

Globalization's Challenge to Bad Governance

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GLOBALIZATION, IN ITS broadest sense, refers to a world with increasingly permeable borders open to a worldwide flow of money, goods, people, ideas, and information. But such a globalized world is not necessarily new. During the long history of colonialism, a few European powers created empires over which the sun never set. It was a world with almost no borders and thus a set of problems highly similar to those existing today. Huge waves of migration brought to the new world Europeans, who, in turn, brutally forced more than 10 million Africans to come to the Americas to work as slaves. Previously localized diseases, from syphilis to influenza, spread around the world, killing untold millions. New drugs assumed immense personal and thus economic and political importance, from tobacco (soon the major cash crop of North America) to opium (which caused the Opium Wars when European powers fought against Chinese efforts to restrict the drug's trade). Environmental degradation was rampant, from the loss of forests (such as in Spain, which needed wood to build ships) to the decimation of the North American prairies (where the buffalo was deliberately killed in order to deprive the natives of their livelihood). Financial resources flowed freely around the world, managed by a new class of powerful if shadowy figures such as the Fuggers in Germany (who handled the financial affairs of the Habsburg empire) or the Barings in London (who financed President Jefferson's purchase of Louisiana from Napoleon). Workers and peasants felt helpless under the

onslaught of foreign competition and the boom-and-bust cycles produced by internationally interdependent economies. Karl Marx exhorted the workers of the world to unite against the evils of uncontrolled international capitalism. Lenin opined that imperialism was the highest state of capitalism and predicted that it was eventually doomed to fail because of its inherent contradictions and the wars it would cause.

The world of colonialism and imperialism was not without its own efforts at global governance. Since the colonizing powers were Christian—and rationalized their rapaciousness by obligating themselves to rescue the heathen—the Catholic church played a major role as arbiter of disputes. Frequently as a result of large and lengthy international conferences, international law developed to set rules and to help competing powers settle their conflicts. Social and political movements that cut across national borders arose, devoted to abolishing abhorrent practices (such as slavery), to helping people in need (the task of the Red Cross), or to encouraging alternative forms of international governance (such as binding arbitration). International organizations took shape to manage functional problems such as the delivery of mail and the growth of telegraphy. But the outbreak of what would become World War I—a dreadful symptom of globalization—dispelled any hopes for a peaceful world based on global governance. Worse, perhaps, were the failed efforts afterwards to make the world safe for democracy and market economies—a failure that led to the worldwide depression and to the rise to popularity of ideologically extreme and terrifyingly totalitarian systems in the 1930s. Thus the stage was set for World War II and the subsequent cold war.

With the end of the cold war, brought about by the concomitant collapse of communism and the Soviet empire, the world seemed to change in fundamental ways from one day to the next. The threat of nuclear annihilation faded, ideological confrontations ebbed, borders opened up, and people, goods, and information began to flow freely. Globalization turned from being just a promise (which had, however, made significant real contributions to the collapse of the Soviet empire) into a reality. Some observers noted the emergence of a new world order, although it soon became apparent that a new world *disorder* was the more proximate danger. This led to renewed demands for global governance to deal with the problems caused by globalization.

But what makes globalization today different from the globalization of yesterday? One major difference surely is the much larger, and steadily increasing, number of actors in the international system today. Colonialism

and imperialism drastically reduced the number of independently self-governing entities that were in any meaningful way participants in an international system. Imperialist powers radically redrew maps in their own interests, creating artificial borders where none had existed before. Thus, they contributed to a new kind of nation-building, which was given added impetus by the application of such Western ideas as nationalism and national sovereignty. On the other hand, the movement toward self-determination was speeded along by the spread of the ideals of democracy. While Wilsonianism was largely a failure in 1919, it eventually came to fruition in national liberation movements after the end of World War II and again after the end of the cold war.

By now, it is evident that self-determination is a two-pronged process. First, a group of people believing themselves to be unique, usually on the basis of ethnic and/or linguistic characteristics, determines that it forms a "self." On the basis of that determination, the group aspires to control over its own affairs, to self-determination. That definition of self is greatly aided by increased levels of cross-border communication, on the one hand, which leads to a heightened awareness of uniqueness, and by the rationalizing processes of industrialization and bureaucratization, on the other, which emphasize the disadvantages of having to function in a language and a culture other than your own. In these ways, then, globalization of communication and industrialization contributes to fragmentation.

Globalization, particularly of trade and finance, also encourages fragmentation as it enables ever smaller countries to find comfortable niches in which to survive and prosper, as clearly demonstrated by Switzerland and Singapore. It is quite likely that this process of fragmentation, driven by the desire for self-determination, has not yet run its course. But while the number of participants in the international system has grown and may increase yet more, national sovereignty is no longer what it used to be. Globalization, almost by definition, has deprived nation-states of the power to determine their own affairs simply by maintaining control over physical borders, as in the past. This does not totally detract from the pleasures, presumed or real, of self-determination, however. Some sovereignty is better than none at all, especially as long as the international system is based on the principle of sovereignty, which treats every country as equal, in theory. But as individual governments lose control of popular support and legitimacy, the need for other, supranational forms of control, such as through global governance, becomes evident.

The question remains, however, whether such control can be (re)established, given the increasingly large number of participants and players in the international system; the sheer mass of rapidly increasing cross-border traffic of capital, goods, and information; and the means of evasion offered by modern technology. International financial flows are one obvious example of the issue of control. A similar example is offered by the movements of goods. Roughly 70 percent of world trade is intrafirm or intraindustry trade. Firms and industries operating as global players in their own right can easily evade most efforts at national regulation and control, not least because there is always some country ready to offer more advantageous conditions. Besides, if too much control were to be imposed, not only individual countries but also the world community as a whole would be deprived of the general benefits of expanding free trade.

The growing loss of national control due to the increasing porosity of borders is best exemplified by modern information technologies. Whereas in earlier times governments might have been able to maintain at least a modicum of control over the kind of information to which its citizens had access, that control has rapidly decreased owing to the growth of international telephony (roughly half of which consists of fax traffic) and the development of easy means of high-quality duplication capabilities. With the appearance of inexpensive personal computers and peripheral equipment such as printers and scanners, the free flow of information can hardly be contained any more. This movement toward a nearly total loss of control over information is now embodied in the Internet, used chiefly for the exchange of electronic mail and for information gathering on the World Wide Web. The growth of the Internet in terms of connectivity, users, and information offerings is likely to continue unabated at an almost exponential rate.

Because Internet access has by now become an absolute necessity for economic and scholarly intercourse, nations that attempt to limit Internet access do so at the risk of impeding economic growth and scientific advancement. Such is the price to be paid for protecting national sovereignty. Only a small number of states can and are willing to pay that price, because unless they have access to abundant natural resources, as do the oil-producing countries, they risk becoming another North Korea. Thus, the international standardization of communication and information will actually emerge as the highest common denominator prevailing on the Internet. Because of its relatively liberal stance on freedom of speech and information, as well as overwhelming dominance as a provider both of

information content and communication channels, the United States de facto sets the international standards. Considered in an international context, this hardly presents a problem for the United States. For other countries, however, the emergence of American "soft power" creates a challenge not only to national sovereignty but also increasingly to cultural identity.

One possible response to the challenges posed by globalization to national sovereignty, cultural identity, and economic competitiveness is to recombine fragmented units into larger regional entities that can as a result better resist unwelcome developments. To some extent, this is the declared goal of the European Union, but it also surely underlies other efforts at regional cooperation and integration such as MERCOSUR (South America's common market), the Association of Southeast Asian Nations, and the Asia-Pacific Economic Cooperation forum. One paradoxical result of globalization-induced fragmentation is thus the trend toward regionalism. Such regionalization implies the danger of trading blocs implementing increasingly protectionist policies. On the political side, regionalization may well result in the buildup of new international communities with distinctive characteristics, not least of which is the capability, as security communities, to handle internal affairs entirely peacefully.

Regionalization therefore can be seen as an important and welcome step toward global governance. For one, it reduces the problems caused by a constant increase in presumably sovereign participants in the international system. Importantly, regional cooperation teaches the habits, and the implied value, of working together toward a common goal. Finally, institutions of regional cooperation, for example, the Organization for Security and Cooperation in Europe, can serve as much-needed structural elements to support those international organizations already in place, above all the United Nations.

The UN organization embodies the central dilemma of a world caught between globalization and fragmentation. It is asked to do much, but lacks the support to do so, largely because major member countries such as the United States are in arrears paying their dues. The number of member states has nearly quadrupled since its founding, making the UN an increasingly complex and bureaucratic organization. It is easy to be critical of the UN by pointing out the work it has not done. But despite such criticism, and often unnoticed even by interested observers, is a substantial body of global governance handled by the UN system with its twenty-eight organizations and agencies, including the World Bank. The UN itself

proudly points out that more international law has been developed through the UN in the past five decades than in the entire previous history of mankind. Indeed, the process of globalization could not have proceeded to the extent it has without the helping hand of a governance system that allows the smooth functioning of many areas of international cooperation.

One could well argue that there is much more global governance currently in place than meets the (average) eye. And, of course, it does meet the eye occasionally in a major way, such as when the UN engages in international peacekeeping missions, comes to the rescue of refugees fleeing a civil war, or mobilizes multibillion dollar support programs for faltering economies. Much attention is also paid to huge international conferences, which seek to develop, for instance, the Law of the Seas, the protection of human rights, or a solution to global warming. The current system of global governance is already so large and pervasive that it defies any attempt at exhaustive description.

The two questions, then, are how much more global governance is really needed, and where. These are not easy questions to answer, not least because the very concept of governance is controversial and subject to terminological confusion. Are, for instance, the efforts of nongovernmental organizations (NGOs) at regulating narrowly defined functional areas (such as the Web on the Internet) part of global governance? If so, the rapidly spreading networks of NGOs substantially extend the definition of global governance. If not, should such responsibilities be taken out of the hands of NGOs, which operate without formal democratic legitimacy, and turned over to duly constituted bodies of international law and regulation? Furthermore, does the Jeffersonian prescription for good governance, namely, that government governs best that governs least, also apply to global governance? Should we leave the regulation of important areas of international public life, if such regulation is necessary at all, to the emerging international civil society or the invisible hands of markets, rather than impose the potentially heavy hand of some global governing body? Given the United States' present status as the world's sole military and economic superpower, no effort at global governance will be successful without U.S. support. In light of current American attitudes concerning government in general, and global governance in particular, this factor, too, argues for less rather than more formal global governance-building.

With much global governance already in place, what areas could benefit from additional international cooperation? The Commission on Global

Governance's call for a "common commitment to core values that all humanity could uphold: respect for life, liberty, justice and equity, mutual respect, caring, and integrity" is surely laudable, but hardly practical advice. To begin with, it ignores the basic question of whether securing these values is properly the task of global governance or individual governments. To follow this line of argument leads into extremely murky analytical, not to mention political, waters. For instance, to what extent should global governance pursue redistributive goals by lessening the worldwide gaps between rich and poor? Where, in such a search for justice and equity, is the point of counterproductivity where redistribution reduces economic growth and thus diminishes overall welfare (a question that surely haunted all former socialist countries and that is gradually being addressed by those countries with too comfortable a welfare system)? How realistic is such a goal, given the democratic nature of the richest countries, whose publics as of late have made it quite clear that they will not support significantly larger public outlays for the purpose of redistributing their wealth and income?

Cultural mutual respect is another difficult problem. Surely a potentially dangerous clash of civilizations should be prevented, but what are the limits of mutual respect and tolerance? The international community has always allowed for certain anthropological exceptions to otherwise taboo practices, clearly shown by a special interest in protecting the lifestyles of small native tribes in remote areas. But should, for instance, the international community tolerate the discrimination of women practiced in certain cultures and societies? The international women's movements and the growing campaign against routinely practiced female mutilation suggest that such tolerance may be wearing thin. Globalization tends to reduce the realm of anthropological exceptions, owing to the spread of competing values on the one hand and the growth of interested organizations exerting pressure for change on the other.

Many of the issues now on the agenda for global governance can be said to have originated from bad local governance. If so, this presents proponents of global governance with a mega-issue: spread good government and many problems could be solved, from terrorism to drug abuse, from poverty to bad health, and from environmental degradation to the threat of weapons of mass destruction. The problem of "rogue states," for instance, would almost by definition disappear if only all countries had better, that is, more responsible, governments. Even the problems of countries with economies in danger of collapse could be solved if certain

political changes were brought about, from more realistic accounting practices and less corruption to more budgetary and fiscal control. The International Monetary Fund (IMF) conditionality has long been a staple of global governance. It represents, in its own way, an effort at promoting better local governance for the benefit of affected polities as well as in the interest of the international community at large.

The IMF's most recent efforts to bail out Asian economies highlight two longstanding problems with global governance. On the one side, global governance of this kind has frequently amounted to a protection of sorts for bad governments, thus giving global governance a bad name. This applies not only to corrupt and authoritarian governments such as the Suharto regime in Indonesia, which will likely remain in power and the Suharto family in control of major economic assets despite the conditions imposed by the IMF. It also pertains to the banks and investment houses in the United States, Europe, and Japan that recklessly provided financing for projects that eventually turned sour. They, too, are now being rescued through an exercise of global governance. Why, critics ask, should the international community bear the costs incurred by irresponsible governments and private financiers? Should there not be a "moral hazard" for them, as well, forcing them to bear the political and financial consequences of their actions? Although a perfunctory answer can be given to such critics—i.e., the costs of a total collapse would be much larger than the immediate bailout costs—this remains unsatisfactory precisely because bad governance is neither punished enough (and thus deterred) nor rooted out sufficiently. Such dissatisfaction with a lack of accountability (clearly expressed, for instance, by the United States Congress) may eventually lead to a suspension of similar rescue efforts. In that sense, global governance itself is at stake.

Conversely, too, the conditions imposed as part of global governance are resented by the recipients of international help. Beyond the practical political issues of greater accountability and the immediate economic pain of IMF conditions—usually public austerity measures leading to a curtailment of services, drastic price increases of previously subsidized goods, and widespread unemployment—the countries undergoing such emergency treatment do not necessarily accept that their "all-important" creditworthiness should be rated by private firms in New York, or that an international organization dominated by Western countries and located in Washington, D.C., has the right to tell them what to do. They regard such conditions, perhaps not without cause, as an infringement of their

sovereignty, or worse, as ill-considered—because unmindful of local conditions and thus possibly counterproductive—interference from outside. Also, such resentment and resistance, in turn, is not conducive to the further acceptance of global governance. This problem can be overcome only if the benefits of outside help are clearly and speedily apparent, that is, if global, or “better,” governance proves its worth.

What exactly, then, is good government? And how strong should the push be for better governance around the world? To a considerable degree, these are obviously highly contentious issues. But the worldwide systemic disagreement over the best form of government has narrowed considerably, especially now that the more extreme forms of socialism have had to concede defeat. This leaves the field to less threatening systems of authoritarian or paternalistic governments that lay claim to better governance by exercising stricter control over allegedly dangerous excesses of personal and political liberties in the presumed interests of social stability and economic growth. Whether such claims will prove to be correct remains to be seen. In the wake of recent developments in Asia, proponents of political paternalism have begun to sound somewhat more sober regarding their chances for competitive success.

Globalization may, in fact, increasingly provide the answers to the question of what constitutes good governance. The opening up of borders, allowing for a much freer flow of capital, goods, and information, not only has tended to demonstrate the superiority of market economies and democratic systems of government, but also has contributed to the spread of some of the very values that are necessary for liberal democracies to function. Worldwide, the answer to what is good government more often than not is liberal democracy and its economic counterpart, the market economy. Democracies are not perfect, and there is great variance in their actual design, not least in regard to the question of just how active government should be. Within that range of variance, there is, in fact, a good deal of discussion about how to perfect democratic governance. That it allows for such discussion is indeed one of the strengths of liberal democracy.

The push and pull of modern globalization thus tends to further the spread of good government, defined in liberal democratic terms. Evidence is mounting that countries with bad, that is, nondemocratic, governments can not long flourish under the conditions of a world with porous borders. While initially such countries may be beneficiaries of sorts of a global market that lets investments flow freely, searches out cheap labor, and

scorns regulation, eventually the costs of bad governance—from corruption and insufficient accountability to inadequate health care, poor education, and environmental degradation—render such countries less competitive. Where bad governance contributes to social unrest and political instability, investors are likely to move out or stay away.

Globalization itself provides an ever more effective warning system for bad governance, be it in the form of internationally binding bond ratings or in the pictures flashed around the world by CNN or on the Internet. Exposure of bad governance may have important consequences, not least for those immediately affected (but shielded from such information by their own governments), in that it increases pressure for change. Nearly unhindered information flows spread the word of better alternatives, which are increasingly defined by the images coming through open information channels. As the experiences of Eastern Europe and Russia (and perhaps now Indonesia and South Korea) have shown, this is not necessarily a linear process. But in the end, and with a good deal of international support, it can be done. And international support is forthcoming, not least because the effects of bad local governance reach far beyond national borders. As a result of globalization, an alerted international community, including NGOs, stands ready to protect its own interests by getting involved. Much of that involvement takes the form of promoting better local governance.

How good are democracies at dealing with the global issues that this process of globalization presents? It is the very nature of self-determination to prioritize the self. Democratically governed societies are thus inclined to give priority attention to their own problems and interests. Globalization itself has presented them with a wide range of new problems, not least of which are the dislocations implicit in a global market that threaten jobs. To deal with these problems, much of the industrialized world has indeed turned its attention inwards. Unless global issues are of direct and immediate national importance, they are likely to be met with a good deal of disinterest. The decline in the willingness on the part of the rich democratic nations to offer substantial help to poorer countries is only one indicator of a potentially problematic relationship between democracies and issues of global governance. Another obvious example is the issue of global environmental protection efforts, where some democratic countries have had a difficult time convincing themselves that they ought to participate in a major effort at reducing the emission of greenhouse gases. While an operative question in this regard is

whether other systems of government would in fact be more forthcoming in dealing with such global issues, this self-centeredness of liberal democracies is a troubling aspect.

Yet with all their problems, democracies are more likely than other systems of governance to be part of the solution to, rather than an additional problem for, globalization issues. Importantly, they allow the formation of national and international organizations of civil society that have, at least so far, kept democratic societies from succumbing totally to the appeals of hedonism and self-centeredness. In the end, the manifold pressures of globalization will make such temptations increasingly less appealing. The paradoxes of globalization and fragmentation may thus be rendered less contrary over the course of a process that combines the spread of good governance through democratically controlled countries with a concomitant decrease in the need for global governance. Then attention could focus on the solution to those problems, such as the protection of the environment, that are genuinely global in nature and beyond the scope of strictly national control. By reducing the need for global governance in many areas, it may as a result become all the more possible and effective where it is truly needed.