.S and the EU on the one hand, and India, China and Brazil on the other, on the question of high subsidies by the rich nations and a closed market of the poor ones. While the U.S wants India and other emerging economies to open markets more, the India government fears that fast trade liberalization would prove to be harmful to millions of farmers.

Should Doha fail the prospects for significant global progress on trade liberalization appear bleak. There are fears that the failure of the Doha Development Round could lead to a new era of trade protectionism, which could ultimately undermine the decade-old WTO and doom the dozens of impoverished nations that hope to gain access to rich country markets. The failure of Doha could also lead to a greater preference for bilateral and regional treaties.

The deadlock in trade talks is an issue that needs to transcend trade ministers and engage the world's political leaders at the highest level so that fair, sustainable and forward looking solutions can be explored and implemented.

Financial System

The trade talks have a hope of revival if political leaders make bold agreements. The situation in the financial sector is worse, where there is no global management framework. At the same time, there has been an increasing interconnectedness of financial markets and economies world wide. With this interconnectedness, financial crisis in one major economy leads to a domino effect throughout the world.

The world has seen a series of market fallouts, from the Asian Crisis in 1997, the Russian and Latin American Crisis in 1998 to the sub-prime and banking crisis which started in the US and created an economic havoc in several countries in 2008.

In India, the 2008 crisis has led to the stock market crash and depreciation of the Indian currency, even though India's economy is still fairly closed and more insulated than other Asian nations. India's immediate response has been essentially internal. The central bank has taken definite steps to cut the statutory cash reserve ratio of banks releasing \$13 billion into the Indian financial market. In this respect, India was no different than many other countries. Except for one round of

coordinated interest rate cuts, response to the 2008 financial crisis has been essentially internal in North America, Europe and Asia. Such an internal response has meant the collapse of banks in Iceland, while banks in Ireland are attracting deposits from Britain and Europe. The failure of a global system has resulted in the flight of capital from emerging economies to the developed ones. The result is a worldwide steep decline of asset prices, credit crunch, freezing of money markets, decline of trade and industry. Such a vicious chain is bound to lead to the closure of business companies, unemployment, contracting of demand and recession.

There is also the future risk of crisis in currency markets if important economies switch from the US dollar to other currencies. For example, Iran has already begun demanding payment for oil in Euros from China, and in Yen from Japan. Russia has also created a bourse of oil trading in roubles. Iran and Russia account for less than 10% of globally traded oil and therefore their actions have not had much impact. However, in future a political scenario cannot be ruled out whereby several countries move away from US dollar as a reserve currency and trading instrument. Such a situation can put downward pressure on the US dollar, upward pressure on interest rates, a far worse financial crash than the sub-prime crisis and competitive investment protectionist policies.

India and other emerging economies are very vulnerable to any kind of crisis in financial markets – whether they are in capital markets, money markets or currency markets. In any of these cases, the fall in asset prices immediately hampers the functioning of domestic economy and lowers prospects for exports.

The health of the global financial system is a critical issue for India but India's passive and essentially internal response is based on appreciation of the centrality of the United States in the world economy. The US public debt has tripled from \$4 trillion at the beginning of the decade to \$10.5 trillion at the end of 2008 – not taking into account special measures taken for bailing out the banking system in the last quarter of 2008.

With complex interlocking relationship between the US and European financial markets, debt in the US is bound to have an impact on Europe. The impact on emerging market is mostly in the form of flight of capital by American and European financial institutions leading to downward pressure on asset prices. Under the circumstances, the Indian policy-makers cannot do much beyond trying to infuse liquidity in India's markets to compensate (inadequately) for the flight of capital.

The power-seekers in India expect that the country will somehow ride over any phase of crisis. They believe that the American economy has the potential to bounce back, lifting the Indian economy along with it. Therefore their response is focussed on damage control within the country. The revisionists have not been articulate, but their preference is for a new regime to govern the worldwide financial flows. They would like the International Monetary Fund to be able to manage the global financial system but the Fund does not have the wherewithal to influence and assist large countries. Nevertheless, the need for a global rethink on the financial system is essential. In the meanwhile, India has supported an informal move to create an Asian equivalent of a Monetary Fund at the ASEM meeting in 2008. This decision does not imply a deliberate preference for

regionalism over multilateralism. Rather this is an example of how a regional architecture is escapable if we fail to create a sustainable global financial architecture.

Energy Security

India ranks sixth in the world in terms of energy demand. With the Indian economy expected to grow at an average rate of 5-8 per cent in the next two decades, energy demand is projected to grow at an average rate of 4.8 per cent. Moreover, the country's population of over a billion growing at the rate of 1.7 per cent per year is expected to touch 1.19 billion in 2010 and 1.41 billion by 2020. The share of urban population is projected to increase from 28 per cent in 2001 to 43 per cent in 2020. More than 60 per cent of Indian households depend on traditional sources of energy like fuel, wood, dung and crop residues to meet their cooking and heating needs. Out of the total rural energy consumption, approximately 65 per cent is met from fuel wood.

Growth Rates in India (per year in percent)

GDP	5-8
Population	1.7
Energy Demand	4.8

Source: Planning Commission, Tenth Five Year Plan 2002-2007, Government of India.

India's opportunity for a higher GDP growth could be thwarted by chronic energy shortages as the gap between India's energy demand and energy production continues to expand. The increase in India's commercial energy demand is expected to be the highest in the world spurred by sustained economic growth, rise in income levels, electricity generation, and transportation.

India's Estimated Energy Demand (MTOE- Million Tonne Oil Equivalent)

Primary Fuel	2006 - 2007	% of Total Energy Demand	2011 - 2012	% of Total Energy Demand
Coal	184.23	33.04	254.93	35.21
Lignite	15.51	2.78	22.05	3.04
Oil	144.58	25.94	185.40	25.61
Natural Gas	42.70	7.66	57.60	7.96
Hydro Power	12.73	2.28	18.54	2.56
Nuclear Power	6.04	1.08	14.16	1.95
Wind Power	0.35	0.06	1.00	0.14
Total Commercial Energy	406.14		553.68	

Non commercial energy	151.30	170.25
Total Energy Demand		

Source: Planning Commission, Tenth Five Year Plan 2002-2007, Government of India.

Coal will continue to remain the principal source of commercial energy till the end of the next decade and beyond. It accounts for 45 per cent of commercial energy consumption. The demand for coal is predicted to surge by 14 per cent between 2020 and 2025, the highest increase in five years. Oil constitutes around 35% of commercial energy demand. By 2010, India will be importing 80 per cent of its crude oil requirements and by 2020, India's dependence on oil imports will grow to 91.6%. At present natural gas represents, less than 10 per cent of India's commercial energy demand. The *Hydrocarbon Vision 2025*, released by the Indian government in 2000, has forecast that natural gas will account for 20 per cent of India's total energy consumption by 2025.

Consumption and Import of Oil (MBPD) in India: Projections

Year	2010	2015	2020
Consumption	2.8	3.5	4.4
Imports	2.2	3.0	4.0

In order to ensure stability of supplies, the government is planning to acquire stakes in overseas oil and gas fields. The Government is prepared to spend \$1 billion a year for 15 years to buy stakes abroad.

In the long run, India's response to energy security problem is to develop nuclear power and renewable energy. There is growing awareness of the implications for climate change of extensive use of coal, oil and gas, India is lately focussing on nuclear energy, bio-fuels and renewable energy sources such as wind and solar power. Nuclear energy accounts for only 2% of the total commercial energy but India envisions the increase in its use to account for 10% in the next 15-20 years. This vision led to a civilian nuclear cooperation agreement with the United States and the Nuclear Supplier Group in 2008. Since such an agreement also has strategic implications, the Indian political elite were divided on the issue. Those supporting the agreement won a vote of confidence in the Parliament with a narrow margin and amidst speculation about horse-trading.

India's energy dilemma represents a global problem. Worldwide, demand for oil is expected to increase by almost 50% from 90 million barrels per day in 2010 to 130 mbpd in 2030. It is not clear if the world has enough reserves to meet such an additional demand. Therefore at some stage oil supply is likely to peak and then decline. Experts disagree on the 'peak year' with estimates ranging from 2025 to 2050. In the longer term, there is no doubt that the supply will peak sometime in the 21st century even by the most optimistic calculations, if not in the first quarter of the century.

Moreover, there is a worldwide problem of wastage of energy. Depending on how wastage is calculated, some experts place it at around 50% of the total consumption.

The problem of supply of oil and gas is further complicated by constant turmoil in the Middle East, the main supplier of energy for the world in general but for Asia in particular.

The Indian elite are most deeply divided on how to respond to the challenge of energy security. In fact, this is an issue where the division in the ranks of the elite is at its deepest. The power-seekers view that India should be part of a world order dominated by the United States where (1) the United States controls the Middle East and Central Asia and India is rewarded for its support by ensuring adequate supply of energy resources and (2) India should enter into close cooperation with the United States in nuclear energy and gradually increase dependence on nuclear power, reducing dependence on the Middle East oil.

The revisionists believe that India should help create a multilateral order where no country dominates the Middle East. In order to ensure stability of supplies, India should help establish sustainable peace and security in the Middle East. This view advocates revision of global governance process to include not only emerging economies like India and China but also important oil exporting countries such as Saudi Arabia and Iran (when Iran is able to have a working relationship with the Western countries). According to this view, India should enter into long-term commercial relationships with Iran, Arab states, Central Asia, Russia and energy-surplus African countries. This school also emphasises vigorous shift to renewable energy, particularly wind and solar power, and clean technologies.

The government mediates between two perspectives and attempts to maintain healthy relationship with nuclear suppliers such as the United States and Australia as well as oil and gas suppliers such as Iran, Saudi Arabia, UAE, Qatar, Russia, and Central Asian Republics. The government refrains from intervening in politics of stabilising or destabilising the Middle East, maintaining a politically neutral stance.

Climate Change

Climate change – including global warming, pollution and change in seasons – is one of the most serious problems facing humanity in the 21st century. While some experts attribute climate change to cycles of nature, the human responsibility cannot be denied. Only fifty years ago, the world's population was less than 3 billion. Since then it has more than doubled. During the same period industrialisation and urbanisation have increased on an unprecedented scale. It is exactly in the last fifty years that carbon emissions have increased from 2 billion tonnes a year to 8 billion tonnes a year. The correlation between the level of emissions and human activity is self-evident.

In 2008, the Prime Minister announced National Climate Action Plan with eight core national missions covering energy efficiency, sustainable habitat, a green India, the Himalayan ecosystem, best practices of solar and water energy, sustainable agriculture, and a national strategic knowledge base for climate change. The government recognises that with the changing conditions

the nuances of the plan and the implementation will evolve, and invites a broader interaction from civil society and other stakeholders to improve the plan. The government, business and civil society have launched several initiatives to promote renewable energy and clean technology and they are expected to gather further momentum in the next decade, 2011-2020.

India advocates the principle of 'common but differentiated response' to climate change. India and other developing countries have emphasized on the UNFCCC adhering to this principle. The main difference between the Indian approach and the OECD approach to climate change is that India advocates lowering of emissions on per capita basis whereas the latter advocate the lowering of emissions on a gross basis. Also, India wants a clear benchmark year on the basis of which emission reduction is calculated whereas the OECD member states are not clear about the base year. Finally, India prefers significant North-South resource transfers to enable emerging economies to shift to post-carbon economy.

India is a signatory to the Kyoto Protocol and is engaged in negotiations for the post-Kyoto arrangements. The post-Kyoto phase might see intense North-South climate change politics, with India leading the Southern camp.

There is a near consensus in India on a responsible approach to climate change that does not obstruct economic development. This is one issue where power-seekers and revisionists have closed ranks. Sushil Kumar Shinde, India's Energy Minister, reflected Indian consensus, in his address to the SFG conference on *Responsibility to the Future* in 2008:

Sustainable development should not ignore the principle of development for all. The approach of carbon emissions by imposing taxes on industries in the developing countries may not be fair to the poor countries that house 80% of the world's population who need fossil fuel for development in short and medium term. The Polluter Pays Principle should be globally implanted through effective missions, trading, transfers from the North to South. This may help the developing nations to hasten their transition to the next generation of technologies. This should be in addition to meeting the Overseas Development Aid commitments by the industrialised countries. Furthermore, the developed countries should be responsible for the current value of past emissions. Thus, a combination of technical, economic and social responses is required to harmonise the demands of environment, economics and energy.

Extremism and Terrorism

While globalisation is normally associated with opportunity, the growing phenomenon of terrorism is a proof of the globalisation of risks. In a globalising economy, it is possible for terrorist groups to exchange skills, manpower, weapons and capital. It is also possible for them to recruit and move personnel on a trans-border basis using technology and modern means of transport. In the last ten years, several terrorist groups have spread in different parts of the world – some functioning like venture capital companies, some execution agencies and some like training companies.

Since Al Qaeda, acting in the name of International Islamic Front against Jews and Crusaders, attacked symbols of American power economic growth as well as important infrastructure assets in Europe, international terrorism is associated with fundamentalist thinking in Islam. However, it should be noted that in addition to Al Qaeda brand of terrorism, which is mostly targeting the

United States and its allies, developing countries are mostly suffering from terrorist attacks by ethnic groups, communist and other ideological groups. Tamil Tigers in Sri Lanka, New People's Army in the Philippines, FARC in Colombia, Lord's Resistance Army in Uganda and until recently Maoists in Nepal are some of the examples of terrorist groups acting on ethnic or ideological platform. The Middle East also witnesses terrorism targeting Israel since the 1970s and the US forces in Iraq since 2003.

India has suffered attacks from terrorist groups based in Pakistan, ethnic terrorist groups in the North-eastern part of the country and agrarian terrorists (Maoists) in the central and northern districts for more than 25 years. India lost a Prime Minister to a terrorist attack in 1984 and a Prime Minister in waiting in 1991. In the period from 1993 to 2008 when India enjoyed a growth rate of 7% or more, the number of districts under the influence of agrarian terrorists in India increased from 40 to 160.

There are indications that terrorism will give way to extremism in the years to come. Since terrorism is an illicit act under jurisprudence of most countries in the world and more than a dozen United Nations conventions, it is feasible to act against groups engaging in acts of terror. However, extremism is about arming minds with a view to create absolutist visions of a society. Extremist groups aim to mobilise an entire society and influence government policies, at time using legitimate democratic means. Terrorism is one expression of extremism. Terrorism and extremism reinforce one another.

Since India has experienced terrorism much before the world was alerted to its potential in 2001, it has been on the forefront of crafting global response to it. In 1996, India moved a proposal for a comprehensive convention on combating terrorism. It is still on the floor of the United Nations General Assembly without any result.

In the meanwhile, and in the wake of the 2001 attacks, the United Nations Security Council has passed a number of resolutions (particularly 1373) which compel member states to cooperate in action against terrorism. However, the scope of the 1373 resolution is confined to the Al Qaeda, Taliban and groups that have direct linkages to them. UNSC 1566 recommended the establishment of a working group with a view to prepare a list of terrorist organisations (other than Taliban and Al Qaeda) against which the states would need to take punitive action. However, this resolution has not been effectively implemented.

The failure of the United Nations to address terrorism beyond Al Qaeda requires greater effort to forge consensus on this issue. It is necessary to revisit India's original proposal for a Comprehensive Convention for Combating Terrorism.

The Indian strategic thinking on terrorism is essentially shaped by India's own experience and concerns. On issues of terrorism beyond its immediate neighbourhood, there is a split in the strategic community with power-seekers wanting to go with the United States without questioning the American policies in any respect and revisionists wanting to introduce a new approach to deconstructing terror in the world.

Summary of Issues

The majority of issues concerning India in a fast globalising world are economic – poverty and inequity, trade, financial system, energy and climate change. The only other priority issue that concerns India is terrorism. India has not addressed to political and security issues beyond its neighbourhood. India's political and security concerns are essentially focussed on Pakistan, Bangladesh, Nepal, Sri Lanka, Afghanistan and China – since the moment of independence in 1948 in case of Pakistan and since the 1960s in case of other countries. These concerns have a little to do with globalisation. In fact, it will be an indication of India emerging as a global player if in the 21st century India extends its strategic thinking beyond the immediate neighbourhood to other issues such as the Middle East, Africa, East Asia, Balkans and Americas.

India's approach to issues arising out of globalisation is shaped by the internal divisions in its political and strategic elite – the power-seekers and revisionists. The two groups largely agree on Indian policy towards issues of prosperity of the periphery, trade and climate change. However, they differ on questions of the financial system, energy and extremism – essentially the issues about which the United States policies in the world could be questioned. The revisionists essentially want India to be the advocate of a collaborative and democratic approach to global governance with regards to these three issues. These differences between power-seekers and revisionists are most sharply reflected in the Indian discourse on instruments, principles and mechanisms of global governance. Before these differences are discussed, it would be important to review how globalisation affects India's economic, cultural, security and political interests.

2. Interests

While there are differences of opinion between power-seekers and revisionists in India about how to respond to issues arising out of globalisation, they share an assessment on India's gains and losses with regards to specific economic, cultural, security and political interests of the country.

Economic

The most significant effect of globalisation has been on India's economy. India has gained by attracting foreign direct investment, expanding consumer choices, increasing exports, taking a leadership position in the outsourcing of IT and R&D sectors and acquiring companies abroad.

India's inward foreign direct investment (FDI) was US \$ 12 billion in 2006-2007, which was more than double the equity inflows of US \$ 5.5 billion the previous year. In the 1990s it used to be barely \$2-3 billion a year. South Korean steel major POSCO is set to invest US \$ 10.5 in Orissa, which is by far the single biggest foreign direct investment in the country.

Consumers have benefited enormously from having choices that without globalisation would not be possible. The market size for high value consumer goods is currently 6 million households and will at best expand to 30-40 million households by 2025 at the current rate of growth of GDP. In India,

globalisation has brought with it international brands, now as easily recognisable as Indian ones. 58% of cell phones bought in India are from the Finnish company, Nokia. As for choice, Indian consumers can choose from Motorola (USA), LG (South Korea) and Samsung (South Korea). Whether the consumer would like to buy a television set, a microwave oven or simply a bar of soap, Indians are flooded with choice, because foreign companies are eager to invest in India's emerging consumer market. The consumer has benefited immensely from having international quality brands available to them with ease, with Indian brands having to raise their standards in order to compete with international ones, and most importantly, a wide variety of brands and products for the customer to choose from.

In 2004 India's exports stood at a little over US \$ 63 billion. In 2007-08, they exceeded US \$ 155 billion. India has managed an average cumulative annual growth rate (CAGR) of 23%, year on year, way ahead of the average growth rate of international trade. The total merchandise trade – exports and imports together – will be almost US \$ 400 billion this year, accounting for 1.2% of world trade. If the trade in services is added to this, India's commercial engagement with the world would be in the region of US \$ 525 billion.

Outsourcing is the most visible dimension of India's participation in the globalising economy. Research and development (R&D) off-shoring to India by international IT players, a US \$ 9.35 billion industry, is estimated to touch US \$ 21.4 billion by 2012, according to a Zinnov Management Consulting report. At present there are 594 R&D centres in India operating in SPD (software product development), embedded services and engineering services. Software and services exports (includes exports of IT services, BPO, Engineering Services and R&D and Software products) are around US \$40 billion this year and expected to reach \$50 billion by the end of this decade. Despite the downturn in the global auto sector, General Motors expects its Indian operations to grow 20 per cent during this year, beating the industry growth rate of about 7 per cent.

According to some experts, for every US \$ 100 spent on making a car in Japan, the cost to the company by outsourcing to India is just US \$ 77-78, including the cost to ship the product to Japan. Similarly, the cost to set up an offshore call centre in India was only 30-35 % of the cost to set one up in the United States.

Indian companies are also investing heavily abroad. According to the latest UNCTAD's World Investment Report 2007 (WIR '07), India's outward foreign direct investment (FDI) was the second highest at US\$ 20.4 billion after Brazil at US\$ 28 billion. Significantly, while China's outward FDI rose by 32 per cent, to US\$ 16 billion in 2006, India's outward FDI went up by almost four times. When Indian giant Tata acquired Anglo-Dutch company Corus in 2007, it was the largest ever foreign takeover by any Indian company at over US \$ 8 billion, and created the world's fifth largest steelmaker.

The *Financial Times* FT500 list of the world's most important companies, published in June 2008, saw companies from China, Russia and India represented in larger numbers than before. India ranked fifteenth on the list, with 13 companies that have a total market value of \$420,749 million.

At present, 12 Indian companies are listed on the New York Stock Exchange. The Indian companies listed on the NYSE, include ICICI Bank, Wipro, HDFC Bank, Tata Motors, Sterlite Industries, Satyam Computer Services, Tata Communications, Genpact, Dr Reddy's Laboratories, MTNL, Patni Computer Systems and WNS Holdings.

According to the India Brand Equity Foundation website, "An increasing number of Indian companies are now reaching out for overseas destinations in order to access high growth markets, technology and knowledge, boost their positioning in the value chain, attain economies of size and scale of operations, to tap global natural resource banks and leverage international brand names for their own brand building." Indian companies are looking outward, and looking to use globalization in their efforts to increase profits, visibility and influence in the international forum.

However, it must be borne in mind that the benefits of globalization are confined to only 24% of families, while 76% Indians live in the rural economy with no purchasing power to acquire any imported goods. This is an improvement over the situation at the beginning of the decade when only 20% of the population was in the globalized market while 80% was outside the market. By 2025, about 40% of Indians will benefit from globalization. Yet 60% of the population will remain outside the privileged circle of global consumers and workers.

Cultural

It's not merely the export of India's software and other IT services that have enabled the country to benefit from globalization. Its culture and its values have also received a boost. Indian films, books, music, cuisine and Indian health practices are followed internationally. Overseas Indians are gaining prominence.

The shortening of distances between countries, both in terms of distance and values, has allowed Indian cultural practices to gain a strong foothold abroad. The vast diaspora of Indians living abroad is in part responsible for this. There are currently around 20 million Indians living abroad, a number that is expected to nearly double by 2025. Of these Non Resident Indians, and Persons of Indian Origin, many hold influential and visible positions of power in English-speaking countries like the United States, Canada and the United Kingdom. This has served, not only to increase India's visibility in these countries, but also build an important and growing Indian lobby. From Indira Nooyi, the chief of PepsiCo and Governor Bobby Jindal of Louisiana in the United States, to Lord Swaraj Paul to Lakshmi Mittal in the United Kingdom, prominent Indians in business and politics have parlayed their personal success into an increased presence of Indians in the lobbies of power. For instance, key advisers to British Prime Minister Gordon Brown, Foreign Secretary David Miliband and US President-Elect Obama include persons of Indian origin. At the Davos World Economic Forum, the past few years have seen a dominant Indian presence.

Indian movies attract not only overseas Indian audiences but also local audiences abroad. So far the revenue potential of the Indian movies might be under a billion dollars but the value of visibility they create for the country is enormous.

Young Indian authors like Arundhati Roy, Aravind Adiga, Kiran Desai and Amitav Ghosh are internationally renowned, the first three having won the Booker Prize. Salman Rushdie, V.S Naipaul and R.K Narayan are household names due to their contribution to fiction.

Yoga has also had a major impact on Western cultures, and in developed countries, allowing this to not only become a major source of revenue but also an avenue for India to promote itself. Other Indian spiritual practices too have found a following through specific teachers and their teachings. B.K.S Iyengar, Deepak Chopra, Sri Sri Ravishankar of Art of Living fame, and Osho have all had significant impacts on Western culture and the Western psyche.

Obviously, these are results of globalisation. India has sought to use globalisation to promote its cultural values. The cultural visibility has a political value. It projects the image of India as an emerging economy that the world must partner with. The overseas Indians lobby to promote India's interests in their host countries – particularly in the United States. Overall culture plays an important role in enabling India to gain recognition in the comity of nations, which was not possible in the days before Indian started participating in globalisation.

Security

Whereas globalisation has played a positive role in promoting India's economy and its cultural outreach, it has only frustrated India in its security challenges. World wide, globalisation has hindered nations in their effort to secure their borders and their people, and with India, it is no different. There have been virtually no benefits in this area provided by globalisation, with the exception of increased and easier co-operation between international intelligence and security agencies.

The same factors that have caused globalisation to be a boon in the economic area have adverse implications in the area of security. The cheapening of transportation and the ease of communication has facilitated terrorism to a large extent. India's security threats come mainly from certain select groups - terrorist cells that are based in Pakistan, ethnic terrorists in the North-East of India and the Maoists in central and northern parts of the country. However, globalisation has given these organisations a major boost. They are able to equip themselves much faster and better than they were able to before. Their funding comes from across the globe, from those that sympathise with their cause or that have allied interests. These groups are also able to travel across borders, with little or no trouble. They are able to go to other countries to receive training and to facilitate interaction between terrorist cells. Faster communication has meant that plans are put quickly into action, and the communication is now much harder to trace and record, due to the advent of disposable cell phones. Globalisation has also increased fears that a terrorist group may soon wield a nuclear weapon. The Indian elite are quietly apprehensive about the exposure of a smuggling network in nuclear weapon technology and ingredients run by Pakistan's chief nuclear scientists.

Political

India's political balance sheet in the globalized world is a mixed one. Globalisation has allowed India to be recognised for the potential it has and the strength of its people and its status as the

world's largest democracy. However, globalisation has also exposed its flaws including weak women's rights, problems in the education sector, and the wide gap between its human and natural resources. India has had to walk a thin line between allowing globalisation to boost its international agenda, and allowing it to hinder it.

The power-seekers believe that a major political gain for India is its image as a "swing state" in a globalized world. They believe that India would be invited by the United States to balance against China and Russia. This was true of the Bush administration. It is doubtful if the next American administration would seek such ad hoc alliances rather than trying to make a real multilateral framework effective. If it chooses the latter option, the revisionist in India will see India's role as a contributor to fairer world architecture rather than a swing state playing politics of power.

There is one aspect in which the power-seekers view of the world has won. India has been awarded an exception in the case of its civilian nuclear deal with the United States, whereby the Nuclear Suppliers Group has agreed to lift its ban on India and has agreed to provide it with nuclear fuel for its civilian reactor. Many have long feared that increasing globalisation enhances the prospect of powerful nations interfering in the activities of less powerful ones. Critics of the Nuclear Deal in India are afraid of this very possibility. They believe that giving the United States, and other international authorities, unprecedented oversight over strategic Indian interests like civilian nuclear reactors is a step backwards for India, and is indeed, a surrender of some of its sovereign rights.

Proponents of the Nuclear Deal, however, believe that it is an important step in the cementing of relations between the two countries. They believe that by signing on to this historic agreement, the United States has signalled to the world that India is an emerging power that is capable of being responsible with its nuclear power.

While India benefits in ad hoc deals such as the civilian nuclear cooperation agreement, it has been somewhat frustrated in its efforts to seek a role in the institutions of global governance. India has been included in the G8+5 summits in the last few years. The other four countries invited to join have been Brazil, China, Mexico and South Africa. Following the 33rd G8 summit Heiligendamm in 2007, the German chancellor Angela Merkel announced the establishment of the "Heiligendamm Process" through which the permanent dialogue between the G8 countries and the 5 greatest emerging economies has been institutionalised.

France and the United Kingdom have actively campaigned that India and the other four countries, plus Egypt, be allowed to join the G8, to make it G14. However, while it is significant that India has been invited to join the G8 + 5, it is important to note that India has yet to be accorded the status of being an equal partner in the organisation. India has as many detractors as supporters in the organisation. The United States and Japan are rather vehemently opposed to the expansion of the G8 and the inclusion of other countries, among them, India, to the organisation. The +5 countries including India are treated as second-class citizens of the G8 summits. The power-seekers in India are pleased that India at least has a place at the table. The revisionists argue that the globalising

world needs a more fair and democratic grouping of 15 to 20 nations at its helm where all members at the head table are treated as equals.

Like the G8, the World Trade Organisation is an important one for India's interaction with the international community. Rather than play a passive role, India has taken the bull by its horns and really made an impact on the WTO and its summits. India has taken a lead role in negotiations at the WTO conferences and has really fought hard to ensure the protection of its interests, even going up against the United States, and partnering with China. The talks, like the one in Doha, have failed due to India's insistence on protecting the rights and livelihoods of its subsistence farmers. India, along with China, has been a representative voice of developing nations like Indonesia, Cuba and Pakistan.

While India has taken a lead role, and shown its potential to be a leader among other developing nations, as well as a regional leader, it is important to remember that the WTO talks are in an intense deadlock, with neither side having convinced the other of its point of view.

India's biggest point of frustration in the last few years has been its inability to successfully lobby for a permanent seat at the United Nations Security Council. India has partnered with Brazil, Japan and Germany in order to convince the five permanent members of its reasons to join the Security Council on a permanent basis. India has also enlisted the support and endorsement of many other nations for its bid. Some have proposed that India be given permanent status, but without the veto power enjoyed by the P5. This is not a desirable option for India to agree to. However, India has been met with only failure in this regard.

India's relative position in the institutions of global governance cannot be seen in isolation from the issue of global governance *per se*. It would be therefore useful to review the present instruments of global governance in the next section of this paper.

3. Instruments

Currently the following instruments of global governance are mainly used.

1. United Nations Security Council
2. G-8
3. Organs with near-universal membership such as the United Nations General Assembly, UNFCCC, specialised UN agencies, WTO, World Bank and the International Monetary Fund
4. Regional institutions – particularly EU
5. Informal dialogue platforms – particularly World Economic Forum, World Social Forum and International Energy Forum

The first two institutions very much direct the process of global governance, despite their limitations and occasional neglect by major powers. Since they are outdated to some extent, it is necessary to reform them.

The third and fourth types of institutions are democratic. These institutions provide opportunities for small countries to voice their opinion. They need to be preserved. Regional institutions are on rise in areas where there is a shared premise in terms of economic and political philosophy – in particular in Europe and East Asia. They have nominal or weak presence where neighbouring countries in the given region are involved in conflict or competition – for instance, Africa, South Asia and Central Asia. Global and regional institutions are not alternatives to one another. Both need to exist since globalisation has common features with some regional differentiation. We need near universal institutions such as UNFCCC and WTO to manage global challenges. At the same time we need regional institutions such as EU and ASEAN to address regional specifics of such challenges.

The fifth kind of institutions is a new phenomenon. These platforms provide an opportunity for governments, business and civil society actors to exchange perspectives. They can not negotiate binding agreements but they may rise to new ideas which may later on find place in one of the formal institutions. Since the first two institutions need reform, it is necessary to discuss them in some detail.

United Nations Security Council has five members with permanent status and a veto power. They mostly represent victors of the Second World War and nuclear powers of the 1960s. These are anachronistic criteria to determine rules of global governance. A high level United Nations panel proposed two alternatives to expand the membership of the Security Council without success. The Security Council must be reorganised to reflect needs of the 21st century with an amendment in the United Nations Charter that compels the world body to revisit the structure of the Security Council once every 25 or 50 years.

The Group of 8 (G-8) is an expansion of the G-5 which was formed in the 1970s to address economic problems of the industrialised countries. It comprises United States, Canada, Japan, UK, Germany, France, Italy and Russia with Russia being the latest addition. In recent years, G-8 has also been inviting China, India, Brazil, Mexico and South Africa for partial consultations. If the P-5 group of the Security Council reflects outdated security architecture, G-8 represents an outdated economic architecture. The problems of industrialised countries are no longer confined them. They are closely interlinked with problems and prospects of emerging economies as well as energy exporting countries. This has been demonstrated in various kinds of crisis ranging from energy and food price increases to the collapse of the financial system – not to mention health and water security related issues.

It must be recognised that global challenges are interlinked across issues and geographies. It is not possible for a group emerging out of a war in 1945 or financial crisis in 1975 to manage these problems effectively. The objective of an effective instrument of global governance should be to respond to the challenges of 2025 and 2045. It is necessary for countries representing major

economies, security strengths, cultural diversity and demographic centres to come together in institutions to work collaboratively to address global challenges. Such a grouping must expand from the current G-8 to include its 5 partial members from emerging economies fully. It must then extend it to include important energy exporting countries and centres of significant civilizations such as Saudi Arabia, Qatar, Turkey, Egypt and when it is willing to be an active member of the international community, Iran. There might be one or two other countries that could also find place in such a grouping. Perhaps, the Heads of Government G-20 meeting convened by US President George Bush in November 2008 to address the financial problems can be transformed into a semi-permanent grouping to address various issues arising from globalized world on a regular basis.

The group of 18 or 20 should be reflected in the new economic directorate as well as the Security Council. It is not to reform global institutions to include the additional 10 or 12 countries. Each of the countries proposed as new members would have local competitors who would not want their regional rivals to have a place in the structures of global leadership. The difficulties experienced by Japan, Germany, India and Brazil in their bid for Security Council membership or difficulties experienced by Turkey in its bid for EU membership are indicators of political obstacles in reforming institutions of global governance.

There might be difficulties from within the countries as well. The power-seekers in India would rather have a Group of 10, which adds India and China to the G-8. They have indicated their willingness to work with Germany and Japan (and reluctantly Brazil) for expansion of the Security Council. In brief, they would like the Security Council and G-8 to be only slightly modified to include India and one or two other countries but not changed to include several other deserving countries.

The power-seekers may also be happy with bilateral and ad hoc approach to global governance under leadership of the United States, whereby the US dominates the world and carries India along as a junior partner. However, this approach resonated with the Bush administration, which is now a discredited chapter in world history. It may not work with a new administration in Washington DC led by President Obama. When powerseekers find that bilateralism and selective modification does not work, they are bound to reconcile with revisionists to help shape instruments that are a combination of reformed political and economic directorates balanced by democratic global and regional institutions.

4. Universal Principles

The differences between power-seekers and revisionists are deepest in thinking on instruments of global governance, since they have opposite views on the values underpinning the global governance architecture.

Traditionally, the revisionists have shaped the Indian worldview in this respect, resulting in India's strong support for the Charter of the United Nations and the articulation of *Panchsheel*. Since 1998, and particularly since 2000, the power-seekers, using their dominance of television channels

and think-tanks have strongly argued for a world based on only one value: might is right. They disdain rule of law. They resist interference in India's internal affairs but support wars in Iraq and (had there been one) Iran. They hold high admiration for ad hoc exercise of American power and also for China's strength. They want India to emulate China in its ability to assert itself. They have advocated special economic zones within the domestic context (where land is provided to those with resources at the cost of powerless peasants) and power projection in the global context. They consider the United States and China to be macho powers that India should associate with. They despise Europe for its emphasis on rule of law, human rights, and collaborative principles for conducting international rules.

Much of this debate may become irrelevant with the Obama administration in Washington DC. The Bush administration very systematically fostered the power-seekers lobby in India. The power-seekers are power-seekers by definition. If they find that those who control levers of power prefer multilateralism, they will also support multilateralism. Therefore, in the post-Bush world, power-seekers can be expected to join, albeit tactically, the revisionists in demanding universal values underpinning multilateralism.

Any attempt at defining the principles for the governance of a globalized world will have to consider the particular challenges that globalisation has brought. It will have to be an inclusive process, and not a divisive one. The United Nations Charter describes the reason for forming the United Nations "to reaffirm faith in fundamental human rights, in the dignity and worth of the human person". That will have to be the very basis to govern a globalized world.

The ideas and principles of global governance that the United Nations Charter outlined were those of dignity, equality and sovereignty. The Charter made a commitment by all countries that were signatories to honour the following:

- 1) Prevention of large scale international conflicts
- 2) Belief in fundamental human rights, equality of men and women and equality of all nations, big or small
- 3) Respect for international law and international treaties
- 4) Promotion of social progress and better standards of life

In order to achieve these said goals, the Charter also laid out the means to achieve them through tolerance and peaceful co-existence, by uniting to maintain international peace and security, by agreeing not to use armed force, except for the common good and by using the international community to promote economic and social welfare across the world.

In 1954, India and the newly established People's Republic of China entered into a five point agreement better known as the Panchsheel Agreement.

- 1) Mutual respect for each other's territorial integrity and sovereignty
- 2) Mutual non-aggression

- 3) Mutual non-interference in each other's internal affairs
- 4) Equality and mutual benefit
- 5) Peaceful co-existence.

India's idea of what principles should inform any body of global governance can be seen mirrored in the Panchsheel Agreement and the United Nations Charter. On completing 50 years of its independence, the Indian government had this to say about its foreign policy and its hopes for the conduct of international relations. "The principles of India's foreign policy, that emerged then, have stood the test of time - a belief in friendly relations with all countries of the world, the resolution of conflicts by peaceful means, the sovereign equality of all states, independence of thought and action as manifested in the principles of Non-alignment, and equity in the conduct of international relations."

India believes that a basic tenet of global governance should be the commitment to protecting the sovereign nature of each country, regardless of its size, or stature in the international community. Due to India's own struggle with the securing its borders, India has remained attached to the idea that other countries, and even international organisations must be made to respect the territorial integrity of each country.

The second principle of Panchsheel, mutual non-aggression, is an area that India has struggled with in the case of its neighbour, Pakistan and once in the case of China. Nevertheless, finding diplomatic solutions to international issues is vital to global governance. In cases such as Iran, India has consistently supported finding amicable solutions to issues, through diplomatic channels and methods, rather than military ones. India has also sought to be a reconstructive force in areas of conflict, such as the role it has played in Afghanistan.

The United Nations Charter mentions the promotion of social progress and general welfare of all citizens of the world. This again, is a fundamental principle of global governance, using the international community to improve the general way and standard of life of all. India has taken its role as a developing nation seriously. Through its interactions with the international community, its regional allies, and specifically in its engagement with international organisations, India has stressed on the difficulties of being a developing country. As a principle of global governance, it will be important to consider nations that are developing, and their specific challenges.

Finally, any set of principles that will guide the governance of a globalized world will have to include the mutual co-operation of countries in fight terrorism, and extremism, and international law will have to mandate, and enforce, action against those governments that are found to sympathise with known terror groups.

5. Mechanism

Earlier discussion in this paper explains deep divide in India between power-seekers and revisionists, which reflects a similar divide on a worldwide basis. The power-seekers would want the United States or its allies to form a selective 'coalition of the willing' or a 'league of democracies' to build international governance. The revisionists would want an inclusive approach. Thus, there are two options: selective and inclusive with their respective merits and demerits.

The selective approach has merit as it aims to advance the democratic principle. However, this approach has been discredited because it has been in partnership with military dictatorships or by using military means. This approach has meant promoting democracy by safeguarding military rule in Pakistan and Uzbekistan, violating human rights in Iraq and Afghanistan, and undermining democracy in Africa.

The inclusive approach does not pretend to promote democracy within countries. However, it aims to introduce the democratic principle in the conduct of international governance and global governance.

If the selective approach is practised with genuine distance from any authoritarian regime in the world and a sincere renunciation of the use of force, it will be successful in building global governance.

Until a principled selective approach is developed, there is no alternative to inclusive approach. It would involve a number of countries taking lead in reforming instruments and processes of global governance.

Europe has a special role to play in this respect. Europe has been a consistent advocate of a multilateral and collaborative approach to the management of global issues. Larger European countries such as Germany and France can play a lead role to play in this process. However, they will benefit from the diplomatic expertise, political assets and track record of some of the smaller European countries including the Nordic countries, Switzerland and Ireland. They will also benefit from cooperation with China, Japan, India, Turkey, South Africa and other important countries in the Global South.

The special role of Europe in transforming global governance is feasible not only because of its attraction to the Global South but also because of its relationship with the United States and Russia, two important powers. There will be no global governance if the United States and Russia are not integrated in a system to address global problems. Europe can mediate between the United States and Russia on the one hand and the Global South on the other. If Europe does not play this role, bilateralism will gradually triumph over multilateralism and the world order will slowly dissipate. This will be a recipe for worldwide disaster on many fronts. While the world mediates between selective and inclusive approaches to transform global governance, Europe and its partners must take lead to bring about a positive change in the fast globalising world.

Expert Report Russia

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Abstract

In line with Vladislav L. Inozemtsev, globalization has promoted a plethora of positive developments in Russia and around the world: dynamism, mobility, prosperity, innovation, computerization, consumption of high-quality products, a European standard of living, and broadening of intellectual horizons. Despite its potential, however, he argues that globalization challenges the interests of Russian political elites who employ propaganda against globalization as a scapegoat for their own shortcomings. In fact, the problem is not globalization itself, but the inability of a country (and often the unwillingness of ruling elites) to avail itself of the opportunities it presents. Inozemtsev puts forward a concept for building transnational governance based on a redefinition of modern sovereignty.

About the author

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Introduction

In assessing the dynamics and consequences of globalization, I assume that globalization is fundamentally different from economic and political processes known previously, viz. internationalization and integration. Globalization consists not in the formation of a conglomerate of closely-linked economies but in the emergence of a single economy that is not regulated in the traditional sense either by nation-states (because that is no longer possible) or by supranational organizations and institutions (because they have not yet been formed and are not vested with the relevant powers). The global economy in the 21st century is definitely not controlled by national governments. As the outstanding American sociologist and author of the theory of the post-industrial society, Daniel Bell, noted recently, "Globalization is not the old international economy. The old international economy was a relationship between producing societies and raw material societies buying from one another. Today, globalization means a single world market for single commodities... globalization is basically a replacement of the old international economy, which was the relations between states on the economic level."¹ All they can do is influence not the global economic processes but how these processes impact on their own economies and the life of their peoples. Although nation-states are still alive, national economies are virtually not. There are single markets for the main commodities, capital and stock markets and they all operate spontaneously, without being governed by decisions taken by the governments of leading world countries. Big corporations today earn much, and often most, of their profits outside the countries where they are officially registered. The scale of their financial transactions sometimes exceeds the gross domestic products of many states. This is the key difference between modern globalization and the "early waves of globalization" in the 17th-18th centuries and in the late 19-early 20th centuries, the main participants in which were still nation-states.

In this situation, the only task facing the governments of nation-states is to determine the scale and character of their countries' participation in the global economy and to make the best of their competitive advantages and the opportunities offered by access to the single world market for goods, capital and technologies. I believe that governments that fail to taken advantage of the opportunities opened up by globalization are committing an error, if not a crime, before their own peoples. If globalization causes harm to a country and its citizens, this means just one thing: the government of that country is not responsible or competent enough to avail itself of the new opportunities and to regulate the internal legislation for protecting the interests of its own citizens. The role of state power under contemporary conditions consists in accepting the full effect of globalization and using the resources and instruments offered by it to dampen its negative manifestations within a country. If that does not happen, it is the government of the country in question that is to blame, but not the process of globalization as such (a comparison with a person bathing in a lake may be in order: if the person drowns, the problem lies not in the existence of water, but in the person's inability or reluctance to learn to swim).

Russia occupies a very special place in the modern world, above all because, since the end of the Cold War, it has opened up economically and socially, but has failed to avail itself of any of the

opportunities presented by globalization. While its Eastern neighbor, China, has increased its industrial exports 19 times over during the last twenty years, Russia's have dropped by almost 35%. Today, high-tech goods account for a mere 3.8% of Russian exports, compared to 16% in 1989. By contrast, the share of raw materials in its exports has grown from 48 to 72%. While most of Russia's Western neighbors have long since joined the European Union, with all the ensuing economic and social advantages, the Russian Federation has failed to become a centre of its own integration entity or find a common language with its neighbors within major regional structures. At the beginning of the 21st century, Russia is a lone country, if not an outcast. It is a European power officially declaring that joining the EU is not its foreign policy priority. It is a petroeconomy that is not a member of OPEC. It is the only country among the world's ten biggest economies that has not had time to join the WTO. This is, to a large extent, not due to the specific characteristics of the Russian people or their mentality, but to the character of the Russian political élite, which reflects the interests of the raw-materials lobby and is afraid of free democratic competition. That élite stoutly rejects the values of globalization and does all it can to discredit it in the eyes of intellectuals. "Globalization studies" in Russia today merely regurgitate the widespread myths that the process is controlled by the United States and that globalization is bad for developing countries because it deprives their governments of "true sovereignty." That is why, unfortunately, one seldom hears anything positive or even merely objective and scientifically serious said in Russia on the subject. Most political scientists and experts sound off extremely primitive and biased views that have little to do with reality.

1. What are the essential issues/problems/challenges of the globalized world that require a political response and action? Please differentiate internal/external response and short-term, medium-term and long-term issues.

The single main and most important problem of the modern world is uneven development -- economic, political and social. It manifests itself in several ways.

First of all, one should note the unequal distribution of wealth both between North and South and within each society (both developed and developing). As the globalized world emerged (in the 1960s-2000s), the gap between the richest one-fifth of the world population and the poorest one-fifth increased from 20 to 25 times by the end of the Second World War to more than 90 times nowadays. It should be noted that the gap is widening, not only because the rich countries are growing richer, but also because many backward countries are growing poorer. Today, many countries are unable to deliver high living standards to their citizens (in 37 countries, their per capita GDP in 2007 was less than in 1970). That phenomenon, in my opinion, stems from the polarization of the global economy which has centers of high-tech production that create superior

¹ Daniel Bell and Vladislav Inozemtsev. *The Age of Disjunctions*. Moscow. Centre for Post-Industrial Studies, 2007 (available in Russian only, American edition due in 2009).

goods and services, on the one hand, and the periphery, which is, at best, an “assembly shop” for the world economy, on the other.

The modern “global” economy is clearly divided into three “echelons”. The post-industrial countries today produce values and technologies that are more symbolic in character, from luxury items and status symbols, like in Europe, to computer software or technology, like in the United States. The export of these goods implies that the developed countries retain control over the technologies on the basis of which the goods are produced, which is why the increase in exports does not lead to a proportionate rise in costs (in a sense, one can say that “copies of the original” are sold at prices typically way above cost). Industrial countries have to sell mass-produced goods and the costs of producing these are not going down. This requires massive production investment, procurement of raw and other materials and use of considerable hired labour. As a consequence, these countries need much more investment than the post-industrial countries do. Finally, the commodity-based economies effectively sell their finite and non-renewable resources. In such a system, the post-industrial countries increase their lead, the industrial countries constantly have to improve their production potential to withstand competition, while the raw-materials economies are relegated further to the periphery. The unequal exchange much lamented by the anti-globalists does not take place: goods are traded at prices agreed voluntarily, without any pressure. The combined effect, however, is to widen the material gap between the “centre” and the periphery.

The same process is taking place within individual countries: between 1970 and 2006, the share of incomes going to 1% of the richest US citizens increased from 17,4 to 42,3%; the Gini coefficient over these years was level or even declined only in Western Europe (as a result of tighter government regulation of the economy), whereas in the developing countries, such as Brazil and Russia, it is much higher even than in the United States. This can be explained, but only partly, by the liberal policy pursued in the world over the past decades. I believe that the underlying cause of the changes is that the modern globalized world is seeing a huge demand for highly-skilled labor and the goods it produces and a falling demand for low-skilled workers and the products of backward countries. This seems to suggest that the global economy cannot function effectively without growing inequality. I repeat, this is the most pressing problem of our time.

Associated with that problem is that of disproportionate regulation of various aspects of economic globalization. Standardization of production, competition, the degree of international trade and capital movement regulation are in stark contrast to labor regulations and work standards in various countries. The driving force behind powerful anti-globalist movements that, under certain circumstances, could reverse economic progress, is that the global élite, which by and large everywhere has similar wealth, life style and values, opposes a fragmented working class. The consolidation of the “global proletariat” could create controlled counterbalances to free-for-all globalization, render it more equitable and ward off large-scale anti-globalist actions. In other words, if the global economy is to be stable, “a global welfare society” needs to be created; today it is as pressing a task as that of forming a social safety net in Europe was in the late 19th and early 20th centuries. Today, we see the World Trade Organization being fairly effective, but we hardly notice any activity on behalf of the International Labor Organization, which could drive more decent

regulation of labor relations globally. In my opinion, that highly relevant problem is not getting its due share of attention.

The so-called non-developing countries, which have neither the potential nor the stimulus to develop, are an extreme manifestation of the global inequality. Economists describe this situation as the “non-development trap”: the population and the corporations have no incentive to save, because the standard of living is low and the shoddy standard of the goods actually in demand does not require technical innovation; lack of innovation in turn exacerbates backwardness. As a result, the political environment in these countries is rapidly deteriorating, autocratic political regimes are being formed and the countries are becoming arenas of civil war and conflict. It is increasingly apparent that the aid provided by the developed economies merely makes these economies more “sponging” and often does not reach the addressees. This situation cannot be tolerated: the world community – above all the leading powers – must determine where they stand with regard to such failed states and try to help them resume economic growth and development, even if this runs counter to the political will of the élites in these countries.

All the problems that, in one way or another, stem from global inequality should be seen as medium-term problems to be addressed within 20-40 years. I see no reason for expecting the leading countries to tackle them in the near future and it will, anyway, take a long time to hammer out a common approach.

Among other medium-term tasks I would mention international security, not the problem of terrorism and combating it, of which more below, but strengthening of non-proliferation of weapons of mass destruction, concerted action by the great powers to prevent new players from acquiring nuclear weapons; gradual nuclear disarmament, initially of the states that have gone nuclear in the last 20-30 years, followed by general nuclear disarmament measures. Considering that modern means of conventional warfare have a destructive potential approaching that of nuclear weapons, universal renunciation of nuclear weapons could be a major symbolic step indicating that the split inherited by the world from the 20th century has been overcome.

I would say that the only global long-term problem is climate change. That is truly a long-term problem because by no means all people believe it exists at all and (to a larger extent) because its solution on the global scale would require an unprecedented coordination of the efforts of countries with opposing economic interests. Practice shows that environmental goals and tasks are taken seriously primarily in countries that have achieved a certain level of economic prosperity. A substantial cut in emissions costs a great deal and makes goods, especially industrial goods, less competitive. All this means that most of the rapidly-growing economies of Asia and Latin America will not be interested in introducing serious nature-conservation measures at least over the next 20-25 years, until they accomplish an economic breakthrough and raise living standards at least 2-2.5-fold over today. So I think that, in the coming decades, the main champions of a clean environment will be the European countries; they may be joined by the United States, which today is the biggest consumer of energy in the world. Yet it will not be until the 2030s-2040s that climate change will be on the global agenda, while effective measures that might reverse current trends will be taken still later.

I believe that the only global short-term problem is overcoming the consequences of the financial crisis, perhaps the biggest crisis in the globalization era. For the first time, the developed and developing countries are finding themselves in a similar situation, whereas, in the past, some could make gains at the expense of others in crisis conditions. It is precisely because the current crisis is affecting everyone, though to varying degrees, that the way it is handled may be an important indicator of the international community's ability to rise above the interests of individual states and act for the good of all its members. At the same time, I would like to note that, in my view, the underlying cause of the current crisis is the dramatic increase in the complexity of the global economy in the last 20 years. Today we have free floating prices for the main exchanged goods; stock markets whose capitalization exceeds the global GDP; financial institutions with a turnover greater than that of most nation-states; and finally, a multi-currency system without a common value standard. Today, a new Bretton Woods system is impossible not because the parties have no will to agree, but because the potential subject matter of an agreement is absent. What makes the process still more complicated is the different status of the negotiating parties: on the one hand, powerful economic players that issue convertible currencies and can use this as an instrument to solve their own problems (notably the US, the Euro Zone countries, Great Britain, Japan and Switzerland) and, on the other, such countries as China, Brazil, Russia, India and some others whose currencies perform the role only of national legal tender. These groups of states are in qualitatively different situations and have different room for maneuver (for the latter, the size of their currency reserves is an objective limitation). I do not quite see what they can agree on during negotiations on stabilizing the world financial system. So, I am skeptical about the prospects for an imminent restructuring of the global financial architecture and I think that it will not change substantially any time soon.

The problem of terrorism, often named as one of the key global problems, merits special mention. I do not share this view. On the one hand, terrorism is a natural reaction by some religious and political groups to the demise of the world model that seemed immutable and in which the values and faith of these groups were not challenged from without. The collapse of the established political, cultural and religious boundaries that is inevitable in the context of globalization can cause harsh and unpredictable reactions. I believe that the Western world should interfere less in the political and social processes in the regions that today reject global values for reasons related to culture and civilization, rather than provoking their populations to undertake protest actions. On the other hand, "terrorism" has, in recent years, become a convenient enemy that many governments profess to fight, declaring it as one of their priorities (this was particularly evident in Russia in 1999-2005 and in the United States in 2001-2008). Fighting an invisible and undefined enemy is a nearly ideal way to spend huge financial resources at will and to suppress civil freedoms. In recent years, the political élites in the Western countries, Russia, China and many other states needed this more than the terrorists themselves.²

In my opinion, the Western countries should not overestimate the danger of terrorism and restrict civil or other rights of their own citizens for the sake of fighting it. The modern global world is less

² For more detail see: Vladislav Inozemtsev, 'The Convenient Enemy' in *Russia in Global Affairs*, vol. 3, No.2, April-June 2005, pp. 12-28.

stable and governable than the 19th century world and it is we who have made it so. There is no reason to hope that it will become more calm and secure. One should take reality as it is and seek to make the Western countries more attractive for the rest of mankind rather than chase phantoms all over the world. Society in the 21st century is a world society of risk, as rightly pointed out by Ulrich Beck, and Western citizens should get used to living in such a society. There is no reason to believe that the visits made by members of the global élite to dozens of countries within a year are safer than the round-the-world voyages undertaken by the best representatives of the European nobility without any fear for their safety. Globalization brings dynamism, mobility, prosperity, innovation and much else, but no safety. I think the time has come to admit that fact and come to regard terrorism as a “background” threat as dangerous as road and air crashes or other human-induced catastrophes, but one that does not merit any more attention than these problems.

The question as to whether any of these problems are internal or external makes no sense to me, because, in the global world, all its problems are already internalized and it would be wrong to portray some of them as coming from outside.

2. Which important interests of your country/region are promoted by globalization, which are currently neglected or frustrated in the process of globalization?

As I noted above, the process of globalization has had a specific impact on Russia: it was able to benefit economically on many counts, but in the political and, even more so, in social and psychological ways, it has resisted the globalist ideas and globalist culture that largely determine the face of the world today. Assessing popular sentiments, it can be said that today’s Russia is afraid of globalization as a process for the most part not understood in essence by its citizens and not controlled by the élites. The country paradoxically combines an unprecedented enthusiasm for the superficial aspects of the Western lifestyle with mistrust of Western social and political institutions and fears about virtually everything that happens on the global political scene in general.

Russia is a classic example of a country whose government tends to accuse “objective processes of globalization beyond its control” of being responsible for economic problems while claiming the credit in areas where the positive impact of globalization cannot be challenged. Russia today depends more than any other major economy on imports of hi-tech goods. The country does not produce mobile phones or computers and the output of much sophisticated technological equipment has been shrinking by the year. The computerization of Russia over the past 10-15 years is an obvious consequence of globalization. The development of the global financial system has brought Russia massive foreign investments and sent share prices on stock exchanges soaring. In the summer of this year, half of the trading on our stock exchanges was carried out by foreign participants. Global changes have enabled the country to enrich itself as never before although, in terms of real production indicators – such as the extraction of oil and gas, it has yet to

reach the level of 1989, at the tail end of the Soviet era. Globalization has turned many Russians into consumers of high-quality products, enabled them to enjoy a European standard of living and greatly broadened their intellectual horizons.

Unfortunately, most Russian citizens think of globalization in negative terms, believing that it is “responsible” for the collapse of entire sectors of the economy, the decline of agriculture and even for the introduction of market relations into the social sphere, which made many citizens far less secure than in the Soviet period. World experience shows, however, that the European countries, which are much further along the way to globalization than Russia, have increased and not curtailed their social programs in the same period -- in spite of globalization. Today, highly globalized Malaysia and Thailand spend a much larger share of their GDPs on science than Russia does and Brazil, the leader of globalization in Latin America, spends a much larger share than Russia on education. There is a widespread sense in the country, however, that Russia is almost a “victim” of the West and globalization, which is a Western invention. There is also a strong sense that, in the context of globalization, Russia is being “sidelined”, while the great powers that have gained most from globalization are in no hurry to admit it to their club. Actually, in my opinion, the responsibility for most of these negative phenomena rests with the Russian political élite, which has deliberately destroyed, partly to promote its own selfish interests, the social state of the Soviet period, thereby deregulating industry and agriculture, and is resisting Russia’s inclusion in any regional political and economic associations.

This kind of rhetoric was ratcheted up in recent months when the top Russian leaders made it clear, in speech after speech, that they hold the United States primarily “responsible” for the current economic crisis, in that it had allowed excessive credit expansion, deregulated the financial markets and thus provoked a chain reaction of bankruptcies of banks and other financial institutions. Until recently, Russian leaders have tried to ignore their own responsibility for the crisis which, in my opinion, may be deeper and last longer in Russia than in the leading economies of the world. This is, above all, because the Russian economy is much less diversified than that of most other large developing countries, depends heavily on exports, has a combined corporate debt that is much greater than the currency reserves accumulated over recent years and has a socially vulnerable population, many of whom are teetering on the brink of poverty.

Yet, in spite of the fact that globalization – including financial globalization – exposes countries and peoples to greater uncertainty, I am convinced that being involved in the globalization process meets Russia’s basic interests. It would help if the Russian economy became more open and Russian citizens stood to gain from the country’s integration into the world economy. The problem is, however, that the Russian political élite sees (perhaps with good reason) the progress of globalization as a serious threat to the bureaucratic governance system in the country, which quashes political competition and is building up something called “sovereign” democracy. Successful globalization can stimulate Russia’s movement away from isolationism towards openness, bring it into international society and ultimately dismantle the unwieldy and outdated system of political government. That is why I believe that the movement towards a more globalized world meets the interests of the Russian people and the positive aspects of that process far outweigh the negative ones.

3. What are the preferred instruments of managing a globalized world? What could be the role of structured multilateralism (such as the UN), what could be the role for structured regionalism (such as EU and ASEAN)?

The problem of global governance is the most complicated and pressing problem facing the modern world. It must be admitted that mankind lacks any effective global governance instruments and is unlikely to acquire them in the near future. The main reason for this is the heterogeneous nature of the agents in the world political process. The key element of the international political architecture – the United Nations Organization – was set up (like its predecessor, the League of Nations) as an instrument to enable the great powers to balance one another's interests while at the same time governing the world periphery, which was initially not even represented at the UN. The mechanical expansion of the United Nations, bringing into its fold countries that could hardly qualify as states (such as Zimbabwe, Rwanda or Somalia) made it impossible for any decisions to be taken within the framework of that "structured multilateralism". A particularly worrisome circumstance is that the UN is, de facto, not an instrument of international law: even to recognize that international law is broken (for example, genocide in Sudan) requires a consensus of the great powers, which can seldom be achieved. So, in its present state, the United Nations is ineffective and indeed meaningless, if not harmful, as it creates an illusion of a governable world that is, in reality, chaotic and largely unpredictable.

At this point, it would be relevant to say a few words about the very concept of "globalization" as an ideological instrument. I believe that the term, coined in the 1960s, gained great currency in the 1980s and 90s largely because it compared favorably with the concepts of "Westernization" and "Europeanization" used by sociologists since the mid-19th century. The term "globalization" is essentially meaningless, as it merely indicates that the world is no longer fragmented, while it says nothing about what it has become. The theoreticians and practitioners who launched the term failed, in practice, to address the issue of the driving forces behind the phenomenon it describes. While Europeanization or Westernization were seen historically as the spread of the West's economic practices and social order (above all those of Europe) to the rest of the world, globalization does not identify the dominant agent in the process. The use of the concept releases everyone from any responsibility for the fate of the world.

Europeanization used to mean the spread of European economic and social practices and, to some degree, European law. The term was also used to describe the consequences of migration by Europeans to countries where they subsequently became ethnic majorities. Yet concepts that have now become history reflected the changes that took place in the world in the 20th century (and are still taking place) much more accurately and pointed to the source of these changes: the West (more precisely, Europe). The current discussions of globalization reflect a dramatic change of the situation: no matter how much we talk about "a new world order", globalization is becoming a synonym for the planetary ungovernability that is emerging even as we talk about the success of globalization.

Turning to the problem of world governance, let me note that regional associations that bring together states with similar historical backgrounds and economic interests are often regarded as an alternative to the central role of global institutions (such as the United Nations). In my opinion, such a regional approach, although it has achieved much and has many champions, cannot replace global governance. At best, it can generate some principles and norms that would provide the basis for an effective global governance system. This is partly because every regional association is, in a certain sense, an “anti-globalization” phenomenon, since it seeks, within its own framework, to overcome the chaos and anarchy that are inherent in globalization. This is highlighted by the European Union, an impressive integrated structure whose actions tend objectively to consolidate the divide between itself and the outside world, while the barriers within the Union are tumbling down. Any integration association is highly likely to be an opponent of globalization because the latter (as noted above) is not a particular instance of integration. Development of regional economic and political associations will increasingly focus the attention and efforts of member countries on internal problems and their own development, thus diverting them from taking part in the creation of global governance institutions.

The formation of regional alliances and integration associations can also impede globalization because the larger and more powerful the main world players become, the more they will be tempted to agree among themselves rather than establish common (binding) rules. In this situation, the new world order will end up as a set of exceptions rather than rules. As a consequence, the “multipolar world” that Moscow often advocates as the “optimal world order” will be neither stable nor just. Russian political leaders who have spoken a lot recently about the “multipolar world” forget, I think, that the “multipolarity” that existed in Europe in the 15th-19th centuries was never a synonym for cooperation; on the contrary, it constantly generated conflicts between the “poles” in such a geopolitical setup. At the same time, I would hazard to suggest that a multipolar world has never existed in history because, at the time when the world was divided between great empires: Rome in the Mediterranean, the Sassanids in Asia Minor and the Han Empire in China, like in the 1st-3rd centuries; the empire of Charlemagne in Western Europe, Byzantium in the East, the Abbasid possessions, India in the time of the later Middle Kingdoms and the Chinese Empire under the Tan Dynasty, like in the early 9th century; or the Holy Roman or Ottoman Empires, the strengthened Rus, the Moghul Empire and the Ming Empire in the 16th-17th centuries – there was no “world” in which these states could be poles. Humanity was fragmented and interaction between large political structures was minimal. Western historians are quite right in calling such an order polycentric rather than multipolar.

Coming back to the current situation, let us note that, within the European Union, being the most advanced integration association to date, elements are emerging that might, if not be the prototype of global governance institutions, at least indicate the direction in which they might evolve. The main difference between the EU and the world community is the qualitatively new role of law in the Union’s functioning. Unlike the international community, where only single nation-states have any legal personality, the European Union’s structure includes the European Court of Justice, which adjudicates disputes arising over interpretation of European laws and passes rulings that are binding on all the member countries, their governments and all legal entities and natural persons within the European Union. This is the institution that makes the European Union fundamentally

different from any other international association and indicates the direction in which the global political architecture should move if it is to be improved.

The way to successful global governance is not to build a multipolar world with a complicated system of checks and balances, but to codify and implement a body of global legal norms, to set up international courts independent of the will of nation-states and to spread their jurisdiction to the whole world. All this should be complemented by the formation of global law and order forces that could, on the one hand, prevent acts recognized as unlawful according to international norms (for example, genocide or ethnic cleansing) and, on the other hand, would be authorized to track down, detain and try persons guilty of such acts, regardless of where they are. The main problem that impedes the formation of effective global governance is that there is no common legal space in the world and no order is possible, by definition, without it. In other words, global governance is impossible without a radical revision of the entire modern concept of sovereignty. This is witnessed by the experience of the European Union, where a large proportion of the sovereign rights of the member states has been delegated to supranational institutions. If global governance ever becomes a reality, the main governing institution will inevitably have to be an independent supreme court with a very broad jurisdiction. Its absence in the world today (the International Criminal Court can be seen as a forerunner of, but not a prototype for such an instance) makes all the talk about global governance premature. In my opinion, no major prerequisites for formation of a global governance system will emerge in the world in the next few decades. The main reason is not even the reluctance of states to give up many of their sovereign rights, but the fact that there exist three types of state in the world, which R. Cooper calls pre-modern, modern and post-modern (the first group includes failed and non-developing states, the second -- major world powers with a 19th century view of geopolitics, and the third -- the member countries of the European Union, which voluntarily relinquish part of their sovereignty). As long as international community consists of political agents that differ so widely from one another, global governance remains a dream.

So, in the near future, we will have to make do with crisis management rather than global governance, but. I believe that this area of coordinated efforts of members of the international community holds promise. Some basic legal norms violation of which would be deemed intolerable should be codified. It should be declared that states caught violating these norms would be denied legitimacy; their membership of international organizations would be suspended; their territories would be declared terra nullius, so peacekeeping forces would be introduced into the corresponding regions to restore peace and calm. The main difference from the current practice would be that, given convincing evidence of genocide or ethnic cleansing, no permission from international organizations would be required for "coercion into peace". Such practice already exists de facto: in 1971, India moved its troops into Eastern Pakistan to stop inter-communal massacre; in 1978 Vietnam invaded Cambodia to stop the "killing fields" launched by the Khmer Rouge; Tanzania twice, in 1979 and again in 1985, invaded Uganda to topple first President Idi Amin and then Milton Obote; in 1999, the US and its allies stopped ethnic cleansing in Serbia by air raids on Serbia; in August 2008, Russia prevented widespread violence in South Ossetia. An important task of the international community is to legitimize humanitarian interventions as a first step towards bringing order to the world. All the rest can wait. I believe that restoration of the Trusteeship Council within the UN structure and reinstatement of mandate territory status in

international law would be highly advisable. In the course of agreed efforts to restore order in “problem zones” in the world, the experience of global governance will be accumulated.

4. Should governance of a globalized world be based on general or universal principles; if so, which ones?

The question is not very clear because the difference between “general” and “universal” principles is unclear. So, this would be my answer. I am chary of the very idea that “universal principles” exist. Values and principles are always determined by the historical and cultural characteristics of the peoples that preach or adhere to them. The uniqueness of each people and each civilization largely depends on how their values differ from the values and the ways of life of other peoples. In my view, the most dangerous thing in the modern world is proselytizing of values and principles, sometimes against the will of those on whom they are being imposed. I think that, if Western civilization has produced more perfect societies than other civilizations – more law-governed, democratic, open to human needs, more humane and tolerant – it should be proud of its own uniqueness and its superiority, but not try to spread its principles all over the world. The grandeur of each people lies in its positive differences from the rest, so universal principles and universal values are a fantasy that is impossible in reality.

I would, therefore, choose a more moderate epithet: I would settle for the word “general”. What is important, however, is that global governance needs not principles and values, but norms. Principles are something one does not argue about (*de principiis non est disputandum*, as the Romans said); they are often held sacred and are seldom violated; global governance calls for a constant search for a consensus that is achieved through prolonged argument and compromise. Every order emerges as an embodiment of formalized normative thinking and it is norms, not principles that are most important for an effective world order.

What could these general norms be? In my opinion, they fall into two groups. *One* consists in a statement of certain universal human rights, the list of which should be rather short. It includes only the right to life, the right not to suffer violence and the right to enjoy basic economic benefits (i.e., the right not to live in abject poverty). The current state of the world is not such that people in all countries can enjoy freedom of religion, the right to take part in democratic elections, to have access to free media, etc. These rights may be declared as ideal, but it would be premature and unproductive to build a global order on their basis (there I agree with Amitai Etzioni and the approach set out in his recent book *Security First*). Accordingly, states should guarantee their citizens these basic rights. Let me note that to start building a global order, one does not need the consent of all nation states, only an overwhelming majority of them. Thus, the builders of the new order could be the countries that recognize these comparatively few basic human rights.

The *other* group of norms consists in the obligations of states to abide by these rules and the norms for actions in the event of non-compliance. The most important of these norms is the conditional nature of sovereignty. This presupposes that, if the government of a state cannot

protect its citizens against violence, allows genocide and ethnic cleansing and persecution on ethnic, racial or religious grounds, the international community ceases to recognize the sovereignty of the government and deems interference in the affairs of that “inhabited territory”, which it no longer regards as a state, to be legitimate. The next important norm is inevitable response: if the authorities in a country violate the rights of citizens or are unable to restore order and security violated by other groups of citizens, the international community is obliged to interfere and restore peace and tranquility.

Thus, the first step in forming a global order is to form a consensus on the basic list of rights and work out a consensus-type reaction to violations of them.

The next step would be to determine the centre of that global order. Two options are available: the first presupposes the existence of a “natural leader”, acting as a global governor by virtue of its particular power or unchallengeable moral authority. An ideal of such an agent could well have been the United States during the Cold War period in its relationship with the Western world. In fact, the US was the agent of global governance within the confines of the free world. Today, this is virtually not an option both because of the declining might and influence of the United States and because the task itself has become more complicated. The second variant calls for an institution to emerge that would be independent of any particular member and would embody governance. Such an institution should undoubtedly be vested with the right to formulate binding rules; a court where the states could, if necessary, challenge them; a service to monitor the situation in the world and whose conclusions provide grounds for stripping countries of their sovereignty; and finally, armed forces for restoring order. That is an extremely complex and unwieldy structure, which makes it unlikely that it will be introduced any time soon. Something similar already exists in the European Union: we have the European Commission as the law-making organ and the European Court of Justice to consider implementation of the adopted norms; Europe does not need a monitoring service (whose functions are performed by national organs) or armed forces, because the judiciary in the European Union countries commands unassailable authority and has all the requisite powers to eliminate any wrongdoings. Noting similar exists on a world scale, so the structure will inevitably be more complex.

In other words, global governance presupposes a consensus on basic human rights; a consensus that violation of these rights terminates the legitimacy of a state; and central institutions that have effective instruments to enforce redress when rights have been violated. It should be noted that creating such a structure today is totally unrealistic.

A palliative, but useful, solution to the issue would be the above-mentioned principle of selectivity in forming the global order. In other words, it is not necessary that the new architecture include all the members of the international community. On the contrary, its core could consist of a few dozen states that would enter into binding agreements, create central structures and declare the association to be open for other members to join. Undoubtedly, to make the project more attractive, its participants should be offered certain benefits: these could include free movement of goods and people, economic support for some socially sensitive projects and possibly even agreements on guaranteeing security in the event of outside aggression. If this project proves viable, it will attract

new members and could gradually expand to cover the whole globe. The success of the global project would depend on its seductive power, not on its enforcement potential.

Thus, the main task of global governance is to promote human security, while establishment of a new world order is not an objective to be accomplished in the next 10-20 years. The world today is too deregulated for the project to be considered as a short-term task.

5. Who should lead the process of building transnational governance?

In my opinion, there is only one answer to that question: the world today has a single subject capable of forming an agenda for creating a transnational government. It is the European Union. There are several reasons that make me think so.

First, the European Union is the only acting international association that has, de facto, created central governing bodies that are relatively autonomous of the governments of the member countries and can lay down guidelines for development of the Union (even if mainly in the economic and social spheres). The system of EU institutions includes the European Court of Justice, an institution of a type essential for global governance. In the near future, with the adoption of the Lisbon Treaty, the European Union will pass on from consensus decision-making to majority decision-making by the states (or citizens), which will make it an all but ideal model for copying on a global scale.

Second, over the last 35 years, the European Union has acquitted itself as a highly attractive economic and social model that invites emulation and participation. It is the attractiveness of the European model that accounts for the steady expansion of the European Union, which has increased its membership from 6 to 27 countries. Let it be noted that this has happened at the time when the world has been witnessing disintegration of colonial empires and large multinational states, while great powers, such as the USSR or the US, realized that they could not control territories beyond their borders by force. Thus, the European Union today is the only example of successful non-violent expansion, an “empire by integration”, as some experts call it. Because global governance is supposed to be established initially in one part of the world and only then expand, this model will certainly come in useful.

Third, the expansion of the European Union is based on an approach that, by a certain stretch of the imagination, can be described as “well-being in exchange for sovereignty”. By delegating some of their sovereign rights to the European decision-making bodies, the member countries gain economic advantages in the shape of free trade, investment flows and even assistance under cohesion programs. That toolkit, perhaps in modified form, will inevitably have to be used in building a global governance system because the leading powers seeking to spread that system to the maximum number of countries will have to offer something in exchange for treaties that are binding and in some ways limit state sovereignty. The “well-being in exchange for sovereignty”

model perfected in the European Union could provide the main instrument for promoting the idea of global governance on a world scale.

Fourth, the European Union (and Europe as a single whole) has, in recent decades, pursued a political and social course that projects its image of a responsible and reliable global player, threatening no-one and promoting the principles of humanism and freedom. The Europeans are at pains to stress renunciation of the use of force as the basis of their foreign policy; they have not initiated any conflicts and have not invaded other countries to protect their selfish interests. Europe does not practice any of the unilateral economic sanctions and blockades that the US uses so often. The Europeans are the biggest donors of international financial aid to the less developed countries; all the states that allocate 0.7% or more of their GDP to achievement of the UN Millennium Goals are European states. The list goes on and on. Europe is seen as a decent society that does not pursue expansionist goals, does not impose its principles and values, lifestyle or economic model. The ideas of global governance would, therefore, meet with less resistance if they emanated from Europe.

Fifth and last, the Europeans have recently displayed considerable skill in experimenting with and putting into practice major international initiatives aimed at promoting the common good of mankind. They initiated the Montreal Protocol of 1992 and the Kyoto Protocol for reducing harmful emissions into the atmosphere, and the treaty banning landmines, they have formulated and launched the International Criminal Court project and so on. There are, however, problems in that many of these initiatives have not been backed by the leading powers: the US, China, India, etc. Europe is already doing much to translate the idea of a more governed world into reality but it is unfortunately meeting no support on the part of other members of the international community.

Final remarks

Modern globalization is, by and large, chaotic and ungovernable, but this need not be seen as a shortcoming. The present complex and diverse world is inherently chaotic, this being a consequence of the rapid technological and economic progress over recent decades. Its chaotic nature is unlikely to be overcome in the near future. The processes of globalization, for all their known and yet-to-be-discovered negative consequences, exert a positive impact on development of human civilization and embody technological, economic and cultural progress. It should be noted that people today can neither stop the process of globalization nor fully control it, so we should make an in-depth and impartial study of global trends and apply them for the common good.

Managing globalization is an extremely complicated task. I would distinguish two aspects of this process. The first is local and it is used with varying degrees of success in many countries that pass laws or introduce norms to moderate the impact of global trends on the economic and social conditions in individual states. The second is the world aspect, which is in its initial stage and presupposes establishment of multilateral organizations capable of making globalization less

spontaneous. Among such institutions already active today, I would single out the World Trade Organization, yet even its effectiveness has recently been put into question and some important decisions that have long been on the agenda are still to be made. So the truth of the matter is that, so far, “managed globalization” is to a large extent wishful thinking.

Nor does global governance, in its usual interpretation, exist in the modern world. In my opinion, not one international organization that includes the majority of the world’s countries can provide the basis for effective global governance. In future, elements of such a system of governance might evolve through development of more advanced regional associations that already show signs of systemic coordination of efforts and have autonomous centers where strategic decisions are taken. The only regional organization meeting that description today is the European Union. It can be used as a model for developing the principles of global governance.

At the same time, it should be noted that, in recent decades, the world has witnessed two opposite trends: on the one hand, the integration and consolidation processes unfolding in Europe and, on the other hand, growing political rivalry in the rest of the world. American unilateralism and the growing ambitions of the powerful new players impede concerted worldwide efforts to bring order. Much of the world is sliding into chaos and the number of failed states is growing. All this gives few grounds for hoping that successful global governance projects can be implemented in the next 20-30 years.

It should also be stressed that present-day Russia can hardly be a reliable partner in the building of even a partially managed globalized world. After its defeat in the Cold War, Russia tried for a decade (albeit not too actively) to fit into the architecture that the Western powers offered the world (George Bush Senior’s “New World Order”). As a result, at the beginning of the new century, Russia was economically enfeebled. It had failed to find a common language with the West and was hankering after its lost imperial status. Over the last eight years, the Russian authorities have built up the state that best suits their goals, namely, maximum enrichment through control over the basic (resource-producing) sectors of the national economy. The problem in Russia today is not corruption in the classical sense (remuneration for breaking the law), but a total merger of business and government, with laws and regulations required to achieve a certain goal are passed when necessary and then new laws and regulations being passed to meet the commercial tasks of tomorrow. The Russian political élites have no desire or will, therefore, to bind themselves by any obligations similar to those implied by global governance. Russian power makes an absolute of exceptions, whereas a more perfect world should be created on the basis of rules.

Expert Report Russia

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Abstract

For Sergei Karaganov, the currently unstable global economic and political systems present the most serious problem requiring government action. Although globalization has promoted non-state actors in the international system, states remain the only legitimate elements of the international system. For this reason, political responses are needed especially at the national level; yet multilateral institutions can be helpful as dialogue platforms for states. Structured multilateralism would prove the most adequate form of state interaction, but current international organizations such as the World Bank, IMF, and United Nations require urgent, fundamental reforms in order to render them more representative and better able to govern in a globalized world.

About the author

Sergei A. Karaganov is an expert in Soviet/Russian foreign and defence policies and security and economic aspects of Russian-European relations. Since 2001 he has served as a foreign policy advisor to the Russian Presidential Administration. He is a member of the Public Council under the Russian Minister of Defence as well as Chairman of the Presidium of the Council on Foreign and Defence Policy, a private organization of 170 heads of business associations, prominent politicians, and leading figures in the military, foreign policy, media and culture. Karaganov holds the position of Deputy Director of the Institute of Europe of the Russian Academy of Sciences (PAH) and is Chairman of the Editorial Board of the journal "Russia in Global Affairs". Over the years he has lectured in various Russian and foreign universities and research institutes and currently serves as Dean of the School of International Economics and Foreign Affairs of the State University — Higher School of Economics (SU – HSE) in Moscow. He has authored and edited 20 books and brochures, and published around 400 articles on economics, foreign policy, arms control, and national security strategy.

Russia and the challenges of globalization

1. Summary

The most important problem faced by the world today is the highly unstable and chaotic state of the structure of the global economy and politics. The increased interference by the state in the economy, as the only – so far – response to the instability, has resulted in the return of citizenship and related obligations to businesses. There is an ongoing politicization of international economic relations, while issues pertaining to economic and social development are being discussed through the prism of national security.

The immediate threat stemming from this instability is a highly increased risk of armed conflicts and an enhanced role of traditional security issues in interstate relations. The instability is caused by the continuing adaptation of states, above all the leading powers, to the new realities brought about by globalization. The essence of these new realities is the emergence of basically new forms of ties between individual elements of the international system. The main characteristic of these forms is that they are not controlled by states. Another challenge is the rapid increase in the number of international actors and their relative democratization, compared with the imperial or rigid bloc-based world order.

The instability challenge could be met by forming a stable and structured multipolar system of international relations. However, this formation is held back by the inability of governments to find solutions for meeting the challenges of financial and informational globalization even within their own countries, to say nothing of proposing solutions to other partners in the international community. The old mechanisms of control over cross-border financial and information flows no longer work, while new mechanisms have not yet been worked out. As a result, potential “poles” (the United States and Europe, China, Brazil, India, and Russia) cannot claim the role of full-scale regulators of economic life not only in their regions but even in their own sovereign territories.

There is an increasingly obvious need for a new format of relations between the State and Business, or even – on a broader scale – between the State, Business and Civil Society. The new format implies not just the emergence of new models of state interference in the economy, which would meet global requirements, but also the readiness of societies to live according to these models. These challenges of globalization – new forms of ties between states beyond their control (information and finance) – are structural in nature and require political responses, especially at the national level.

However, this does not mean that the adaptation at the national level does not require a simultaneous search for mechanisms for collective actions. At the same time, such actions can hardly be effective, except for efforts to overcome the negative effects of the globalization processes. The existing multilateral institutions must be preserved as negotiating platforms, including negotiations on the reform of the institutions themselves.

Russia, as a relatively new actor, can expect that the objectively inevitable shake-up of the international institutions and rules that now serve the interests of the old West would help it implement its own interests; that it would enhance the role and influence of Russia, and would give it access to new instruments for achieving leading international positions and establishing mutually

advantageous cooperation with potential leaders. However, as Russia has inherited from the Soviet Union a substantial part of problems of the socially oriented economy, as well as the archaic Soviet system of government, it may suffer from some problems much more than it deserves, considering its contribution to the emergence of these problems. The recent developments caused by the international financial crisis confirm this conclusion.

Until the solution of structure-related issues of globalization is found at the national level, the maximum one can expect is the ability of individual countries (possibly within UN frameworks) and regional groups (the European Union, ASEAN, the Shanghai Cooperation Organization, etc.) to take collective action to eliminate the negative effects. Even the most advanced forms of regional cooperation are not capable of providing integrated solutions to globalization-related problems. None of them, including the European Union, has offered transnational governance instruments that would help find responses to structure-related challenges of globalization. This is evidenced by the isolated measures taken by the EU countries – despite their declared common position – to overcome the effects of the global financial crisis.

The future governing the globalizing world will require designing and consistently implementing universal principles of states' conduct – both independent and through the instruments of regional associations.

So far, attempts by regional associations and individual big powers to play the role of leaders in building new forms and institutions for transnational (global) governance have faced strong opposition from other international actors. In addition, the political forms these attempts take suffer from their dependence on the peculiarities of the country (group of countries) that puts them forward, as well as from the latter's often selfish national interests. By way of example, one can cite the actual failure of the US to take on the responsibility of global leadership – major international and political result of the period since 1991.

2. Structural challenges and global problems: responses and prospects

The problems faced by an absolute majority of states and associated – in one way or another – with globalization can be divided into two categories: structural challenges and contextual problems. The former are directly linked with the changes brought into the structure of ties between the elements of the system of international relations by the dissemination of information and telecommunication technologies (the engine of globalization) and the relative freedom of the movement of capital (the fuel of globalization).

The latter – that is, problems that are most often associated with globalization – are acquiring a global nature only in the context of structural manifestations of globalization. These are contextual problems of globalization or, to be more precise, difficulties faced by countries and institutions for cooperation between them due to their unpreparedness to resolve them in the conditions of a changing structure of the international system.

Structural challenges of globalization

Only two of globalization-associated phenomena – information and telecommunication technologies and the freedom of capital movement – have never existed before in truly universal forms. Most researchers agree that it is the all-embracing nature of communications, the propagation of information and the movement of capital that underlie the globalization and ensure the existence of this phenomenon. Also, they are molding a new type of mutual ties between the elements of the international system, which are beyond control of these elements, that is, states.

As a result, globalization (both its consequences and manifestations) has an essential impact on the system of international relations. It creates basically new kinds of mutual ties between the elements of this system. In some cases, globalization can even produce the prototypes of new elements other than traditional states. If non-state elements of the system become a reality, the very definition of this system as “international” will be called into question. These tendencies weaken real regulating capabilities of states.

For example, the liberalization of capital movements, the switch of financial systems to the international electronic communication and data processing and storing system, and the loss by the state of control over most of the financial institutions active on capital markets make the international financial system less susceptible to national regulation. In this connection, the continuing *dependence of the world financial system on the US national financial system and on the position of the US dollar as a reserve currency and as a currency used in international transactions* is becoming a serious challenge.

At the same time, as this dependence has begun to wane, the susceptibility of international finance to multilateral regulation measures by the financial authorities of the United States, Europe, China and Russia may somewhat increase in the long term. The quality of the negotiating process concerning the principles and institutions of finance would play a major role in these efforts.

The structural and contextual challenges of globalization are interlinked through its *political manifestations*, such as the democratization of international relations and the crystallization of new actors which immediately enter into partnerships or competition with states. As regards the traditional elements of the international system – states – the emergence of new centers of influence is becoming the main political manifestation of globalization.

New actors of the global economy (China, India and Brazil) seek to acquire the quality of centers of power based on the synthesis of economic, political and military capabilities, including access to advanced defense technologies. These efforts rest on a system of internal goals and priorities supported by broad social groups and protected by state institutions.

This type of growth is based on accumulated foreign exchange reserves, which are used as traditional instruments of investment and as new ones, such as “sovereign funds,” and on the transformation of new Asian economies (China, India and South Korea) into growth leaders due to

their outstripping rates of spending on research and development and to the fast development of their high-tech industries, which has brought them closer to developed countries in this respect. As the economic development of these new economies is export-oriented, the loss of control over international financial markets by Western countries may have grave consequences for them. Yet, they are somewhat less vulnerable to political consequences of economic upheavals as their societies are more archaic, compared with Western countries and Russia, as their social security systems are underdeveloped, and as the political regimes in some of these countries are authoritarian or semi-authoritarian. Here lies their fundamental difference from the Soviet Union which had a highly developed social security system and which collapsed largely because of its inability to maintain it.

Another major problem of globalization, which is political in nature, is the gradual crystallization of new, non-state, elements of the international system. Theoretically, the issue of the role of non-state actors in the international system arose long ago, and most researchers agree that it would be unreasonable to explain their emergence by the effects of globalization. Already in 1900, there were about 70 international nongovernmental organizations in the world, and by the beginning of the 21st century their number was estimated at 6,000 to 30,000.

At the same time, in the context of whether or not NGOs can eventually become independent elements of the international system and thus change its quality essentially, the search for a borderland between a genuine NGO and an intergovernmental organization is of major importance.

So far, it is very difficult to draw a line between them. Take, for example, the Hanseatic League (the 13th-15th centuries), a seemingly non-state organization: even though it was not an association of feudal sovereignties and could, in this sense, be viewed as a NGO, it represented the interests of political organizations at the level of Northern European cities. Similarly, it is difficult now to draw a line between an ordinary business association and a business association comprising a dozen companies with large state-owned stakes; or to establish whether or not an organization that receives 80 percent of its funding in grants from the European Commission or the Government of Russia is non-governmental.

Contextual problems and challenges of globalization

The second group of problems associated with globalization can be defined as contextual problems, that is, those existing in the context of broader challenges. This definition implies that the phenomena acquire the nature and scale of global problems only if no response has been found to structural challenges of globalization – that is, the emergence of new types of ties between states owing to information and communication technologies and truly global finance.

Contextual problems include four categories of issues, ranked here according to the degree of their contextuality. The higher, than before, susceptibility of national economies to external diseases and crisis phenomena is a globalization problem that is the most linked with structural challenges. The ability of states to exercise direct control over the economic reality in their sovereign territories

is objectively decreasing. New requirements are being set for the forms and quality of the participation of state in economic activities.

The synchronism between national and international economic cycles, which will keep increasing until 2020, is a clear sign of connection between national economies and the global economy. The inevitable openness to impacts of the global economy involves the risk of declining growth rates and the emergence of crisis phenomena, which in the present conditions cannot be kept within one economic sector. National economies will now find it increasingly difficult to maintain fast growth rates, if faced by another global crisis or recession.

Universal and, partly, regional institutions of economic and political regulation are going through a period of relative degradation, which leads to the emergence of a managerial vacuum in international economic relations. The universal approach is now giving way to the formation of regional zones of preferential economic cooperation and bilateral regimes, which already regulate about 50 percent of international trade.

New requirements for the quality of legal regulation of economic activity worldwide and of efforts to combat cross-border crimes are another contextual challenge of globalization. Other challenges include the adaptation of regional tax systems to the requirements of the global economy; the regulation of biotechnologies; the building of a global financial infrastructure; efforts to combat drug trafficking and violations of intellectual property rights; and the harmonization of regulations concerning trade, investment, competition, e-commerce, and norms of the international labor market and migration.

Globalization has given rise to problems pertaining to the preservation of the planet and the environment, among them global warming; the loss of biodiversity and ecosystems; the depletion of fish stocks; deforestation; clean water shortages; and the pollution of coastal waters.

Humanitarian problems are also acquiring a global nature. These include efforts to combat poverty; peacemaking; conflict prevention and counter-terrorism; the introduction of education for all; response to the challenge of global infectious diseases; the 'digital divide' – the lack of access to digital and information technology, including even telephone services, for more than a third of the world population; and the prevention and mitigation of natural disasters.

Obviously, the solution of the aforementioned problems requires not only collective decisions from all countries in the world and their joint implementation. It requires changing the very fundamentals of the economic life of individual states and, more importantly, their domestic social contracts – agreements by which citizens establish, amend or threaten their civic rights and responsibilities, and on the basis of which the state performs its activity.

By way of example, one can cite issues concerning intellectual property protection or norms regulating the labor market and migration. In the first case, we see an obvious "globalization" of the interests of a limited group of countries that produce software and advanced technologies. At the same time, the copying of these technologies is crucial for maintaining the economic and social

stability of many countries, and efforts to enhance intellectual property protection may provoke conflicts and crises that would have far more dramatic consequences. In this regard, it is not IP protection per se but, rather, the prevention of conflicts and confrontation between developed and developing countries that can be described as a really global problem.

In the second case – that is, the regulation of the labor market and migration, the matter at hand is the inclusion of the fundamentals of social stability in society in the list of issues requiring a global approach. Social security systems existing in the majority of developed countries, including Russia, and social policy at large are based on the functioning of finely tuned systems taking heed of the interests of the able-bodied and incapacitated population.

These systems are linked with national traditions; they have been institutionalized and are closely intertwined with national economic development programs. So they can hardly be made dependent on some supra-national task – even if this task is aimed at preventing risks and threats stemming from the absence of global labor market regulations.

At the same time, global processes per se can be influenced by international economic and political actors, which can channel them into a path that would best meet their national development interests. Such influence requires the political and economic ability of states to initiate and implement global projects that are vital for the state of the “engine” of globalization – global finance – and its “technical base” – microelectronics and information and communication technologies.

The above suggests the conclusion that the starting point for responding to the challenges of globalization is of intrinsic nature, while the success of measures proposed as a response depends on mobilization capabilities of the internal structure of each element of the system of international relations – that is, states. Only these capabilities, coupled with adaptability to the requirements of civilized control over finances and information flows, let states take collective political action to solve the contextual problems of globalization.

A closer look at the list of contextual challenges of globalization reveals one more problem – if given a biased assessment, which is inevitable in real politics, a substantial part of them appears to be of distinctly territorial nature. Such problems as illiteracy, poverty, famine and the spread of infectious diseases only partly concern countries of the so-called ‘North’ and in most cases they are successfully solved by a range of measures taken by the national authorities in Europe, the United States or Russia.

Systemic efforts to overcome these problems will unlikely evolve into a worldwide campaign. Most of the politicians of the North will hardly convince their electors of the need not just to allocate budgetary funds to aid underdeveloped countries hit by famine and diseases, but to renounce part of their everyday benefits whose production prevents the creation of a more balanced social structure of the world.

3. Globalization and the interests of Russia – assistance with implementation or containment

The specific nature of Russia's participation in globalization processes and its reaction to them is explained by two important factors. First, this country was not among the sources or the production base of the driving forces of globalization. The model of state management of the economy, which existed in the Soviet Union, has pushed Russia to the sidelines of progress in the development of information and communication technologies, not to mention the financial and banking sector. Therefore, unlike Western countries, Russia has no access to the "original sources" of globalization. At the same time, it may well expect to receive benefits from one of the most important consequences of globalization – the forthcoming changes in the format of international institutions.

Second, during the period of transition from the state-planned economy to a market economy, when Russia was highly open to the outside world, it rapidly switched to the "engine" and "fuel" of globalization – information and communication technologies and mobile finance. This factor makes it both interested in preserving and implementing some of globalization's freedoms and, at the same time, very vulnerable to negative manifestations of their action.

Russia's vulnerability is exacerbated by the tradition of a strong welfare state, inherited from the Soviet Union, which is shared by both the man-in-the-street and the political elites. If global economic upheavals make the state unable to perform its social functions, negative political consequences are likely to follow. The high openness of Russian society, compared with China and some other Asian countries, may also play a role in such developments.

On the whole, however, *structural challenges of globalization* – the emergence of new types of ties between elements of the international system, and the need to adapt the structure of international relations, including the institutionalized structure, to these new ties – are a favorable factor that may facilitate the implementation by Russia of its goals in the international political and economic arena.

Russia, which has retained formal membership in the UN Security Council, the governing body of the main international security institution, has virtually found itself outside other institutions (the EU, NATO and the WTO) or has played a marginal role in them (the Organization for Security and Cooperation in Europe and the World Bank). Now, however, the need to reorganize these institutions in order to adapt them to the structural and contextual challenges of globalization is giving Russia a chance to enhance its role in international governance.

However, the contextual challenges of globalization which are of a political nature stand in Russia's way. For example, the democratization of international relations, propelled by globalization, only partially meets Russia's interests due to the specific nature of its participation in international institutions (the place it has inherited from the Soviet Union). Discussions about the need to increase the number of the UN Security Council permanent members, which are a direct

continuation of “political globalization,” may stand in the way of Russian interests. But the general degradation of such institutions and the less binding nature of their decisions make things easier for Russia.

On the whole, most of the contextual consequences of globalization, including those that have caused the aforementioned structural challenges, pose additional difficulties for Russia. First, these difficulties affect the adaptation of the Russian state and economy to modern requirements for competitiveness in the world market.

The completion of the process of building a market economy has made Russia an organic part of the global economy. For Russia, the dependence of its national economy on global tendencies is most obvious in the energy sector. When the situation in the world energy market did not have a direct impact on Russia, this country solved its foreign debt problem, overcame the lingering economic crisis, restored its financial system, became a prominent international investor, started the modernization process at home, and stepped up its foreign policy advances. Now, changes in this situation, caused by global financial shocks, are having a negative impact on the stability of the achievements made in the period from 2001-2008.

Second, many of the contextual “problems” of globalization are becoming a challenge for the archaic, if not sclerotic, model of Russia’s social and economic system and government. Although it is relatively young as a sovereign state, Russia has inherited from the Soviet Union and the Russian Empire conservative and hardly adaptable elements in many areas that are vital for the functioning of the state and society.

The solution at the national level of such problems as environmental pollution, crime, drug trafficking, violations of intellectual property rights, and the regulation of the labor market and migration requires from the Russian state qualities that it is not ready to demonstrate yet. Therefore, Russia’s interests in the international political and economic arena, pertaining to these and some other problems, stand to lose from the challenges and problems of globalization. This concerns particularly the main interest of Russia – becoming a world leader capable of initiating and integrating political and economic projects.

4. Instruments for governing the globalizing world – structured multilateralism or structured regionalism?

The main problem of global governance today is the democratization of international relations and the emergence of new actors and ensuing difficulties both in forming “governing directorates” and in making new actors aware of their responsibility.

In the long term, structured multilateralism (as exemplified today by the UN) is the most adequate format of interaction between elements of the international system – that is, states – from the point of view of the search for responses to the structural challenges of globalization and the solution of

a substantial part of its contextual problems. At the same time, problems currently faced by the United Nations show that this organization has so far failed the test of the democratization of international relations – one of the main manifestations of globalization. Established in a situation where the victor states had the capabilities for making all the others comply with the decisions of their “oligarch ate,” and aimed at harmonizing national interests in relatively simple and understandable conditions, the UN has been unable to adapt to the requirements of either an imperial or a multipolar (chaotic) world.

The failure of a plan to reform the United Nations on the basis of a gentleman’s agreement between “strong” and “weak” states, proposed in December 2004 by a commission under the Secretary-General, showed that neither party was ready to demonstrate the required degree of trust. The life of this institution as a relatively effective body for global political governance is coming to an end, which, however, will not affect its existence as a representative body and as a collection of useful specialized agencies. These agencies can be used by states for coordinating their efforts to eliminate negative effects of global problems, such as epidemics, poverty, etc.

The UN Security Council – the main international institution making decisions on matters of war and peace – is increasingly becoming a token organization. Its authority is undermined by the inability of its permanent members to form a common vision of principles on which they could make decisions concerning a major element of the world order – the state sovereignty of the UN members. The issue of the inability of some countries to perform their sovereign functions and their inclusion in the list of ‘failed and failing’ states more and more often is becoming instrumental.

The so-called ‘Monterrey Consensus’ is an illustrative example in this regard. It introduced the principle of political conditionality, which links economic aid to individual countries with reforms to “improve” government so as to bring it into line with some averaged model of “good governance” worked out by the UN at the bidding of the leading powers.

Another alarming tendency is the insistent attempts by the West to accuse the UN of the inability to play an active role vis-à-vis the so-called ‘failed and failing’ states, whose elites are allegedly unable and not interested to improve the quality of state governance at the national and international levels. No doubt, at some stage, the weakness of the state in Afghanistan turned that country into a large training camp for terrorists who chose the United States as their first target in 2001. However, the other attacks by the international terrorist network al-Qaeda – in Madrid and London – took place already after the defeat of the Taliban regime by the US and its allies. Meanwhile, the terrorists who carried out those attacks had for several years been living in the territory of the target countries.

Meanwhile, this approach, which was widespread among Russian and Western observers in the first half of the 2000s, ignores at least two facts. First, the so-called ‘failed and failing’ states cannot have a decisive impact on the stability of the structure of international relations by definition, because they do not take part in its formation due to their size and potential. All loser countries on

the lists of the CIA or the British government¹ play no role in matters of war and peace on an international scale. Their active influence on key processes in the global economy is non-existent.

Second, throughout the history the United Nations, countries that are not 100 percent credible in fulfilling their sovereign obligations have made up $\frac{1}{4}$ to $\frac{1}{2}$ of the UN members. Nevertheless, in former years, the states that performed the function of global poles – the Soviet Union and the United States – successfully controlled developments in the Third World. They did that on the basis of a bilateral accord between them, which ensured the stability of the structure of international relations. In some cases, the function of the organizer of the Third World countries and the mouthpiece of their interests was conferred on a mediator, independent from the Soviet Union and the US. This role was played by countries of the Non-Aligned Movement. It is another matter that today the so-called ‘successful’ states, which are responsible elements of the structure of international relations, are not ready to fully correspond to their potential and capabilities.

UN Secretaries-General now bear a strong resemblance to Popes of the period of the Avignon Papacy – their decisions, which often affect the fundamentals of international law, are made under pressure from the United States or its allies in each specific situation. The UN Secretary-General’s decision of July 2008 is the most glaring example of this degradation – the UN chief proposed that the UN peacekeeping mission in Kosovo cede its powers to an EU mission, which is a gross violation of Security Council resolution 1244.

UN peacekeeping activities, which in the first half of the 1990s were viewed as the main instrument of maintaining peace and security in the world, are now decaying. The practice of UN peace enforcement operations has stalled due to the inability of the Security Council permanent members to make collective decisions in many cases. The NATO operation against Yugoslavia in the spring of 1999 dashed the plans to make the UN a global policeman. Now, the UN General Assembly remains a unique international platform for dialogue. At the same time, the real meaning of its activities – the monitoring of views of all countries in the world on various issues in order to determine the alignment of forces between the decision-making poles – has long been lost and no new meaning has been found yet.

A democratic transformation of the UN and other international institutions could be a way out. International institutions should cease to be platforms for coordinating the interests of the leading powers and acquire the quality of a kind of global government, formed on democratic principles and addressing global problems. This transformation would require a major reform of the Security Council and a compromise between all UN member countries as the basis for UN activities. The stability of this system would still rest on the balance of forces between key actors, but this balance would be achieved not through an explosive military reinforcement of three to four centers alternative to the US, but by giving all members of the ruling group of countries equal rights and equal weight in the voting at the UN Security Council. It would also require changing the oligarchic decision-making system in the UN and bringing it closer to the normal management model where a general meeting of shareholders is the supreme authority.

¹ The lists of the CIA and the British government are the only available source now.

The situation with other international economic organizations of a universal nature is similar. The *World Trade Organization*, perhaps even to a greater degree than the UN, is falling victim to the division of the world, which was viewed as a single whole some 15 to 20 years ago, into regional groups or alliances. Even though authoritative observers still regard the WTO as the most powerful of global institutions, it is its global function that is increasingly often being called into question now. First of all, this is due to the rapid propagation of the practice of bilateral or regional trading regimes. It is even believed that the time of global regimes is gone. The European Union has recently begun to actively apply such a strategy. Now that the Doha Round negotiations have stalled, the EU, which formerly was one of the most reliable advocates of WTO mechanisms, has officially begun work on agreements for the establishment of free trade zones not only with neighboring states but also with remote partners, such as South Korea. EU officials now view the WTO as merely one of many opportunities for strengthening the positions of Europe in the global market.

The *World Bank*, like another international Bretton Woods institution – the *International Monetary Fund (IMF)*, is also facing major challenges. Both institutions now play a crucial role in implementing possibly the most consistent program for bringing stability to countries that are potential hotbeds of tension. And both institutions are facing a conflict between legitimacy and efficiency. This conflict is so serious that, according to Professor Ngaire Woods of University College, Oxford, the main victim of the struggle for the legitimacy of the World Bank and the IMF may be their own legal mechanisms, whose main principle – the vote distribution system – no longer reflects the international political or economic reality.

Developing and growing countries, which are the main target of quasi-regulatory efforts of the World Bank and the IMF, have no influence on their decisions. By way of illustration, one can compare the quotas of votes in decision-making of Brazil (1.47 percent) and, for example, Belgium (2.1 percent). However, there are no signs that countries with a greater say in decision-making are ready to reduce their quotas in favor of new states.

Regional organizations (the EU, NATO, ASEAN, the SCO, and others) can play an even less positive role. Most of them have a positive record of solving contextual problems of globalization at the regional level and within the framework of a limited community. The European Union can serve as the most illustrative example here, as it usually succeeds in taking collective political action to solve the majority of contextual challenges of globalization in the region.

One can even assume that the majority of the so-called 'globalization problems' have already been solved at the intra-European level due to the EU's limited geographical size, its well-developed road networks, and the world's oldest institutionalized banking system, which essentially simplify and intensify communication within Europe. It is not accidental that the overcoming of unpredictability in interstate relations and the close coordination of the economic policies of the EU member countries, which prevents foul play among them, is regarded as the main achievements of the 50 years of European integration.

At the same time, one should not forget the recent experience of state participation in the solution of problems faced by the national economies of the EU after the eruption of the financial crisis. Despite the high – compared with other regional groups – level of coordination of the economic policies of the EU member countries and the strong role of the European Central Bank, the majority of anti-crisis measures were taken at the national level, while proposals to establish a European Reserve Fund did not meet with understanding from the major economies of Europe.

The discussions, now underway in the EU, about the regulation of foreign investment also raise serious questions. The difficulties faced by advocates of a unified and supra-national approach to this problem, as well as the preservation of respective powers at the national level for each specific case indicate a lack of confidence between the EU member states. Meanwhile, the matter at hand is the search for an answer to one of the most important structural challenges of globalization.

In the political field, Europe also does not display readiness to propose a comprehensive solution to the problem of democratization of international relations. Judging by some examples, official statements to the effect that “every voice must be heard” either result in a serious impairment of the quality of the EU’s collective action on the international scene, or are simply ignored for the sake of the “common good,” as happened with the special position of Lithuania on the EU-Russia negotiations.

Finally, attempts by the European Union to apply its internal method of solving contextual problems of globalization beyond the Community have obviously come across serious difficulties. Consider, for example, the EU’s position at the WTO Doha-Round, which was under strong influence of the economic interests of individual EU member states and, perhaps, this is why it was not attractive enough to other parties to the negotiations. On other occasions, attempts to solve such problems as uncontrolled migration at the EU level result in substantial reputational costs and lower effectiveness of EU efforts in a broader international context.

This problem is directly related to the issue of the possibility for regional organizations to play the role of agents of a broader international community and use their unique resources or skills for solving global problems. Discussions of this idea have already been underway for a long time.

Considering collective political action within the frameworks of the more advanced form of structured regionalism suggests the conclusion that contextual problems of globalization can be solved at the regional level only if international cooperation becomes uniquely deep. But if we take structural challenges of globalization or its political problems, even such regional associations are not fully equipped for them.

Moreover, they themselves can contribute to a further destabilization of international relations – first of all, because problems directly related to structural challenges of globalization are duplicated within the frameworks of these organizations. These challenges include the emergence of new types of ties between elements of the system, which these ties cannot fully control yet. Of course, if the participating states increase their negotiability through deeper regional cooperation, they may find it easier to establish such control. However, this requires a long negotiation process, upon

which the members of a regional group will no longer be able to solve the same problems in a broader international context.

This is because collective action with regard to structural and contextual problems of globalization presupposes firm discipline in complying with the agreements reached. This results in a highly inflexible position of the group on the international arena, which the EU's external partners have faced more than once.

Second, even solutions to global problems, proposed by such groups, have a strong regional specificity, while most of the contextual problems of globalization are universal. Such solutions inevitably reflect the peculiarity of each individual organization and its members, and therefore they cannot be applied universally. NATO and the Collective Security Treaty Organization can serve as examples here – each of them has an internal structure based on the domination of one of its members. However, when other members of a regional association call this structure into question, the effectiveness of this organization is paralyzed.

Third, the main goal of regional associations is the protection and promotion of the interests of their members. It is very unlikely that the coordinated interests of members of a regional group and of all the other members of the international community will coincide. As a result, military and economic blocs may emerge, especially if this takes place on the basis of the traditional political alliances of the West. In a way, the formation of such blocs is a reaction to the objective processes of globalization in the financial, energy and technology sectors and is an attempt to create collective – but for a limited number of participants – instruments for regulating these processes.

The above-said suggests the conclusion that responses to the structural challenges of globalization and ensuing contextual problems can be found only in improving multilateral mechanisms for coordinating the positions of members of the international community. Obviously, these mechanisms and related instruments do not yet meet the requirements set for them.

The reason for that should be sought in the non-completion of the adaptation of the basic elements of the international system – states – to the emergence of new types of ties. The issue of the nature of principles for governing the globalizing world can also be resolved only if they are combined with forms of control that are the best for states.

5. Who Should Lead Efforts to Build Transnational Governance?

The issue of leadership in building transnational governance is a major obstacle to finding a collective response by the international community to the challenges and problems caused by globalization. Theoretically, there is an obvious answer to this issue – states remain the main and only elements (actors) of the international system and they alone bear all responsibility. In practice, however, the leadership issue stirs up rivalry among individual states and groups of states on the international scene.

The ability to propose to other participants in the process an agenda for action that would meet their interests is a must for a leader. However, as such initiatives highly depend on the internal structural requirements of the country proposing them, any initiative for solving global and regional problems *is either viewed by other actors in international relations as an attempt to preserve and strengthen one's own position or really is such an attempt*. Thus, countries only block each other's efforts.

As we have said above, the main structural problem of globalization is the new type of ties emerging between elements of the system but not directly controlled by them. These ties emerged in the West (Europe, the US and Japan), whose scientific and technological achievements and whose liberal strategy toward the world economy (in the period from 1970 through the 1990s) made globalization possible. Responses to the structural challenges of globalization should also be sought under the leadership of Western countries.

It is another matter that the processes started in the West brought about the emergence of such contextual manifestations of globalization that have allowed many elements of the international system to acquire a new weight and quality. At the same time, Western countries have lost much of their ability to control the rest of the planet.

Analyzing the reasons for the destabilization of the international system, one should also mention the inability of alternative centers of power – Brazil, China, Russia or India – to play the role of independent poles comparable with the US in the combination of such factors of power as the size, the level of armaments, the economic potential, and natural resources. This inability was evident in the early 1990s. Russia even failed to provide convincing evidence of its ability to act as a sovereign state; the leading EU countries proved unable to stop the armed conflict in Yugoslavia; and China did not acquire a sufficient potential for a serious dialogue with the US.

This problem has not been solved to date. Although Russia and even Europe have firmly stated their desire to participate in the stabilization of the global environment, their practical actions are not always consistent with their statements. This, however, does not mean that they are ready to follow the US policy or join coalitions formed by Washington. The same refers to the actions of new powers, the so-called growing centers of power. Even if we discount all complaints about the “destructive role” of China, which declines to assume responsibility for the state of the global economy, although it has almost a determining impact on it, its policy of “soft non-participation” in institutions established and controlled by the West is now really the most adequate for China.

Expert Report South Africa

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Abstract

In this expert report, Terence Corrigan elaborates on the manifestations of globalization in South and southern Africa. He contends that while many African countries share with much of the world common concerns about managing the effects of globalization—the impact of higher competition standards on local jobs, cross-boarder crime and terrorism, and loss of productive capacity to more efficient regions—additional issues exist that prove specific to southern Africa. In particular for this region, development and globalization issues become difficult to distinguish from one another. Most economies of the region depend on volatile global commodity markets, need better market access and an abolition of agricultural subsidies and protectionism in industrialized countries. Unless international organizations reform, African countries will continue to lack the power to assert itself and its development needs.

About the author

Terence Corrigan was born and educated in KwaZulu-Natal, South Africa. He holds a Bachelor of Arts degree from the University of Natal (Pietermaritzburg), as well as an honours degree in Political Science from the same institution. He has worked as a teacher in South Africa and in Taiwan. He has held research positions at the South African Institute of Race Relations and the South African Institute of International Affairs (SAIIA). He is currently employed by SAIIA, on its governance and African Peer Review Mechanism project. His research interests and publications over the years have been diverse, including local government, political thought, South African and Southern African politics, aid and development assistance, labour issues, crime and arts and culture.

Key Points

- Globalisation suggests that the world is getting smaller and that national boundaries no longer control the relationship of states and economies.
- Southern Africa's relationship with the outside world is largely one of dependency and subordination.
- There are significant differences in the states that constitute the southern African region, ranging from democratic and constitutional governance arrangements to dysfunctional and highly repressive ones.
- The region's key priority is socio-economic development, and its engagement with the world in political and economic terms should generally be measured against that background.
- The region is highly dependent on primary commodities for its foreign exchange and as an economic driver. For several years it has benefited from high commodity prices, but now faces difficulties with the global financial crisis.
- Solutions to the not inconsiderable challenges facing the region in economic terms – especially insofar as moving into more value-added economic activity is concerned – suggest themselves, but they could only be implemented with extensive changes to the manner in which the region is governed, and with a significant infusion of resources and the capacity to use them appropriately.
- Market access, particularly to developed country markets, on the part of the region is of seminal importance for long-term growth. This is especially the case for agricultural produce.
- Southern Africa – especially South Africa – has been involved in pressing for the reform of the institutions of global governance, in order to give Africa a more potent role on the global stage.
- In a globalised world, issue based coalitions of like-minded countries are a preferred means of engagement to achieve change. South Africa has been extremely active in these.
- The key regional organisation discussed in this study is the Southern African Development Community; however, its effectiveness is questionable as countries are reluctant to surrender their sovereignty and the organisation has little executive authority outside of what the states are willing to concede.
- African nations guard their sovereignty jealously, but recognise the need to cooperate in view of their individual weakness.
- Common values in Africa would make the emergence of global governance more durable, but they are unlikely to emerge.

Introduction and preamble

Globalisation is a concept that attracts strong and emotional responses. In Africa, this is probably doubly true. In its common understanding – a process that undermines sovereignty, forces open borders, encourages money and skills to country-hop in search of the best deal, and exposes the poor and frail (and hitherto isolated) to competition from the rich and mighty (and those far away) – it is an idea that borders on menace. The present troubles in the global financial system, with their knock-on effects in Africa have brought this sharply into focus. This study will look at the engagement of the southern African region with this phenomenon: examining, from the perspective of the region, the issues that globalisation influences, multilateral institutions, leadership in building global governance and the role of values in shaping global governance.

This study has two foci. Overall, it is intended as a study of the broader southern African region.¹ However, the weight of attention will be on South Africa. As the dominant economic and political power in the region, this is natural. South Africa's response to the challenges of a changing world will necessarily reverberate through the region.

What is meant by globalisation? Globalisation is an overused concept; while most people would instinctively “know” what it means, a precise definition is more difficult. Broadly, it conveys the notion that the world is getting smaller; communities and countries cannot be isolated from distant events and influences. What might once have appeared to be immutable – such as cultural identities or religious beliefs – might be severely and rapidly challenged by ideas from elsewhere. In the economic realm, it refers to “the fact that international flows of trade, finance and information are being integrated into a single global market.”² Cross-border trade in the past was “international”, but has become “transnational”, more fundamentally altering the idea of borders, at least in economic relations.³

This is not an entirely new phenomenon, but it has been accelerated by new technologies, information and communications. While, in the past, distant events might have echoes across the world, the sense of immediacy and urgency was displaced by the time it might take for information to travel, or its transmission was limited by the medium used.⁴ Since the 1990s, and the advent of the internet, the possibility of accessing information has increased exponentially.

This has produced a switch in attitudes: where once the outside world was a distant place, now it is accessible and seemingly familiar (although certainly not always pleasant). Globalisation as an *idea* has gained ground. People are more familiar with goods and tastes from elsewhere, and consumers demand them. Travel abroad is far cheaper and – on broad balance – safer than it

¹ This should be understood as the area covered by the Southern African Development Community (SADC) – South Africa, Democratic Republic of the Congo, Lesotho, Madagascar, Swaziland, Namibia, Botswana, Zimbabwe, Mauritius, Mozambique, Tanzania, Zambia, Angola, Malawi – although one might legitimately argue that some countries are more “Southern African” than others. Tanzania, for instance, is probably better described as an East African country than a Southern African one, while the DRC might more appropriately be called “Central African”. The island states are also influenced by different sets of concerns from those on the mainland.

² Davies R, “Globalisation: The Challenge facing South Africa”, *Umrabulo*, No 5, 3rd Quarter 1998, available online at <http://www.anc.org.za/ancdocs/pubs/umrabulo/articles/globalisation.html>, retrieved 29 January 2009

³ Davies R, “Globalisation: The Challenge facing South Africa”, *Umrabulo*, No 5, 3rd Quarter 1998, available online at <http://www.anc.org.za/ancdocs/pubs/umrabulo/articles/globalisation.html>, retrieved 29 January 2009. This source does argue that globalization is selectively applied.

⁴ For instance, a printed newspaper article can only use so many words; and even in the most literate and affluent market, only so many newspapers are viable.

once was, spurring migration. Selecting business opportunities from across the world is now part of standard economic thinking. There is also an expectation in some quarters, although not universally, that all societies will move towards common norms and values, expressed through democracy, human rights and the rule of law.

Finally, globalisation is unlikely to be rolled back. The processes that have created a shrinking world will not disappear. Indeed, it is this realisation and the desire to manage it that probably differentiates globalisation today from the earlier expressions of the same process.

Africa and globalisation

No region of the world has the relationship to globalisation that sub-Saharan Africa does, this being substantively one of dependency. Largely isolated from the outside world until the 1500s, much of it remained “uncharted” until the latter part of the 1800s. Such contacts as were made tended to be confined to relatively small areas – such as coastal cities and trading stations – and a handful of settled colonies, notably in contemporary South Africa.⁵ Africa’s initial contact with the outside world was from a position of technological weakness. Without the weapons, and other scientific and economic resources that Europeans and Arabs brought with them, African societies were unable effectively to resist their eventual domination through the slave trade and conquest. Most contemporary African states trace their origins to the Berlin Conference of 1884, during which European powers divided the continent among them. The states and the institutions that were created mirrored those of the colonial countries.

The colonial period – which lasted until the 1960s⁶ – saw another type of globalisation, in the sense of the penetration of ideas and beliefs, investment and technology. There were, as one writer put it “numerous public works” and “numerous acts of brutality”.⁷ What is important is that Africa existed as an appendage of the colonial powers. It contributed predominantly raw materials, and the labour to extract them. While investments were in places significant, Africa was a subject region.

This trend continued in the independence phase. Depending on the export of commodities, which would hopefully fund the development of industry, Africa was vulnerable to external economic conditions. With small domestic capital markets, Africa needed to borrow abroad. Economic downturns elsewhere in the world, as occurred with the 1973 oil price hikes, hit Africa severely. In the 1980s, mounting debts, economies that could not provide for growing populations, and dysfunctional states resulted in a “lost decade”. These problems were intimately linked to Africa’s dependent and subordinate relationship with the global economy, although poor policy choices and the use of the state as a vehicle for patronage contributed substantially.

A partially mitigating factor was the aid that Africa received – itself an expression of dependency. However, as the crises in Africa wore on, donor governments and international financial institutions began demanding reforms to ensure better use of funds. Having few options, African countries had

⁵ The exception was Ethiopia, an accepted, albeit “second class” member of the European dominated state system.

⁶ In most places; if one ranks Rhodesia (now Zimbabwe) and South Africa as colonial states, it lasted until 1980 and the 1990s.

⁷ Sowell T, “Race and Culture”, available online at http://homepage.eircom.net/%257Eodyssey/Politics/Sowell/Race_Culture.html, retrieved 30 January 2009, the author in question was referring to the German experience in Cameroon, although Sowell point out that this is a good description of colonial rule throughout history.

to accept the donor conditionalities that brought about changes to financial systems, affected election practices, induced privatisation of state-owned enterprises and attempted to curtail the patronage practices of the state, which affected the cohesion and stability of ruling coalitions. These changes met some resistance, both from government and civil society, particularly as the demands of fiscal discipline forced cutbacks in government spending and raised the prices of various social services.

The extreme south of the continent (the states in the Southern African Customs Union⁸) is something of an exception. South Africa is Africa's largest and most sophisticated economy. It has well-developed capital markets and some globally significant companies. This sophistication – and the isolation it suffered as a result of its apartheid policies – made it less vulnerable to outside influences, and provided some shield to the other SACU states.⁹ This economic sophistication also meant that South Africa's trade interests often diverged from the interests of its neighbours. Since the advent of non-racial democracy in 1994, South Africa has seen itself as a regional leader and in many international bodies has sought to advance the views of Africa as a whole. South Africa's divergent economic interests and liberal constitution have required a balancing act as government attempts to advance both a national and African position on the global stage.

1. What are the essential issues/problems/challenges of the globalised world that require a political response and action? Please differentiate internal/external response and short-term, medium-terms and long-term issues?

Africa shares concern over many of the standard issues associated with the idea of globalization, including the adverse affects higher standards of economic competition have on local jobs, the loss of productive capacity to more efficient regions, tensions over migration, among others. However, the political dynamics around these issues have particular effects based on Africa's continental and national histories. The challenges that countries face in a "globalised world" are not necessarily, or even primarily, problems of "foreign affairs". Globalisation means that many areas of endeavour once controlled by sovereign states are now subjected to impersonal forces – global price swings, resource shortages and higher costs imposed by markets on poorly governed or unstable nations – as well as a variety of forms of multinational and privately led pressures. Thus, trade, investment, employment, popular culture, democratic norms, industrial development, finance, education, inflation, foreign-exchange rates and many other aspects of life are affected by globalization. The current global financial crisis is but the most compelling and far reaching example of the phenomenon of globalisation.

One issue that has not been dealt with in this section is that of norms and values, which continue to be significantly affected by globalisation. Africa is frequently urged to conduct its democratic practices in ways conforming to global norms and it feels obliged to respond politically to a range of these pressures, sometimes embracing and sometimes resisting. While such issues are dealt with

⁸ South Africa, Botswana, Lesotho, Swaziland and Namibia

⁹ It should be noted that Botswana generally governed itself well and used its considerable diamond wealth prudently; it has therefore not experienced the crises that other states have endured.

in some detail in Section 4 of this study, it is important to note here that sensitivities around issues affected by globalisation do not occur in isolation. Rather anxiety over external pressures on trade, for example, frequently spills over into anxiety over diplomatic relations, conflict resolution, business investment and democracy itself. Tensions in one area can and do magnify tensions in other areas.

Several broad themes are listed below, and described in a degree of detail, along with a “response” to give some insight into how issues are being dealt with.

Global interdependence and Southern African dependency

For the world at large, globalisation implies interdependence. In economic terms, inputs in a production process are sourced from across the world, and different activities are carried out where they are most efficiently performed. Technology makes communication across the world possible, and ideas and innovations are quickly exported to different parts of the world, which encourages change. Ideally, all regions should be able to benefit from and contribute to this process.

However, for southern Africa, “dependency”, rather than interdependence, is a key manifestation of globalisation. Today, Africa’s relationship with the globalised world can be characterized as one of dependency and asymmetry. In most countries, substantial amounts of locally owned capital is moved offshore and funding for development and infrastructure substantially comes from foreign sources. Africa imports a preponderance of manufactured goods, while exporting raw materials and basic manufactured goods. Since the 1960s, Africa has experienced a long-term decline in its terms of trade, its trade as a share of the global total has declined dramatically and its dependence on foreign aid and credit have increased. It is within this framework that Africa engages with globalisation.

Arising from Africa’s history (see Africa and Globalisation, in the introductory section, above), the region has a relationship with the global order in which its room for manoeuvre is highly circumscribed. Apart from South Africa, the region is not an innovator in technology, and its role in the global economy is small and leans heavily on raw materials.¹⁰ Most of the region looks to the outside world to help it fulfil its goals. This is particularly the case in fiscal matters.

Events over the last few years have illustrated this. During the recent so-called “commodities boom”, countries such as Angola, DRC, Namibia, Tanzania and Zambia received substantial foreign investment to open and run extractive operations. However, the recent global credit crisis – a stark demonstration of global linkages – has made the costs of such operations uneconomical, and investors have begun to extricate themselves. According to Nathan Chishimba of the Zambia Chamber of Mines, “The international financial system provides the bulk of capital for exploration works, predevelopment operations and overall mine development. They are a good source of capital but they are very sensitive. In such crises, the winner will always be the investments and countries that pose the least risk to investors in international markets.”¹¹

¹⁰ Dependence on natural resources is not in itself always a problem. With good management and prudent investment, they can be a great asset to a country. Botswana, for example, has attempted to do this, and profits substantially from its diamond deposits. It also accepts that diamonds will not last forever and that it needs to prepare for this eventuality.

¹¹ Nkala O, “World financial crisis threatens Zambia copper exports, central bank says”, *Mining Weekly*, 15 October 2008, available online at <http://www.miningweekly.com/article.php?id=145266>, retrieved 30 January 2009

Lower foreign demand for a variety of African-produced commodities is likely to hinder economic growth and necessitate budgetary cutbacks. Remittances from Africans working abroad are also likely to fall (see Migration below). The general shortage of credit available across the developed world as a result of the banking crisis will also translate into credit shortages in Africa, higher costs of borrowing, and increased debt payments.¹² Rather than fuelling prosperity, as had been the case during the “boom”, the prospects now are for the destabilisation of the region’s economies.

In Zambia, by way of illustration, the government had introduced new windfall taxes to raise more revenue from copper mining. The economic downturn and associated collapse of the copper price reduced the scope for this. The Zambian government announced in late January 2009 that it would scrap this plan in the hope that mines would remain operating¹³ – a tacit acknowledgement that it needs the investment and economic activity rather more than the outside world needs Zambia’s resources. Zambia was furthermore facing an increased fiscal and current account deficit, the cancellation of capital projects and the departure of portfolio investment.¹⁴

Demand for natural resources, and metals in particular, are highly dependent on robust economic growth in developed countries that are the major resource consumers. These problems exist worldwide, and the decisions of other countries have implications for the region. In times of austerity, a potentially expendable item for developed countries is foreign aid – a significant source of funding for developing countries. For example, the current US president, Barack Obama had indicated during his campaign that he would like substantially to increase aid.¹⁵ US officials have since suggested that the financial position of the world suggests that that may not be possible.¹⁶

It should be noted that dependency is far less an issue for South Africa (given the size of its economy and the minimal extent to which it relies on aid)¹⁷ than for its neighbours – indeed its autonomy enables it to play a significant role on the global stage. Significantly, South Africa has a large private sector (to which mining is a large contributor, although not to the extent that it is elsewhere), which has been a significant contributor to growth. Prudent governance and prosperity has produced a similar situation for Botswana, albeit with less interest in global politics.

Response

Moving away from dependency, by diversifying and producing more value-added goods, has been a central ambition of African development thinking. As one commentator noted, “The dependence on single natural resource-based exports needs to be changed into a focus on manufactured or processed exports. This would lessen the effect of erratic price fluctuations experienced by

¹² Draper P, “What should World (and African) Leaders do to halt Protectionism from Spreading”,

¹³ Shacinda S, “Zambia scraps 25 pct windfall mining tax –finmin”, Reuters, 30 January 2009, available online at <http://www.reuters.com/article/rbssIndustryMaterialsUtilitiesNews/idUSWEB347820090130>, retrieved 30 January 2009

¹⁴ World Bank, “Effects of the Global Financial Crisis on Zambia”, World Bank, 5 December 2008, available online at <http://siteresources.worldbank.org/EXTAFROFFCHIECO/Resources/Zambia.pdf>, retrieved 30 January 2009; “Zambia dam among IFC’s first casualties of the financial crisis”, Bank Information Centre, 16 December 2008, available online at <http://www.bicusa.org/en/Article.10986.aspx>, retrieved 30 January 2009

¹⁵ “Full text: Obama’s Foreign Policy Speech”, guardian.co.uk, 16 July 2008, available online at <http://www.guardian.co.uk/world/2008/jul/16/uselections2008.barackobama?qusrc=rss&feed=worldnews>, retrieved 1 February 2009

¹⁶ “Global Crisis may hit Africa aid: US Official”, Mail and Guardian online, 15 October 2008, available online at <http://www.mg.co.za/article/2008-10-15-global-crisis-may-hit-africa-aid>, retrieved 1 February 2008

¹⁷ Aid contributes less than one percent to South Africa’s GDP.

commodity exports.”¹⁸ This has been spoken of and attempted since independence, and it is unclear that the means to do this are available. Africa competes with other emerging markets which investors generally see as far more lucrative (see section 2, **Investment**, for a statistical comparison of investment flows to Africa and SADC states and the rest of the world).

Multilaterally, Africa has introduced such measures as the New Partnership for Africa’s Development”, which posited governance reform within Africa and a new relationship with the outside world (including more aid) that would ultimately lead Africa out of dependence to prosperity.¹⁹ This initially seemed to interest foreign governments – particularly in the West – but this cooled with Africa’s reluctance to deal with Zimbabwe’s crises robustly.²⁰

A key factor in Africa’s more successful states – and indeed around the world – has been the role of the private sector. This area must receive priority attention. It will be important for encouraging domestic business (which includes peasant agriculture), and for encouraging durable, engaged involvement by foreign investors in the continent.²¹ As two prominent analysts commented:²²

The emergence of a dynamic private sector will be especially important to Africa taking charge. African governments need a continual stream of new ideas and dynamism if they are to drive the reform agenda. Twenty years of experience suggests that government alone cannot provide all of these ideas, much less the energy to drive them. A dynamic private sector is important for economic growth as a source of energy and innovation for many societies, and as an important link to the international economy.

Several interventions over the medium to long-term suggest themselves as the starting points of solutions. These are generally linked to analysis in the following pages. Agriculture as a profitable business, with a view to exporting, needs encouragement although there are market access issues (as discussed under Regional Integration and Trade). The quality of governance needs to be radically improved (see Quality of National Governance), and with it the services on offer. In particular, education beyond the primary school level, is crucial for preparing people to engage in high-value occupations.

All of this suggests the need for a dynamic private sector, particularly an indigenous private sector that is prepared to invest in sectors other than extraction. South Africa has such a private sector, which has made extensive investments in the often very difficult environments in Africa, in such sectors as construction and engineering, communications, the retail trade and energy. A study of South African business engagement with Africa suggested that “because of their economic clout in Africa’s comparatively small markets, however, South African companies – similarly to other foreign firms – can become important agents of positive change in the societies where they

¹⁸ Jordaan AC, “The Challenges of Globalisation for Development in Southern Africa”, undated, available online at [https://www.up.ac.za/dspace/bitstream/2263/5450/1/Jordaan_Challenges\(2001\).pdf](https://www.up.ac.za/dspace/bitstream/2263/5450/1/Jordaan_Challenges(2001).pdf), retrieved 1 February 2009

¹⁹ Organisation of African Unity, *New Partnership for Africa’s Development*, October 2001

²⁰ Taylor I, “Obstacles to Change in Africa: Nepad, Zimbabwe, and Elites”, *Foreign Policy in Focus*, available online at <http://www.fpif.org/outside/commentary/2002/0204nepad.html>, retrieved 4 February 2009

²¹ Investors in extractive industries will tend to do business under whatever conditions they must, provided it is profitable, since some resources can only be sources in particular places, even where there is limited stability or the rule of law. The developmental outcomes in such instances are limited (as in Angola). What Africa needs is a welcoming environment where investors see real opportunities to sustained, long-term involvement and the success of the country. See Herbst J and Mills G, “Africa in 2020: Three Scenarios for the Future”, The Brenthurst Foundation, Brenthurst Discussion Paper 2/2006

²² Herbst J and Mills G, “Africa in 2020: Three Scenarios for the Future”, The Brenthurst Foundation, Brenthurst Discussion Paper 2/2006, p. 1

operate”.²³ It should, however, be added that there have been complaints about poor behaviour towards local people on the part of some of these businesses.²⁴

Lastly, there is a need to use aid judiciously. A clear recognition of what is possible within a given timeframe - for example, the capacity of a country to absorb and use funds properly, to maintain infrastructure – must be part of planning to ensure sustainability. Leaders should be held accountable for the use of donor funds (and indeed for the use of general revenues), and mechanisms must be put in place to ensure that this occurs. This will not be easy to do, but Robert Calderisi, formerly of the World Bank and a critic of aid, suggests the use of citizen review groups that are genuinely independent of the state.²⁵

Reforming global institutions

A world in which national boundaries do not insulate requires international institutions to provide some form of “global governance”. The emergence of China, India, Brazil and other rising powers has contributed to a growing global debate about the need to reform existing global institutions. It is often noted that these institution – in particular the World Bank, International Monetary Fund and United Nations Security Council – should reflect the current make-up, power distribution and interest configuration of the contemporary world, rather than the situation as it was when they were founded (one might add, the aspirational make up of the world, in the views of less influential countries). Africa feels a need for the protection of institutions, as it lacks the intrinsic economic and political power to assert itself.

Worth a special mention here is the World Trade Organisation. As trade has implications for economic growth and prosperity, the developing world has argued that it needs to focus on developmental issues as a consideration in trade negotiations.²⁶

This is intimately linked to the sense of the world being divided between North and South (i.e. wealthier, developed countries, and poorer, less developed countries – although this division is to some degree an ideological rather than a clear economic one). Southern Africa would fit squarely within the latter camp. South Africa in particular has been involved with the global debate and activism around global governance reforms, and is undoubtedly the most active state in this regard in the region.

South Africa, although a “Southern” country has a particular status by virtue of its economic muscle,²⁷ and has tried to work as a bridge between the two groups.²⁸ This reflects its own

²³ Grobbelaar N, “South African Corporate Engagement with Africa: Experiences, Lessons and Policy Recommendations”, Chapter 1 in Grobbelaar N and Besada H, *Unlocking Africa’s Potential: The Role of Corporate South Africa in Strengthening Africa’s Private Sector*, Johannesburg: SAIIA, 2008, p. 11

²⁴ Grobbelaar N, “South African Corporate Engagement with Africa: Experiences, Lessons and Policy Recommendations”, Chapter 1 in Grobbelaar N and Besada H, *Unlocking Africa’s Potential: The Role of Corporate South Africa in Strengthening Africa’s Private Sector*, Johannesburg: SAIIA, 2008, pp. 94-104

²⁵ Calderisi R, *The Trouble with Africa: Why Foreign Aid isn’t Working*, New Haven and London: Yale University Press, 2006, pp. 214-215

²⁶ Department of Trade and Industry, The WTO, South Africa and the Doha Development Agenda – Presentation to the Select Committee on Economic and Foreign Affairs, 26 August 2003, available online at [http://www.pmg.org.za/docs/2003/appendices/030826wto.ppt#260.1.THE WTO, SOUTH AFRICA AND THE DOHA DEVELOPMENT AGENDA](http://www.pmg.org.za/docs/2003/appendices/030826wto.ppt#260.1.THE%20WTO,%20SOUTH%20AFRICA%20AND%20THE%20DOHA%20DEVELOPMENT%20AGENDA), retrieved 4 February 2009

²⁷ Another factor is probably the close cultural and economic links it retains with the West.

²⁸ See for example, Sidiropoulos E and Hughes T, “Between Democratic Governance and Sovereignty: The Challenge of South Africa’s Africa Policy”, in Sidiropoulos E (ed.), *Apartheid Past, Renaissance Future: South Africa’s Foreign Policy 1994-2004*, Johannesburg: SAIIA, 2004, p. 62

preponderant role, and also the extent to which it has chosen to identify itself with and use its influence on behalf of the continent. Indeed, for South Africa, altering the global power configuration, especially by restraining the agenda-setting attempts of the big Western powers in some of the global institutions is a very important element of its foreign policy. It was magnified by the positions that South Africa took on a number of issues before the UN Security Council during its term in 2007-2008.

Response

On the issue of United Nations (UN) reform there is a common African Union (AU) position, the so-called “Ezulwini Consensus”.²⁹ Written in response to proposals for UN reform, it has several elements, in brief:

- **Development:** this is the key issue for Africa as a whole and for the southern Africa region. Development objectives are presented as the key goal which should be served by reforms and initiatives (debt cancellation, environmental protection, WTO negotiations etc).³⁰
- **Multilateralism:** the document stresses the involvement of multinational institutions in dealing with problems. A specific example is promoting the role of regional organisations in dealing with conflict situations (and for UN support in so doing).
- **Reform:** this entails greater influence of the UN system by Africa. The UN General Assembly should be “strengthened for it to play its proper role as the most representative and democratic body within the UN system and as the parliament of the world”, while the UN Security Council should be reformed to give Africa “full representation”, including a number of permanent and non-permanent seats.³¹ Africa has also insisted that permanent seats for Africa should also be accompanied by the veto. (During 2005 there had been discussion among the G4 – India, Brazil, Germany and Japan – about not insisting on the veto for any new permanent members, but the AU did not share that perspective, although there was some indication that South Africa favoured a potential compromise.) The document also asserts that the AU “should be responsible for the selection of Africa’s representatives in the Security Council”.³²

These are clearly long-term goals and there are practical difficulties in implementing them. A feature of the globalised world is that interests are no longer exclusively national; but are equally not exclusively regional or continental. There have been disputes as to which countries would be suitable “representatives” of Africa. In practice African states are not always closely aligned as a bloc and look outside Africa for support for their positions.³³

²⁹ African Union, *The Common African Position on the Proposed Reform of the United Nations: “The Ezulwini Consensus”*, Addis Ababa, March 2005

³⁰ For example, it says that a “focus on poverty alleviation is the most effective tool for conflict prevention”.

³¹ African Union, *The Common African Position on the Proposed Reform of the United Nations: “The Ezulwini Consensus”*, Addis Ababa, March 2005

³² African Union, *The Common African Position on the Proposed Reform of the United Nations: “The Ezulwini Consensus”*, Addis Ababa, March 2005

³³ Okumu W, “Africa and the UN Security Council Permanent Seats”, *African Union Monitor*, 28 April 2005, available online at <http://www.pambazuka.org/en/category/aumonitor/27913>. This is an interesting if somewhat dated analysis, which draws attention to the different geopolitical interests represented by prospective Security Council members, and concludes that “it is now inevitable that the campaign between South Africa, Nigeria, Egypt, Kenya, Libya and Senegal is going to be long, nasty and brutal”.

At the time of writing, little had happened to advance this agenda. In the absence of substantive reform, South Africa used its position on the UN Security Council (2007-2008) most controversially. For example, it voted against taking action against Zimbabwe and Burma. This caused considerable consternation in South Africa. The official position was that these measures were either more appropriately handled in other bodies or that action would be counterproductive. However, working against action by the Security Council and suggesting that such actions be referred to other venues such as the Human Rights Council dovetails fairly well with the strategic thrust of South Africa's views on institutional reform. In restricting the scope of UN Security Council action, part of the objective is to restrict Western dominance, and take issues to fora where the developing world, by virtue of its numerical superiority, will have an advantage. It also indicates that South Africa will not be a "lapdog" of the West.³⁴

Besides the UN, South Africa has been active at an informal and formal multilateral level in many other fora. In the area of trade, South Africa was part of the Cancun "revolt" at the World Trade Organisation (WTO) in 2003, which led to the emergence of a G20 among developing countries on agricultural issues.³⁵ It is the only African state to be a member of the G20 finance and is also part of the Outreach 5 (interacting with the G8). Both the Non-Aligned Movement and the G77 + China are important symbolic fora for South Africa, and it has chaired both of them at various times, although their overall efficacy may be questioned. In line with attempting to develop alliances and coalitions among key Southern states, South Africa is part of the IBSA Forum with India and Brazil.³⁶ These coalitions are becoming a firm feature of multilateral organisations, giving key states in the developing world a better coordinating platform to exert influence on the global stage.³⁷

Engagement at the WTO is a case in point. According to Vincente Poalo B Yu of the intergovernmental policy institute the South Centre, informal, issues-based coalitions of developing countries (rather than regional blocs, although they remain important) are becoming a preferred means of engagement. He adds:³⁸

What we are now seeing in the WTO is a clash of ideas between developed and developing countries over what the WTO should be about – i.e. is it an institution purely about trade liberalization or is it an institution that should also be concerned about the development implications of the policies that are negotiated under its auspices. The current stalemate reflects the impact of increased South-South cooperation and coordination in putting forward a development agenda.

The quality of national governance

In a globalised world, the quality of governance in any given country is an important factor. Effective governance is necessary to respond to a competitive global environment – how

³⁴ Sidiropoulos E and Kolkenbeck-Ruh L, *South African Perspectives on Global Governance*, forthcoming publication

³⁵ Sidiropoulos E and Kolkenbeck-Ruh L, *South African Perspectives on Global Governance*, forthcoming publication

³⁶ For more comprehensive assessments and commentary, see, for instance Mokoena R, "South-South Co-operation: The Case of IBSA", *South African Journal of International Affairs*, Vol 14, Issue 2, Winter/Spring 2007, pp. 125-145; Masters L, "The G8 and the Heiligendamm Dialogue Process: Institutionalising the 'Outreach 5'", Institute for Global Dialogue, *Global Insight*, Issue 85, November 2008; Draper P, "Towards a new 'Washington Consensus'?": South Africa, the G20 Leaders' Summit, and the Financial Crisis", South African Institute of International Affairs, *Policy Briefing*, No 2, November 2008

³⁷ Wheeler T, "Multilateral Diplomacy: South Africa's Achievements", in Sidiropoulos E (ed.), *Apartheid Past, Renaissance Future: South Africa's Foreign Policy 1994-2004*, Johannesburg: SAIIA, 2004, p. 91

³⁸ Yu VPB, "Reflections on Governance Adaptation by the South in the WTO", South African Institute of International Affairs, *Trade Policy Briefing*, No 19 January 2008, p. 3

effectively order can be maintained and whether the country's laws are respected. Without it, countries cannot expect to implement development programmes.

Africa needs effective governance and aspires to conduct its governance affairs in a democratic manner.³⁹ This latter point is important for global relations given that the concept of “democracy” has enormous moral and legitimising weight. From a globalisation perspective, African states depend significantly on the outside world, and Western donors – in particular – tend to link their assistance to a commitment to democratic governance, while investors will prefer predictably regulated environments. The table below shows scores from the *2008 Democracy Index* produced by the Economist Intelligence Unit:⁴⁰

EIU Democracy Index 2008 – SADC states							
Country	Rank	Overall Score	Electoral Processes and Pluralism	Functioning of Government	Political Participation	Political Culture	Civil Liberties
Full democracies							
Mauritius	26	8.04	9.17	8.21	5.00	8.13	9.71
Flawed democracies							
South Africa	31	7.91	8.75	7.86	7.22	6.88	8.82
Botswana	39	7.47	9.17	7.50	5.00	6.25	9.41
Namibia	64	6.48	5.25	5.36	6.67	6.88	8.24
Lesotho	71	6.29	7.42	6.07	5.56	5.63	6.76
Hybrid regimes							
Madagascar	90	5.57	5.67	5.71	5.56	5.63	5.29
Mozambique	92	5.49	6.17	5.36	5.56	6.25	4.12
Tanzania	96	5.28	6.50	3.93	5.06	5.63	5.29
Zambia	97	5.25	5.25	4.64	3.33	6.25	6.76
Malawi	99	5.13	6.08	5.00	3.33	5.63	5.59
Authoritarian regimes							
Angola	131	3.35	1.75	3.21	3.89	4.38	3.53
Swaziland	137	3.04	1.33	2.86	2.22	4.38	4.41
Zimbabwe	148	2.53	0.00	0.79	3.89	5.63	2.35
DRC	154	2.28	3.00	0.71	2.22	3.13	2.35

Of the fourteen states, only five can be considered “democracies”, while four are “authoritarian”. Others on the table, such as Malawi, Zambia and Tanzania (“hybrids”) probably exhibit symptoms of authoritarian hangover after decades of one-party rule. Of particular concern is that in the “functioning of government” category, six states rank below the halfway mark, two of which (Zimbabwe and DRC) have scores so low as to indicate extreme dysfunction. Indeed, weaknesses in democratic credentials might be overlooked if this was compensated by the effectiveness of governance and economic development – which is not the case here.

³⁹ This is at least in terms of formal conventions, such as those of the African Union. See, for example, AU, African Charter on Democracy, Elections and Governance, 2007; AU, NEPAD Declaration on Democracy, Political, Economic and Corporate Governance, 2002; SADC, SADC Principles and Guidelines Governing Democratic Elections, 2004; See also Matlosa K, “Managing Democracy: A Review of SADC Principles and Guidelines Governing Democratic Elections”, Paper prepared for the EISA Democracy Seminars Series, October 2004, Johannesburg

⁴⁰ Economist Intelligence Unit, “The Economist Intelligence Unit’s Index of Democracy 2008”, October 2008, available online at

An important conclusion is that the region is not a unified bloc. It incorporates varying shades of governance competence and political culture. Interactions between the various states, and the functioning of the regional and continental fora rest neither on a common value system (at least as defined by state practices and institutions), nor on a parity of competence in their institutions.

Alongside the weakness of some states, an important issue common to most in Africa is the fact that the state is seen as a means to wealth and patronage – sometimes because there is no other alternative for wealth generation, and other times because the links between the state/government and business are very close. This expresses itself through corruption and through the use of state resources for deeply sectarian purposes. Dominant party regimes are common in the region, so the risk of this is very high. Weak states do not have the capacity or will effectively to police corruption, or may use it as a means to control the loyalty of constituencies.

Response

There seems little likelihood that anything will change in the short to medium-term. In the dominant regional view, commitments to democracy appear to be met by adherence to a minimal formal set of qualifications, most importantly holding elections. Coups are no longer acceptable,⁴¹ and glaring power abuse can rally some condemnation. But it seems that enforcing higher standards of democratic conduct will need to be left to activism, and probably also generational change. In the last decade, civil society activism has become greater, although not always more effective. This is a positive trend for developing mechanisms for greater accountability within African states.

Building state capacity is a long-term goal, although it is in theory a goal to which African states are striving, in terms for example, of the New Partnership for Africa's Development (Nepad). But state dysfunction can actually serve the purposes of certain groups. While the society as a whole may be worse off, those near strategic centres of power benefit by extracting bribes or winning contracts. Efforts to counter corruption and to demand state efficiency will harm some interests – especially in those countries where such reforms are most needed.

External forces, such as donors and friendly foreign governments, can play a role, although experience suggests that this is limited, and that perhaps donors rather support dysfunctional aid-dependent states than take the risk of seeing them collapse.⁴² Aid has also been criticised for supporting dysfunctional regimes and helping them avoid having to raise revenues from taxpayers on the basis of performance. A central problem is that governments in southern Africa do not, for the most part, face serious electoral challenges to their power. Mauritius and Zambia are partial exceptions, while the ruling party in Zimbabwe was prepared to use extreme repression to ward off a serious challenge. Ruling parties have been returned to power even when conditions were not propitious.⁴³ Under these circumstances the incentive to deal with institutional problems is limited.

<http://a330.g.akamai.net/7/330/25828/20081021195552/graphics.eiu.com/PDF/Democracy%20Index%202008.pdf>, retrieved 14 November 2008

⁴¹ Although recent events in Guinea where the military stepped in after the death of a highly unpopular government, and met with approval by some African leaders, such as Senegal's Wade, suggest that this rule is not absolute (Samb S, "Guinea coup leader gets Senegal's backing", IOL, 27 December 2008, available online at http://www.iol.co.za/index.php?click_id=68&set_id=1&art_id=nw20081227143628438C176026, retrieved 4 January 2009

⁴² Herbert R, "Africa after Aid: Engineering an end to dependency", Chapter 8 in Hansen BH, G Mills and G Wahlers (eds), *Africa Beyond Aid*, Brenthurst Foundation, 2008, pp. 143-164

⁴³ Leon T, "Looking back on the Municipal Elections", *Focus*, Issue 42, 2nd Quarter 2006, pp. 27-29. The author, a South African opposition politician, remarked: "Our party should have done far better, and the ANC far worse. This was a year in which nearly half of the nations 284 municipalities were officially classified as 'dysfunctional' and in need of urgent

This is not to say that it cannot be done. It would be a long-term plan that would need to be internally driven (although external agencies could offer help in terms of funds and expertise). Among the elements would be recruiting and maintaining a thoroughly professional and non-partisan civil service; a fearless effort to deal with corruption; a commitment to open, free and competitive political activity (including refraining from using state resources to promote the ruling party to the exclusion of others); a liberation of the media to include licensing private radio to reach otherwise uninformed rural voters; and an ongoing civic education programme that would encourage democratically oriented citizenship amongst young people. It is, however, difficult to imagine that this would be brought about through a top-down approach, as the likely losers would be those in power. Moreover, it would need to be buttressed by a growing economy which would offer more accessible and more lucrative opportunities for legitimate enrichment than would be available through the state. This poses its own set of challenges.

Failure to take this challenge seriously condemns most of the region to its current role as a marginalised part of the global system, and in the long run, the region's more advanced states, notably South Africa, to a process of "demodernisation".⁴⁴

Regional integration and trade

Integration of economies (to a lesser extent of political systems) is an element of globalisation. This should enable the building of larger and more competitive markets, the pooling of expertise and the ability to speak with a more respected and audible voice in international fora. For southern Africa with generally small individual markets, regional integration has been touted as an important process. The region has made some progress in trying to improve the cost of doing business, but has still some way to go in this. The World Bank's *Doing Business 2009* ranks Sub-Saharan Africa, on average, lowest for ease of doing business, although it indicates that reforms are taking place.⁴⁵ The SADC states were variable in the ease with which business could be conducted: Mauritius was ranked 24th in the world in 2009 (highest in Africa, and beating several developed countries), followed by South Africa (32), Botswana (38), Namibia (51), Zambia (100), Swaziland (108), Lesotho (123), Tanzania (127), Malawi (134), Mozambique (141), Madagascar (144), Zimbabwe (158), Angola (168), and DRC (at 181, the lowest in the world).⁴⁶ It notes that: "Entrepreneurs in Africa still face greater regulatory and administrative burdens, and less protection of property and investor rights, than entrepreneurs in any other region. The upside: reform in such circumstances can send a strong signal of governments' commitment to sound institutions and policies, catalyzing investor interest."⁴⁷

Southern Africa has been engaged with three broad integration processes:

intervention by central government. Thousands of protests erupted onto township and city streets as residents frustrated by failing public services vented their anger ... The great mystery of contemporary South Africa politics persists: why, in the midst of the HIV/Aids pandemic, rising unemployment and failing infrastructure does the ANC's share of the vote keep rising?"

⁴⁴ This point is well made in Pottinger B, *The Mbeki Legacy*, Cape Town: Zebra Press, 2008

⁴⁵ World Bank, *Doing Business: Comparing Regulation in 181 Economies*, Washington DC: World Bank and International Finance Corporation, 2008, pp. 3-4

⁴⁶ World Bank, *Doing Business: Comparing Regulation in 181 Economies*, Washington DC: World Bank and International Finance Corporation, 2008, p. 6

⁴⁷ World Bank, *Doing Business: Comparing Regulation in 181 Economies*, Washington DC: World Bank and International Finance Corporation, 2008, p. 3

At a continental level, the concept of a continent-wide government has been proposed almost annually since 1999 and was discussed at the AU summit in Accra in July 2007. Although there is general rhetorical commitment to the idea, it failed to achieve concrete action. Southern Africa argued against the idea, saying there were hurdles, and that regional economic communities should be the foundation of an eventual union.⁴⁸

At a regional level, SADC has agreed to set up a free trade zone, leading to a single currency. It will be part of a proposed African Economic Community scheduled for 2028. In 2008 SADC was party to the creation of the African free trade zone, linking some 26 countries (belonging to three economic blocs – SADC, the East African Community and the Common Market of Eastern and Southern Africa).⁴⁹ The fate of initiative is yet to be seen.

Within SADC, the Southern African Customs Union (SACU), the world's oldest, consisting of South Africa, Lesotho, Swaziland, Namibia, and Botswana, has abolished tariffs and quantitative restrictions. Integration is hampered by import prohibitions on health or national security grounds, differing tax regimes, inadequate transport infrastructure and slow progress on harmonising members' competition, industrial and agricultural policies.⁵⁰ The revenues that accrue from the customs pool to the smallest states (Swaziland and Lesotho) are extremely important for their economic wellbeing, as they gain considerably from South African customs duties. The South African Treasury is reportedly less sure that this is a beneficial arrangement.⁵¹

SACU's unity has been further stressed by Economic Partnership Agreements⁵² with the European Union: South Africa is dissatisfied with some of the EU's demands, and has refused to sign an interim agreement, while other countries have. Botswana is reported to want greater competition in services, and has said that it will no longer tolerate South Africa playing "big brother"⁵³, while the smaller economies feel that they need the European markets to a greater extent than South Africa (although the EU remains South Africa's single largest trading partner). The EPAs were also meant to enhance regional integration, but this does not appear to be the case, given that the states have divergent interests which are not always compatible with one another. On the other hand, the EPAs have stimulated discussion about regional integration – for example, it may expedite regional liberalisation of services. Moreover, there has been a shift in thinking (in the opinion of one observer) away from the more ambitious goals of customs unions to free trade areas, which deal with "the nuts and bolts of easing trade across regional borders".⁵⁴ One real possibility of the EPA process may be the end of the SACU, with South Africa rejecting the EPA and the bulk of SACU and SADC accepting it. The regional consequences of this could be significant as many SACU states are heavily reliant on a formula for sharing customs revenue that is seen as South Africa as a

⁴⁸ P Fletcher and Moody B, "Fierce Unity Debate grips African Summit", Mail and Guardian online, 3 July 2007; "Stronger Regions before Integration", Bua News, 2 July 2007, available at <http://www.buanews.gov.za/view.php?ID=07070215451003&coll=buanew07>, retrieved 17 January 2009

⁴⁹ "African Free Trade Zone is Agreed", BBC News, 22 October 2008, available at <http://news.bbc.co.uk/2/hi/business/7684903.stm>, retrieved 18 January 2009

⁵⁰ Disenyana T, "SACU and Deeper Integration", SAIIA, 9 December 2008 available at http://www.saiia.org.za/index.php?option=com_content&view=article&id=878:sacu-and-deeper-integration&catid=67:development-through-trade-opinion&Itemid=204, retrieved 7 January 2009

⁵¹ le Roux M, "SA-EU Trade Row puts Customs Union at Risk", *Business Day*, 25 February 2008, available online at <http://www.businessday.co.za/articles/topstories.aspx?ID=BD4A713519>, retrieved 7 January 2009

⁵² A very good discussion of EPAs as they affect Africa is to be found in Draper P "EU-Africa Trade Relations: The Political Economy of Economic Partnership Agreements", *Jan Tumlir Policy Essays*, No 2, June 2007, European Centre for International Political Economy

⁵³ le Roux M "Neighbours accuse SA of acting like 'Big Brother'", *Business Day*, 1 December 2008, available online at <http://www.businessday.co.za/articles/topstories.aspx?ID=BD4A895853>, retrieved 1 February 2009

⁵⁴ Khumalo N, "Rethinking African Economic Integration", undated report of conference discussion on file with the author

subsidy to those states. This effect would be less important to Namibia and Botswana but could have negative implications for economic and political stability in Swaziland and Lesotho.

The actual benefit of economic integration in these models is not clear. The extent of intra-SADC trade is rather small. In 2006, exports from all SADC states to all others accounted for only 9.5% of total trade.⁵⁵ Small markets, even combined, may not offer economies of scale. Significant infrastructural backlogs would in any event make it difficult to conduct expanded regional trade. The former president of South Africa, Thabo Mbeki, noted at the SADC summit in August 2008 that “the central policy issue that we must confront is that the countries in the SADC region have not been able to take advantage of an increasingly open regional trading environment”.⁵⁶

Integrating a diverse group of states, ranging from the relatively healthy (Botswana and South Africa) to the dysfunctional (Zimbabwe and DRC) is a daunting one to which no ready answers are apparent. While the DRC’s geographic position means that it may effect integration of the states to its south less, the case of Zimbabwe is more problematic, as it lies at the heart of SADC. Its dysfunctionality and the export of its crisis to its neighbours have also had a profound impact on economic integration and trade flows.

There have, however, been some encouraging signs: although a relatively small proportion of the bloc’s overall trade, intra-SADC trade had nearly doubled by volume between 2000 and 2006. By 2006, some countries (Malawi, Namibia, Tanzania and Zambia) sent around a third of their exports to SADC states. Swaziland sent over 82% to SADC states. These figures are, however, buoyed by the significant role that South Africa plays in the bloc.⁵⁷

On trade with the outside world, a general problem for Africa is, in the view of Robert Calderisi, that the continent has “refused to concern itself with foreign markets”.⁵⁸ This is probably less true for the region, but natural resources are a large part of the region’s trade (the United Nations Conference on Trade and Development notes that in the 2005/06 period, some 92% of exports from Africa’s Least Developed Countries were of primary products while their Asian counterparts were moving towards greater diversification.⁵⁹) The effects of the financial crisis have been described above (See Global Interdependence and Southern African Dependency above).

Market access for agricultural produce is a problem in the face of large subsidies paid to farmers in developed countries, as well as high phyto-sanitary standards. These policies place a brake on what is potentially a significant source of export earnings.

A serious concern at the time of writing was the extension of protectionist impulses in the West in the wake of the global financial crisis. These are likely to be felt across the world, but as they relate to the developing world, they have particular implications for Africa.

⁵⁵ Kalaba M and Mbofholowo T, “Implementation of the SADC Trade Protocol and the Intra-SADC Trade Performance”, Southern African Development Research Network, April 2008, pp. 5-6

⁵⁶ Pienaar H, “Even Mbeki is pessimistic about SADC trade”, *The Cape Times*, 21 August 2008, available online at http://www.iol.co.za/index.php?set_id=1&click_id=6&art_id=vn20080821071250793C378436, retrieved 19 January 2009

⁵⁷ Kalaba M and Mbofholowo T, “Implementation of the SADC Trade Protocol and the Intra-SADC Trade Performance”, Southern African Development Research Network, April 2008, pp.11-17

⁵⁸ Calderisi R, *The Trouble with Africa: Why Foreign Aid isn’t Working*, New Haven and London: Yale University Press, 2006, p. 143

⁵⁹ UNCTAD, *Least Developed Countries Report 2008*, Geneva: United Nations, 2008, p. 43; UNCTAD, *Trade and Development Report, 2008*, New York and Geneva: United Nations, 2008, pp. 38-41

Response

It is not clear whether the creation of institutional arrangements for regional integration would, in themselves, have a large effect, given the practical barriers to trade. *The Economist* summed these up succinctly: “Cumbersome logistics, poor infrastructure, abundant red tape, a shortage of skilled workers and HIV/Aids remain real challenges. Local entrepreneurs face other problems as well, such as lack of capital – despite the rapid growth of micro-finance in some parts of Africa.”⁶⁰ Remedying these constraints would probably be a necessary first step, and a long-term project. Much more complex would be aligning the different political and economic competences and systems in the SADC region. Such alignment – using the more successful states as a benchmark – would create the conditions for a regional integration process from which all parties could benefit.

The key external contribution would be for the region to be granted considerably greater market access, but it is doubtful that foreign governments are inclined to offend domestic constituencies to aid Africa. In respect of the global financial crisis, the South African economist, Peter Draper, cautions against a shift to protectionism.⁶¹ He suggests among other interventions that resources should be made available, through the World Bank and International Monetary Fund, to “well-managed economies on non-punitive terms” to enable them to adjust. African economies should also resist protectionist urges. In particular for their own competitiveness they need access to services that can be purchased from the developed world, and hence they should “seize the services liberalisation nettle”.

Interestingly, the governor of the Central Bank of Nigeria, Professor Chukwuma Soludo, said that Barack Obama’s pledge to find alternative sources of energy was a threat to Nigeria (heavily dependent on oil), and that the country should diversify towards agriculture as a counter.⁶² Diversifying economies to deal with changes in the global economy would be a good medium to long term strategy for southern Africa

Security threats and terrorism

Particularly since the al Qaeda attacks on New York in September 2001, terrorism has been a great concern. Terrorist activity originating in southern Africa would be a manifestation of globalisation in that it underlines how vulnerabilities in one country can impact on others, and how grievances in one part of the world reverberate elsewhere.

Several groups have emerged in the region that in some measure could be viewed as broadly or explicitly sympathetic to Islamism (the motivating ideology of al Qaeda), and are strongly believed to have been involved in violence. These have appeared in Mauritius, South Africa and Tanzania. Such groups appear to have beginnings in real social problems, and later to have adopted violence to push their agendas.⁶³ There appears to be sufficient sympathy for their goals and actions to provide small numbers of recruits who might be prepared to undertake terrorist actions against

⁶⁰ “Different Skills Required”, *The Economist*, 30 June 2005, available online at http://www.economist.com/business/displaystory.cfm?story_id=4138482, retrieved 2 February 2009

⁶¹ Draper P, “What Should World (and African) Leaders do to halt Protectionism from Spreading”, undated, available online at http://saiia.org.za/index.php?option=com_content&view=article&id=883:what-should-world-and-african-leaders-do-to-halt-protectionism-from-spreading&catid=67:development-through-trade-opinion&Itemid=204, retrieved 1 January 2009

⁶² Nzeshi O, “Soludo – Obama’s Energy Policy, Threat to Nigeria”, Nigerian News Service, 22 January 2009, available online at <http://www.nigeriannewsservice.com/news/118/ARTICLE/4973/2009-01-22.html>, retrieved 1 February 2009

⁶³ Botha A, “Political Dissent and Terrorism in Southern Africa”, Institute for Security Studies, Occasional Paper 90, August 2004

targets in southern Africa or elsewhere. There have also been instances of violence by extreme right-wingers in South Africa, although whether they would have the capacity to engage in a sustained campaign is highly questionable.

More importantly, southern Africa could serve as a good base for planning and logistical support: with useful elements of a sophisticated modern society – such as banking – alongside disorganisation in the sense of porous borders and state corruption⁶⁴ (South African passports have reportedly been sold to Al Qaeda members).⁶⁵ Similar factors have made southern Africa a popular transit point on drug smuggling routes.⁶⁶

Response

Where overt acts of terrorism have occurred, the region's governments have tried to intervene. This is a short-term response. Dealing with extreme elements that may or may not belong to a formal network (or to a very diffuse, attenuated network) is a problem confronting security agencies across the world. It is doubtful that southern African states have intelligence services that are fully up to the task. In the long term, it would be important to develop these, perhaps with the assistance on foreign agencies, which has been happening (an external intervention). Cooperation with foreign agencies may not always be easy. Many people and interest groups in the region are deeply suspicious of Western motives in dealing with terrorism. Although the South African government has allegedly cooperated with "renditions" of suspected terrorists, it appears loathe to admit this openly, and has played down the al Qaeda threat to South Africa.

Environmental concerns and food security

Concerns about climate change and environmental degradation are now global – as is the realisation that countries cannot act on these problems alone. This is important for Africa, and perhaps doubly so, given that it stands to be severely affected by climate change, with few resources to adapt. Africa is the only region of the world where the numbers of people in absolute poverty are growing and where per capita food production has been in long-term decline. A significant proportion of people in southern Africa depend on small-scale agriculture for their livelihoods, and so climate change has immediate implications for the ability of millions of people to survive.

At present, a number of countries in the region suffer from food insecurity. Extreme weather is a significant contributor to this, for instance, in respect of droughts in Lesotho or floods in Mozambique.⁶⁷ Changing climate patterns that could make the region more prone to such events have extensive developmental implications for infrastructure, emergency planning, water management and land use.

⁶⁴ Wannenburg G, "War and Organised Crime in Southern Africa", Chapter 8 in Wannenburg G, *Africa's Pablos and Political Entrepreneurs: War, the State and Criminal Networks in West and Southern Africa*, Johannesburg: South African Institute of International Affairs, 2006, pp. 217-228

⁶⁵ "SA Passports sold to al-Qaeda", News24, 8 June 2004, available online at http://www.news24.com/News24/AnanziArticle/0,6935,2-7-1442_1539562,00.html, retrieved 31 January 2009

⁶⁶ "SA a Drug Trafficking Hub", News24, 11 November 2002, available online at http://www.news24.com/News24/South_Africa/News/0,1113,2-7-1442_1283461,00.html, retrieved 1 February 2009

⁶⁷ Elasha BO, Medany M, Niang-Diop I, Nyong T, Tabo R, Vogel C, Background paper on Impacts, vulnerability and adaptation to climate change in Africa, the African Workshop on Adaptation Implementation of Decision 1/CP.10 of the UNFCCC Convention, Accra, Ghana, 21 - 23 September 2006, p. 16-19

Rainfall is a particularly important consideration, since African agriculture tends to depend on rain rather than irrigation. Projected effects of climate change suggest that “it would be the Zimbabwe-Zambia-Malawi region that might suffer most from climate change, since it was found that this region already experience prolonged drought, associated with increasing surface air temperatures, might prevail in future. This might result in a reduction of the maize yield, which might pose a threat to food security in the region”.⁶⁸

Climatic factors are not the sole issues disrupting food security. Political factors have also exercised a destabilising influence on agriculture, notably in Zimbabwe, where government-sponsored land seizures of farms and subsequent mismanagement have seen yields plummet (over 5 million people could require food aid in early 2009⁶⁹). In South Africa, insecurities around the country’s land reform programme and property rights regime have reportedly dissuaded farmers and agribusinesses from making investments.⁷⁰ South Africa’s role is especially important, as it exports foodstuffs, some of it as aid, to its neighbours, which “are net food-importing countries and will remain reliant on imports to meet their food requirements for at least the foreseeable future”.⁷¹ If South Africa should no longer be in a position to play this role, the consequences would be felt across the region. Indeed, it is of concern that South Africa itself has recently become a food importer of certain foodstuffs.⁷²

Also driving the price of food has been changing consumption habits in Asia and the use of crops for biofuel. These factors have created a more competitive market for food, and hence have raised the price. This has a harmful effect on the poor, and it illustrates that in the event of a severe global food shortage, the poorer regions of the world would be most vulnerable as they would likely be least in a position to bargain and pay for food supplies.⁷³

Response

Dealing with climate change will entail putting climate science to work with agriculture, some successful examples of which have been observed around Africa. However, since climate issues are not given a high and visible priority in Africa and since the capacity to design and impart the necessary knowledge and mitigation strategies is scarce, Africa is at a severe disadvantage.⁷⁴ Unfortunately there is relatively little that Africa (outside the few larger economies) can do to combat climate change, given the modest contribution that Africa makes to the phenomenon. Over the medium to long term, the region may have to consider altering the type of agriculture it practices, adapting – as far as possible – the crops cultivated to new conditions. More importantly

⁶⁸ De W Rautenbach CJ, “Climate Change and Food Security in Southern Africa”, Chapter 1 in Draper P and N Khumalo (eds), *Trade in Genetically Modified Foods: Decoding Southern African Regulatory Approaches*, SAIIA, 2007, p. 22

⁶⁹ Information from the World Food Programme website’s Zimbabwe page, http://www.wfp.org/country_brief/indexcountry.asp?country=716, retrieved 20 January 2009

⁷⁰ See for example, Bernstein A (ed), *Land Reform in South Africa: Getting back on Track*, Centre for Development and Enterprise, CDE Research No 16, May 2008;

⁷¹ Grant C “Food Aid: A Regional Study of Southern Africa”, Chapter 6 in Draper P and N Khumalo (eds), *Trade in Genetically Modified Foods: Decoding Southern African Regulatory Approaches*, SAIIA, 2007, p. 195

⁷² Manuel T “Challenges posed by high Food Prices”, Bua News, 4 July 2008, available online at <http://www.buanews.gov.za/news/08/08070409151001>, retrieved 1 February 2009

⁷³ The author recalls a recent television documentary on locust swarms and their effects on crop production. A US analyst noted that in the event of the destruction of the US crops, the likely scenario would be that the food shortage would simply be exported elsewhere, as the US was in a position to purchase food supplies from other countries, but possibly to the detriment of other countries that might have relied on the same supplies.

⁷⁴ Washington R, Harrison M, Conway D, Black E, Challinor A, Grimes A, Jones A, Morse A, Kay A, and Todd M, “African Climate Change: Taking the Shorter Route”, *Bulletin of the American Meteorological Society*, October 2006, pp. 1355-1366

for the continent would be a major external intervention, in the form of reductions in carbon emission from the major industrialized countries.

Interestingly, one of Africa's few significant emitters, South Africa, has participated energetically in negotiations around climate change. Currently proposals exist for a "carbon tax" in the country.⁷⁵ This may be an effective weapon against emissions but would have implications for the country's competitiveness, especially given that most energy in the country is produced from coal-fired power stations. "Changing South Africa's development path to one that is more carbon efficient would be extremely costly".⁷⁶

With the election of Barack Obama, the US has changed its position on climate change issues and signalled a greater willingness to participate in global mitigation. Under the leadership of George Bush, the US insisted that a climate mitigation regime would not be viable if it did not include the major polluters of the south, namely China, India, South Africa and Brazil. It remains to be seen whether Obama will follow this line or unilaterally seek to reduce US emissions. By removing the US objection to Kyoto, Obama has shifted the debate. His election coincides with rising concern over protectionism. Some advocates of mitigation note that a deal that does not include China will have the effect of exporting carbon emissions to China and have little long-term global impact if higher cost carbon mitigation strategies and taxes in the developed West have the effect of accelerating the shift of manufacturing to energy inefficient but cheap labour countries. There is concern within South Africa, China and other emerging powers that climate change rules will become a form of disguised protectionism.

In order effectively to mitigate and adapt to climate change, meteorological information is crucial. But Africa has the lowest density of meteorological stations on earth, and is therefore at a severe disadvantage.⁷⁷ For reasons of both resources and expertise, Africa will need support to equip itself in this area.

Beyond climate change, southern Africa needs to encourage agriculture as a viable profitable business. Recognition of the value of agricultural economies, and appropriate reforms and investments (farmer training, rural infrastructure, providing irrigation equipment, storage) would unlock this sector's potential beyond subsistence, for export and for staving off food shortages.⁷⁸ Rehabilitating the Zimbabwean economy – once a food exporter – will be vital. Greg Mills, a regular commentator on foreign affairs in South Africa, argues that getting agriculture, a "traditional economic driver", operational again will be necessary for this to happen. While the position of disposed commercial farmers may need attention, the first step is to get farms to produce food, which in turn relies on other factors, such as removing price controls.⁷⁹

⁷⁵ Khumalo S, "Climate Change Proposal includes Carbon Tax", IOL, 3 August 2008, available online at http://www.iol.co.za/index.php?set_id=1&click_id=13&art_id=nw20080803082221974C182775, retrieved 1 February 2009

⁷⁶ Chevallier R, "Addressing the Development Goals of Sub-Saharan Africa through Climate Change Mitigation and Adaptation", Draft SAIIA Working Paper, 7 January 2009, p. 4

⁷⁷ Chevallier R, "Addressing the development goals of Sub-Saharan Africa through climate change mitigation and adaptation", Draft SAIIA Working Paper, 7 January 2009, p. 11

⁷⁸ Herbert R, "Africa after Aid: Engineering an end to dependency", Chapter 8 in Hansen BH, G Mills and G Wahlers (eds), *Africa Beyond Aid*, Brenthurst Foundation, 2008, pp. 159-160

⁷⁹ Mills G, "Zimbabwe has reached a Tipping Point", *The Sunday Independent*, 19 October 2008, available online at <http://www.sundayindependent.co.za/index.php?fArticleId=4668376>, retrieved 2 February 2009

Substantial reforms of the global agricultural trading regime, especially the issue of subsidies in Northern countries, cannot be delinked from this debate – although in the current economic climate, agricultural reforms are highly unlikely in the developed states. Unfortunately, in the past agriculture has tended to be ignored or viewed as a somewhat archaic relic.⁸⁰ Nevertheless, in the last two years or so, there has been a renewed realisation of its importance to economies in southern Africa.

Resource use and management

Where resources are sought globally and competition for them is intense, the possibility exists that illegal or unethical means may be employed to obtain them. Such resources include the region's minerals, its forests, its wildlife, fish stocks and natural beauty.

A good example is southern Africa's fish stocks, which have been depleted by overfishing (sometimes illegally). The scale of these losses is illustrated by the fact that in late 2008 it was estimated that some \$10bn in revenue was lost to the SADC states as a result of illegal fishing.⁸¹ Poaching of species like rhino⁸² and abalone is linked to globalisation as demand for these products is frequently in distant places, but new technologies and networks have made it possible to source and supply them across the globe.⁸³

As natural resources are potentially a major driver for prosperity, their misuse is a source for particular concern. The conflict in the DRC in the 1990s involved a significant element of resource appropriation to fund the protagonists. This was the case elsewhere, until activism around the issue of "conflict diamonds" (i.e., diamonds that were paying for conflict) led to a certification procedure through the so-called Kimberley Process. This was intended to ensure that diamonds bought by consumers were not sourced from conflicts, thereby protecting the interests of countries like Botswana and Namibia, which also depend on their diamond deposits, but extract them ethically.⁸⁴ Trade in coltan – an important component of mobile telephones and computers – has also been linked to the conflict.⁸⁵

The illegal appropriation of resources thrives where law enforcement is difficult, such as the seas or on under-policed nature reserves, not least the region's trans-frontier parks. It is also a big problem where law enforcement is poor due to state fragility, as in the DRC,⁸⁶ leading one analyst

⁸⁰ Calderisi R, *The Trouble with Africa: Why Foreign Aid isn't Working*, New Haven and London: Yale University Press, 2006, pp. 143-144 Calderisi views this as an absolutely fundamental economic mistake Africa has made since independence.

⁸¹ January M, "Billions of Dollars Lost to Illegal Fishing in the SADC Region", 10 December 2008, available online at http://www.saiia.org.za/index.php?option=com_content&view=article&id=881:billions-of-dollars-lost-to-illegal-fishing-in-the-sadc-region&catid=63:garp-opinion&Itemid=231, retrieved 2 February 2009

⁸² Jordan B, "SA wildlife parks become killing fields", *Sunday Times*, 25 January 2009, available online at <http://www.thetimes.co.za/PrintEdition/Article.aspx?id=924781>, retrieved 1 February 2009

⁸³ For a good exposition of this problem globally see Moisés N, *Illicit: How Smugglers, Traffickers and Copycats are Hijacking the Global Economy*, London: Heinemann, 2005

⁸⁴ It is interesting to note that concerns about the treatment of the San communities in Botswana by the country's government have led to some campaigners calling for diamonds from that country to be declared "blood diamonds".

⁸⁵ Montague D, "Stolen Goods: Coltan and Conflict in the Democratic Republic of Congo", *SAIS Review*, Vol XXII, No 1, Winter/Spring 2002, pp. 103-118

⁸⁶ Tran P, "DRC's Kabila Faces Unruly, Corrupt Mining Sector", VOA News, 15 December 2006, available online at <http://www.voanews.com/english/archive/2006-12/2006-12-15-voa19.cfm?CFID=106588423&CFTOKEN=39822489&jsessionid=de30fca4d6bbae5b24ba754d1a7a7b584556>, retrieved 1 February 2009

to comment that “bad governance opens the door for bad operators, while scaring off good ones”.⁸⁷ There have been numerous allegations of corruption in Angola, related to the oil industry.⁸⁸

There have also been concerns about mining operations in Zambia and Tanzania. While these states are not involved in conflicts, there are concerns about the benefits to and costs experienced by the communities and countries in which these operations do business.⁸⁹

Response

Most states have laws to protect their resources from illicit or excessive exploitation, but problems arise in enforcement, either because the personnel or resources are inadequate to the task or because of corruption in the system. Dealing with these problems would be a long-term process, in tandem with, in some cases, fundamental, reform of governance. As resource issues cross boundaries, clear needs exist for joint regional strategies and international strategies to deal with them. SADC, for example, has a protocol on fisheries and recently indicated that it would attempt to deal more effectively with illegal fishing.⁹⁰ The outcome of this is yet to be seen.

Some notable successes have been achieved globally in resource management, notably the Kimberley Process Certification Scheme, intended to staunch the flow of “conflict diamonds”. A number of SADC states have signed up to this process, including South Africa, Botswana and Namibia, as well as Angola and the DRC⁹¹ whose diamond deposits were viewed as a contributory factor to their civil wars.

Another similar initiative is the Extractive Industries Transparency Initiative (EITI) in terms of which payments and receipts from extractive industries are voluntarily disclosed.⁹²

There is clearly scope for international cooperation in similar processes to deal with cases where resources are extracted illegally or unsustainably. Resources have also been recognised by the international community, and there is, at least rhetorically, a global commitment to cooperate to preserve them.⁹³

Migration

The movement of people through Africa, and out of the continent, has developmental consequences. In the absence of domestic opportunities, very little can prevent those who wish to migrate elsewhere from doing so. Within the region, South Africa has considerable appeal,

⁸⁷ Du Preez M, “Seeing the Wood for the Trees in the Democratic Republic of Congo”, forthcoming publication

⁸⁸ Human Rights Watch, “Angola: New OPEC Member Should Tackle Corruption Not Critics”, 14 December 2006, available online at <http://www.hrw.org/en/news/2006/12/14/angola-new-opec-member-should-tackle-corruption-not-critics>, retrieved 3 February 2009

⁸⁹ See, for example, Curtis M and Lissu T, A Golden Opportunity? How Tanzania is Failing to benefit from Gold Mining, Dar es Salaam: Christian Council of Tanzania, National Council of Muslims of Tanzania, Tanzania Episcopal Conference, 2008; Fraser A and Lungu J, *For Whom the Windfalls: Winners and Losers in the Privatisation of Zambia's Copper Mines*, Lusaka: Civil Society Trade Network and Catholic Centre for Justice, Development and Peace Zambia Episcopal Conference

⁹⁰ “SADC countries to tighten up on illegal fishing”, World Fishing website, 1 October 2008, available online at <http://www.worldfishing.net/analysis/analysis.ehtml?o=2508>, retrieved 3 February 2009

⁹¹ See http://www.kimberleyprocess.com/structure/participants_world_map_en.html

⁹² Global Witness, “Breaking the Links between the Exploitation of Natural Resources, Conflict and Corruption”, UNCTAD Expert Meeting on FDI in Natural Resources, 20-22 November 2006

⁹³ “Davos Participants call for Managing World Resources in Sustainable Way”, *The Hindu*, 29 January 2009, available online at <http://www.hindu.com/thehindu/holnus/003200901291251.htm>, retrieved 1 February 2009

including the highly skilled, who can expect higher pay and a better standard of living in South Africa, although this is at the expense of other countries.⁹⁴ South Africa has traditionally hosted significant numbers of foreign workers (especially migrant mineworkers), but has tried to restrict legal entry to the country to skilled people – hence work permits are difficult to obtain. Other states fear, with some justification, that the magnet effect to South Africa will deplete their skills base.

Border controls exist, and people illegally resident in any country can be expelled, but this has little influence overall. Zimbabweans escaping the economic and political problems in that country have come to South Africa in large numbers. The presence of communities of foreigners has been a source of stress. For example, in South Africa, xenophobic riots broke out in 2008 leading to the deaths of some 62 people, of whom around a third were South African citizens.

Migration out of Africa entirely is hard to measure but is significant, particularly among doctors, nurses, teachers, managers, engineers, accountants and other professions with skills in short supply. This goal for such people is to seek a better life, typically in more developed countries. The “brain drain” is a source of great concern to the affected countries, as those who leave (at least to settle abroad legally) will tend to be among the region’s more highly skilled.⁹⁵ This poses a severe developmental challenge for a region already short of skills. As a UN publication noted:⁹⁶

Even as countries have educated and trained their people, many individuals who have benefitted from such investment have contributed to the brain drain, thus depriving these countries of the requisite human capital for public and private management. The creation and retention of capacity for development should therefore be a high priority. Moreover, technical and vocational training in Africa is poorly funded and managed. Consequently, African countries face high youth unemployment and a shortage of skills. Currently, in sub-Saharan Africa over 20 per cent of young people are unemployed.

Migration has a positive side, in the sense that migrants, at least for the first generation or two, will retain links to their home countries and send remittances to families – often a very substantial source of income for the countries, exceeding aid. The scale of these remittances is indicated by the findings of a 2005 study which estimated that the value of remittances sent from South Africa to recipients in other SADC countries amounted to some R6.1bn.⁹⁷ In the case of Lesotho, for example, which has historically provided large numbers of workers to South African mines, these funds are extremely important. South Africa’s mining industry has been shedding workers for some decades (nearly 300 000 in the gold-mining industry alone), with the result that new patterns of migrant work are emerging: women from Lesotho increasingly cross to South Africa to perform non-contractual and often irregular work, notably in agriculture. They are also more likely to migrate temporarily in order to trade, as opposed to men who tend to seek employment opportunities.⁹⁸

⁹⁴ “Mining Industry’s Skills Shortage Critical”, *Namibian Economist*, 4 July 2008, available online at <http://www.economist.com.na/content/view/6640/70/>, retrieved 2 January 2009

⁹⁵ Johnston S and Bernstein A, “Skills, Growth and Migration Policy: Overcoming the Fatal Constraint”, Centre for Development and Enterprise, Issue 4, February 2007; Chaudhry S, “South African Emigration leads to Skills Shortage”, *International Herald Tribune*, 1 December 2008, available online at <http://www.iht.com/articles/2008/12/01/business/skills.php>, retrieved 7 January 2009

⁹⁶ UN General Assembly, *Africa’s Development Needs: State of Implementation of Various Commitments, Challenges and the Way Forward*, Report of the Secretary General, 15 July 2008, pp. 5-6

⁹⁷ Genesis Analytics, on behalf of the FinMark Trust and Consultative Group to Assist the Poor, “Supporting Remittances in Southern Africa – Estimating Market Potential and Assessing Regulatory Obstacles”, Johannesburg, 2005, p. xii

⁹⁸ Hughes T, Kajee A and Peberdy S, *Gender, Remittances and Development: preliminary Findings from Selected SADC Countries*, Johannesburg and Santo Domingo: SAIIA and UN-INSTRAW, 2007, pp. 19-20

Response

The loss of skills through migration is a very serious issue. Both push and pull factors are at work, and it will be impossible to stop this entirely. The tendency to lay the blame at the door of external actors needs to be avoided. They could perhaps play a positive role by not actively trying to recruit skills (agreements such as the 2003 Commonwealth Code of Practice on the International Recruitment of Health Workers goes some way to regulating this).⁹⁹ Migration within the region may be reduced somewhat by the decline in mining employment in South Africa, but this is not definite. People seeking opportunities would still attempt to make their way to wealthier countries (especially South Africa), but without the firm prospect of a mining job. The informal economy, or competition with local people for formal sector jobs, would thus be the survival strategy – with potential for social tensions and conflict. However, if the region is serious about wanting to keep its skills, it must provide incentives for skilled people to remain – starting with good pay and reasonable conditions of service where the state is in a position to influence this.

2. Which important interests of your country/region are promoted by globalisation, which are currently neglected or frustrated by the process of globalisation?

As has been noted in the previous section, southern Africa is in a dependent position in the global economy and political system. A key strategic interest is to alter this position. Of all the southern African states, South Africa is the most involved in dealing with the outside world, multilateral fora and the challenges of globalisation more broadly. South Africa's official position on globalisation was offered in Parliament in August 2007. It stated that "the current path of globalisation must change ... The benefits of globalisation can and must be extended to more people and better shared between and within countries, with many more voices having an influence on its course." Among the specific steps itemised were overriding concerns for economic development, participating in international institutions and debate on globalisation and its manifestations, global institutional reform and addressing the domestic impacts of globalisation, notably through its economic policies.¹⁰⁰ This is probably a sentiment shared by the other countries in the region, if not more so, given their lower level of economic development and consequent lack of room to manoeuvre.

The region's interests are best seen as divided into two groups: economic, incorporating development objectives, markets in primary and manufactured products, resource flows and market access; and political objectives, namely redefining Africa's role in the world and protecting the sovereignty of individual states. It is also important to emphasise that South Africa's interests are not always synonymous with the region's – for example, the southern Africa EPA negotiations highlight this.

⁹⁹ Ibid., p. 24.

¹⁰⁰ National Assembly, Question No: 1243 published in Internal Question Paper No 25 of 23 August 2007, available online at <http://www.dfa.gov.za/docs/2007pq/pq1243.htm>, retrieved 2 January 2009

While this section examines interests that are promoted or frustrated by globalisation, a third option should be considered: interests that should be promoted, but are frustrated by the imperfect or distorted application of the globalisation process.

Economic Growth and Development

Southern Africa puts prime emphasis on development. “Development” defies easy definition, but would entail making the population wealthier, less prone to food insecurity, making economies productive and diversified, along with an infrastructure and social services of satisfactory extent and quality for the country’s needs. How does globalisation impact on these objectives?

Investment

For an economy to grow, investment is necessary – and where capital is scarce, the hope is that foreign capital will fund it. In a globalised world, capital moves quickly and easily to destinations where it can profitably be put to use. Southern Africa is well-endowed with minerals. The rapid expansion of the Asian economies has stimulated a demand for minerals, with the result that the region has received substantial investment, particularly in its mining and extractive sectors. High commodity prices have provided a windfall (which now appears to be subsiding).¹⁰¹ This produced significant foreign exchange and employment opportunities – necessary elements for development. From this angle, the globalised economy was certainly a factor promoting development. However, it should be noted that the SADC region attracts a very small proportion of the world’s investment. The table below illustrates this:¹⁰²

FDI: SADC and the World, 2005-2007								
Region	FDI inflows (\$ millions)				FDI Outflows (\$ millions)			
	2005	2006	2007	Total	2005	2006	2007	Total
World	958 697	1 411 018	1 833 324	4 203 039	880 808	1 323 150	1 996 514	4 200 472
Developed Economies	611 283	940 861	1 247 635	2 799 779	748 885	1 087 186	1 692 141	3 528 212
As % of World	64%	67%	68%	67%	85%	82%	85%	84%
Developing Economies	316 444	412 990	499 747	1 229 181	117 579	212 258	253 145	582 982
As % of World	33%	29%	27%	29%	13%	16%	13%	14%
Africa	29 459	45 754	52 982	128 195	2 282	7 829	6 055	16 166
As % of World	3%	3%	3%	3%	0.3%	0.6%	0.3%	0.4%
SADC states	7 267	2 200	8 998	18 465	1 212	7 012	4 176	12 400
As % of World	0.8%	0.2%	0.5%	0.4%	0.1%	0.5%	0.2%	0.3%

¹⁰¹ Cilliers J, *Africa in the New World: How Global and Domestic Developments will Impact by 2025*, Institute for Security Studies, Monograph 151, October 2008, pp.67-90; Chisanza R, “Zambia in Copper Crisis”, Mail and Guardian online, 14 December 2008, available online at <http://www.mg.co.za/article/2008-12-14-zambia-in-copper-crisis>, retrieved 28 December 2008

¹⁰² UNCTAD, *World Investment Report 2008: Transnational Corporations and the Infrastructure Challenge*, New York and Geneva: United Nations, 2008, pp. 253-256

Angola	-1 304	-38	-1 500	-2 842	219	191	331	741
Botswana	281	489	495	1 265	56	51	51	158
Lesotho	57	92	106	255	-	-	-	-
Madagascar	86	294	997	1377	-	-	-	-
Malawi	27	30	55	112	1	1	1	3
Mauritius	42	105	339	486	48	10	58	116
Mozambique	108	154	427	689	-	-	-	-
Namibia	348	387	697	1432	-13	12	-3	-4
South Africa	6 644	-527	5 692	11809	930	6 725	3 727	11 382
Swaziland	-50	36	37	23	-24	2	3	-19
Tanzania	568	522	600	1690	-6	20	5	19
Zambia	357	616	984	1957	-	-	-	-
Zimbabwe	103	40	69	212	1	-	3	4

It has, however, been argued¹⁰³ that this is unsustainable, not simply because of price volatility, but because demand for manufactured goods will tend to outstrip the prices of commodities. Indeed, having natural resources has been counted as “curse” in the sense that it provides easy wealth to elites, with correspondingly little incentive to develop the value-added economic activities (or a strong tax base, with implications for the quality of accountability in governance). The DRC’s mineral riches have probably been an absolute blight on its people for over a century. The counter to this is Botswana, which has used its diamond wealth prudently, and is moving into beneficiation.¹⁰⁴

On the other hand, emerging economies are vulnerable to shifts in the global economy. The recent global financial crisis is a case in point, and a significant factor that could frustrate southern Africa’s development for years. For example, relatively small investments in the region can be significant to the countries in which they are made, given the weakness of these economies. Financing for infrastructure projects has also tended to rely on loans from foreign banks. In an uncertain market, these resources may no longer readily be available.¹⁰⁵

Value-added activity

One of the ideals that came with independence was that the new countries would be able to provide for themselves economically. While absolute self-sufficiency may never have been practicable, being in a position to make a respectable contribution to the global economy was an issue of national self-respect and practical development. Producing and selling value-added goods, in particular, but also services was important.

In the 1960s and 1970s, several southern African countries (such as Malawi, Zambia and Tanzania) attempted some modest industrialisation. However, these industries serviced small and protected markets, and were frequently poorly conceived and badly managed.¹⁰⁶

¹⁰³ Cilliers J, *Africa in the New World: How Global and Domestic Developments will Impact by 2025*, Institute for Security Studies, Monograph 151, October 2008, pp.75-76

¹⁰⁴ Gaotlhobogwe M, “First ‘Made in Botswana’ diamonds reach America”, Mmegi online, 19 November 2008, available online at <http://www.mmegi.bw/index.php?sid=4&aid=15&dir=2008/November/Wednesday19>, retrieved 26 January 2009

¹⁰⁵ Harsch E, “Aid to Africa in Jeopardy”, Mail and Guardian online, 20 January 2009, available online at <http://www.mg.co.za/article/2009-01-20-aid-to-africa-in-jeopardy>, retrieved 22 January 2009

¹⁰⁶ For a description of this in the Tanzanian context, see Calderisi R, *The Trouble with Africa: Why Foreign Aid isn’t Working*, New Haven and London: Yale University Press, 2006, pp. 103-113, pp. 153-155

The economies that had to engage with the outside world, particularly after the start of the 1990s, were not in the best shape to compete. Additionally to the circumstances outlined above, the standard of labour, especially in terms of skills, is unsatisfactory and the region's infrastructure is of variable quality.

Low cost imports from Asia have had an impact. Everyday consumer goods, such as clothing, and higher-end products (appealing to an aspirant middle class), such as cars and electronic equipment, can far more economically be produced in Asia than in Africa. This problem is complemented by shipments of charity clothing from developed countries, which are sold on street markets. While these cheap imports provide people, with goods they may not otherwise be able to afford, they take away a significant share of the small markets that indigenous entrepreneurs would have to operate in.¹⁰⁷

The result has been to call into question the survival of Africa's manufacturing sector, including that of South Africa, the continent's largest. One respected commentator described the situation thus:¹⁰⁸

While two way trade between the China and South Africa has increased dramatically, the content of trade approximates a typical colonial relationship. South Africa exports a range of unprocessed raw materials to China and imports textile, electronics and manufactured goods. This is particularly affecting textiles and clothing, and in several countries local firms are already struggling to survive. There are also threats related to foreign direct investment. Chinese firms tend to invest in extractive industries, often relying even on imported Chinese labour, minimizing local value added in the process.

In this respect globalisation – in the sense of opening up markets – is frustrating Africa's economic aspirations, as Africa struggles to compete. It is by no means clear that southern Africa would be able to compete with China in the international textile industry (which is perhaps why China at one point voluntarily suspended exports of certain products to South Africa in 2006). In South Africa, the labour unions – an alliance partner of the government – have repeatedly rejected any changes to the labour legislation to make it more attractive to investors. But value-added activity is a crucial strategic question.

Specialist markets for certain products may be possible, with smart management. Some interesting examples point the way to possibilities in adding value to existing resources and engaging with niche markets. Botswana has begun to benefit from its diamonds.¹⁰⁹ KwaZulu-Natal province in South Africa promotes historical tourism around the Zulu kingdom and the wars it fought; as this is a subject of considerable interest to amateur historians abroad, tourism is a significant earner. Swaziland intends processing bio-fuels from jatropha (which is resistant to drought).¹¹⁰ These represent the seizure of opportunities in the globalised world: cheap and leisure-based travel; modern technology; and the ability to distribute products abroad.

¹⁰⁷ Development Policy Research Unit University of Cape Town, Trade Liberalisation and the Clothing and Textile Industry in Malawi, DPRU Policy Brief, No.1/P11, April 2001, p 3

¹⁰⁸ Cilliers J, *Africa in the New World: How Global and Domestic Developments will Impact by 2025*, Institute for Security Studies, Monograph 151, October 2008, p. 75

¹⁰⁹ Gaotlhobogwe M, "First 'Made in Botswana' diamonds reach America", Mmegi online, 19 November 2008, available online at <http://www.mmegi.bw/index.php?sid=4&aid=15&dir=2008/November/Wednesday19>, retrieved 26 January 2009

¹¹⁰ Some commentators attacked this idea, given widespread problems with Swaziland food supply. See Monbiot G, "An Agricultural Crime Against Humanity". Monbiot.com, 6 November 2007, available online at <http://www.monbiot.com/archives/2007/11/06/an-agricultural-crime-against-humanity/>, retrieved 29 January 2009

Preferential trade deals with other countries could play a positive role – the latter assuming the conditions for and willingness to conclude such deals exist.

There are some interesting possibilities: the South African journalist and researcher Christi van der Westhuizen, notes¹¹¹ that the clothing industry hopes to “focus on high-end fashion apparel for niche markets”, but there are indications that China intends doing the same. This could provide an opportunity for southern Africa to claim a bigger share of the clothing market – possibly employing a region wide system of integrated production.

An analysis of textile products exported by Malawi, Mozambique, Tanzania and Zambia to SACU between 2000 and 2006 showed a substantial overall increase. This “represents a small proportion of total trade, it does however, show that some manufacturing capacity may be enhanced”.¹¹²

Market access and barriers

Throughout the developing world, the difficulties of selling particular products – notably agricultural produce – in the markets of the developed world is an exceptionally sore point. This was a spark that disrupted the 2003 WTO summit in Cancun. The payment of generous subsidies to farmers in much of the developed world distorts costs of production and makes it difficult for farmers elsewhere to use their competitive advantage.

In Africa, this is compounded by the fact that agriculture has traditionally been ignored as a sector in favour of mining or of attempted industrialisation in the cities. Thus African farmers have to contend with expensive inputs, poor infrastructure, and without support services that could raise productivity or make their products marketable overseas, for example, through storage or certifying phyto-sanitary standards.¹¹³ It is, however, doubtful that African governments would make these investments unless there was a real developmental outcome in sight – market access would suggest such an outcome.

In this respect a more diligent adherence to the logic of globalisation on the part of the developed world would be welcome. It is not the globalisation process that is creating a problem for southern Africa, but its circumvention in the interests of politically important constituencies. The region's interests would be served by globalisation in this area.

In the future it is likely that barriers to market access will remain or reinvent themselves. Farmers are an important constituency, and as food is perhaps *the* key strategic resource, there is every incentive for developed countries to maintain them in business. Even with subsidies removed, African producers may struggle with proposed “carbon taxes” on imported foodstuffs that would have an impact on the competitiveness of African produce.

¹¹¹ van der Westhuizen C, “The clothing and textile industries in sub-Saharan Africa: an Overview with Policy Recommendations”, in Le Pere G (ed), *China in Africa, Mercantilist Predator, or Partner in Development*, Johannesburg and Midrand: South African Institute of International Affairs and Institute for Global Dialogue, 2006, pp. 260-61

¹¹² Kalaba M and Mbofholowo T, “Implementation of the SADC Trade Protocol and the Intra-SADC Trade Performance”, Southern African Development Research Network, April 2008, p.21

¹¹³ Herbert R, “Africa after Aid: Engineering an end to dependency”, Chapter 8 in Hansen BH, G Mills and G Wahlers (eds), *Africa Beyond Aid*, Brenthurst Foundation, 2008, p. 160

Some market access initiatives *are* offered to Africa, usually under particular conditions. The Africa Growth and Opportunity Act (AGOA) – an initiative of the United States – has been an important factor in the continued viability of Lesotho’s textile industry. The European Union’s Everything But Arms initiative (expanded market access for the Least Developed Countries, such as Zambia and Tanzania) likewise tries to provide some support to poor countries.

Aid flows

Most of the countries in southern Africa are recipients of aid. The globalised world has in part produced this situation, in that for reasons of philanthropy or self-interest, donors feel that they cannot ignore the plight of poor countries. Southern Africa’s donors have traditionally been the Western countries and international financial institutions, although during the Cold War, some received support from the Soviet bloc. Western aid has becoming increasingly tied to conditionalities, as a means to address the governance problems that retard long term development. In the region, South Africa is also a modest donor. Moreover, through the SACU arrangements, Botswana, Lesotho, Namibia and Swaziland draw on a revenue pool that has been created in large measure by South Africa – in effect, providing budget support from South Africa.

An important new variable in this regard is the “scramble” for Africa’s resources. This is drawing an increasing mix of players – China and India, as well as others. In recent years a number of summits have been held between African leaders and a particular foreign interest (such as the EU, India, China and Turkey). China, a significant investor, although a relatively small donor, has attracted interest by offering low-interest loans with no conditionalities vis-à-vis good governance.¹¹⁴ In creating the competition described here, globalisation has promoted access to aid.

Conversely, the financial crisis has created the conditions under which aid could be restricted. Since aid is ultimately given at the discretion of the donor, it is vulnerable to economic difficulties. Aid is thus a possible victim of the world financial crisis,¹¹⁵ although this view is contested.¹¹⁶

The real challenge in the long term is to move beyond aid to a reasonably self-sufficient development path. However, if aid is a resource that can be tapped freely, the incentive for this is to occur is somewhat watered down – a gradual withdrawal of portions of the aid that the region receives will likely be necessary. Globalisation would neither help nor hinder this process, but would provide a context within which it would occur and would be a factor that such a self-sufficiency strategy would need to consider.

Political interests

Southern Africa’s interests in this regard are linked to a desire to “take up a rightful place in the world”. They are, for the region’s elites, probably no less important than the economic impulses.

¹¹⁴ Cilliers J, *Africa in the New World: How Global and Domestic Developments will Impact by 2025*, Institute for Security Studies, Monograph 151, October 2008, pp. 68-69; 84-87

¹¹⁵ “Global Crisis may hit Africa aid: US Official”, Mail and Guardian online, 15 October 2008, available online at <http://www.mg.co.za/article/2008-10-15-global-crisis-may-hit-africa-aid>, retrieved 1 February 2008

¹¹⁶ Mold A, Ölcer D, Prizzon A, “The Fallout from the Financial Crisis (3): Will Aid Budgets Fall Victim to the Credit Crisis”, OECD Development Centre, *Policy Insights*, No 85, December 2008

“The African Agenda” – Redefining Africa’s Role in the World

Among South Africa’s identified foreign policy priorities is the “Consolidation of the African Agenda”.¹¹⁷ This is a nebulous concept but suggests closer relations on the continent, and a desire to see Africa take up a respected place in the world, on terms of its own interests and culture.¹¹⁸ For South Africa there is the additional impulse of wanting to be fully accepted as “African”.¹¹⁹ This would appear to involve movement towards greater regional and continental integration in both the economic and political spheres; promoting peace on the continent; and strengthening bilateral relations.¹²⁰ In broad strokes, these are goals the region would endorse.

South Africa has supported integration initiatives (although more in the regional than the continental sense), with the support of other SADC states. It has also been active in promoting continental peace, through mediation efforts and the deployment of peacekeepers. It has also been a proponent of building effective continental institutions, and was a key player in the establishment of the African Union. It has relations – of varying degrees – with all African states. This would seem to be entirely in keeping with any understanding of globalisation.

However, these goals have been frustrated by ongoing conflicts in the DRC, which has drawn in the involvement of a number of other African states. This was at enormous public expense for countries that could not afford it, but one that offered private gain, as it did for some of the Zimbabwean elite. Zimbabwe itself has lapsed into crude repression of the opposition – its behaviour has caused tension with Botswana and Zambia.¹²¹ South Africa expended much energy and resources towards bringing peace to the DRC over more than a decade.

Within a policy framework that stresses cooperation and common, rule-governed approaches to problems, the existence of conflict, and the exploitation of such conflict by some regional elites bedevils adaptation in the globalised world. This suggests that attempting to push a “continental” or “African” position is misguided and too ambitious.

Sovereignty

For countries that have experienced domination by others, sovereignty is an important index of self-respect and a practical measure of one’s independence. In Africa it is an absolutely key issue. Across the world, the notion of pooling sovereignty is in vogue. However, in practice, the commitment in southern Africa is rather less enthusiastic.

¹¹⁷ Sidiropoulos E and Kolkenbeck-Ruh L, *South African Perspectives on Global Governance*, forthcoming publication; Department of Foreign Affairs (South Africa), *Strategic Plan Update 2007-2010*, pp. 3-4

¹¹⁸ Prior to becoming president, Thabo Mbeki repeatedly alluded in his speeches to the past achievements and glories of Africa.

¹¹⁹ See, for example, comments in Corrigan T, *Mbeki: His Time has Come, Spotlight Series*, South African Institute of Race Relations, 1999, p. 92; Gumede WM, *Thabo Mbeki and the Battle for the Soul of the ANC*, Cape Town: Zebra, pp. 195-213; In a sense, South Africa has followed the route of the Federal Republic of Germany after the Second World War which aimed to lay its own problematic past to rest through integration in Europe – in the celebrated words of Thomas Mann, “Wir wollen ein europäisches Deutschland und kein deutsches Europa” (“we want a European Germany not a German Europe”).

¹²⁰ Department of Foreign Affairs (South Africa), *Strategic Plan Update 2007-2010*, pp. 3-4

¹²¹ For example, Piet B, “Zimbabwe: Botswana Won’t Share Table With Mugabe – Skelemani”, Mmegi online, 11 August 2008, available online at <http://allafrica.com/stories/200808111338.html>, retrieved 20 January 2009; Schatz J, “‘Sinking Titanic’ tops SADC summit agenda”, Mail and Guardian online, 15 August 2007, available online at <http://www.mg.co.za/article/2007-08-15-sinking-titanic-tops-sadc-summit-agenda>, retrieved 20 January 2009

Sovereignty has been diminished in one key area: where in the 1980s, military dictatorships were common, today the AU has suspended states that have experienced coups, though it should be added that serving autocrats who were in power at the launch of the AU have not been required to hold elections or to justify their positions.

In the economic sphere, regional integration proceeds slowly, as countries are unwilling to surrender the ability to collect customs – a practical and an ideological issue, since these constitute significant portions of state revenue.

In the political sphere, the violation of the region's own governance standards in Zimbabwe is defended by the Zimbabwe government by invoking its independence¹²² and endorsed by its regional allies as respect for sovereignty.

Ironically, Thabo Mbeki championed the idea of an African Renaissance by proclaiming that the time for excusing violations of democracy and human rights by invoking sovereignty was over.¹²³ In practice, as Africa and the world accepted the downgrading of sovereignty in theory, it has proven a remarkably resilient ideal. To the extent that governments are able to keep effective control of their countries, and to maintain as broad a degree of freedom of action as possible, they can be expected to try to do so.

What this suggests is that globalisation breaks sovereignty down – “frustrating” this interest – through pooled sovereignty and governance codes. However, African states are interested in “frustrating” globalisation in this area.

3. What are the preferred instruments of managing a globalised world? What role for structured multilateralism? What role for structured regionalism?

In assessing the role of multilateralism in a globalised world – from southern Africa's perspective – two facts must be stressed. The first is that sovereignty is a serious issue. The second is that there is a commitment to multilateralism. These two are complementary, but the emphasis laid on each concept will vary according to the country and circumstance. Sovereignty springs from the colonial experience, the demand for respect and dignity on the part of countries that had been formed from “subject” peoples. Multilateralism comes from a similar root, in particular the pan-African ideal that stressed the need for “unity” to deal with Africa's challenges. These ideas have a strong emotional appeal and inform much of the continent's approach to global politics.

¹²² “Let me keep my Zimbabwe”, News24, 2 September 2002, available online at http://www.news24.com/News24/WorldSummit/0,5733,2-1381_1251406,00.html, retrieved 20 January 2009

¹²³ Mbeki's words were: “An African Renaissance must bring an end to these dictatorships, and to the civil wars that have given Africa the distinction of having the largest number of refugees in the world. This business of television pictures showing Africans fleeing war or repression, or dying of desperate hunger because of instability – that must end. We have to address the abuse of the notion of national sovereignty, where terrible things would be going on within the borders of a particular country while the rest of the continent stands paralysed because taking action would be seen as interference. It would be said: ‘NO! NO! You are interfering in internal affairs, you are violating national sovereignty’. We've got to address that issue.” Quoted in Corrigan T, *Mbeki: His Time has Come, Spotlight Series*, South African Institute of Race Relations, 1999, p. 44

Southern Africa participates in various levels of structured multilateralism. Given that multilateral organisations and regional blocs are a deeply rooted facet of global organisation (and associated with prosperity and stability¹²⁴), the region will continue to be bound together in regional and continental arrangements. What needs to be considered is the extent to which this will play an extensive role.

At its most advanced, arguably, is the Southern African Customs Union. It has functioned well within the limits of a fairly restricted mandate – customs and trade issues among a small group of countries, compensating the smaller ones for their association with an overwhelmingly dominant economy. It is, however, under stress as a result of the Economic Partnership Agreement with the European Union. (See Section 1, Regional Integration and Trade) This underlines that in the global economy, geographic proximity may not always be the natural basis of cooperation. The future of SACU has been questioned.¹²⁵

This point is also germane to SADC. Although an economic community, intra-SADC trade is considerably less important for some of its members than trade with the outside world. Its economies are also at dramatically different levels of development. Indeed, several of the members, such as Tanzania and Zambia, have belonged to multiple economic communities – thereby diluting the very significance of any membership. The African Free Trade Zone was intended in part to resolve this.

Binding the SADC states together are political questions. To a lesser extent, this is also true of the African Union. SADC and the AU aspire to exercising real and binding authority, although individual states cling tightly to their sovereignty when their own interests are threatened. This is perhaps understandable: for a poor state, a small sacrifice can have large consequences. Hence there is a reluctance to surrender customs powers in SADC, as these provide a significant source of revenue.

Another factor involved in SADC politics is the role of party-to-party relationships, and the particularly significant relationships between the region's liberation movements (ANC, Swapo, MPLA etc). Details of party-to-party relationships are not publicised in any detail, but the suspicion has been expressed¹²⁶ that they exercise considerable informal influence, such as on the approach SADC should take towards Zimbabwe. It is perhaps notable that the Zimbabwean government's allies have been Angola, Mozambique, Namibia and South Africa, all former liberation groups, whereas its greatest critics have been Botswana and Zambia, neither of which falls into that category.

The governance architecture of SADC and the AU is relatively young, but has not shown a solid consistency, the pledges on governance notwithstanding. When a group of Zimbabwean farmers

¹²⁴ The European Union is the key example. The assumptions that regional integration in Europe contributed significantly to prosperity, stability and security have probably done a great deal to encourage it elsewhere.

¹²⁵ le Roux M, "SA-EU Trade Row puts Customs Union at Risk", *Business Day*, 25 February 2008, available online at <http://www.businessday.co.za/articles/topstories.aspx?ID=BD4A713519>, retrieved 25 January 2009

¹²⁶ Grobler J, "To Expel or Suspend", *Mail and Guardian* online, 27 June 2008, available online at <http://www.mg.co.za/article/2008-06-27-to-expel-or-suspend>, retrieved 23 January 2008; Mkhwanazi S, "Zuma Delegation to Visit Namibia", *The Daily News*, 5 December 2008, available at http://www.iol.co.za/index.php?set_id=1&click_id=68&art_id=vn20081205111421935C917004, retrieved 23 January 2008; "The Final Struggle to Stay in Power", *Focus*, Issue 25, Second Quarter 2002, available online at <http://www.hsf.org.za/publications/focus-issues/issues-21-30/issue-25/the-final-struggle-is-to-stay-in-power/>, retrieved 23 January 2009

took a complaint to the SADC tribunal arguing against the seizure of their farms, the Zimbabwean government dismissed the ruling.¹²⁷ SADC has not thus far indicated that it will attempt to hold the government to account. Once again, despite the multilateral framework, sovereignty can be the chief principle. In this respect, Africa risks repeating the mistake of the AU's predecessor, the Organisation of African Unity, with a lack of "clear decisive, principles action by the new AU structures."¹²⁸

The situation as a whole is summed up in the following remark:¹²⁹

Regional integration is a process that is, above anything else, essentially state led. It can be only as strong as its constituent parts, or as strong as its members want it to be. The problem in southern Africa is the economic vulnerability and political fragility of many of the constituent parts (the states). Both SADC and Comesa are undermined by the existence of weak or dysfunctional states. In the case of SADC, the Democratic Republic of Congo (DRC), Angola, and Zimbabwe undermine the cause of regionalism ... Accepting a rules-based and legally enforceable regional governance structure, together with the sharing of sovereignty will provide the essential foundations needed for regional integration. That remains a very significant challenge for the states, society and polity of southern Africa.

Somewhat different dynamics pertain to the region's relationship with global institutions. Sovereignty is a key principle, but Africa aspires to use these to its own advantage – African states are clearly aware that they are not in a position to underwrite their plans by themselves. The solution expresses itself through the push for UN reform (See Section 1 Reforming Global Institutions) as well as compromise solutions, such as the "hybrid" peacekeeping force deployed to Sudan¹³⁰ and attempting to promote collaboration between the UN and the regional communities.¹³¹ What these solutions imply is that Africa should be in control of these initiatives, but the funding should come from elsewhere.

South Africa in particular has done a reasonable job of pressing its interests in the UN, particularly insofar as they relate to challenging the perceived domination West.¹³² A particular weakness of the South African and southern African position is that while it is fairly clear what it is against – outside domination – it is not always clear what it is for. The AU has not been resolute in enforcing its own standards and there is no reason to believe that an enlarged UN Security Council, with a greater diversity of interests and veto powers will be any more committed to principle than is currently the case. A more likely scenario would be a constant state of paralysis and different clusters of states with diverse interests restrict global action.

¹²⁷ Weidlich B, "Zim to Ignore Tribunal Ruling", *The Namibian*, 2 December 2008, available online at http://www.namibian.com.na/index.php?id=28&tx_ttnews%5Btt_news%5D=1242&tx_ttnews%5Byear%5D=2008&tx_ttnews%5Bmonth%5D=12&cHash=0caa0347df, retrieved 2 January 2009

¹²⁸ Taljaard R, "SA lacks human-rights based foreign policy", *The Times*, 15 July 2008

¹²⁹ Gibb R, "The Challenge of Regional Integration in Southern Africa", *SA Yearbook of International Affairs*, 2006/07, Johannesburg: South African Institute of International Affairs, 2007, pp. 84-85

¹³⁰ Aboagye F, "The Hybrid Operation for Darfur: A Critical Review of the Concept of the Mechanism", Institute for Security Studies, ISS Paper 149, August 2007

¹³¹ Department of Foreign Affairs, "Statement by the Minister of Foreign Affairs on the Conclusion of South Africa's Term as an Elected Member of the Security Council", 2 January 2009, available online at <http://www.dfa.gov.za/docs/speeches/2009/dzum0102.html>, retrieved 4 January 2009

¹³² This is a contentious point. South Africa voted on several issues in a manner that suggested it had abandoned a commitment to human rights in favour of a commitment to African and developing world solidarity.

Globally, it seems likely that trends in favour of enhanced global governance are emerging, and it is unlikely that the UN will lose any of its current status.¹³³ Where southern Africa fits into this will be determined by the skill with which it pursues its diplomacy and its interests. It will also rest on where Africa fits into a changing world order – whether other countries see reasons (pragmatic, altruistic or self-interested) to treat it as an equal partner.

4. Should governance of a globalised world be based on general or universal principles? If so, which ones?¹³⁴

Governance – of whatever community – is meant firstly to restrain negative behaviour and to promote positive behaviour. As communities grow larger, it becomes less possible easily to demarcate the negative and positive from each other. In larger polities, it is a near certainty today that different worldviews will need to be accommodated. This is a key question facing nations in a globalising world, and their relationships to value systems.

A possible response is to accept an environment without rules. Relationships in this environment can function purely on perceptions of states' interest,¹³⁵ and on whatever coalitions can be established. However, the creation of global rules that are properly obeyed is a widely-held objective, not least for southern Africa.¹³⁶ If this is the objective, are universal principles – that is, normative belief underwriting formal rules – necessary?

Conceptually, this question needs to be interrogated in two different contexts: values as they pertain to governance as it relates to “human governance” i.e., the governance by the state of societies; and values as they pertain to international relations i.e., the relations of states to each other within an international system.

Sets of principles exist already, and attempts have been made for over half a century to codify minimum ground rules of behaviour. For example, the Universal Declaration of Human Rights (1948) should present the sort of principles that all states could diligently adhere to in their relations with their citizens. In practice, this is clearly not the case, as such conventions are routinely violated in signatory countries. In Africa, an extensive body of codes, treaties etc exists,¹³⁷ but adherence is lacking.

¹³³ It should be noted that global governance will not act as a restraint in anything like the manner in which domestic or national law is meant to. De facto power will still count for a great deal, and if a significant power feels its interests threatened (and this could also be one of the emerging powers), the UN is unlikely to be an effective counter.

¹³⁴ The author wishes to note that he has certain strong personal views on this question, but he has attempted to confine his response to a rational analysis, which would present above all the perspective of the southern African region. The material expressed here should therefore not necessarily be conflated with the author's own opinion.

¹³⁵ This need not be based on “objective” criteria such as economic or security interests, but could equally be based on cultural or religious grounds.

¹³⁶ This is a phrase that is heard in much foreign policy discussion. Among the “Strategic Objectives” found on the website of the South African Department of Foreign Affairs, the creation of a “rules-based” order is mentioned.

¹³⁷ In 2006 and 2007, SAIIA assembled a collection of standards which African countries were bound to observe in terms of the African Peer Review Mechanism process. This collection, published as *APRM Governance Standards: An Indexed Collection*, comprises 82 documents. This *excludes* all regional and bilateral treaties, and all those that were not linked with some specificity to the APRM process. Africa is therefore not short of standards for its governance.

Multi-party democracy and free speech (classic liberal rights) were rejected by many prominent Africans of the post-independence era, as inappropriate for African society and the tasks it faced.¹³⁸ It is also possibly quite true that liberal human rights were introduced to the world through the prism of Western cultural experiences that regarded the individual human being as the central unit of analysis, and this may not have resonated evenly with societies where community is accorded more respect. In weak or corrupt states, the routine disregarding of formal conventions could signal to both perpetrators and victims that these conventions are “toothless”, while in others, deliberate violations have been used to crush opposition.

The result of this has been an imperfect acceptance of such “universal” values. Recently, the emergence of powerful non-Western countries (most prominently, but not exclusively, China) has provided a strong ideological counter to universalism. The invocation of “Asian values”, and its presumed link to that continent’s impressive economic growth (and sometimes defiance of the West) has been an inspiration for many in Africa. Robert Mugabe, finding his government isolated by the West adopted a “Look East” policy, including encouraging Zimbabweans to learn Chinese.¹³⁹

“African values” are a popular concept. What these are is unclear, although there certainly seems to be an emphasis on community over individual. They do at times seem to be cultural justifications for political positions: for example, a senior Swazi official denounced protest action by Swazi women as “wrong, uncultural and completely unacceptable”.¹⁴⁰ On the other hand, Africa does have an energetic advocate community for universalist values. Indeed, the globalisation of information has supported the growth of “solidarity” movements – the very concept of which implies a common humanity.¹⁴¹ Tensions are thus clear: a partial acceptance of universal values jostles with particularism.

South Africa demonstrates these tensions: it has a highly liberal constitution, which protects the rights of homosexuals. Yet homosexuality is generally not socially acceptable in Africa, and is illegal in many countries. And South Africa is also conscious of the ambiguous position it occupies in Africa, and strives to affirm its African identity.

In late 2008, a resolution on homosexual rights was introduced at the UN. Despite South Africa’s domestic position, it did not sign it, arguing that supporting a resolution did not require signing it. Later South Africa’s ambassador to the UN explained in some more detail that:¹⁴²

When we became free, we said we would not discriminate against people based on sex, or religion or race ... So we don’t oppress gays in that way and we have laws against it. But that is what we do in South Africa. The problem is that people want us to stand in the

¹³⁸ See for example, Kweka AN, “One Party Democracy and the Multi-Party State”, Chapter 6 in Legum C and Mmari GRV, *Mwalimu: the Influence of Nyerere*, James Currey Publishers, 1996, pp. 61-79; Meredith M, *The State of Africa: a History of Fifty Years of Independence*, Johannesburg and Cape Town: Jonathan Ball Publishers, 2006, pp. 379-381; Herbert R and Asante-Darko K, “Africa: Our Tradition upholds Free Speech, Democracy”, 10 December 2007, available online at <http://allafrica.com/stories/200712100046.html>, retrieved 25 January 2008

¹³⁹ Wines M, “Zimbabwe’s future: Made in China”, *International Herald Tribune*, available online at <http://www.iht.com/articles/2005/07/24/news/zimbabwe.php>, retrieved 22 January 2009

¹⁴⁰ Reports carried in <http://swazimedia.blogspot.com/search/label/gender> (attempts to locate the original article were hindered by the website not being operational).

¹⁴¹ Jesuit Centre for Theological Reflection, “Another Africa is Possible: the Need for Values”, available online at <http://www.jctr.org.zm/publications/anoworld.htm>, retrieved 21 January 2009

¹⁴² Lauria J, “Unnecessary for SA to sign UN Declaration on Gay Rights”, *Cape Argus* 9 January 2009; it is striking that in one explanation the ambassador used the term “oppress” – a strongly negative word – and then transitions to “do things differently”.

General Assembly and condemn others who may be doing things differently ... We are not campaigners to condemn other people.

The clear import was that South Africa prioritised its relations with Africa over its human rights ideals.

Differences in countries' internal value systems do not appear to preclude friendly relations – even close ones. Similar internal value systems, however, appear to correlate with greater trust, intimacy and unity of purpose.¹⁴³ Where these values are too sharply divergent, it is difficult to imagine relationships with such qualities, although mutual interests may still provide a basis for cooperative and cordial relations.¹⁴⁴

A common set of values in “human governance” is not a precondition for good transnational governance, and it is not about to develop. This does, however, call into the question the utility of universalist value instruments – such as the UN Declaration of Human Rights.

In the second context (state to state and multinational governance), an African position could probably be deduced, based on the three principles of multilateralism; national sovereignty; and the primacy of economic development. (See the second section of this study, about southern Africa's interests vis-à-vis globalisation). However, real difficulties exist.

Multilateralism as a principle is attractive and has an important legitimising function.¹⁴⁵ South Africa has made this a central element of its foreign relations. But this is possible only insofar as countries perceive their interests as not sufficiently threatened that they can wait for consensus to be built around taking a given course of action. Where this is not the case, where the sense of threat is imminent or where they do not believe that they will be supported by partners, they will act within their capabilities.

For countries with the necessary capabilities to press their interests unilaterally, a further question would arise: of what benefit would a “multilateral” global system be for them and for the world at large? Multilateralism is no guarantee of sound or prudent action.

National sovereignty is not absolute, anywhere, including in Africa. For example, halting moves towards free trade areas and political union clearly imply the diminishing of sovereignty – even though this is arguably a weaker impulse than the desire to retain freedom of action. The same is true for the “responsibility to protect” and the option retained to apply sanctions.¹⁴⁶

If one accepts that sovereignty is not absolute, the subsidiary question becomes whether in fact there are conditions within a country that could warrant overriding its sovereignty. In other words, this creates a somewhat circular stream of logic that suggests that there are, in fact, universal values – or at least values whose violation can justify abrogating a country's sovereignty. Precedents for this exist in Africa: mostly related to political mediation in crises (as in Lesotho,

¹⁴³ For example, the European Union is a collection of “Western” states which are only admitted if they meet certain value-based and political requirements (including abolishing capital punishment); Britain and the US have strong cultural ties – not least the English language – that has aided in a “special relationship” that the US has arguably not shared with any other country, including those with which it has had good, intimate and mutually beneficial relations.

¹⁴⁴ Here one thinks of the relationship between the United States and Saudi Arabia.

¹⁴⁵ Although the United States was widely condemned for having acted unilaterally in invading Iraq in 2003, it did in fact go to some lengths to assemble a coalition to provide some sense of support or approval.

¹⁴⁶ Sturman K, “The Use of Sanctions by the African Union: Peaceful Means to Peaceful Ends?”, forthcoming publication

Kenya, Zimbabwe); opposing unconstitutional changes of government (Mauritania and Togo); or intervening in conflict (Sudan and Sierra Leone). It is difficult to extract precise “values” from this history, although these interventions seemed designed to support stability, constitutionalism, and to prevent bloodshed (i.e., human life and human rights). The African Union (AU), which replaced the Organisation of African Unity (OAU), represented a conceptual shift in the sense that while the OAU espoused “non-interference” in the affairs of its members, the AU adopted a posture of “non-indifference” in the face of human rights violations. Its Constitutive Act (2002) accords the AU the right to intervene.¹⁴⁷ This is a significant shift in policy, if not always in application.

Can this then be elevated to a universal principle? In a sense, yes: there are criteria, albeit fuzzy, for intervening. Would Africa as a whole accept that these concepts are minimum standards for the entire continent – and not merely to be noticed when there is a spectacular public breach? This is far less likely. Libya has a problematic record on democracy and human rights, but is in good standing with the AU.

In conclusion, universal values would make the task of multilateral governance far easier and stable. If one makes the judgement that humans have certain inherent basic desires and demands, they are innately desirable. The reality is that, in substance at least, such a system is unlikely to be adopted. For the most part, domestic values do not have great influence on international governance. Among African states, universal values have both their admirers and detractors, but it seems clear that states find values a key legitimising agent. They suggest moral fibre, if not outright altruism. African states exist in an uneasy relationship to “universal” values – proclaiming them on the one hand, but ignoring them or rationalising them away on the other. A look at Africa’s “values framework” and the manner in which it has applied this in crisis situations suggests that there is an emergent commitment to a values-based multilateralism. But, in the words of the late Samuel P. Huntington: “Double standards in practice are the unavoidable price of universal standards of principle”.¹⁴⁸ In Africa the weakness and diverse levels of the commitment across the continent’s and region’s states poses an additional problem, and in practice “universal” values that are proclaimed in the continent’s various standards are easily ignored for reasons of politics and expediency.

5. Who should lead the process of building transnational governance?

As a starting point, one should ask whether transnational governance is the same thing as global governance. The former would suggest a system of governance that transcends in a sense displaces the role of states. Global governance would tend to suggest a system regulating the relationships between states, and international institutions. If the focus is on developing global governance regimes, there would be much vocal engagement by South Africa, especially because there is a strong belief by South Africa and other emerging powers that these global regimes have to reflect the shifting power dynamics. It would therefore push for their roles to be recognised and also for the aspirations of Africa to be addressed. Transnational governance – with its implications

¹⁴⁷ Murithi T, “The African Union’s Transition from Non-Intervention to Non-Indifference: an ad hoc Approach to the Responsibility to Protect”, *Internationale Politik und Gesellschaft*, Friedrich Ebert Stiftung, 1/2009, pp. 90-106

for diminished sovereignty – would probably be viewed more circumspectly. In practice, what is likely to emerge will be a hybrid, incorporating elements of both concepts.

The professed commitment to democracy and welfare – following the various governance documents and the rhetoric of leaders¹⁴⁹ – would suggest that the starting point of transnational governance should be that the benefits should accrue to the “people” of the region and of Africa. Rhetorically, the concept of a “people-driven process” is a politically satisfying one. In practice, it is unclear what this would entail. Nevertheless, if the democratic impulse is to be taken seriously, one would need to craft a strategy for building transnational governance that would afford ordinary people a meaningful role.

Transnational governance would need to draw on the following:

- **National governments:** From the southern African perspective, these would be the dominant actors. National governments at least derive legitimacy from presiding over recognised states (Zimbabwe being an exception). Globalisation and a system of transnational governance are bound to degrade states’ senses of sovereignty, so it is important that governments and individual states consent to this freely. For SADC states, a related point – and probably a more important one – is that they would want to participate in this process as equals with government counterparts elsewhere. Thus, formal moves to institute a system of transnational governance would ideally need to be premised on the equality of all states, large and small, weak or powerful. Equally important are the dynamics *within* these individual states, and it is at this level that citizens should be able to make their concerns and aspirations known. However, this does presuppose a population that is engaged with policy, an efficient system for communicating between government and citizens, and a government that is prepared to take their concerns seriously (even when this may disturb well-laid plans). In other words, popular involvement is unlikely in the absence of democracy at a national level.
- **Regional and transnational institutions:** Such organs as SADC and the AU might play a useful role in building a system of transnational governance. Intuitively, they would be an intrinsic part of such a system, and they could serve as useful fora within which broader issues are negotiated, and like-minded coalitions are formed. Southern Africa did this successfully prior to the AU summit on creating a “union government” in 2007.¹⁵⁰ There are however, two important caveats. Firstly, the larger and more remote from ordinary people an organisation is, the less accessible it will be to them; these institutions will not be easy targets of influence for non-state and poorly resourced actors. African civil society is particularly poorly resourced and the scope for it – at this stage – to interact with institutions in distant cities is very limited. Secondly, such groupings would only add value to a worldwide system if they are functioning properly in their respective regions. This is not the case in respect of either SADC or the AU. The practical dysfunction of an institution – no matter how fond of the idea anyone may be – would render it of no value.

¹⁴⁸ Huntington SP, *The Clash of Civilisations and the Remaking of the World Order*, Simon and Schuster UK: London, 1996, pp. 184; this quote is also cited in Olivier G, “Ideology in South African Foreign Policy”, *Politeia*, Vol 25, No 2, 2006, pp.168-182 – this article is an interesting discussion of the theme of values and foreign policy

¹⁴⁹ See, for example, African Union, *Study on an African Union Government: Towards a United States of Africa*, 2007

¹⁵⁰ “Stronger Regions before Integration”, Bua News, 2 July 2007, available at

<http://www.buanews.gov.za/view.php?ID=07070215451003&coll=buanew07>, retrieved 17 January 2009

- **The private sector:** Although much “progressive” thinking on globalisation is deeply distrustful of the private sector, as an important engine for growth, its involvement and insights are necessary. One should not advocate a system in which business dominates government thinking, or the process of creating transnational governance, but it should be encouraged, as part of the broader democratic policy making process to add its voice to debates.
- **Civil society:** Civil society groups have been very successful in making their voices heard at such venues as the World Social Forum and on the fringes of major international conferences. In African political thought, the idea of Pan-Africanism was built around the idea of people-to-people relationships, not simply state-to-state relationships. In the future, this should be encouraged. Theirs are legitimate voices that express legitimate ideas, whatever the quantum of people they may “represent”. They should also be encouraged to participate in the democratic life of their countries and to take part in relevant debates at that level. This will be crucial to ensuring that a multiplicity of views is heard on these matters. That being said, organised civil society does not necessarily give a definitive voice to “the people”. It expresses issues of concern to particular organised constituencies, and as such can be as much a “special interest” as the private sector.

Moving towards a system of transnational governance would, in this conceptualisation, lean heavily on the governance structures currently in place. As the theme of sovereignty has been one that has been strongly presented throughout this study, it should be clear that there is unlikely to be great enthusiasm for “building” such a system, except perhaps from South Africa (given its engagement with these issues and the perception that it could defend its interests in a manner that others might not be able to). The region also lacks to a significant degree the means to participate substantively in the debates. Rather, the expectation would be that southern Africa would move along with the general world currents, reacting to events – sometimes favourably, sometimes unfavourably – rather than actively seeking to make a clear contribution.

Appendix : Poverty and Underdevelopment

The following table illustrates the problem of poverty that southern Africa faces:

Country	Human Development Index (2005)	Life expectancy at birth (2000-2005)	Infant mortality rate (per 1000 live births, 2005)	GDP per capita (PPP US\$, 2005)	Pop. below \$1 per day (1990-2005)***	HIV Prevalence * (% aged 15-49, 2005)	Adult literacy rate (% aged 15 and above, 1995-2005)	Net primary enrolment rate (2005)
Mauritius	0.804	72	13	12 715	N/A	0.6 (0.3-1.8)	84.3	95
South Africa	0.674	53.4	55	11 110	10.7	18.8 (16.8-20.7)	82.4	87**
Botswana	0.654	46.6	87	12 387	28.0	24.1 (23.0-32.0)	81.2	85
Namibia	0.650	51.5	46	7 586	34.9	19.6 (8.6-31.7)	85.0	72
Lesotho	0.549	44.6	102	3 335	36.4	23.2 (21.9-24.7)	82.2	87
Swaziland	0.547	43.9	110	4 824	47.7	33.4 (21.2-45.3)	79.6	80
Madagascar	0.533	57.3	74	923	61.0	0.5 (0.5-1.2)	70.7	80
Zimbabwe	0.513	40.0	81	2 038	56.1	20.1 (13.3-27.6)	89.4	92
Tanzania	0.467	49.7	76	744	57.8	6.5 (5.8-7.2)	69.4	91
Angola	0.446	41.0	154	2.335	N/A	3.7 (2.3-5.3)	67.4	N/A
Malawi	0.437	45.0	79	667	20.8	14.1 (6.9-21.4)	64.1	95
Zambia	0.434	39.2	102	1 023	63.8	17.0 (15.9-18.1)	68.0	89
DRC	0.411	45.0	129	714	N/A	3.2 (1.8-4.9)	67.2	N/A
Mozambique	0.384	44	100	1 242	36.2	16.1 (0.9-2.4)	38.7	77

Source: UNDP

* Parenthesised figures refer to upper and lower end of estimate range

**Data refer to an earlier year than specified.

***Data refer to the latest year in the period specified.

Notes on Methodology

- This project was fundamentally one of desk research. Written sources formed the overwhelming majority of the source material, although the views and opinions of some experts were sought.
- The internet was a significant research tool. In particular, the online archives that most newspapers maintain allowed the author to look up reports that may have been several years old and when he did not have hard-copies of the material himself. In addition, many organisations, such as the United Nations and African Union, have uploaded large amounts of data for public perusal.
- Information on the region is variable. South Africa is well covered but information on other countries can be difficult for a foreign researcher to obtain. In addition, the fact that four “working” languages (English, French, Portuguese and Swahili) are spoken in the region limits access. Interestingly, online “blogs” maintained by people in these countries, or with a special interest in them, proved remarkably helpful (although, understanding that the internet provides a platform for the unadulterated expression of opinion, these were treated with circumspection).
- At all times it was necessary to keep in mind – and be reminded – that the topic was “globalisation”, rather than foreign policy or development, although these concepts were important elements.
- Given the scope of the project, it would not have been possible without the assistance of several of the author’s colleagues, who commented on the work-in-progress, explained concepts and developments and suggested or provided materials for his examination. Those who deserve mention are: Gilberto Biacuana, Romy Chevallier, Peter Draper, Ross Herbert, Nkululeko Khumalo, Sheila Kiratu, Auriel Niemack, Elizabeth Sidiropoulos, Kathryn Sturman, and Tom Wheeler. The author would also like to recognise Daniel Pienaar for having made some useful comments about the approach to the project at the outset.

Expert Report Southeast Asia

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Abstract

In the following, Kishore Mahbubani gives a Southeast Asian perspective on globalization, emphasizing overrepresentation of Europe and the United States in current international governance organizations. Countries in East Asia, he argues, have especially profited from the global trade regime, are now key players and should take on more responsibility for transnational governance. East Asia likewise will have the most to lose should liberal globalization deteriorate. What Mahbubani calls a “U-turn” by the European Union and the United States toward protectionism and away from trade liberalization presents the most urgent challenge for globalization in general and ASEAN in particular and requires immediate political action.

About the author

With the Singapore Foreign Service from 1971 to 2004, **Kishore Mahbubani** had postings in Cambodia (where he served during the war in 1973-74), Malaysia, Washington DC and New York, where he served two stints as Singapore’s Ambassador to the UN and as President of the UN Security Council in January 2001 and May 2002. He was Permanent Secretary at the Foreign Ministry from 1993 to 1998. Currently, Kishore Mahbubani holds the position of the Dean of the Lee Kuan Yew School of Public Policy (LKYSPP) at the National University of Singapore. He is also a Faculty Associate for the LKYSPP’s Centre on Asia and Globalisation (CAG). Concurrently, Prof. Mahbubani continues to serve on Boards and Councils of several institutions in Singapore, Europe and North America, including the International Institute for Strategic Studies (IISS) Council, the Asia Society’s International Council, the Yale President’s Council on International Activities (PCIA), and the Singapore-China Foundation - Scholarship Committee. He is the author of “*Can Asians Think?*” (published in Singapore, Canada, US, Mexico, India, China and Malaysia) and of “*Beyond The Age Of Innocence: Rebuilding Trust between America and the World*” (published in New York). His new book entitled “*The New Asian Hemisphere: the irresistible shift of global power to the East*” was published in New York in February 2008.

Prologue

This essay will attempt to give a Southeast Asian perspective on globalization. However, it is important to stress the diversity of Southeast Asia. Virtually every major religion is represented there: Buddhism, Christianity, Confucianism, Hinduism, Islam and Taoism. It is also ethnically diverse. It has modern advanced societies like Singapore and Malaysia and relatively poor societies like Laos and Myanmar. Its political systems are also remarkably diverse.

Fortunately, however, the region also has the most successful regional cooperation organization outside the European Union, namely the Association of South-East Asian Nations (ASEAN). After some decades in existence, ASEAN has developed certain traits and characteristics which define its identity. As the five founding members of ASEAN, namely, Indonesia, Malaysia, Philippines, Singapore and Thailand, had adopted a positive attitude to free markets and free trade, ASEAN has generally been positive towards globalization.

This essay will also show that ASEAN's positive experience with globalization paved the way for the two largest Asian societies, China and India, to embrace globalization. This is an enormous historical contribution that ASEAN has made.

1. What are the essential issues/problems/challenges of the globalized world that require a political response and action?

Globalization has changed the world fundamentally. A simple analogy (which will be used consistently in this essay) will explain well the fundamental nature of this change. Before the era of modern globalization, when humanity lived in separate countries, it was akin to humanity living on separate boats, big and small. Hence, all that the international order required was a set of rules to minimize collisions between the separate boats and rules to enable cooperation and collaboration.

After the arrival of modern globalization, humanity no longer lives on separate boats. Instead, the world has shrunk. Essentially, all 6.5 billion live on the same boat. The 192 countries have therefore become cabins on the same boat. However, even though we live on the same boat, we carry on with governmental structures that enable us to take care of our individual cabins on the boat. But we do not have a captain or a crew to take care of the boat as a whole.

We would never sail into any ocean captain-less on a boat. But this is exactly what we are doing with spaceship earth. It is no wonder, therefore, that our world looks as though it is going adrift with many new global challenges staring in our face. We remain busy taking care of our own cabins while the new problems engulf the entire boat.

It is not difficult to list out a few major global challenges that require a global response. They include the global financial crisis, the challenge of global warming, the arrival of global pandemics

and the spread of global terrorism. None of these problems can be solved by any country working alone, not even powerful countries or organizations like the USA or EU.

This fundamental transformation of the world has in turn led to three new tensions that have arisen as the challenge of global governance:

The first tension is between the desire to cling to sovereignty and the need to respond to globalization. Globalization has changed the world fundamentally. Most new challenges respect no borders. Neither terrorism nor epidemics, financial crises nor environmental challenges, respect borders. None can be solved by any country working alone. At a time when the global village needs to convene global village councils to address these issues, these very institutions are being weakened.

Sadly, the most powerful country in the world, the United States, is allergic to global governance. Strobe Talbott explains this allergy well: "It is not surprising that talk of global governance should elicit more scepticism, suspicion and sometimes bilious opposition in the US than elsewhere. The more powerful a state is, the more likely its people are to regard the pooling of national authority as an unnatural act." Paradoxically, the US has the most to gain from good global governance because the richest home in any village has the most to lose from global disorder and instability.

The second tension in global governance is between the old and new rising powers. We are coming to the end of two centuries of Western domination of world history. All the new emerging powers are non-Western. Yet, the West continues to be over-represented in existing global institutions.

The United Nations' founding fathers wisely created the veto to anchor the great powers in the UN. Sadly, they did not anticipate that the great powers of the day could become the great powers of yesterday.

Similarly, the Group of Eight represents the great powers of yesterday. It maintains a charade of addressing global challenges. This charade is sustained by the Western media, which legitimizes the G8 as a global village council, though it represents only 13.5 per cent of the world's population.

The third tension is between the interests of the great powers and the need to reflect the views and interests of the majority of the world's population in global governance. Great powers can no longer dominate global politics as they did in the 19th and 20th centuries. The majority of the world's population have gone from being objects of world history to becoming subjects. People want to take greater control of their destinies and not have their views or interests ignored.

Hence, any reform of global governance should pay attention to both institutions that respond to great power interests (like the UN Security Council and G8) and institutions that respond to the universal interests of humanity (like the UN General Assembly).

The Asian countries do not have a unified or coherent view in response to these new tensions that have surfaced in global governance. Intellectually, many of them realize that the world has changed fundamentally. The Indian Prime Minister Manmohan Singh, for example, has delivered some thoughtful speeches on the need to reform the global order. In December 2006, for example, he said,

“Just as the world accommodated the rejuvenation of Europe in the post-War world, it must now accommodate the rise of new Asian economies in the years that lie ahead. What this means is that we need global institutions and new global “rules of the game” that can facilitate the peaceful rise of new nations in Asia. It also means that existing global institutions and frameworks of cooperation must evolve and change to accommodate this new reality. This is as true for the reform and revitalization of the United Nations and the restructuring of the United Nations Security Council, as it is true for the management of multilateral trading system, or for the protection of global environment or for the security of world energy supplies.”

This general statement would be endorsed by all Asian leaders. However, if they had to translate this general statement into specific recommendations, they would have difficulties. The best way to illustrate this is with the case of the UN Security Council reform. In principle, all the Asian countries agree that UNSC should be expanded to include all new powers. Yet, for every Asian state that aspires to be a new permanent member, there are neighboring Asian states who are detractors. Most countries in the world agree that India and Japan have a strong case to become new permanent members. Yet, when Japan began its campaign, China and South Korea strongly opposed Japan. Similarly, Pakistan lobbied strongly against India's candidature.

There are ways to solve the problems like the case of UNSC reform. One reason why many countries aspire to become permanent members of the UNSC is because the privilege of veto does not go hand in hand with responsibilities for which the permanent members are held accountable. This goes against the principle of accountability that is accepted in all modern organizations. To ensure that a reformed UNSC lives up to the mandate assigned to it in the UN Charter (namely to assume primary responsibility for threats to international peace and security), all permanent members, new and old, must accept commensurate responsibilities. Hence, if a state fails in Somalia or genocide breaks out in Rwanda, the permanent members must assume the responsibility to address these challenges.

All this requires new thinking. Sadly such new thinking has not surfaced either in the West or in Asia. The absence of global governance could have meant greater instability in East Asia as there has been, for example, in Africa. The reason why East Asia has gone in the direction of greater stability is because it has developed, to put it crudely, regional competence to compensate for global incompetence.

The natural expectation over the past two decades has been that with the rise of many new powers, Asia would become dominated by rivalry and conflict, not peace and understanding. Several leading scholars had predicted this almost fifteen years ago. Richard Betts wrote, “one of the reasons for optimism about peace in Europe is the apparent satisfaction of the great powers with the status quo,” while in East Asia there is “an ample pool of festering grievances, with more potential for generating conflict than during the Cold War, when bipolarity helped stifle the

escalation of parochial disputes.”¹ Aaron L. Friedberg wrote, “While civil war and ethnic strife will continue for some time to smolder along Europe’s peripheries, in the long run it is Asia that seems far more likely to be the cockpit of great-power conflict. The half-millennium during which Europe was the world’s primary generator of war (as well as wealth and knowledge) is coming to a close. But, for better or for worse, Europe’s past could be Asia’s future.”²

Not only has East Asia been peaceful for more than two decades, but it has also passed a major stress test that could have triggered conflicts in the region: the Asian Financial Crisis of 1997–98. It would be difficult to underestimate its severity; there was a major implosion of several Asian economies. Indonesia’s economy shrunk 15 percent in 1998. More than a half million Indonesian children died from malnutrition, and the country’s poverty rate soared to at least 40 percent by 1998. In South Korea in 1998, unemployment rose from a tiny 2.6 percent to more than 8 percent and was still climbing.³ In the February 1999 *Time* cover story, “Committee to Save the World,” Larry Summers said the economic crisis was “spectacular.”

History teaches us that the combination of a major financial crisis and “an ample pool of festering grievances,” in Betts’s phrase, should make a lethal cocktail. If indeed East Asia was poised and ready for conflict to grow and spread, this should have broken out in the aftermath of the Asian Financial Crisis. Instead, the opposite happened. Peace consolidated and deepened. Why?

The answers to any question on the causes of war and peace are complex. But some of the key contributing factors are clear. The first is that East Asians have absorbed—almost through the process of osmosis—a pillar of Western wisdom: the culture of peace that has affected relations among the Western states since the end of World War II.

Given the hundreds of years of conflicts among some of them, it is truly remarkable that all Western countries have reached the highest peak of human achievement: not just zero wars but zero prospect of war between any two Western nations.

The single most important emerging power in Asia and the world is China. Many strategic thinkers in the West obsess over the menace of China as an emerging military dragon. This is a possibility, but it is also clear by now that this is not the vision of the Chinese leadership and intelligentsia. The overwhelming consensus in China is captured by the words used by one of China’s leading thinkers (who is also a close adviser to Hu Jintao), Zheng Bijian, who has said categorically that China believes in a “peaceful rise.”

China has learned from the positive example of the Western world and the negative example of the Soviet Union, which imploded for several reasons, among them the decision to focus on military development instead of economic development. China has decided to do the exact opposite.

¹ Richard K. Betts, “Wealth, Power and Instability,” *International Security* 18, no. 3 (Winter 1993–94): 64.

² Aaron L. Friedberg, “Ripe for Rivalry,” *International Security* 18, no. 3 (Winter 1993–94): 7.

³ Russell Mokhiber and Robert Weissman, “New US Treasury Secretary’s Famous Remarks as World Bank Chief,” Alternative Information and Development Centre, <http://www.aidc.org.za/?q=book/view/130>.

The lessons China has learned about war and peace in the modern world are not the only reason why the guns are silent in East Asia. Another critical player has emerged almost unnoticed: ASEAN. Like the EU, it was set up to promote regional cooperation. Both have been equally successful in preventing war between any two member states. The EU is one step ahead of ASEAN, since it has achieved zero prospect of war. The EU is an economic superpower (with a combined GNP of US\$13,386 billion), while ASEAN is an economic mini-power (with a combined GNI of US\$857 billion).⁴

But there is at least one dimension in which ASEAN may be ahead of the EU: diplomacy. In this field, ASEAN is a superpower while EU is a mini-power. There are two balkanized regions in the world: the Balkans of Europe and Southeast Asia. Indeed, in terms of diversity in religion, race, language, culture, history, and so forth, Southeast Asia is far more balkanized.

At the end of the Cold War, if predictions had been made about whether war was more likely in the Balkans or in Asia, there is no doubt that leading Western strategic thinkers would have predicted war in Asia. Yet the exact opposite happened. Why? The EU failed where ASEAN succeeded.

ASEAN has made a major contribution towards enabling the peaceful emergence of new Asian powers. The long history of humanity teaches us that when great powers emerge, there is a tendency for new conflicts to emerge. Against this historical backdrop, the simultaneous emergence of China and India (together with the continued strength of Japan) should present the Asian region with obvious challenges. But instead of growing conflict and rivalries, new patterns of cooperation are emerging. ASEAN has played a key role as it has been almost being single-handedly responsible for spawning a new alphabet soup of cooperation ventures: ARF, APEC, ASEAN +3, ASEM, and EAS.

Forty years after the creation of the Association of Southeast Asian Nations (ASEAN) in 1967, the three economic giants of Japan, South Korea, and China have failed to create a comparable Association of Northeast Asian Nations. The reasons for this failure are complex. But the consequence has been that the only fora where the three Northeast Asian leaders can meet comfortably and discuss common challenges have been the meetings convened by ASEAN, especially ASEAN +3 (China, Japan, South Korea). Thus ASEAN, still an economic mini-power, should be viewed as a diplomatic superpower: it is the region's peacemaker.

While geopolitical stability can be sustained at the regional level, there are many other global challenges that cannot be resolved at the regional level. These include challenges global warming and global pandemics. These new challenges require global cooperation. There is absolutely no doubt that as the Chinese and Indian companies continue to grow, they will significantly increase their contribution to greenhouse gas emissions. Hence, if China and India do not become part of the solution to global warming, they will become the biggest problem.

⁴ World Development Indicators, World Bank, 2005.

Similarly, the time has now come for both China and India to recognize that they have to become the primary custodians of the open global trading system. It is remarkable that there has been virtually no discussion in either Beijing or New Delhi on the significant new responsibilities that China and India will have to undertake. And these will not be easy responsibilities to take on. It will require massive preparation.

There are at least three things that China and India will have to do. Firstly, they have to prepare their own populations for this leadership. Leadership requires making concessions and occasional sacrifices for larger goals. Fortunately, both China and India have developed a track record of making strategic trade concessions. In their negotiations with ASEAN, both China and India made generous concessions to conclude the negotiations on trade. Secondly, they have to develop the intellectual firepower to deal with complex new debates that will arise. Both American and European cities are rich with universities and think tanks which provide complex academic studies to bolster American and European negotiating positions. The OECD also helps them with abundant intellectual ammunition. China and India will have to develop similar resources. Here, China is much ahead of India, but it still has a lot of catching up to do to credibly match Western standards and provide a platform for new 'Asian' ideas and debates. Thirdly, China and India will have to develop global media channels to balance the stories told by the Western media. While this may seem indomitable, recent examples show that this can be done. Coming out of nowhere, Al-Jazeera has managed to gain global recognition. China and India can match what Qatar has done.

None of this will be easy. Most of the populations of China and India are unaware that their countries have been free riders on a benign global trade regime created by United States and Europe. This could carry on as long as China and India were perceived to be secondary beneficiaries. Now as the world perceives China and India as the primary beneficiaries, both have to take on significant new responsibilities. The time to do so has arrived. Neither can walk away from these responsibilities.

The case of global warming illustrates well how difficult it will be to secure a new global consensus to deal with new global problems. Most countries continue to assume that their primary obligation is to take care of their national interests first. Change will only come when most countries, especially, the most powerful and influential developed countries, realize that the powerful countries are also cabins on the one global boat. There is no point taking care of their cabin if the boat is sinking. Until the change of mindsets has occurred in the minds of the key global leaders, we will continue to see inadequate global responses to the new global challenges.

2. Which important interests of your country/region are promoted by globalization, which are currently neglected or frustrated in the process of globalization?

Globalization is good. This is the prevailing view in many Asian societies. They believe this because the Asian societies have been among the major beneficiaries of the open liberal international trade regimes. The positive story on Asia and trade has had an enormous impact on world history.

Look at the story of UN Millennium Development Goals (MDGs). The only MDG that the UN will successfully meet is the halving of the number of people living in absolute poverty from 1.25 billion to just over 600 million by 2015. The primary reason why we will achieve this is because of the contributions of India and China.

In 30 years, the number of poor people in China has gone down from 600 million to 200 million. To quote Joseph Stiglitz, former Chief economist at the World Bank, "Never before has the world seen such sustained growth; never before has there been so much poverty reduction."⁵ India started its economic liberalization later. Hence, the number in India has gone down from 323 million to 260 million.⁶ The success of China and India, the world's two most populous countries, in reducing global poverty explains why we will meet the UN Millennium Development Goals by 2015. Why are China and India succeeding? The simple reason why China and India are succeeding is because they have bought and are implementing the essential WTO vision that both they and the world will be better off by opening and liberalizing their economies, especially in the field of trade. Indeed the world as a whole is better off because global trade has exploded from 7 percent of the world GDP (Gross Domestic Product) in 1940 to 30 percent in 2005⁷, and total global exports have ballooned from US\$58 billion in 1948 to US\$9 trillion in 2004.⁸

China and India opened their economies because they learnt a great deal from the positive expansion of ASEAN with globalization. The main leader who opened up China to the world was Deng Xiaoping. He took a great political risk in doing so but he did so after he saw with his own eyes how far ahead the ASEAN societies of Malaysia, Singapore and Thailand had progressed when he visited these three countries in November 1978.

In a December 2005 interview with Time Asia, Lee Kuan Yew described the likely reaction of Deng to his visit to Singapore:

⁵ See commentary by Joseph Stiglitz in The Guardian, 13 April 2006.

⁶ National Human Development Report 2002: pg 38. These figures were measured between 1983 to 1999/2000.

[http://www.unrisd.org/80256B3C005BCCF9/\(httpPublications\)/AFA456B71A0BD335C1256FFF0052FE69?OpenDocument](http://www.unrisd.org/80256B3C005BCCF9/(httpPublications)/AFA456B71A0BD335C1256FFF0052FE69?OpenDocument)

⁷ Thomas H. Hoenig, "The Global Economy," Northern Colorado Summit on National Economic Issues, Loveland, Colorado, 15 September 2005.

⁸ Opening remarks by H. E. Nitya Pibulsonggram, Minister of Foreign Affairs of Thailand, at the international conference, "Foreign Ministries: Adaptation to a Changing World," 14 June 2007.

"I'm convinced that his visit to Bangkok, Kuala Lumpur and Singapore, that journey, in November '78, was a shock to him. He expected three Third-World cities; he saw three Second-World cities better than Shanghai or Beijing. As his aircraft door closed, I turned around to my colleagues; I said, "[his aides] are getting a shellacking. They gave him the wrong brief." Within weeks, the People's Daily switched lines, [writing] that Singapore is no longer a running dog of the Americans; it's a very nice city, a garden city, good public housing, very clean place. They changed their line. And he changed to the "open door" policy. After a lifetime as a communist, at the age of 74, he persuaded his Long March contemporaries to return to a market economy."

The ASEAN states had progressed because they ignored the prevailing view in the 1960s and 1970s among the majority of developing countries who were members of G 77. The G 7 had been influenced by a Latin American economist, Raul Prebisch, who believed that developing countries should close their markets and reject foreign investment. Instead, the ASEAN countries opened their markets and welcomed foreign investment. This strategy worked. It also explains why when the Nobel Laureate Michael Spence and the World Bank Commission developed a list of 13 countries that had enjoyed an average growth rate of over 7 per cent, this list included four out of the five founding ASEAN member states: Indonesia, Malaysia, Singapore and Thailand.⁹

It is vital to capitalize the positive ASEAN, China and India experience with globalization as well as this will help to explain why these states are now deeply troubled that the erstwhile champion of globalization, namely EU and US, may be turning their backs to globalization. This explains why the Doha Round is struggling. Essentially, the Doha Round is stalling because both the EU and US are making a massive U-turn away from trade liberalization while simultaneously pretending that they are not. This is therefore the number one global challenge faced by the ASEAN countries: the danger of the unraveling of open liberal international trading order.

The financial crisis of 2008 has further aggravated the problem. More and more American and Europeans are worried that free trade could mean a loss of jobs for them. George W Bush tried to keep America open to free trade but he failed to persuade the US Congress to ratify the Free Trade Agreements (FTAs) that he had negotiated with South Korea, Columbia and Panama. Similarly, President Sarkozy of France has begun making many protectionist statements. At the wake of the current financial crisis, he said, ""Stock markets are at historic lows. I do not want European citizens to wake up a few months from now and discover that European companies belong to non-European capital which has bought at the lowest point of the stock exchange,"¹⁰ It is ironic that the tone of the language used against foreign investment is similar to the language used by Raul Prebisch in the 1960s.

The danger of protectionism is therefore the number one danger faced by Asian countries. In response to this threat, the Asian countries have been trying to promote free trade both at the global multilateral level and at the regional level.

⁹ The Growth Report Principal Findings and Recommendations, 2008

<http://www.growthcommission.org/storage/cgdev/documents/Report/LaunchPresentation.pdf> .

¹⁰ Sarkozy calls for halt to foreign ownership, Timesonline, October 21, 2008

<http://business.timesonline.co.uk/tol/business/economics/article4984670.ece>.

It will come as a surprise to western readers to learn that Asian countries are in favour of greater global trade liberalization. After the collapse the latest round of WTO talks in Geneva in July 2008 both American and European policymakers blamed China and India for the collapse of the talks. Trying to figure out who was actually responsible for the failure of these talks is an immensely difficult exercise. There is however one clear fact. Even if American and European negotiators had agreed with Chinese and Indian negotiators on the “Special Safeguard Mechanism” (SSM) to protect a surge of agricultural exports to China and India, there remained the issue of American cotton subsidies. The West African states would not have accepted any deal without an American commitment to cut these enormously destructive American cotton subsidies. Since no American leader could have compromised on reducing cotton subsidies in an American election year, it served American interests to see a breakdown in the talks on an issue where China and India could be blamed instead of America.

The Asian countries have come to a realization that greater trade liberalization is unlikely to move forward at the global multilateral level because of American and European reluctance. Hence, partially in response to this, the Asian countries have been promoted regional trade liberalization. ASEAN has agreed to implement the ASEAN FTA in 2015 for its first six members and in 2018 for the remaining countries. However, even before the advent of the ASEAN FTA, intra-ASEAN trade has been growing. It has grown from \$123.8 billion in 1995 to \$352.8 billion in 2006.

Equally importantly, China stunned both the region and the world by proposing a China-ASEAN FTA. At the ASEAN-China Summit in November 2001, Chinese Premier Zhu Rongji made a remarkably generous offer to the ASEAN leaders by offering a free trade agreement (FTA). To demonstrate concretely that its offer was serious, China even offered unilateral concessions to the ASEAN countries. It offered an “early harvest” to the ASEAN countries by offering duty-free access to the Chinese market on six hundred agricultural products, including live animals, meat, fish, dairy products, other animal products, live trees, vegetables, fruits, and nuts. The Chinese leaders then confirmed their seriousness by completing the negotiations for the ASEAN-China FTA in record time. A year after the proposal, the final FTA was signed by the Chinese and ASEAN leaders at the eighth ASEAN Summit in Phnom Penh, Cambodia in November 2002. According to the agreement, the two sides will establish an FTA within ten years, first with the six original ASEAN states—Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand, followed by the less developed ASEAN members of Vietnam, Laos, Cambodia, and Myanmar by 2015. China also accorded the three non-WTO ASEAN members, Vietnam, Laos and Cambodia, most-favored-nation status. The China-ASEAN FTA, when implemented in totality, will constitute a common market of 1.7 billion people, with a combined GDP of US\$1.5 to 2 trillion. Even without the remarkable generosity of the Chinese unilateral concessions, the offer of an FTA was a remarkable act in itself. ASEAN has had much longer “dialogue” relationships with fellow capitalist countries like the US, Japan, and the EU. Until recently, ASEAN trade with these countries was far greater than its trade with China. In economic terms, there were far more synergies between ASEAN and these developed economies than between ASEAN and China. Few would have predicted even ten years ago that China would make such an offer.

This decision by China to create new partnerships with its neighbors has in turn triggered a virtuous spiral of competition among other countries to match China's offer. After China offered an FTA to ASEAN countries, Japan, South Korea, and India have made similar offers. The negotiations have not been completed, but trade flows have increased. These developments have created new patterns of trade and economic interdependence, and the trade and economic relationships have been complemented by a new pattern of political cooperation, which has been driven by ASEAN. Each year, ASEAN organizes a series of meetings, initially among the leaders of the ten member states. These meetings are then followed by the ASEAN+3 meetings (where China, Japan, and South Korea represent the +3) and then the East Asian Summit, which includes the previous thirteen countries and Australia, New Zealand, and India.

Many in the West treat these diplomatic gatherings as a big yawn. This is true of many summits. But sometimes, history is made at these meetings. With the center of the world's economic gravity shifting to East Asia, which is providing the rising new powers, it would have been quite natural to see increased political competition and tensions in the region. This was what American scholars expected. Instead, there has been growing cooperation.

The growing trade integration and regional cooperation in the East Asian region is driven by many complex forces. But one key driving force is the realization that global integration may be slowing down. To ensure the continued economic growth in the region, the countries in the region are promoting greater regional integration. This explains why the fastest growing trade flows in the world are in East Asia and not in Europe or even across the Atlantic and Pacific oceans. In 1990, at the end of the Cold War, China's trade with Japan was US\$16 billion, South Korea US\$3.8 billion, ASEAN US\$7.1 billion, and India US\$260 million. In 2005, fifteen years later, the figures were US\$213.3 billion (Japan), US\$111 billion (South Korea), US\$130.4 billion (ASEAN), and US\$20 billion (India).

The explosion of China's trade relations with all its neighbors as well as its distant trading partners is in itself a remarkable development. China's determination to increase its trade connectivity with the rest of the world stands in sharp contrast to the hitherto traditional civilizational impulse of China: to minimize trade relations.

China's ability to overcome a powerful civilizational impulse to close itself to trade shows how dramatically attitudes towards globalization have changed in Asia. The other good news here is that elites across East Asia are learning from each other. Each studies the success story of its neighbour and tries to apply them to their own society. There are at least two remarkable examples of how East Asian societies have overcome traditional animosities to learn from each other.

The first example is the case of Korea and Japan. It is well known that the Korean economic success story was based to an extent on lessons learned from Japan. Under normal circumstances, it would have been natural for the Koreans openly to acknowledge the lessons learned. However, the recent political history of Japan and Korea has been immensely difficult and complicated. The Japanese occupation of Korea from 1910 to 1945 was painful and brutal. Koreans were not even allowed to speak their language during this occupation. To make matters

worse, Japan had, until recently, been reluctant to acknowledge the pain it had caused Korea. Hence, not surprisingly, there is equal reticence on the part of Koreans to acknowledge Japan's positive contributions. Many development economists like to point out that, in 1960, per capita gross national income in Korea was lower than that in many developing countries in other regions. Korea's was about US\$80, while Ghana's was US\$200, and Argentina's was US\$2,700. Today, the comparable figures are Korea, US\$13,900, Ghana, US\$380, and Argentina, US\$3,700.

There is no doubt that South Korea succeeded because it learnt a lot from Japan. As the Harvard Professor, Ezra Vogel, has said, the government of South Korea consciously studied the Japanese economic cooperation in detail, despite the troubled history between the two countries.

The second example is the case of China and Vietnam, two nations that have suffered an adversarial relationship for millennia. Indeed Vietnam was occupied by China for a thousand years. They fought a bitter war as recently as 1979 and were in conflict for a decade after that. Yet when the Cold War ended and Vietnam realized that it had to change course, reform its economy and open up to the world, it decided to learn from China's experience and adopt it for its own use in Vietnam. There is a powerful culture of pragmatism in many Asian societies. This has enabled them to learn from each other in response to new challenges of globalization. This culture of pragmatism also explains why the East Asian societies have been the most successful states outside Europe and North America.

The main challenge that East Asian states face today is that they can no longer rely on either the US or the EU to be the custodians of the liberal international economic order. So far, the East Asian states have been essentially "free-riders": enjoying the benefits of the liberal international order without having to take significant responsibility for its maintenance and upkeep. This can no longer carry on. The time has come for the East Asian states to assume greater responsibility. If they do not do so, there is a real danger that the liberal international economic order will deteriorate. And if it does, the East Asian states will be among the states with the most to lose.

So far, virtually no East Asian leader has spoken out on the need to exercise greater global leadership. This is a great weakness of East Asia.

3. What are the preferred instruments of managing a globalized world? What role for structured multilateralism (such as UN), what role for structured regionalism (such as EU or ASEAN)?

The Asian countries have an ambivalent attitude towards the prevailing multilateral order. On the one hand, they deeply appreciate the principles of the UN Charter. These principles helped the decolonization of Asia from European domination. Also, even though East Asia has experienced the three largest wars since World War II (namely the Korean war, the Vietnam war and the Sino-Vietnamese war), the general trend has been towards greater peace. The principles of respect for

territorial sovereignty and non-interference in internal affairs have helped to create a stable regional order. Hence, the Asian countries believe that the UN should be strengthened, not weakened or destroyed.

On the other hand, the Asians are aware that many of the key multilateral institutions are still dominated by the West. For example, in 2007 when both the IMF and the World Bank changed their leaders, they continued to apply the old rule that the head of the IMF should be European and the head of the World Bank should American. No Asian appeared qualified to run these institutions even though Asia is now home to the world's fastest growing economies, has the world's largest pool of foreign reserves and now produces more Economics PHDs than any other region. In short, the Asians believe that the anachronistic Western domination of these institutions should end. The voting shares in the IMF should also reflect contemporary realities. It is absurd that Belgium has a larger voting share in the IMF than China does.

At the same time, several Asian countries became massively disillusioned with the IMF after its disastrous record in managing the Asian Financial Crisis (AFC) in 1997-98. Fortunately, the IMF has more or less admitted to some of the big mistakes it made. To make matters worse, several Western states responded to their own economic crisis in 2008 with policies that were the exact opposite of what they prescribed to the Asian countries in 1997-98 in response to the AFC. For example, they recommended to the Asian states to maintain balanced budgets, to not bail out failing banks and to hold the government officials accountable for their regulatory failures. But neither the IMF nor the Western governments administered this bitter medicine to themselves.

The Asians therefore believe that the time has come to attempt a massive overhaul of the prevailing multilateral order. To bring about such a massive overhaul, we need to develop a greater degree of intellectual honesty in this global debate on the strengths and weaknesses of multilateralism, especially the UN. I have served as Ambassador to UN from Singapore for over 10 years in two periods (from 1984 – 1989 and 1998 – 2004). In both periods, the UN was subject to a series of criticisms from American policymakers and media pundits about the UN's administrative ineffectiveness and the "bloated" UN budget. The UN was also subject to a series of debilitating American withholding of payments which were congressionally mandated. In all these debates, the American critics of the UN took the moral high ground and claimed that their goal was to "reform" and "strengthen" the UN.

None of these American critics would ever admit that they were being totally hypocritical and dishonest. It is true that the UN organization, including the Secretariat, has many failings, including administrative weaknesses. Normally, when any organization has administrative failures, the Chief Administrative Officer is held responsible, and, if necessary, is replaced by a stronger official. If the US truly wanted to reform the UN, it should fight for the UN to select the strongest possible candidate to become the UN Secretary General, who is the Chief Administrative Officer of the UN. Instead, after having experienced the strong and independent streak of Dag Hammarskjöld from 1953 to 1961, the United States government has made it a consistent policy to select a weak rather than a strong candidate for the UN Secretary General Post. During the Cold War, even though the United States and the Soviet Union disagreed virtually on everything, they agreed that

the UN should have a weak Secretary General. Few Americans have publicly admitted that this is official American policy but John Bolton, who served as American Ambassador to the UN from August 2005 to December 2006 has admitted in his memoirs that the US Secretary of State, Condoleezza Rice, had told him in private that the US preferred a “weak” UN Secretary General.

The American antipathy to strong multilateral institutions is perfectly understandable. No great power, no matter how benign it may be, likes to be restrained by multilateral institutions or principles. This is why the United States, even though it is a ferocious defender of the rule of law domestically has progressively walked away from and undermined international law over the decades. It has walked away from the ICJ and refused to ratify the ICC. Indeed, the US used the UN Security Council illegally to provide American soldiers, immunity from the ICC. The lowest point in America’s relations with the UN came when it decided to invade Iraq in March 2003 even though the UN Security Council had refused to vote in favour of a British-American resolution which sought to legitimize the invasion. Under prevailing international law, the use of force is considered legal if it is an act of self-defense or if it is authorized by the UN Security Council. Since the British-American invasion of Iraq did not meet either criteria, it was deemed to be under international law an illegal war. Yet, when Kofi Annan, the then Secretary-General, said this publicly, he was excoriated by the American government and media for saying the obvious truth.

Even though a few EU member states opposed the American invasion of Iraq, the larger EU record is one of complicity with the United States in its efforts to weaken the UN. This is clearly one policy area where the EU could have gained the moral high ground by saying that EU was genetically programmed to support, not undermine, a rules based order. Unfortunately, virtually all EU governments gave greater priority to preserving their good bilateral relationship with Washington DC over defending the UN. Hence, no EU government had the moral courage to oppose the consistent American policy of weakening or undermining the UN. Instead, the EU actually supported some American efforts to withhold payments from the UN. The EU record of moral cowardice in defending the UN against American attempts to weaken it has been an appalling one.

If this analysis is correct, all efforts to reform or strengthen the UN are doomed unless both the US and EU abandon their decades long policies of weakening the UN. The American and European policymakers need to undertake a serious review to ascertain whether it serves their long-term interests to see a weaker or stronger multilateral order. In the previous era of world history, when the West could dominate the world relatively effortlessly, it did not need multilateral institutions to protect its interests. However, now that the era of Western domination of world history is over, it is clear that a stronger multilateral order can serve to protect long-term Western interests.

The best way to make this case is to use a simple analogy. The entire Western world now makes up 12 per cent of the world’s population. This minority also lives in a shrinking global village where they have the richest homes and where they are surrounded by populations which are far less affluent and growing much faster in numbers. Indeed, by 2050, when the world’s population hits 9 billion, the West will have less than 10 per cent of the world’s population. In any domestic society, a small wealthy minority would worry about the security of their homes if they were surrounded by poorer neighbors. Hence, they would promote the principles of rule of law to protect their property.

Karl Marx was absolutely right when he said that the rule of law was an instrument used by the bourgeoisie to protect their property from the masses. Undoubtedly, the rule of law has worked well in affluent Western societies to protect the lives and property of the wealthy.

Today, the Western societies effectively serve as the bourgeois of the world. To protect their bourgeois interests in the global village, these Western societies should be working hard to promote, the rule of law in the global village. It is therefore truly astonishing that both America and the EU have been doing the exact opposite in the global village. By undermining international law in the global village, both the United States and the EU are damaging their long-term interests. They must begin to see their long-term interests closely. If they do not, there will be no real change to Western policies on multilateralism.

The good news for the West is that the new rising Asian powers want to become responsible stakeholders in the prevailing global multilateral order. As the biggest beneficiaries of the 1945 rules based order, the new Asian powers have a vested interest in working with the West to strengthen the 1945 multilateral order. The time has therefore come for a new global social contract between the West and Asia to reform the prevailing multilateral order. While it will be difficult to work out the details of any reform effort, it should not be difficult to work out the principles of such reform. These will be spelled out in response to the next question.

4. Should governance of a globalized world be based on general or universal principles? If so, which ones?

Any reform of the prevailing multilateral order should be based on universal principles. Domestically, we have accepted the principle that all citizens should be subject to the same rule of law. If either a rich or a poor citizen commits a murder, he is subject to the same penalty. We now have to work towards an international order where the same rule of law will apply to all global citizens.

This will both be very easy and very difficult. It will be very easy because we will not have to re-invent the wheel. We can tap this wisdom of the (Western) founding fathers of the UN, who, having just survived the scourge of World War II, put together a remarkable document that carefully balances the need to engage all of humanity while creating various organs (like the UN Security Council and the International Court of Justice) to handle specific issues. The UN Charter is a truly beautiful document which spells out some valuable principles for preserving international order. Indeed, it was written by some of the best minds in the Western world and is rooted firmly in the Western intellectual and political tradition. The language is uplifting because its ideas come from Western ideals of universality of representation. Indeed it begins with the words “We, the peoples of the United Nations . . .” Indeed, if a similar attempt was made to write a new UN Charter today, it is very unlikely that we will come up with a better document.

It will also be very difficult because a common set of principles that applies equally to all nations goes against the grain of human history. Throughout history, the great powers have always believed that they should have exceptional rights. Joseph Nye, the Harvard Professor, is fond of quoting a passage from Thucydides where the Athenians say to the Melians, ““You know as well as we do that right, as the world goes, is only in question between equals in power, while the strong do what they can and the weak suffer what they must.” No American policymaker will ever admit that the United States has lived by this rule when it was powerful. But it has.

The time has therefore come for the West and Asia (and other regions) to agree on a new global social contract based on some key universal principles. Some of the principles will include the following. First, all states should reaffirm their commitment to the principles of the UN Charter. The Asian states will have no difficulty doing so as they have always believed in the principles of the UN Charter. All Asian regional organizations, including ASEAN, refer to the principles of the UN Charter in their founding documents.

Second, all states should also agree that they would be bound by a common set of rules without exception. Hence, in the most critical area of international order – the area of the use of force – both the weak and powerful states should reaffirm their commitment to establish principles of international law that the use of force would be allowed only as an act of self-defence or with the authorization of the UN Security Council.

Third, the UN Charter should maintain its wise balance between the interests of the great powers (who have a special status in the UN Security Council with their veto power) and the interests of the majority of the world's population (reflected in the UN General Assembly). However, both the UNSC and the UNGA need significant reform.

There are at least two changes we will have to introduce to preserve the legitimacy of the UNSC. The first is to end perpetual rule. Applying this common-sensical principle to the Security Council is not easy. If the privileged positions of the great powers in the UN system were abolished, there is a clear danger that the UN could go the way of the League of Nations. If America were to walk away from the UN, both America and the UN would suffer. Hence, some way must be found to anchor the great powers of the day in the UN. The best way would be to retain the veto. This would ensure that the UN would not commit an act of folly by making a decision against the express wishes of any great power. Conferring veto powers on some countries and denying them to others would create inequality. But these inequalities would reflect the inequality of power in the world.

To serve as a true reflection of the world, the veto-bearing members of the UNSC should preferably reflect the great powers of 2045, not of 1945. This is in many ways the nub of the problem with the UNSC. The current permanent members have taken advantage of the veto to preserve great power status in the UN and to entrench themselves in perpetuity in the Security Council. For the UNSC to remain alive and relevant, it must create a system to allow new great powers to obtain the veto and for old great powers to cede their position graciously. New Asian powers like Japan and India should be given veto rights to reflect their new weight in the international system.

The biggest obstacle to change comes from Europe. There is a strong developing consensus that with the development of a Common European Foreign Policy by the European Union, it would be more logical to have Europe represented with a single European seat, in place of the UK and France. Any other formula, including the proposed addition of Germany, would only lead to Europe being overrepresented in the Security Council. Since Europe has less than 10 percent of the world's population, it is hard to justify three European vetoes on the Council. Hence, the only logical and viable solution is to have a single European seat, together with newly emerging powers. Implementing this in practice will not be easy.

The second change that needs to be introduced into the Security Council is the principle of accountability. It has now become a fundamental principle that all modern organizations should be held accountable for their actions. The Security Council is probably the last major organization in the world that still refuses to be held accountable in any way. When I was on the UN Security Council, I said—as strongly as I could—that if Bill Clinton and Kofi Annan could apologize for their failures to prevent genocide in Rwanda, the Security Council should also do the same. In some ways, the UNSC should be held even more accountable for the genocide in Rwanda: it has a constitutional mandate to prevent genocides, and it knew in advance that genocide was being planned and was on the verge of being executed. The Security Council, especially the five permanent members, could not plead ignorance; they knew it was coming. But they absolutely refused to accept the principle of accountability, and no apology was ever offered. The Security Council therefore faces the real danger of becoming a relic of history, representing a pre-modern culture of absolute rule rather than the culture of accountability of the modern age.

Similarly, the UNGA also needs to be reformed and strengthened to provide an opportunity to hear the voices of a majority of the world's population. We need to inject the principle of democracy in the management of global affairs. If we are to inject the spirit of democracy into global governance and global decision making, we must look for institutions where all countries of the world (and consequently all peoples of the world) are represented. Such institutions can only be found in the UN family.

One of the key reasons why UN institutions like the World Health Organization (WHO) and World Meteorological Organization (WMO) enjoy widespread global legitimacy is because they have universal membership. When they meet and adopt decisions, these decisions enjoy legitimacy because they are seen to be adopted by all countries of the world.

One great irony here is that while many in the West are willing to work with specialized agencies like WHO and WMO, they are reluctant to strengthen the core UN institution from which all these specialized agencies come. I am referring to the UN General Assembly (UNGA). No other institution in the world can match the UNGA in meriting the title “the Parliament of Man” (as Paul Kennedy called his book on the UN). It is the most representative body on our planet. If we are looking for one body that represents the spirit of democracy across the globe, there can be no better institution than the UNGA. However, having spoken to Western audiences over the past two decades, I am acutely aware that many Western countries are deeply skeptical of the UNGA.

Indeed, the mere mention of the UNGA is likely to elicit guffaws. The Western critics are right to point out the imperfections of the UNGA. But in its imperfection, it actually serves as a useful symbol of the imperfect world we live in. Any decision adopted by this imperfect assembly will enjoy legitimacy in the eyes of the 6.5 billion people who live in this imperfect world. For all its imperfections, the UNGA has at times shown more common sense and prudence than some of the sophisticated Western democracies. Any recourse to the UN General Assembly will result in more time taken to secure a decision or agreement. It cannot be surprising that the messiness of decision making in domestic democracies is amplified in decision making in the global arena. It takes time to persuade all people to march in the same direction, but this is precisely what gives legitimacy to the result. It is supposed to ultimately reflect the wishes of the people. Most countries in the world respect and abide by UN decisions because they believe in the legitimacy of the UN. The legitimacy the UN enjoys in the eyes of the majority of the world's population is a huge asset. If well used, it can provide a powerful vehicle to secure critical decisions on global governance.

There would be a revolt in America if anyone proposed that the US Senate should be ignored and instead be replaced by a selective council comprised of the representatives from only the five most populous states in America: California, Texas, New York, Florida, and Illinois.¹¹ Such an undemocratic suggestion would be rejected out of hand because it would be both unjust and unviable. The population of the other forty-five states would deem any such proposal as absurd. Yet such a proposal accurately describes how the world is run today: instead of turning to the UNGA (when there is universal representation of the 192 nation-states), America and Europe prefer to turn to the UNSC, which is effectively run by the 5 permanent member states.

Having served as an ambassador to the UN for over ten years, I have had many opportunities to study in depth American policies toward the UN. I have been struck by the almost total lack of awareness in the West of the fundamental contradiction in American policies toward the UN. A medical analogy may explain this contradiction best. No surgeon would try to rescue a limb of any human body while simultaneously weakening the heart. The heart is central; if it stops, all limbs die. Ironically, this is exactly what America is trying to do with the UN: it is constantly trying to weaken the effectiveness and legitimacy of the UNGA while trying hard to control and strengthen the decisions of the UNSC. But the UNGA is the heart of the UN, while the UNSC is only a limb. If the UNGA dies, the UNSC will die too.

Where does the UNSC get its legitimacy? What causes the world to accept and comply with its decisions? The simple legal answer is that all UN member states agreed to abide by the decisions of the UN Security Council when they joined the UN and ratified the UN Charter. However, there is also a big difference between "legality" and "legitimacy." Legal decisions can be illegitimate. Before the United States came into being, Americans lived under the rule of King George III, who had the legal right to pass laws that were binding on the inhabitants of the colonies. It was the perceived lack of legitimacy of King George's edicts that led eventually to the declaration of independence. The decisions of the current UN Security Council have begun to feel like the edicts of King George III. They will remain legal for a while, but their legitimacy will gradually erode over time. It is an

¹¹ US Census Bureau estimate (as of 1 July 2006).

obvious but unpleasant truth that the five permanent members of the UNSC serve as dictators of the world. They make decisions that are binding and mandatory on 6.5 billion people without allowing them to have any say in choosing the permanent members. Only monarchies and dictators enjoy perpetual rule, without seeking reelection and without being held accountable. Most modern societies abhor permanent unelected rule. This explains why some leading European voices recognize that the UNSC is facing a crisis of legitimacy. In a brave essay entitled “Towards World Democracy,” Pascal Lamy, a leading European intellectual, writes, “The real power of the UN lies in the Security Council, and more, specifically, in the right of veto. That is the exclusive privilege of its five members, whose legitimacy (based on who won the last World War) is, to say the least, 50 years out of date.”¹²

This analysis shows that any reform of the UN must address both the organizations that reflect universal interests like the UN General Assembly and the institutions that reflect great power interests like the UN Security Council. Similarly, both the IMF and World Bank need to be seriously reformed to reflect the wishes and aspirations of the rising new powers and the needs and interests of the majority of the world's population. They must get rid of the rule that only an American can head the World Bank and a European can head the IMF.

However, certain harsh geopolitical realities will prevent meritocracy from being the key, let alone the sole, consideration in this selection process. Western Europe and to some extent the US are worried about their diminishing role and influence in global affairs. They are likely to fight a rear-guard action to retain their share of global influence.

Many believe that it is in some ways reasonable for North America and Western Europe to retain control of the IMF and the World Bank since they provide most of the money for these organizations. It is important, therefore, to emphasize that while this was true in the early days of the IMF and the World Bank, this is no longer true.

One critical problem that both the World Bank and the IMF should be acutely aware of is their diminishing political credibility on the world stage. At one point they appeared invincible, invulnerable, and infallible. Now they appear to be incompetent and irrelevant in the eyes of many. The IMF has still not fully recovered its credibility following its poor performance in the Asian Financial Crisis of 1997–98. Any fair evaluation will show that the IMF did not do as bad a job as many of its critics allege. Still, there is no doubt that the widespread perception is that the IMF botched its handling of the crisis. This lack of confidence in the IMF is reflected in the reluctance of most developing countries to borrow from the IMF. Those that can repay all their loans to the IMF declare “independence.” Even Latin American countries are doing this. Several Asian countries are guaranteeing their independence from the IMF by accumulating huge financial reserves, the largest ever seen in history. All this has created an acute problem for the IMF. With few countries taking their loans, the IMF income has dipped sharply. Suddenly the IMF needs the developing world at least as much as the developing world needs the IMF.

¹² Pascal Lamy, *Towards World Democracy* (London: Policy Network, 2005), 21–22.

The time has come for America and Western Europe to ask whether maintaining the status quo in the IMF and the World Bank serves their real national interests. The dilemma they face is a simple one: Do they retain control and, in so doing, allow the legitimacy and credibility (and consequently effectiveness) of the IMF and the World Bank to diminish? Or do they open up the leadership positions and reshuffle voting rights toward emerging countries?

Any real answer to this dilemma requires a clear consensus on the role and purpose of these two institutions. The leftist critics of IMF and the World Bank have long attacked them for being instruments of capitalist exploitation of the poor in the Third World. Such allegations do not hold water, especially in an era when once poorer countries like China, India, Brazil, and South Africa have become strong champions of globalization as the leading industrial economies. These countries buy the argument that growing economic integration and accelerating globalization will benefit their economies and people. Having become stakeholders in the more optimistic Western vision of globalization, they are ready to participate in making more effective the global economic institutions that allow globalization to thrive.

Any debate on the future directions and roles of the IMF and the World Bank will have to be part of a larger debate on the role of the key multilateral institutions created in the aftermath of World War II. The victors of World War II declared, in the opening words of the UN Charter, that they were determined “to save succeeding generations from the scourge of war, which twice in our lifetime has brought untold sorrow to mankind.”¹³ The fundamental approach they took was to move the world toward a more rules-based order in which there would be greater respect both for the principles of international law and for the various multilateral institutions set up to promote and implement these principles.

The paradox is that North America and Western Europe together have been more responsible than any other powers in unleashing the forces of globalization. Now they are reluctant to confront the consequences and allow the principle of democracy to be the determining factor in the governance of key global organizations.

5. Who should lead the process of building transnational governance?

Sadly, there are no natural candidates to lead the process of building new forms of global governance. The four most logical candidates are the US, the EU, China and India. Unfortunately, in each case, there are significant challenges for each to provide leadership.

In the absence of a natural global leader, we will have to resort to time-tested principles to produce social and political order. Three of the best principles are Western principles: democracy, rule of law, and social justice. The world can become a better place by implementing these three Western

¹³ Preamble, 1945 Charter of the United Nations.

principles. We can also complement them with the ancient virtues of partnership and pragmatism. In short, there is hope. But first we have to understand why we have no natural leader to take us there.

Effectively, there are only four real candidates to provide global leadership today: the United States, the European Union, China, and India. No other entity has the capability or historical authority to attempt it.

America is obviously the strongest candidate to provide global leadership, as it has been since 1945. It has done more good for the world than any other country has, as my book, *Beyond the Age of Innocence: Rebuilding Trust between America and the World*, documents. The 1945 rules-based order that America principally authored is a very special gift to the world. And America, more than any other country, launched the March to Modernity that most of humanity is moving toward. The US has also developed an elite who feels comfortable thinking in global terms. When the administration in power fails to meet its global responsibilities, American civil society can mobilize to change government policies.

But the America of 2008 is a very different country from the America of 1945. It is far less self-confident. John Foster Dulles, secretary of state in the early years of the Cold War, had no hesitation in offering free trade access to Japan. He was absolutely convinced of America's superior competitive abilities. If Dulles were alive today, he wouldn't understand what Lou Dobbs was ranting about. But Dobbs and his closed mind represent the new face of America. In the field of security, the neocons have done enormous damage to America's global stature with their belief that America can act alone and stand alone. This is simply wrong. The events of 9/11 should have taught a lesson that America the great is not America the invulnerable. Yet instead of America reengaging the world, the gap between it and the world has never been wider.

Europe should also be, like America, a natural candidate to lead the world. For over two centuries, Europe has dominated world history. Decisions made in London or Paris, Berlin or Madrid have had global repercussions. Now completely peaceful, Europe today is also a model of a rules-based society. It has woven an intricate set of regulations to govern behavior among its members. A law-abiding region can help to create a law-abiding world.

But Europe has not been able to extend its benign influence outside its territory. Neither the Balkans nor North Africa has benefited from its proximity with the European Union. Most of the EU's economic policies toward the rest of the world have been distorted by the differing domestic dictates of the member states. The interests of rich French farmers trump the interests of poor African farmers. These poor African farmers are then forced to migrate illegally to Europe. An enlightened European policy would work toward creating jobs in Africa to prevent illegal immigration—but there are few enlightened external European policies.

History teaches us that leadership in any era is provided by emerging powers. For example, when America replaced the UK as the world's leading power, it moved naturally to providing global leadership. By the same logic, China should eventually take over the mantle of global leadership

from America. In its own way, it is providing global inspiration, if not leadership. There is a sense of despair about the prospect of development in parts of Africa, Latin America, and the Islamic world. Their contacts with the West have only damaged their self-confidence. By contrast, the rise of China from abject poverty to successful modernization has been inspirational for them. China is also developing the most robustly self-confident society of any major power today. However, to provide global leadership, it will have to overcome one of its natural tendencies to remain insular. For much of its history, Chinese civilization saw no reason to engage the world. China today lacks a vision for the world. The Chinese mind has always focused on developing Chinese civilization, not developing global civilization. China today is willing to be a responsible stakeholder in the global order, but it shows little interest in leading the creation of a new global order. The Chinese leaders are also acutely aware that it will take China several more decades before it eliminates its rural poverty. Holding China together as a country and as a political entity will be a big enough challenge in this period of rapid change and development. Given these overwhelming domestic concerns, the Chinese leaders have little appetite to lead the world. For sound geopolitical reasons, they would also like to avoid making Americans fear that they are about to lose global leadership. Deng Xiaoping, in his famous twenty-eight characters, had said, “Be good at keeping a low profile.”

Unlike Chinese leadership, Indian leadership is more cosmopolitan. The Indian elite who attend the annual Davos meetings feel very much at home. Most of the leading Indian elites have been trained in the best Western universities, especially in America. They speak English with ease, and they have developed strong personal networks with Western elites in the media, academic, business and financial communities.

At a time when many in the West are convinced that the West cannot coexist in peace with the Islamic world, India’s example—though imperfect—is better than almost any other. With the growing cultural distance between the West and the East, India is likely to once again resume its natural role as the meeting point for the great civilizations.

However, India, in terms of national strength, is by far the weakest of the four. The size of its GNP is merely US\$800 billion compared to US\$12,448 billion for the United States, US\$13,386 billion for the EU, and US\$2,245 billion for China.¹⁴ It also has a typical profile of a developing country, with huge pools of poverty (with more people living on less than \$1 a day than all of Africa), huge developmental challenges, and many other pressing domestic and regional concerns. It has the advantage of a well-established democracy, although recent elections have resulted in weak and fractured coalition governments. Indian leaders, like Chinese leaders, have a lot to preoccupy them at home.

If neither America nor Europe nor China nor India can provide global leadership, are we lost? Since pessimism is very much in vogue in many learned circles in the West, it is vital to emphasize one important optimistic truth: by any standards, the world is a much better place in 2008 than it was in 1945. Far more people in the world wake up feeling optimistic about the future than ever

¹⁴ World Bank Development Indicators, World Bank, 2005.

before in human history. The main reason why history is moving in this positive trajectory is because many people all over the world have both the motivation and the capacity to learn and implement best practices from other societies. We have also discovered that in many areas we do not need to reinvent the wheel. If we have found the right principles to develop social order domestically, why not try to apply them globally?

Expert Report United Kingdom

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Abstract

In his expert report, Ian Kearns discusses power shift and its consequences, arguing that states increasingly lose the power to control the environment in which they exist. For Kearns, the UK as well as the EU are still insufficiently prepared in some areas and issues. Moreover, he argues that it is no longer realistic to simply expect emerging powers to sign up to Western-led institutions and ways of doing politics. Rather, a genuine and new form of strategic partnership between the US, the EU, China and India along with other leading states will prove indispensable.

About the author

Ian Kearns is the Deputy Chair of the independent Commission on National Security in the 21st Century. He has over 20 years of experience working on foreign and security policy and has been published on a wide range of issues including Britain's 'special relationship with the US', nuclear non-proliferation, the enlargement of the European Union, conflict in former Yugoslavia, and the security situation in Northern Ireland. He is former Director of the Graduate Programme in International Studies at the University of Sheffield and is a regular media commentator. Recent appearances include the Today Programme, The Politics Show, Sky News, Channel 4 News, and BBC World Television.

1. What are the essential issues/problems/challenges of the globalized world that require a political response and action? Please differentiate internal/external response and short term, medium term and long term issues.

Globalization and its Effects: The Issue Agenda

The world is becoming globalized for at least two reasons. First, because in a very real sense the earth's environmental system is a single global system that must be nurtured and managed collectively at the global level. Second, because of the unfolding phenomenon of globalization, defined here and for the purposes of this paper as the process by which states and communities are becoming economically, socially, and culturally more interconnected. This process, much of it facilitated by the decision to deregulate financial markets from the 1980s onwards, by advances in information and communications technology, and by declining international transportation costs, has brought enormous economic and cultural benefits but also a destabilizing shift of power between actors in the international system. In the material below, I map some of the features of power shift and set out some of the issues and challenges emerging for policy-makers as a result.¹

Power Shift as Vulnerability Interdependence

First, globalization driven power shift is visible in an unintentional and unplanned increase in the level of vulnerability interdependence between states. This vulnerability interdependence is different for each state, depending upon the specifics of its relationship to the wider world economy, but on a number of fronts in practice it means a shift of power to control events and manage risks away from individual states acting alone and toward groupings of states acting together.

Example issues include the current global financial crisis which largely started in the US but has impacted the entire world economy; climate change, which will have localized and disastrous consequences in many parts of the world irrespective of the geographic source of the greenhouse gas emissions causing it; the potential for global pandemics which even if emerging in one part of the world, will be spread at extraordinarily high speed to others due to global people movement on an unprecedented scale.

Power Shift to Non-State Actors

A second dimension of power shift concerns a shift of power from state to non-state actors. At the international level, this is visible in the growth in numbers of non-governmental organizations, in the scale of resources available to many transnational corporations, in the expanded activities of transnational organized criminal networks and in the growth of transnational terrorism. The latter two types of transnational actor have quickly discovered that the transnational space is a global space, largely unregulated, where the rule of law is either weak or non-existent and a place therefore where they can operate with a reasonable prospect of impunity. Both also are a direct product of underlying processes of globalization. Criminal groups, for example, have been able to

¹ I develop this notion of power shift at greater length in Ian Kearns and Ken Gude, *The New Front Line: Security in a Changing World*, Institute for Public Policy Research, 2008.

use globalized communications and transportation to broaden and diversify their operations into cross-border intellectual property crime (such as counterfeiting and piracy), and the trafficking of people, money, arms and drugs. They have frequently, in the process, exploited and contributed to the growing problems of weak and failing states. Terrorist groups have, meanwhile, emerged as a long-term structural challenge both because of their potential access to increasingly destructive and dangerous technologies (particularly CBRN), via both legal and illicit cross-border markets and because of the advantages now bestowed on them by digital technology and global communications. The latter, via networked communications, have amplified the voice, extended the organizational reach, and enhanced the law enforcement evasion capabilities of terrorist groups. As a result of all of the above, transnational crime and terrorism are no passing fads but will be on the international issue agenda, as downsides of globalization, for the long term.

Power Shift between States

The third dimension of power-shift relates to a profound shift of relative power within and among the community of states. At the state level, we are witnessing a massive and historic shift of power from the Atlantic seaboard to Asia and the Pacific, with China and India in particular benefiting from the integration of global markets and their emerging role within them. Projected demographic changes over the next 4 decades will reinforce this trend. According to the UN, out of a projected world population of 9.2 billion in 2050, only 1.25 billion will live in states currently classed as developed. Europe and the US will cease to be the pivotal regions in the world economy as a result, and whereas in 1950, the population of Africa was just a third of the size of the population in Europe; in 2050 it will be three times its size (Chamie 2007).

However, the rise of India and China has in turn transformed global fossil fuel energy markets and this itself is having a profound and power redistributing effect. Russia has been one clear beneficiary and, as recent events such as the invasion of Georgia, the temporary cutting off of gas supplies to Ukraine, and the decision to resume long range strategic bomber patrols have shown, is becoming more assertive as a result. Other states and regions are increasing in importance too as energy markets tighten and since exportable oil and gas reserves are concentrated in only a relatively small number of locations. The Caspian Sea region, former Soviet central Asia, and countries such as Iran, Qatar, Nigeria and Libya are all in this category. Financial power is also flowing to new locations and especially into the sovereign wealth funds of many energy exporting states. Despite the lack of transparency about the total assets held by these funds, analysts have determined that the seven largest are owned by the governments of the UAE, Saudi Arabia, Singapore, Kuwait, China, and Norway. Between them, these funds have more than US\$1,810 billion to invest, and they have been growing faster than the world economy as a whole (Standard Chartered 2007).

Power shift between states on this scale is surfacing a number of important issues. Globally, it is transforming the structure of the international state system from unipolar US dominance to something more akin to multi-polarity. This is raising question marks over how best to manage the changing global order and over the legitimacy and effectiveness of institutions such as the UN Security Council and the G8. It is also beginning to fracture the pro-globalization political consensus in many western countries that have grown used to seeing globalization as a one way

street in which the western economies are in control. The result of this could be growing protectionism of the kind that is already surfacing in Democratic circles in the United States.

Regionally within Europe, power shift as described is raising big question marks over the suitability of existing European security architectures and about the EU and NATO relationship with an energy rich and more assertive Russia. More widely, serious question marks are being asked about the security of energy supplies to the EU as global markets not only tighten but also become subject to potentially higher levels of instability.

Beyond that, power shift is raising the prospect of old style competition and conflict between states. Some of this relates to competition over resources in places like Africa and central Asia, some of it to nuclear proliferation (where Iran's nuclear program is part of a wider push to alter the balance of power in the Middle East and may yet trigger a new nuclear arms race in the region), and some of it to emerging competition in outer space (IISS 2008: 74).

The Overall Challenge of Globalization

Despite the backdrop of trends and issues just outlined, it is also important not to miss a deeper and more significant pattern in what is going on. To some extent and in relative terms, the environment described above is one in which state institutions are losing their power to control the environments in which they exist. Power has moved to new locations in the international system and the mechanisms of state power and control have not adequately moved or adapted with it. This is evident in the rise of non-state actors, in the potential end to state monopolization of weapons of mass destruction, in the reduced capacity of individual states to deliver their own security in a world of interdependence, and in the proliferation of ungoverned spaces in the international system. State actors have literally lost primary control of some territories and environments as the earlier mentioning of weak, failed and failing states makes clear. On some issues moreover, such as climate change, where we have not yet been able to construct effective multilateral governance frameworks, there is even a question mark over the current capacity of the entire community of states, acting collectively, to deliver what is necessary for security. Consistent with this development, it follows that no individual state or government, no matter how preponderant, has the power to shape its environment without the help of others. We now live in a world of shared destinies in which insecurities or policy failings in one part of the system quickly generate policy problems and insecurities in others. The basic reality of what we have just witnessed in the global financial system applies to the wider international and security environment too. In this environment, we rely on each other for security, well-being and prosperity and these goals must either be common to all individuals, communities and states or they will not likely be delivered for any.

Required Response

To respond to this set of circumstances we must first recognize that the core challenge facing us is how best to extend our mechanisms of governance to re-exert a measure of state influence and control over the global space. In attempting to do this moreover, we need to absorb an important lesson about the attributes of influence in the modern world. It is not just that power itself has become more widely diffused among actors in the international environment or that the range of

issues and drivers has become more varied and complex, but that what is required to have influence over that environment has changed too. This is partly about a wider range of policy instruments being relevant to policy today and partly about successful influence requiring a distributed and coordinated response across a wide range of actors. This distributed response is a necessity in a system that has many centres of power and a high level of interdependence and this realization itself implies the need for a collaborative approach to the management of a globalized world.

To challenge the assumption in the question asked moreover, this is not simply about internal and external responses. In the environment described, it is less and less useful to think in terms of a divide between internal response and external response. Issues require a simultaneous multi-level and multi-actor response at a number of levels from the local to the global. Some of this is captured in the issue and actor table attached to this document (Table 1). There is benefit in approaching the challenge issue by issue rather than actor by actor, and the challenge is to coordinate and effectively lock together the responses of a wide range of actors that are relevant to any particular issue.

This is also suggestive of important skills and capacities that are required within states. For example, the ability within states to project manage and integrate the contribution of many parts of the government and non-government machine increases in importance in this environment, as does the national capacity to dock national efforts with those of international partners. Most states, even wealthy developed ones, lack these capacities.

In a context with so many drivers and in which so many potential issues are important, it is also advisable not to think of strategy in the form of a relatively fixed list of priorities. A key requirement of any strategy in current circumstances is flexibility and responses and investments must be directed at capacities and capabilities that could be useful in more than one circumstance. That said some issues have only finite windows of opportunity within which they can be addressed and some have the potential to seriously multiply negative outcomes in the system as a whole. Climate change is both of these, and both for short term action and because of its long term consequences, responding to it must be a high priority for all.

2. Which important interests of your country/region are promoted by globalization, which are currently neglected or frustrated in the process of globalization?

Writing from a UK perspective, globalization has been good for the economy overall, with the UK increasingly importing manufactured goods and exporting value added services. London as a global financial centre has, until recently, thrived in the context of globalization and the city has in addition served as a global hub for people movement in a world of people movement on an unprecedented scale. The UK, as an open, multicultural and increasingly diverse society has also benefited enormously in cultural terms from globalization.

However, several important consequences of globalization have been neglected. Domestically, the openness of the UK to immigration and to competition from states and regions with lower paid work-forces has caused resentment among some sections of the population, particularly at the lower paid end of the jobs market. As the global recession takes hold, this has the potential to grow into political pressure for less off-shoring of jobs, more protectionist measures, and for tougher approaches to the issue of immigration. Immigration at domestic level has already been enormously contentious not only because of its impact on the jobs market but also because of increased pressure on public services (health and education in particular) in some localities. The result has been an already toughened UK policy on immigration over the last 12 months with a shift to a points based qualification system for non-EU entrants.

At global level, the financial crisis has demonstrated what happens in a world where economies and societies become deeply interdependent without an accompanying growth in cross-border regulatory regimes. However, there are a number of other neglected areas and issues for which the international community, the UK and the EU remain insufficiently prepared.

At both UK and wider EU level one of these is energy security. The EU as a whole and the UK in particular is becoming more exposed to international energy markets and their effects just as these markets are moving from a long period of stability and low prices to one of instability and high prices, not only for oil and gas, but also for coal. One important trend related to this is that production not only in the UK but also in other OECD countries, including the US and Norway, has been in long-term decline. Oil and gas production will in future therefore be increasingly concentrated in non-OECD countries, partly major OPEC players like Saudi Arabia, Iran and Kuwait, but also countries like Russia, Azerbaijan, Nigeria and Sudan (EurActiv 2008; Horsnell 2008). This may mean sourcing energy from less politically stable regimes.

Another, related trend, as described above, is that after a long period of excess supply the world market for oil has become increasingly tight over the last five years partly as a result of growth in demand in Asia, a situation that is expected to continue over the long term, even if global recession eases the pressure in the immediate future (IEA 2008; Euractiv 2008). This picture is further complicated still by the fact that increases in demand and higher prices have not produced the expected increase in supply. Whether this is due to global oil reserves running out and production peaking as a result – the ‘peak oil’ hypothesis – is the subject of fierce debate between peak oil proponents (see Leggett 2005 and Simmons 2005) and sceptics (see Howell and Nakhle 2008). What is clear, however, is that the expected response of new investment in new exploration and expanded production in the oil markets is not functioning smoothly. Behind this is a long period of under-investment in refinery capacity. More fundamental still is a set of developments concerned with incentives for oil and gas producing countries. These producers appear increasingly unwilling to invest large sums in new exploration and increasing production if they think their markets may be undermined by energy saving and renewable energy shifts in European and American markets (see Ostrovsky and Daneshkhui 2006; Blas and Khalaf 2007). Another issue is that some producers, now relatively wealthy, intend to meet their expanding domestic consumption, but are increasingly disinterested in exporting to world markets (ippr 2008). The result is a global oil market

with low buffer stocks and prices that are highly sensitive to potential interruptions, whether geopolitical, such as attacks on installations in Iraq and Nigeria, or weather-related, such as hurricanes in the Gulf of Mexico. There is some evidence that this volatility has been further increased by the speculative activities of hedge funds (Allsop and Fattouh 2008). Most long-term gas supply contracts in the rest of Europe are also linked to oil prices so the general rise and volatility in oil prices is therefore transferred directly to gas markets as well. Some of these same factors – strong demand growth in Asia, together with investment lags and events disrupting production – have also started to appear in the global coal market, with prices rising sharply since mid-2007 (Lekander et al 2008).

In these circumstances, even without the added complication of climate change, energy insecurity is becoming both a source of possible international competition, a source of economic instability, and a point of major vulnerability for the UK and European economies (in the European context, vulnerability to Russian pressure in particular). Despite this, attempts to build cooperation between suppliers and consumers in the international energy order remain neglected and energy security strategy in the UK and wider EU remains neglected despite high dependence on unstable regional and global markets.

Beyond energy security, perhaps the most neglected area in current circumstances is that of global disease management and control. According to the World Health Organization (WHO), there are now nearly 40 diseases that were unknown a generation ago and in the last 5 years alone, the WHO has verified more than 1100 epidemic events worldwide. New diseases are now said to be emerging at the historically unprecedented rate of one per year (WHO 2007). These developments reflect a number of underlying factors, some medical (there is a notable trend to antimicrobial resistance), some to do with the pattern of human-animal interaction (humanity is increasingly encroaching onto previously uninhabited land, exposing itself to new animal populations and potentially to new sources of animal-borne disease), and some to do with globalization and increased urbanization. The cross-border and sometimes criminal trade in animals and animal related products is also thought to be a source of increased risk and, according to an official of the UN Food and Agriculture Organization, ‘much of the spread of HPAI (Highly Pathogenic Avian Influenza) can be attributed to trade in poultry and poultry products, particularly the informal trade’ (House of Lords 2008: 44).

The outbreak of SARS in 2003 confirmed what the emergence of a new or unfamiliar pathogen could do in these conditions and this is a pressing issue for the UK precisely because of its role as a global hub for people movement. Spreading from person to person, incubating for over a week, and mimicking the symptoms of many other less serious conditions while killing around 10 per cent of those infected, SARS was transported to four continents in just 24 hours by a very small number of infected people.

Concern is now shifting to the threat of a new influenza pandemic. Such a pandemic is considered a biological certainty, the only uncertainties being over the timing of the outbreak, the strain involved, and the severity of the outcome. The UK government recently published its first ever national risk register, defining an influenza pandemic as the number 1 risk to UK citizens and

noting the possibility of anything up to 750,000 fatalities depending on the severity of any outbreak. Internationally, for a reasonable projected infection rate of 1 per cent of the world's population, the WHO suggests a 5 per cent reduction in global GDP with subsequent GDP reductions for further increases in the infection rate. Should such an outbreak occur in the next 18 months, it could turn a serious recession into a global depression. Despite the seriousness of this situation, the global regimes to manage a rapid spread of infectious disease are if anything in even worse shape than the global financial regulatory regime that most now agree was woefully inadequate to prevent the current financial crisis.

Beyond this, there is neglect of real cross-border cooperation on issues such as transnational crime, cyber-security and terrorism. Each of these has the potential to impact directly and seriously on UK and European society. To take transnational crime as a further example, a recent threat assessment from the Serious Organized Crime Agency (SOCA) in the UK estimated its overall cost to the UK economy (including the cost of tackling it), to be more than £20 billion a year (SOCA 2008: 5). The criminal activity in question comes in a number of different forms. Drug trafficking, although disrupted with some success in the UK and abroad, is thought to feed an illicit market in the UK that is worth between £4 billion and £6.6 billion (SOCA 2008: 32). The UK also has a serious issue in relation to arms trafficking, particularly the trafficking of small arms and light weapons. These often come from conflict-prone regions or from states where law enforcement is weak and organized crime strong. Small arms seized at UK entry points in recent years have originated from a number of different countries, including but not limited to Albania, Bosnia-Herzegovina, Bulgaria, Croatia and Lithuania, and are increasingly being smuggled in relatively large batches of up to 30 weapons at a time by crime gangs based in these countries. Inside the UK, London, Manchester, Birmingham and Liverpool serve as hubs for criminal supply and distribution of these weapons, accounting for the fact that over half of all recorded gun crimes occur in the Metropolitan Police District of London, Greater Manchester and the West Midlands (SOCA 2008: 20).

Organized human trafficking and people smuggling add further to this mix. The UK is an attractive destination for those wishing to enter the country legitimately for the purpose of work or study. However, the 'pull factors' which encourage legal migration – a strong economy and range of employment opportunities, the UK's extensive state support system and diverse population – also appeal to illegal migrants. Transnational Organized Crime groups have been quick to exploit this opportunity, and organized immigration crime is now a serious problem for the UK, with some estimating that it is costing the country around £3 billion a year in lost revenues (Eads 2006). Human trafficking is a concern in the UK for two primary reasons. First, because of its impact both on the individual victims (who are often smuggled into the country for the purpose of sexual exploitation from the Balkans, China, South-East Asia and Africa) and its corrosive impact on our communities. Second, because people smuggling² on a large scale has the potential to undermine trust in the UK immigration system and to create a draw-bridge mentality among indigenous people. This, in turn, if not properly handled, could come to undermine our openness as a country and to threaten the benefits we accrue through being an open and integrated player in the modern

² Defined here as the facilitation of the illegal entry of a person into a state of which the person is not a national or permanent resident in order to obtain, directly or indirectly, a financial or other material benefit (SOCA 2008).

global economy. There are also concerns that transnational criminal gangs collaborate with terrorists, which if true, would be a deeply concerning development making transnational crime a threat to national security of the very first order.

Again, despite cross-border cooperation between law enforcement and intelligence services at the operational level on issues such as this, operational cooperation often takes place in spite of agreed legal protocols and regimes rather than because of them. Compared to the resources and focus given to traditional domestic policing, transnational cooperation to fight criminals who have long since understood the benefits of seizing on and using globalization for their own purposes is limited.

In short then, robust, effective and legitimate forms of multilateral cooperation have been neglected as globalization has developed and increasingly this weakness is affecting UK and EU interests negatively. This will continue if it is not tackled more effectively.

3. What are the preferred instruments of managing a globalized world? What role for structured multilateralism (such as UN), what role for structured regionalism (such as EU and ASEAN)?

Structured multilateralism is needed but it is not a choice as to whether this comes at global or regional level. We need both, and more besides.

At global level, we need reform of institutions such as the UN (and the UN Security Council in particular), to take account of the changing realities of global power. The recent meeting of the twenty most influential economic powers (the G20) in Washington to address the global financial crisis and coming global recession is a sign of things to come on this front, as the reality of those who can influence outcomes clashes with an existing institutional landscape designed for another era.

It would be a mistake however, to rely solely on global institutions. Reforming some of them is likely to be politically difficult and to take a long time. In this context there is also a strong need for regional organizations that can become important stabilizers in their own regions, and can become effective implementers of some decisions taken at global level. In the European region, NATO needs to adapt to the new circumstances to play a more effective role, and the European Union needs to take on more responsibility in and around its own regional neighborhood. Both NATO and the EU also need to do much more to support other regional bodies under pressure, such as the African Union.

Beyond global and regional institutions however, we also need a strong focus on functional cooperation on specific issues and some of this needs to be focused on creating new treaties among willing parties, some of it on shoring up existing treaties, and some of it on creating new arrangements and potentially new institutions.

For example, there is a need for a Global Compact on Infectious Disease. This would be a new treaty designed to deliver a number of internationally coordinated bio-security advances including:

- The creation of a network of research centers aimed at the carrying out of fundamental research on infectious diseases;
- Improved data and knowledge sharing from research and bio-surveillance activities around the world;
- The harmonization of national standards, regulatory practices, and best laboratory practices;
- A major expansion in the production of important drugs and vaccines (see House of Lords 2008: 375-379).

There is a need to shore up and strengthen the multilateral regime related to nuclear non proliferation. This is essential ahead of the NPT Review Conference in 2010 and, in particular it is essential that the P-5 nuclear states agree a positive position ahead of that summit to avert a failure even greater in scale and consequence than the one endured in 2005.

There is a need to create a new mechanism of cooperation on global energy supply and demand to ensure that all states have their energy needs met without competition for energy resulting in open conflict.

Finally, as indicated in the previous section, there is a need for more effective cross-border collaboration on issue such as transnational crime.

It is also important to understand the relevance of issue linkage when considering the requirements of effective multilateralism. If we do not for example, ensure cooperation rather than competition and possible conflict over issues such as energy supply, the negative sentiment flowing from this could de-rail and overwhelm attempts to create cooperation on other issues elsewhere (whether on global institutional reform, nuclear non-proliferation and/or climate change). We need therefore multiple tracks of multilateralism pursued simultaneously, not a false choice between the different approaches.

4. Should governance of a globalized world be based on general or universal principles? If so, which ones?

We need a pragmatic approach to this and it would be a mistake to make the governance arrangements we need conditional upon acceptance of a core set of (primarily western) values. Where some principles have universal reach (in the sense that they have been agreed to by virtually all states), there is case for requiring all states to live up to their commitments. However, beyond this the foundational idea of multilateral governance at global level will need to be negotiated among the major powers. Certainly, it would be a mistake to pursue something such as a League of Democracies as an approach to the problem. This would be divisive and would fail to

carry the necessary political reach to be effective in a world in need of some genuinely global solutions.

The notion of responsible sovereignty has some merit in relation to this debate, though it might be better for western states to have it in mind implicitly rather than to use it explicitly when negotiating with others since other ideas, like 'the responsibility to protect', are viewed with suspicion in some capitals, especially in Asia. As an idea, responsible sovereignty would require states, whatever their internal political arrangements, to consider the international implications of any domestic actions they do or do not take.

5. Who should build the process of leading transnational governance?

There is not one answer to how this should best be pursued since, as indicated above, we need a variety of forms of cooperation at a number of different levels (global, regional, and issue specific).

However, in terms of global architecture and if we are to extend our governance mechanisms into the transnational and global space effectively for the long term, it is hard to see how this can happen without genuine and new forms of strategic partnership between the United States, the European Union, China, India and other leading states and actors in the international system. Partnerships will be necessary and should be sought with states with different systems of government to those in place in the West and Western powers will also need to be flexible: Given the scale of power shift now underway, it is no longer realistic simply to expect emerging powers to sign up to Western led institutions and ways of doing things. Non-western powers do not need to be invited into Western clubs but engaged in the building of institutions that address their needs and interests in return for their fulfilment of responsibilities entered into in negotiation. It is possible, in this regard, to make a strong case for a G14 or 15 that would include the current members of the G8 but go well beyond them to include China, Mexico, India, Brazil, South Africa, Turkey and Indonesia. Expansion beyond this would need to consider the involvement of countries like Nigeria and/or Egypt. With expansion must come changed agenda's and changed ways of working, as agreed by the group's membership.

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Appendix: Issue Terrain of a Globalized World

Level of Policy Action and Actors Involved

<u>Issue</u>	<u>Policy Challenge</u>	<u>Sub-National</u>	<u>UK National</u>	<u>UK Bilateral Relationships</u>	<u>Euro/Atlantic Regional</u>	<u>Global</u>
External Military Attack on the UK	Not an immediate threat. But obvious requirement to be ready for defense of national territory.		Armed Forces		NATO Alliance; EU	UN Security Council
International Institutional Reform	Ensure legitimacy and effectiveness of key institutions such as UN Security Council		FCO	Permanent 5 (UK, US, France, Russia, China) plus India and possibly Brazil	EU (possible EU seat on security council)	UN Secretary General; Security Council, specific UN agencies; G8
Terrorism	Understand challenge, and the radicalization process. Create policies to win hearts and minds; prevent attacks on UK soil (through intelligence work/policing/protection of UK borders; build domestic consensus around counter-terrorism strategy; combat the terrorism/organized crime interface.	Local Authorities (e.g. Preventing Political Extremism Pilots); Police Constabularies, including the Met; Police Community Tensions Teams; Community and Religious Groups; Individual Citizens.	Home Office; Cabinet Office; Intelligence Services; GCHQ; Serious and Organized Crime Agency; Border Police; Transport Police; Organizations Protecting Critical National Infrastructure; Armed Forces as well as to civil power.	United States and other allied countries (intelligence service cooperation). Intelligence sharing relationships with countries in the Middle East	EU Counter-terrorism strategy; Europol. EU diplomacy on Middle East Conflict; EU Policy on Turkish entry to the Union	Interpol; G8 Counter-Terrorism Cooperation.

<u>Issue</u>	<u>Policy Challenge</u>	<u>Sub-National</u>	<u>UK National</u>	<u>UK Bilateral Relationships</u>	<u>Euro/Atlantic Regional</u>	<u>Global</u>
Weak, Failed and Failing States	Eliminate terrorist safe havens; build governance capacity in other failed and failing states through development and climate change adaptation assistance, conflict prevention measures, peace-building, post conflict reconstruction.	UK based development and aid NGOs such as Oxfam, Save the Children	FCO; Armed Forces; Ministry of Defense (MoD); Department for International Development (DfID); Police		EU (Human Security Force?) NATO (as in Afghanistan)	UN Security Council; Other regional bodies, such as African Union, acting under UN mandates; G8; IMF/World Bank; World Trade Organization.
Humanitarian Intervention	Prevent genocide and human rights abuses; respond to emergency situations	UK based development and aid NGOs such as Oxfam, Save the Children	Armed Forces; MoD; DfID		EU; NATO	UN Security Council
WMD Proliferation	Prevent proliferation of nuclear, chemical, biological and radiological weapons to state or non-state actors.	Actors and institutions securing nuclear facilities and materials within the UK.	FCO/MOD work on counter-proliferation; Department for Business, Enterprise and Regulatory Reform (BERR).	With United States and Russia, to encourage denuclearization efforts.	EU nuclear exports control regime; EU counter proliferation efforts.	IAEA; Nuclear Non-Proliferation Treaty; Nuclear Suppliers Group; G8 Cooperative Threat Reduction Program; PSI.

<u>Issue</u>	<u>Policy Challenge</u>	<u>Sub-National</u>	<u>UK National</u>	<u>UK Bilateral Relationships</u>	<u>Euro/Atlantic Regional</u>	<u>Global</u>
Climate Change	Prevention of Further Global Warming through post-Kyoto global agreement; Adaptation to climate changes already inevitable, both for basic human survival and to ease conflict, migration and failed state pressures	Individual Businesses and Business groups; Local Authorities; energy consumers	Department for Environment Food and Rural Affairs (DEFRA), BERR, Environment Agency	United States, India, China	EU (Emissions Trading Scheme)	Kyoto Process; Intergovernmental Panel on Climate Change
Energy Security	Ensure security of supply, minimum exposure to unstable regions and climate change mitigation	Energy companies; energy consumers	DEFRA, BERR, FCO	With supplier countries (Norway, Russia, Nigeria, Algeria, Caspian Sea region and others)	EU	OPEC, International Energy Agency
Global Poverty	Reduce it and widen the circle of economic opportunity both for its own sake and to remove a key background factor to conflict and failed states.	UK based development, aid, and poverty reduction NGOs;	DfID, FCO, Treasury		EU (trade and aid policy)	World Bank/IMF/WTO; increasingly important private foundations

<u>Issue</u>	<u>Policy Challenge</u>	<u>Sub-National</u>	<u>UK National</u>	<u>UK Bilateral Relationships</u>	<u>Euro/Atlantic Regional</u>	<u>Global</u>
Socio-Economic Resilience	Protect critical national and international infrastructure from terrorist attacks, climate events and accidents; ensure strong emergency planning and preparedness; ensure strong business resilience and recovery.	Local authorities. Regional government offices. Private sector companies in key infrastructure sectors and throughout economy; community groups.	Cabinet Office Civil Contingencies Secretariat; Home Office; BERR; Confederation of British Industry /Institute of Directors.		EU coordination on CNI issues;	Global Corporations; UN (on some issues, such as space infrastructure).
Disease/Bio-Security	Prevent, contain and if necessary eliminate serious disease outbreak, whether occurring naturally, or as result of bio-terrorism.	Local authorities and local emergency services. Transport authorities. Local media.	Cabinet Office Civil Contingencies Secretariat; Health Protection Agency. Possibly the armed forces as aid to civil power. Border police. National media.	Forward activity in possible source countries, such as Vietnam and other countries in South East Asia	EU Public Health Coordination	World Health Organization
Transnational Organized Crime	To limit scale in overseas source countries; tighten UK border to make penetration of UK more difficult; Achieve prosecutions where possible.	Local communities; Police Constabularies, including the Met.	Home Office; Cabinet Office; Intelligence Services; Serious and Organized Crime Agency; Border Police; Transport Police. FCO for assistance on source country policy (e.g. in West Africa)	Arrangements with individual countries on extradition and joint investigation teams	Europol; EU for use of wider economic policy instruments aimed at tackling international corruption	Interpol

Expert Report USA

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Abstract

According to Carlos Pascual, short- and long-term issues of globalization cannot be considered independently from one another. Rather, the biggest challenge for transnational governance lies in the scale of the global agenda and the complexity and interconnectedness of individual issues. The degree to which the global community will succeed in managing essential problems—the war in Afghanistan and its consequences for terrorism or climate change and job loss—will depend on its ability to avoid treating them in isolation. In the following expert report, Carlos Pascual calls for a redefinition of global responsibilities in order to tackle the essential challenges of a globalized world.

About the author

Carlos Pascual is Vice President and Director of the Foreign Policy Studies Program (FPS) at the Brookings Institution. Mr. Pascual directs the FPS program and its centers based on four strategic priorities: relations with world powers, war and peace, countering transnational threats, and reshaping global and US institutions. FPS is the largest research program at Brookings with centers on China, Northeast Asia, the Middle East, and Europe. Mr. Pascual joined Brookings in 2006 after a 23 year career in the United States Department of State, National Security Council (NSC), and the United States Agency for International Development (USAID). Mr. Pascual served as Coordinator for Reconstruction and Stabilization at the US Department of State, where he led and organized US government planning to help stabilize and reconstruct societies in transition from conflict or civil strife. Prior to that, he was Coordinator for US Assistance to Europe and Eurasia (2003), where he oversaw regional and country assistance strategies to promote market-oriented and democratic states. From October 2000 until August 2003, Mr. Pascual served as US Ambassador to Ukraine. From July 1998 to January 2000, Mr. Pascual served as Special Assistant to the President and NSC Senior Director for Russia, Ukraine and Eurasia, and from 1995 to 1998 as Director for the same region. From 1983 to 1995, Mr. Pascual worked for USAID in Sudan, South Africa, and Mozambique and as Deputy Assistant Administrator for Europe and Eurasia.

1. What are the essential issues/problems/challenges of the globalized world that require a political response and action? Please differentiate internal/external response and short-term, medium-term, and long-term issues.

Day-to-day politics and a globalized world have become inextricably intertwined. The global economic recession has made clear that disease in the country with the world’s strongest financial system can lead to the collapse of capital markets in Europe, Russia and the Gulf. The threat of state failure in Afghanistan and its links to terror in Pakistan could undermine the global credibility of the United Nations, NATO and the United States to deal with terror. In China and India, the global debate on climate change has become central to a national quest to sustain jobs and retain political credibility without destroying the environment. Globalization is not just an abstract concept. We must take into account the nature of the interconnected and interdependent world in which we live in the way nations approach short-term crises, major shifts in geopolitical power, and global existential challenges.

Figure 1 below illustrates the nature of the challenges that will confront President Barack Obama from the first day of his presidency. Conventional wisdom would say that he cannot confront such a complex agenda at once. Yet what issue is to be dropped? Short-term crises, if ignored, create new structural realities that make them more difficult to resolve. Ignore the evolving roles of China, India and Russia, and thus ignore the key actors needed to address both short-term crises and global structural challenges. Defer the major global challenges of our time, and not only will that exacerbate some short-term crises – such as conflicts over land and water and regional competition over energy – but you also defer progress on acquiring the tools to prevent or resolve future crises.

Figure 1
The International Landscape
Day 1 of the Obama Presidency

CRISES	GEOPOLITICAL	GLOBAL
Iraq	China	Nuclear
Iran	India	Climate Change
Afghanistan	Africa	Terrorism
North Korea	Russia	Energy
Pakistan	Latin America	Peace and Conflict
Darfur	Turkey	Poverty and Financial Instability
	Trans-Atlantic	
	Asia-Pacific	

Thus, the first set of lessons in today’s globalized world: the very scale of the agenda is as much of a challenge as the individual problem that lay before us. The breadth and complexity of the

problems are inescapable. No nation can isolate itself from them. Any attempt to do so will result in being buffeted by the worst aspects of our global challenges without the capacity to manage the problems confronting us. No nation can solve such an agenda on its own. And that demands international cooperation. For the United States, this will mean redefining its understanding of leadership: not to dictate, but to mobilize others. For the rest of the world, it will mean taking up the challenge to lead in areas where other nations have the regional interest and capacity to do so. And especially for China and India, this global world will demand a degree of political engagement to find constructive solutions to which they are unaccustomed. If they want a stable international climate in which to prosper, they have to participate in creating it.

A second lesson is that short-term crises are not divorced from longer-term geopolitical and existential challenges. The war in Afghanistan will shape the perceptions of terrorists and potential insurgents of whether international powers can stand up to asymmetrical security challenges from renegade groups. Unlike states that generally must respond to citizen demands, terrorists and insurgents can base their strategies on disruption and dislocation, counting on time as their ally. Attempts to prevent Iran from acquiring a nuclear weapon may well shape the future of a global nuclear security regime. Successful negotiations may define the nature of a future regime and its provisions for nuclear fuel, reprocessing of spent fuel, inspections, testing and restrictions on the production of fissile material. A failure in these negotiations could render the current regime under the Nuclear Non-proliferation Treaty meaningless. Attempts to broker peace in the Middle East will determine whether Israel and the Arab states might unite in a wider cause to contain Iran's nuclear ambitions, and more constructively to forge a framework for peace and security in the Middle East that can change the zero sum dynamics of the region's politics.

None of these short-term crises can be tackled effectively without a shared perspective and cooperation between the United States and the EU, the two bodies that wield the vast majority of the world's economic and military power. The US-EU relationship will be defined not so much by the issues in Europe and the United States, but how they cooperate on the issues of the rest of the world. Russia is an indispensable player on all matters that have a nuclear dimension, from arms control to proliferation, particularly whether Russia chooses to restrain its weapons sales. China will factor centrally into negotiations on Iran given its commercial relations. For its own sake, Japan cannot afford to hide behind the mask of being a secondary political power with a strong economy – it must put its commercial relationships with Iran, China and India in the context of their implications for shaping global and regional systems of governance that promote accountability. And hence a third lesson: in a global world, orchestrating effective relations with all other major powers will determine our collective capacity to resolve short-term crises, as well as shape the global environment.

Books have been written on the pressing nature of the global and transnational problems of our time, and I indeed have just finished one.¹ Derived from these transnational realities, a fourth lesson is that long-term problems require immediate cooperation to shape behavior that does not

¹ The book, *Power and Responsibility: Building International Order in an Era of Transnational Threats*, by Bruce Jones, Carlos Pascual and Steve Stedman and published by Brookings Institution Press will be released in early February and outlines the creation of an international order that will promote global security prosperity for the next 50 years.

make these problems worse. Economic prosperity is not just a long-term challenge, but an immediate crisis in the midst of a recession that is only starting to bite at the end of 2008 and will create more poverty across the world. In the industrialized and emerging economies, there is a risk that economic hardship will spark protectionism – the opposite of what is needed to grow out of this crisis. And that would only entrench further the poverty of the poorest states that cannot get access to global markets and capital. Climate change cannot be ignored because every year the energy investments we make contribute to the structural realities that will define our ability to control emissions over the coming decades. As the IPCC has underscored, global emissions need to peak in 2015 in order to create a viable path for emission reductions through 2050 that avoids massive flooding, drought, and disease with their consequent impacts on conflict and migration. The nuclear agenda takes on greater urgency as 30 new nations declare their intent to create some form of civilian nuclear program, increasing the risk of breach in the firewalls between civilian use and weaponization. Those firewalls need to be strengthened before the crises occur.

Perhaps the fifth lesson is also clear: all of these problems are inter-related. Failure to deal with one can make many or all of the others worse. Efforts in one area can prove feckless if critical interrelationships with other problems remain unaddressed. Yet it is also possible to use progress in one or several areas to build momentum to solve other problems. For example, counterterrorism efforts focused around building intelligence and police capacity could have little impact if poverty continues to create disaffection among those who cannot find jobs and send their children to school. But conversely, major efforts to create new jobs and provide basic services to the urban poor can create an environment where they will no longer harbor terrorist elements. Or, in another case, a successful peace initiative in Darfur could fall apart if there is no strategy to deal with the land and water scarcities underlying the conflict. However, a sustained initiative on how to work out rights to scarce resources in Darfur could not only nurture peace, it would make it far easier to deploy peacekeepers and feed displaced populations. Part of the challenge to work successfully on problems rooted in globalization will be whether we can avoid treating them in isolation.

Of course, these lessons impose an impossible management challenge. The risk is to say that all issues are interconnected to all others, and if you do not fix them all, then none can be resolved. That will lead to stalemate. But if nations and leaders can recognize the complexity, diversity and inescapability of the agenda before them, and if they can share both leadership and the burdens associated with it, then perhaps a dynamic can be created in multiple fields where incremental progress starts to engender confidence. Few if any of the global problems before us will be solved with one political action. Success will depend on creating a new dynamic where progress leads to more progress, which reinforces efforts across sectors. That may seem like an impossible task, but the alternative of not taking on this nightmare of matrix management is to live with the nightmares that threaten our security and prosperity.

2. Which important interests of your country/region are promoted by globalization, which are currently neglected or frustrated in the process of globalization?

Globalization has become the most powerful driver of opportunities and threats in the international community. Global access to markets for capital, technology, and labor and for the sale of goods and services has generated unprecedented wealth, lifted hundreds of millions out of poverty in China and India, and driven unparalleled innovation. Yet the dark side of this transnational world has unleashed global warming, nuclear proliferation, vulnerability to disease, and a global economic recession. All of these issues are of critical interest to the United States. Further, the governance of these transnational forces must become a central concern of US policy, as it will determine whether the positive or dark side of globalization prevails.

In 2009, we can expect the United States to focus attention on the global financial crisis, and in particular the domestic roots of this crisis. Yet other issues will be part of the US agenda. The Obama Administration will need to formulate a position on transnational terrorism, particularly whether it moves beyond the Bush administration's fixation on a "global war on terror." International pressures and the Copenhagen Conference in December 2009 of the UN Framework Convention on Climate Change will force the US to take a position on global warming. The NPT review conference in May 2010 will drive a discussion on nuclear security. And the US will find that the management of short-term crises in Afghanistan/Pakistan, Iran, North Korea, the Middle East – and perhaps even Iraq – has each become a global issue.

The global financial crisis will challenge the United States to coordinate its domestic recovery strategies with the policies of other major economies. The G20 Economic Summit in November 2008 already reflected a new reality: the traditional world powers cannot solve this global problem without China, Korea, Australia, Brazil, India, Mexico, and the Gulf States. Other countries are financing the US bail out. The United States needs other centers of growth that will help lift the United States out of its recession. Moreover, other countries need the United States to succeed. A permanent collapse in US demand would devastate the largest driver of global growth. Even for those nations that might take perverse pleasure out of US misfortune – Russia, Venezuela, Iran – the American economic recession has hurt them as well.

The risk for the United States will be whether excessive fixation on the domestic aspects of the financial crisis will cause it to ignore some of its international dimensions. The greatest risk is protectionism. The United States needs international markets and capital to grow, but there will be a cry from dislocated workers to protect them from international competition. The domestic response to this problem should be American investments in new jobs, unemployment insurance, education, and infrastructure. But it may lead to populist reactions against trade that will, in the end, hurt American workers. Politicians will need to make the case that open markets combined with investments in a real American safety net are the best way to serve the interests of dislocated workers.

A second risk is American resistance to global efforts to reinvent the IMF and its role in setting global financial standards and maintaining oversight. Some will argue that the United States crisis is rooted in bad US policy, and therefore the United States should focus on domestic remedies. The need for domestic remedies is indisputable. Yet the United States must also consider how it reinforces the credibility of its actions, and how it seeks maximum protection from contagion that could emerge from other parts of the world. Both of these considerations demand a stronger, refocused IMF. The US would miss an opportunity if it does not take advantage of this opening for restructuring global governance.

A third risk is a fixation on economic strategies that ignores the world's poor. In a transnational world, poverty makes states weaker, and weak states are less able to contend with terrorism, conflict, disease and climate change. Moreover, these poor states will have even less chance to tap into global markets for capital and labor. International poverty may seem to some like a secondary issue, to be postponed until better economic times. Yet it is at the moment of global economic distress that the problems for the world's poor will become more acute and that the risks of instability and other transnational threats will increase. A \$50 billion "economic stimulus" for the world's poorest countries, in the context of a global Official Development Assistance budget of about \$105 billion annually could easily be shared by the G20, and would be just a fraction of the national stimulus investments in the US, EU or even China.

Even before Barack Obama takes office, global economic and financial challenges have replaced transnational terrorism as the main global issue on the American agenda. The end of November crises in Mumbai, however, underscored that attention to terrorism cannot diminish. The new administration would do well to transform its approach to terrorism, dropping the concept of a "global war," and focusing attention to its local dimensions and the capabilities to tackle them.

Emphasizing that global terrorism was rooted in Iraq cost the United States and efforts around the world to fight terrorism dearly. The United States took its eyes off the most critical issues in Afghanistan and Pakistan. In Pakistan, the US aligned itself with a discredited Pervez Musharraf, eroding the US image in Pakistan while linking the US with an inconsistent and failed set of policies. In Lebanon and North Africa, the United States found itself reacting to, not anticipating, the emergence of terrorist franchises linked to al Qaeda. The lesson to draw is that terrorism has localized roots with transnational links, not vice versa. To combat terrorism, one must first address the local dimensions. The tools are intelligence, law enforcement, jobs, and responsive governments. Even the American military surge in Iraq has demonstrated the fundamental requirement of local partners in Anbar province. Addressing the international connections to break the sharing of information, technology, and finance is also key – but as a complement to enhanced local capacity. International military action is the final and last resort.

The Obama Administration will bring climate change to an unprecedented level of prominence, but the economic recession will complicate the administration's capacity to act quickly. If there is a bright side to the economic recession it is that it will require a stimulus package in the US on the order of \$1 trillion. Well targeted, that could finance investments in energy efficiency and carbon-reduction technologies. The complication is that many such investments will not be sustainable

without a price on carbon or a tax on gasoline. Politicians will be hard pressed to argue for such measures if they increase electricity prices and potentially constrain growth in some sectors such as steel, aluminum, and automobiles. Quite simply, because the Bush Administration denied the reality of global warming for most of its term, the United States has not debated the economic and social impacts of a strong climate change policy. Doing so in the midst of a recession will not be easy or fast.

Deliberation in the US will clash with expectations for speed in the international community. Eyes are fixed on reaching a post-Kyoto climate agreement in Copenhagen, but the United States is not likely to have a viable and domestically robust position before then. And if that is the case, pushing for a comprehensive package in Copenhagen could have one of two results: it defaults to the lowest common denominator and does not achieve the intended results, or the US cannot win its approval at home as was the case with the Kyoto Protocol.

Soon in 2009, international leaders will need to assess and guide expectations for Copenhagen. The worst case for all parties is that the conference explodes in conflict and destroys international momentum toward consensus. The ideal outcome is a robust and comprehensive solution. A fall back would be to set a goal for a comprehensive solution, but accept a staged process in two tracks. The first would be on investment in new technologies and disseminating energy-savings capabilities in developed and developing countries alike. Around this theme, it is possible to create consensus while stimulating near-term impacts on energy efficiency in emerging economies, on adaptation to the effects of global warming in vulnerable countries, and on the preservation of rainforests. Principles could be set to lead to agreement on a second track: specific measures to reduce emission recognizing that it will take time to agree on how countries can take “comparable but differentiated” approaches to price carbon and within what timeframe. For some, particularly in Europe, this may seem heretical. But a tactical delay could produce a more strategic and effective eventual outcome.

Finally, the US cannot divorce globalization from its short-term crisis agenda. This reality has emerged in the course of the Bush administration. Powerful as it is, the United States cannot achieve success acting alone in Iraq or as the dominant partner in Afghanistan and the Middle East. Yet American disengagement has also led to failures, notably at key stages during international negotiations with North Korea (2005-2006) and Iran (2004-2005). America’s role is vital to achieve successful outcomes. The United States cannot dictate the outcomes, and that will become even more poignant as the dispersion of global economic power continues. To be clear: the United State is not weak, but it is not dominant. American leadership will be crucial, but in a globalized world such leadership requires a new style and emphasis focused on sustainable outcomes through shared communities and action. The era of unilateralism is over.

3. What are the preferred instruments of managing a globalized world? What role for structured multilateralism (such as UN), what role for structured regionalism (such as EU or ASEAN)?

Transnational challenges currently confronting the international community are too complex to address through one simple set of institutional arrangements. Different problems will require different solutions that are tailored to the cause of the threat, the political actors that have the capacity for leverage, and the institutional actors that can make a fundamental difference in the implementation of solutions. The watchwords in such a system will be consistency, legitimacy, and capacity. If there is one thing we can say with certainty, it is that unilateral solutions will not work on most problems. The nature of the multilateral or regional solutions that are necessary to be effective will need to be crafted around the specific problems that the international community is seeking to address.

It is important to comment on the use of force. The divisions created by the US unilateral decision to invade Iraq in 2003 gave rise to a series of questions about the effectiveness of multilateral institutions. The perception created by George W. Bush, Donald Rumsfeld, and others in the Bush Administration was that the United Nations simply failed. In fact, the reverse is true. Members of the UN Security Council correctly assessed that Saddam Hussein did not have weapons of mass destruction, and they made a prudent recommendation to continue the process of inspections. Looking backward, we now must recognize that the United Nations Special Commission (UNSCOM) program in the 1990's had in fact eliminated Saddam Hussein's WMD programs. Nonetheless, the perception has lingered of UN failure on Iraq, and this perception has spread to taint general perceptions of the UN system.

Three points are important to make clear on the use of force. First, Article 51 of the UN Charter clearly states that nations have the right to use force in self-defense. No one has ever questioned the validity of this provision. Second, the principal questions on the use of force arise in circumstances when a country seeks to preempt an attack from another nation. Kofi Annan's high-level panel on threats, challenges, and change, *A More Secure World: Our Shared Responsibility*, addressed this question in 2004. It concluded that in such circumstances, the threatened country should bring the issue to the Security Council for discussion. If the Council determines that a threat is indeed imminent, the use of force can be authorized. If it is not perceived to be imminent, then the opportunity remains to consider other options. Third, it is important to consider the potential effectiveness of the use of force. Studies by the Brookings and Hoover Institutions both have concluded that the unilateral use of force for preemptive purposes is unlikely to be effective². Gone are the days when a targeted strike could settle most conflicts. Perhaps that might be the case if the target is a specific terrorist. However, for humanitarian interventions such as Darfur, a long-term presence is necessary in order to rebuild the society and protect innocent civilians. In Iraq and Afghanistan it has become clear that military conflict must be followed by long-term nation building.

² Details on the Hoover Institution and Stanford Institute for International Studies Preventive Force Conference, Menlo Park, Calif., May 25–27, 2005, available at www.hoover.org/research/conferences/3022291.html.

Such efforts will require 5-10 years and a multitude of participants. The United States has painfully seen that the unilateral use of force in such circumstances only makes it more difficult to build a multilateral coalition in support of stabilization and reconstruction. For both purposes of legitimacy and effectiveness, the experience of the past five years has demonstrated that nations are better off pursuing multilateral and regional solutions than if they apply force unilaterally.

More broadly, experience and research have both underscored that the most effective approach to transnational challenges is to formulate rule-based regimes, where the rules have wide legitimacy and institutions derive from the capabilities required to enforce this rule-based system. In Question 4, we will consider in greater detail the importance of a new principle, responsible sovereignty, and the development of such a rule-based system. To be effective, it must take into account the performance of multilateral and regional organizations, as well as the role of the private sector and nongovernmental organizations. On issues such as economic stability and climate change, the private sector and NGOs are bound to provide the bulk of international resources and analytic capabilities. If they are not fully incorporated into the ways in which our international systems function, we will not be able to obtain effective solutions that make the best use of all the assets we have to address these problems.

In such a rule-based system focused around transnational threats, nations will need to make investments, build effective institutions, and address specific challenges such as climate change, nuclear security, transnational terrorism, the eradication of poverty, and the promotion of peace and security. The roles of specific institutions can and should vary depending on the problem. For example, the United Nations may be the platform for international debate and negotiations on climate change. In addressing conflict, the UN will often be the coordinating body that brings together and organizes international actors. On poverty eradication, the UN might most effectively devote its attention to sustaining moral scrutiny on performance against the Millennium Development Goals.

The challenge will be to create the mechanisms to align major powers and strategies to most effectively address transnational threats. The G20 Economic Summit called by President Bush in November 2008 reflected that the G8 no longer has the capacity to leverage the skills and resources necessary to address major global problems. This was clearly the case in combating economic and financial instability. One can argue that it is equally true on climate change, non-proliferation, and transnational terrorism. The G8 will thus need to be replaced by a new grouping. In the work that I have done with Steve Stedman and Bruce Jones, we have proposed the creation of a G16 that starts with the G8 countries and adds the so-called Outreach 5 (China, India, Brazil, Mexico, South Africa), it includes the representation of major Muslim states (Indonesia and Turkey), and adds the participation of a major Arab or African country (Egypt or Nigeria). The principles for participation in this broader grouping should be geographic representation, population, economic power, and political capabilities to lead others in their region. It is possible to engage in endless debates over the right grouping of countries to include in an alignment of major powers. The more critical issue is to recognize that a wider representation of countries is needed in order to bring together the skills, resources, and legitimacy that are needed to address problems that do not recognize boundaries.

The role of this larger grouping of countries also needs to be redefined. The new G16 or G20 will not succeed if it believes that it can simply resolve all of the world's major problems on its own. The intent rather is for these leaders, their foreign ministers, their finance ministers, and other key officials to meet regularly in order to propose solutions to major transnational issues. These proposed solutions then need to be brought back to the relevant international bodies and voted on or adopted in practice based on the guidelines of the relevant institutions. Thus, proposals on climate change should be formulated by the G16 or G20 grouping that is organized within the UN Framework Convention on Climate Change and brought back to the UNFCCC for ratification and action. Proposals on reform of the IMF can be developed by the G16 or G20 executive directors within the IMF and then brought back to the IMF's full board of directors for action. A G16 or G20 body does not replace the UN Security Council or other multilateral institutions. Rather, its purpose is to help these institutions function more effectively.

The representation of the UN Security Council also needs to be addressed in order to enhance its legitimacy and effectiveness. The reason this matters is because the UN Security Council is the highest body in international law. Countries rightly question its legitimacy when major population groups, economic powers and contributors to the UN are excluded from its permanent decision-making body on issues related to peace and security. The question, however, is how to expand such a body without making its increased size become an obstacle to its effectiveness. Attempts to expand the Security Council in 2005 collapsed for a range of reasons, including a lack of clarity on the US position. However, this issue is much more complex than just a matter of US support. The European countries need to reach agreement on streamlining their representation. China and Japan must reach some accommodation on Japan's participation on the Security Council, and China's representation in a G+ grouping. Within Africa, there have been tensions over the appropriate representative for the bulk of sub-Saharan Africa. The path to expansion is not an easy one. It will require compromises across nations and within regions.

In my book with Stedman and Jones, we propose a three-stage process for this expansion of the Security Council. The first is to improve the quality of the debate within the Council by reducing the chances that one nation can simply block debate by threatening the use of its veto power. To do this, we propose that the Permanent Five representatives (China, United States, Russia, the United Kingdom, and France) voluntarily exercise restraint on the use of their veto power. In so doing, these countries would agree that a double veto is required in order to stop action on issues related to the use of force, the imposition of sanctions, or the deployment of peacekeeping missions. In this way, at least two countries would have to agree to remove an issue from effective Security Council consideration. Second, we propose the creation of an additional five seats to which countries would be elected to a period of 8-10 years. Countries would be selected on the basis of geographic representation, population, and contributions to the UN. This would allow for longer-term patterns of representation that would increase the stake of these participants in the work and deliberations of the Security Council. Third, based on success in this interim expansion, we propose that consideration be given to converting these interim seats into permanent Security Council representation. Perhaps this may seem like a drawn out process. We propose it, however, based on experience and consultations around the world on issues related to representation and

the effectiveness of the Security Council. Our experience has been that once nations get into the question of Security Council expansion, their deliberations suck all the political energy out of any debate on global challenges and transnational threats. This staged approach has at least the chance of moving nations forward without detracting attention from the key issues that have to be on the agenda of the international community.

The result of these institutional reforms to address transnational threats will resemble more a Rubik's cube of international institutions, rather than one simple set of mechanisms by which to address the world's global challenges. Perhaps this may seem overly complicated, yet at the same time it would seem consistent with the lessons we have learned from the private sector. Inevitably, solutions must be tailored to individual environments with strategies and capabilities tailored to address the challenges of that environment. The elements of such a system depend on negotiated rules to define the parameters for international obligations, consistency in the way countries administer these rules, legitimacy in the institutions that are created to carry out this rule-based system, and investments in capacity that make it possible for these institutions to function. Multilateralism à la carte is not an option. There must be a consistent pattern of international behavior with investments in institutions in order to secure their effective performance. However, if we expect one or a few institutions at a multilateral or regional level to solve all of these problems we will be deeply disappointed. Sustainable progress will require institutional networks, including the participation of the private sector and NGOs.

4. Should governance of a globalized world be based on general or universal principles? If so, which ones?

The world needs a universal principle to guide its governance. The one it currently has – one of Westphalian sovereignty, founded on the notion that borders are sacrosanct – is counterproductive for a world in which transnational threats do not recognize boundaries. In the *Audacity of Hope* Barack Obama writes:

When Truman, Acheson, Kennan, and Marshall sat down to design the architecture of the post-World War II order, their frame of reference was the competition between the great powers that had dominated the nineteenth and early twentieth centuries. In that world, America's greatest threats came from expansionist states like Nazi Germany or Soviet Russia, which could deploy large armies and powerful arsenals to invade key territories, restrict our access to critical resources, and dictate the terms of world trade. That world no longer exists.³

Unfortunately, a new universal principle has not taken hold to modernize the notion of international order. Both Presidents George H.W. Bush and Bill Clinton were sensitive to the need for a new international environment at the end of the Cold War. Bush (senior) was not in office long enough to do much about it. Clinton focused on the need for the integration of the Warsaw Pact and former Soviet states into new structures, leading to the expansion of NATO, the creation of the NATO-

Russia and NATO-Ukraine Councils, and the inclusion of Russia into the G8. China was eventually brought into the WTO, and there were other regional initiatives such as the APEC forum and the Summit of the Americas intended to create more effective means of governance. However, a new and coherent theme of international cooperation was never fully elaborated.

A comparable opportunity was missed after 9/11. The United States had unprecedented international sympathy to help lead consensus toward a new international order. But instead President George W. Bush's challenge -- that states were either "with us or against us" -- created a new divide since it was not clear what "with us" actually meant, particularly after the US invasion of Iraq in 2003. Even though most countries rejected the Bush characterization of a new order based on either support or opposition to the United States, others did not offer a new international vision.

This gap in the relevance of the guiding international principle that we have – Westphalian sovereignty – has taken on practical significance. As discussed in the previous questions, the economic and political forces in today's world do not abide by national boundaries. Globalization has millions out of poverty, created unprecedented global wealth, and stimulated the technological and business innovation that has produced phenomenal leaps in efficiency. Yet on the dark side of globalization are a financial crisis in the world's strongest economy that has spread into a global economic recession, terrorists who seek to acquire the capacity for nuclear and biological weapons, greater fragility in environmentally marginal areas, and conflict in places like Darfur that are rooted in competition for land and water. Multilateral and regional organizations need to reach across borders to manage such threats. Yet the very prospect of doing so creates a clash with the current guiding principle of universal order, and can render ineffectual the institutions created around the precept of Westphalian sovereignty.

A new universal principle for a globalized world, then, requires a new formulation of sovereignty. After extensive research and consultations around the world under the Managing Global Insecurity Project, Stedman, Jones and I have proposed a concept of responsible sovereignty that builds on the work of Francis Deng, a former African statesman and a scholar at the Brookings Institution in the 1990s. Responsible sovereignty has three dimensions:

- States must act responsible toward their people,
- States must be accountable for the domestic and international impacts of their actions,
- Strong states have a responsibility to build up weak states that seek to increase their capacity to uphold international obligations.

Importantly, the notion of sovereignty is still built around the behavior of nation states, but with an emphasis on accountability for national actions. This is not an idealistic notion. Rather it comes down to what some call playground realism: if you want others to be good to you, you have to treat them well. This is not advocacy for world government, but rather recognition that our ability to govern transnational threats requires the attention of most countries to achieve sustainable solutions. Moreover, no nation can isolate itself from threats such as climate change or global

³ Obama, Barack. *The Audacity of Hope: Thoughts on Reclaiming the American Dream*. Crown Publishers: New York:

financial contagion. Nations will find ways to step up to these challenges or be buffeted by them. This self interest gives the emergence of responsible sovereignty as a guiding principle a chance.

The challenge then becomes to define “responsibility.” This is where universal principle must be adapted to stimulate consensus on institutional investments and practical action. Stedman, Jones and I argue that responsible behavior needs to be negotiated among states around specific problems. Such negotiations should produce agreement upon rules on issues such as climate change, counter-terrorism, nonproliferation and financial regulation. States should define the rules for punishing those who do not act responsibly. Institutional requirements should then be based on the necessary capabilities to set standards, monitor performance and implement such a rule-based regime. NGOs and the private sector are necessary and critical allies. On climate change, for example, standards for reporting carbon emissions are emerging from businesses and NGOs that are driving companies and states to force such accountability. Moreover, once such tools are in place, they can be reinforced with positive incentives: for example, companies would have to comply with standards to report their emissions in order to compete for contracts with the multilateral development banks or for national defense contracts.

Defining “responsibility” around specific transnational issues will also lead to an obvious insight that is underappreciated. Institutions will play different roles depending on the problem that you are trying to solve. As argued above, the United Nations may play a central coordinating role on peacekeeping, it may provide a platform for negotiation on climate change, and it may mobilize international scrutiny on poverty eradication. Institutions and actors will be aligned according to needs and capabilities. Their roles will vary across problems. But on any given problem, states must negotiate a clear set of rules to foster consistency and predictability.

5. Who should lead the process of building transnational governance?

No one nation alone can bring about a new rule-based order. That will demand the cooperation of major powers, or at least the willingness of major powers not to block the emergence of a new international order based on responsible sovereignty. It also means that individual nations should exert leadership in areas where they have influence and expertise.

In the course of writing *Power and Responsibility* and the consultations that we undertook throughout the world, Stedman, Jones and I consistently heard a plea for renewed American leadership. At the very time when polls showed that majorities in most countries felt that the United States was too unilateral and tried to dictate outcomes, policymakers around the world recognized that it is not possible to produce a rule-based international order without the active participation of the United States; the US is too powerful economically and militarily. The global financial crisis also demonstrated the opposite: that a crippled United States hurts other nations, their economic prospects and their sense of security.

In order to lead effectively, our global consultations also underscored that the United States must commit itself to the rule of law internationally. Many argued that the rule of law is America's strength domestically, and they could not understand why the United States could not see this internationally. It was for this reason that nations called upon the United States to end torture, close Guantanamo, honor the Geneva Conventions and uphold the Convention on Torture. Doing so would play to American strengths and restore American moral authority for leadership. Yet this would be a new form of leadership: not where the United States dictates its view to others, but where it uses its authority and capacity to forge international partnerships and strengthen international institutions to produce results on challenges to security and prosperity that elude the capacity of any single nation to resolve.

China must also take a new perspective on its international responsibilities. It has become too big, powerful and significant to be a free rider on the investments that others make in global and regional security. On climate change, the roles of China and the United States are inextricably intertwined. Since 2000, China's energy demand has doubled, and it has accounted for one-third of the increase in global oil demand during this period.⁴ In 2005 and 2006 alone China's electricity generation increased by an amount equivalent to all the electricity required by the United Kingdom, and 85 percent of that electric power came from coal, the highest carbon-emitting fuel.⁵ By 2030 China alone will add the equivalent of the European Union (EU) in electricity generation.⁶ There can be no global solution on climate change without China's active participation. China will argue that without the US leading an effort to restrict its emissions and share its technology, Chinese leadership is senseless. The United States will argue that it will not surrender competitiveness to Chinese products by restricting its emissions if China will not do the same.

In the traditional security sphere, Chinese military and commercial leverage is particularly strong in Asia and the Middle East. China has started to face up to this role on North Korea, with its insistence to sustain the Six-Party Talks even when they were faltering. It saw that there was little alternative to a regional convergence of power to influence North Korea. Eventually China has come to support a UN mission in Darfur after years of early opposition. Iran will be another major challenge. If China is not willing to curtail its commercial engagement if Iran refuses full transparency on its nuclear program that ensures its civilian nature, then there can be no effective sanctions regime. This will drive the United States and perhaps others toward a military option, ill-conceived as that might be.

The European Union must continue to serve as a moral conscience to the rest of the international community. That is not to say that Europe has found perfection. Its inability to cope with the integration of Turkey is indicative of the phobias still alive within Europe. And Ireland's rejection of

⁴ See Karen A. Harbert, assistant secretary, Office of Policy and International Affairs, US Department of Energy, "China's Energy Consumption and Opportunities for US-China Cooperation to Address the Effects of China's Energy Use," statement before the US-China Economic and Security Review Commission, June 14, 2007, available at www.uscc.gov/hearings/2007hearings/written_testimonies/07_06_14_15wrts/07_06_14_harbert_statement.pdf.

⁵ IEA, "Projections of Chinese and World Energy Uses, 2025," *World Energy Outlook 2006* (IEA, 2007), available for purchase at www.worldenergyoutlook.org/: "China will have to add more than 1300 GW to its electricity generating capacity, which is more than the total installed capacity in the United States. China's per capita emissions reach European levels by 2030," p. 203. See also Harbert, "China's Energy Consumption," p. 2.

⁶ *Ibid.*

the Lisbon Treaty suggests that even a state that has vastly benefited from European subsidies can still question the very regional system that has enhanced its prosperity. Still, Europe is the world's most rule-based society. It has embraced the need to change lifestyles and radically curtail the use of fossil fuels to protect the planet. The willingness of countries to subjugate an element of their sovereignty to a European cause has brought unprecedented stability to a continent that regularly fell into war in the previous centuries. And with Europe being such a rule-based society, it stands to gain if other nations would abide by a rule-based system as well, even if it does not resemble the stringency of the European system.

We should note, of course, others who should take leadership in this new global equation. The leaders of the G16 or G20 nations have a responsibility given the dispersion of global power. They need to commit to finding solutions to global and regional problems and avoid the temptation on the part of some of retaining their role as global nay-sayers. The Secretary General of the United Nations must be willing to remind the international community constantly of its responsibilities. In the realm of poverty eradication, NGOs and the private sector have a critical role since private flows, from corporate partnerships to philanthropic activities, now amount to more than twice the level of global ODA. There is, in short, no simple answer to the imperative of leadership. As power is dispersed, nations and non-states actors must recognize that leadership will also be dispersed.

Finally, we should also consider the sensitivity of this current moment in global politics. A range of factors can facilitate a convergence of nations toward international cooperation: goodwill toward a new American president, Obama's recognition that American security is inseparable from global security, an emerging understanding that a crippled America is bad for the world, and a global economic crisis that has forced international cooperation. But economic hardship can also lead to protectionism as we saw with the July 2008 collapse of the Doha round. New coal plants every week in China and India are defining new realities on climate change, and North Korea and Iran are challenging the global nonproliferation regime. If nations do not take advantage of these converging factors, then in five to ten years, the challenges may be harder as new realities will have pushed countries apart, making it more difficult to establish the norms for responsible sovereignty. If ever there has been an imperative for leadership in the United States, Europe, China and the world's other major power centers, it is now.

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