

## Globalization's Consequences and Challenges for Governance

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SPEAK ABOUT THE post-cold war world, and before long the term “globalization” is sure to be mentioned. And for good reason. Although definitions vary, globalization does capture well the notion of a highly integrated world. This integration is not simply at the state level—something better described as interdependence—but something much more intimate and intrusive.

Globalization suggests a world in which a range of actors—not simply states but also international financial institutions, the United Nations, non-governmental organizations (NGOs), corporations, private investors, supplier groups intended to frustrate proliferation, alliances, media, criminal and drug cartels, and a host of other associations, arrangements, and institutions—coexist. Each actor both promotes its own agenda and is affected by the others.

For better or worse, it is more difficult than before for individuals to insulate themselves in such a world—one in which borders are increasingly open, be it to trade in goods and services, capital flows, people, disease, drugs, or information. This ability to move across boundaries can be authorized or illegal, welcomed or resisted—indeed, anything but eliminated.

Globalization in and of itself is neither good nor bad. It is a reality. The question for policymakers and others is where and how to facilitate it and where and how to regulate it. The issue is basic and touches virtually every aspect of international life.

As 1998 begins, what is most apparent is the gap between globalization as a phenomenon in its many facets and our collective ability to manage it. In principle, the management of globalization can take several forms, some of which follow.

The first, *laissez-faire*, constitutes not so much a form of active management as a view that globalization either can not or should not be consciously managed. Optimists argue that democracies and market economies are largely self-regulating. The problem is that there is no "invisible hand" to order the global political, economic, and military "marketplace," and that peace and prosperity won't simply come about naturally. Moreover, neither democracy nor capitalism is a panacea. As a result, the real question is not so much whether to regulate globalization but how.

Unilateralism, a second form of globalization, is an option available only to the United States, and then more in principle than in reality. This form of management would minimize and wherever possible exclude the participation of other governments and organizations. There are, however, considerable problems with a unilateral approach. It potentially reinforces a mode of activism that can easily be emulated and abused by others. In addition, American unilateralism will inevitably produce resistance, if not a backlash. In many areas, such as the allocation of radio and television spectrums or cooperation on global environmental problems, unilateralism is simply impractical. Most military campaigns require participation in one or another form from others. Similarly, sanctions and supplier clubs meant to stem proliferation by denying key technologies almost always require broad cooperation if they are to be effective. Increasingly, though, such U.S. dominance in the economic realm is rare, as others can provide comparable technologies, large markets, and substantial amounts of capital. As a result, American unilateralism is not an adequate response to the challenges produced by globalization.

Alliances, a third form, can contribute to order in the political and, above all, the military realm. NATO continues to tie the United States to Europe, thereby constituting a valuable bulwark against American isolationism and European parochialism. It also provides reassurance and a foreign policy framework for Germany, a central organization from which to draw forces and staff elements for operations in and around Europe, and insurance against uncertainty in the former Soviet Union.

Elsewhere, the U.S.–South Korean tie is robust, but only for a single contingency—to deter and if need be defend against the threat from North Korea. But even should the peninsula come to be reunified, there would

still be utility in maintaining a close U.S.–South Korean relationship and an American military presence on the peninsula as a mechanism for managing potential instability in Asia Pacific, to help avoid any reemergence of Korean-Japanese tensions, and to avoid “singularizing” Japan as the only country in the area still hosting a large number of American forces.

The U.S.-Japanese alliance is something else again. The end of the cold war does not alter the reality that this alliance continues to provide a useful umbrella for managing Japan's participation in the world, making it less necessary for it to become self-reliant in the defense realm, something that could set in motion a chain of events in the region that could prove costly and destabilizing. In this way, the American alliance with Japan performs a function similar to that with Germany. This alliance would get a new lease on life should war break out on the Korean peninsula or should a Chinese or Russian threat emerge. In the Persian Gulf, there is no prospect for a traditional alliance. The same holds for other regions.

The net result is that alliances can contribute only modestly to managing globalization. Groups of countries once sharing a common purpose now no longer do, or do so only in circumstances increasingly less common. Alliances require a large degree of predictability as regards threat and a large degree of commonality as regards priorities, and must stipulate what countries are willing to do for each other. Such agreement must exist long before an emergency situation actually arises so that the alliance can be formed and so that capacities can be developed. But it tends to be precisely these characteristics that are lacking in the current era.

Coalitions of the willing, a fourth form of globalization, are a more informal approach to multilateral governance. At its core is the idea of selected nation-states and other actors coalescing for narrowly defined tasks or purposes.

Examples of this approach are multiplying. The most famous case and in some ways the model for the idea were operations Desert Shield and Desert Storm. Such a coalition, albeit more narrow in basis, could prove the only way to deal with the threat posed by continued Iraqi noncompliance with its UN obligations.

Ad hoc coalitions are also popping up in the economic sphere. The Mexican bailout is an interesting case in that the Clinton administration lashed together in early 1995 an ad hoc coalition that included, in addition to the United States, the International Monetary Fund (IMF), the Bank for International Settlements, Canada, a consortium of Latin American governments, and private banks.

Diplomacy increasingly turns to informal coalitions. The Middle East and Bosnia are two examples. Yet another informal coalition was brought about by the October 1994 Agreed Framework between the United States and North Korea, which established the Korean Peninsula Energy Development Corporation, or KEDO. In the future, such coalitions could prove necessary to cope with a crisis in the Persian Gulf or over Taiwan.

Obviously, the informal coalition approach is not without significant drawbacks. By definition, such groups do not exist before a problem or crisis emerges. They offer no deterrent effect. They can suffer from a lack of clear political or legal authority and a means of financing. Still, coalitions of the willing constitute an approach to international engagement that reflects the basic personality and characteristics of the post-cold war world. This is a time in history when there are multiple great powers involved in relationships that resist clear definition and range from the cooperative to the competitive at the same time, in addition to a growing number of small and medium-sized sovereign entities, proliferating regional and international bodies, as well as NGOs; an increasing diffusion of power in all its forms; and new sorts of problems (or old problems on a new scale) for which institutions do not yet exist or which they are not prepared to handle.

Institutionalism is a fifth form of globalization. This approach to global governance would create international bodies and arrangements that meaningfully affect international relations in all spheres. Such proposals or charters differ in degree, that is, in the powers and capabilities that are either sought by or accorded to such institutions. Organizations can range from the relatively modest, promoting coordination where consensus exists, to the ambitious, acting even when some of its members do not concur.

In the security realm, this might involve creating a standing force responsible to the Security Council and, in some circumstances, to the secretary-general. Such a force could in theory be dispatched quickly to help prevent conflicts or (under Chapter VII of the UN Charter) to enforce Security Council resolutions. An expanded multilateralism of this sort could also seek to establish machinery (a strengthened International Court of Justice, for example) for resolving political disputes between states that in some instances would constitute binding arbitration, not just mediation. Economically, this form of multilateralism would require not simply rules regulating trade but also mandatory dispute settlement mechanisms and strict monetary coordination.

The advantage of such institutionalism is that it would put into place machinery for coping with a wide range of global problems, from classic aggression to failed states. But there are obvious difficulties with multilateralism of this sort. Although national sovereignty may be much battered, it is still strong, and few governments therefore would be prepared to cede to some agency (run by international civil servants) the independence they enjoy in the political, economic, and military realms. Moreover, even if there were some desire to do so, it would be an enormous task to create the needed capacities—they do not now exist in the security realm—to do the job. Indeed, given the proliferation of weaponry and conflicts and other forms of instability, the capacities of the United Nations are unlikely ever to be up to handling most of the challenges sure to arise in the post-cold war world. Most important, effective institutionalism requires widespread agreement among the major powers over what needs to be done in the world. Such agreement—tantamount to a “concert”—does not exist now and is unlikely to for the foreseeable future. To delegate such power to international institutions in the absence of such a concert is to invite inaction and its consequences. Proposals for expanding the composition of either the Group of Seven/Group of Eight or the UN Security Council risk complicating efforts to reach consensus.

Less unrealistic and potentially more desirable is a scaled-down version of such multilateralism, one that would still try to develop stronger and more independent international institutions but with limited powers and for narrow purposes. Such institutionalism tends to be most appealing and practical in relatively technical endeavors: peacekeeping and purely humanitarian operations come to mind. The same logic argues for international arrangements in such fields as transportation, communications, and both patent and copyright protection. It also applies to trade, where expanding the scope and coverage of the dispute-settlement mechanisms of the World Trade Organization would lubricate trade and help insulate bilateral relationships from disagreements. A strong code that would prohibit bribery would help, as well. The IMF and the World Bank are existing examples of effective institutions that act quasi-independently while at the same time reflect in voting decisions the sovereign concerns of and financial contributions made by member nations. Environmental arrangements by which states voluntarily agree to abide by certain standards or limits, such as on emissions, have the potential to be beneficial. The International Energy Agency provides a mechanism for sharing energy supplies during periods of shortage.

Yet another area of functioning institutionalism are so-called supplier groups—those coalitions of states that agree not to provide designated technologies or capabilities to selected states in order to slow said states' efforts to develop certain military capacities. Currently, there are supplier groups in the realms of nuclear, biological and chemical, and ballistic missile technologies. They operate much as cartels, with their effectiveness depending on the extent of their reach, i.e., what it is they sanction and whether there are nonmembers able and willing to provide what the cartel is not. As well, an improved International Atomic Energy Agency to cope with the challenge of nuclear proliferation would obviously be desirable.

Asia's recent currency and economic woes suggest a need for stricter requirements on the data that banks and governments must provide to the IMF, as well as for increasing the capacity of the IMF or some other institution to assist at times of near or actual economic crisis. Some regulation of global financial markets, including transfer taxes or reserve requirements that would discourage speculation and rapid, frequent shifts of funds in and out of markets, might be in order.

In conclusion, the regulation of international relations is desirable but difficult to achieve. Governments and populaces often resist limits being placed on their freedom of action. Some countries are unable or unwilling to fund existing or new international institutions. Some of those actors whose behavior is most destabilizing—drug and criminal cartels, rogue states, and corrupt banks—are those that most strongly resist joining institutions or abiding by their rules. Information is difficult to control. These factors suggest that there will be no institutional solution to the challenges of globalization. Instead, we can anticipate an imperfect and complex mix of regulatory responses that includes elements of all the approaches suggested here, including *laissez-faire*, U.S. unilateralism, alliances, coalitions, institutions, and other arrangements. The challenges for the international community will be to keep up with the pace of change and to find ways to cooperate on common concerns despite inevitable differences.