GLOBAL GOVERNANCE AT RISK

EDITED BY
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Global Governance at Risk
Previous books based on the LSE’s Ralph Miliband Programme:


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Preface

The chapters in this book, with the exception of the introduction and chapter 9, are revised versions of the Ralph Miliband lectures on the crisis of global capitalism and the restructuring of world order that were given at the London School of Economics and Political Science (LSE) between September 2009 and August 2011. As the organizers of the Ralph Miliband Programme throughout that time, and as the editors of this volume, we have added an introduction and final chapter to help contextualize and round out the arguments that are made in it.

This particular series of lectures involved many more speakers than could be included in a single book, but they all sought to address crucial themes related to two of the most important issues that the world faces at present: the major economic crises that have unfolded since 2007 and the great shift in economic and political power that seems to be taking place at the global level. Each lecture, we believe, demonstrated the extent to which acute global crises and this longer-term restructuring of world power have interacted in a complex and challenging fashion that could place our current system of global governance at risk.

The Miliband lectures honour the memory of Ralph Miliband who taught at the LSE from 1949 to 1972. They
have been funded through a generous bequest from a former LSE PhD student who was inspired by Ralph Miliband’s critical vision. The lectures were started in 2002 and run through to the present. Each annual series has been organized around a single theme and, over the years, they have addressed some of the most fundamental global challenges, including globalization, American imperialism, global poverty and inequality, climate change, social movements and protest, and so on. We are grateful to all of those who gave lectures on the themes covered in this book and especially those who agreed to adapt them for publication. We also wish to thank the staff at Polity Press for its outstanding work preparing the volume for publication.

David Held
Charles Roger
25 February 2013
Since 2007, the world has lurched from one crisis to the next. The collapse of the subprime market helped trigger a broad-based financial crisis in the United States (US), which then spread to Europe and other parts of the world. Banks across the globe were engulfed, some countries were pushed to the edge of bankruptcy and the European Union project was placed under the severest strain. Overall, it was the greatest wealth-crushing event since 1929: the most severe economic turmoil since the Great Depression. Yet the global financial crisis occurred amidst other worrisome crises and shifts in global order: global economic imbalances and conflicts over currencies; the effective collapse of the Doha Development Round; nuclear proliferation; the growing power and assertiveness of emerging economies, such as China and India; insecurity in North and West Africa, the Persian Gulf, and Central and East Asia; and deepening environmental crises related to our oceans, water and food systems, biodiversity and climate. These and other crises at the international level have often been regarded as independent issues with their own unique dynamics, but they have together led to a build-up of risks that could well provoke a more general crisis in our system of governance if it cannot be made fairer, more effective and more accountable.
The growing incidence of crises and conflict across a rising number of issue areas at the global level is not fortuitous, a product of chance; it is the result of several common underlying causes. One of the key factors is the highly complex nature of the issues that we currently confront. The problems that we must manage today are, in many respects, much more difficult than those we faced in the past. The global economy of today is, for instance, far more integrated than it was in the past, and this fact throws up entirely new sets of issues that cannot be resolved simply or without controversy. Consider global trade. In the past, successive trade rounds under the General Agreement on Tariffs and Trade (GATT) largely focused on opening national markets by lowering border taxes. This required difficult and often prolonged negotiations between countries, but it was a relatively simple task compared with the issues that trade negotiators presently deal with. Having removed tariffs for a large number of goods over the years, further integration of markets requires removing much more complicated and less transparent “behind the border” non-tariff barriers (NTBs) to trade, including subsidies, price controls, quotas, import licenses, as well as product quality standards, labelling and packaging requirements, certification requirements, and so on (see Barton et al. 2006). The past trade agenda of “shallow integration” has been replaced with a much more contested one, focusing on “deep integration”, that strikes at the heart of national prerogatives. And trade is not the exception. The massive growth of global capital markets also presents a new set of challenges that states did not face in the past (Simmons 2001; Singer 2004; Porter 2005), as have efforts to harmonize intellectual property laws, information security laws and a host of health, safety and environmental regulations, which bring fundamentally different national and regional regulatory systems into seemingly irreconcilable conflict (see Drake and Nicolaidis 1993; Farrell 2003; Sell 2008; Pollack and Shaffer 2009).

As in the global economy, new security threats pose serious questions about our ability to sustain peace and stability.
Traditional interstate tensions, such as those between Japan and China, and between the Western powers and Iran, are currently some of the most significant sources of vulnerability in the global system. Ongoing security concerns in other parts of the world and long-term violent conflicts involving Israel, Palestine and other Arab countries, India and Pakistan, North and South Korea, and so on, are also major causes of instability and risk. But while these and other interstate fault lines persist, patterns of conflict overall have shifted over the last 20 years. Conflicts within borders now frequently overshadow those between states as paramount security concerns (Duffield 2001; Kaldor 2012). Civil unrest in one state can have destabilizing effects on entire regions, and, in turn, can disrupt global peace and security. Violence in one locale is increasingly likely to ricochet across the global landscape. The civil war in Syria offers a telling example of how internal conflicts can spill across borders, lead to regional instability and provoke conflict and tension at the global level. Other emerging threats faced by contemporary states include the new forms of terrorism connected to failed and fragile states, cyber attacks by both state and non-state actors, as well as piracy and pandemics. These present altogether new dilemmas in the security domain that are difficult to manage using many of our existing governance mechanisms (see Beebe and Kaldor 2010).

However, the challenges of interdependence and the new, more difficult issues that this gives rise to are not limited to the economic and security arenas. They are equally evident in areas such as the environment. This is clearest with respect to the problem of climate change, which the Stern Review referred to as the greatest example of market failure the world has ever seen (Stern 2007). Unlike some other environmental issues that states have managed to govern relatively successfully (ozone depletion, for instance), climate change involves all aspects of our economies, not simply sectors, industries, products or consumer groups. Managing the problem requires substantial changes to both
the basic infrastructure of our societies, from our roads and buildings to the way we produce and transport energy, and to our behaviour, from the way we eat to the way we get to work. The complexity and pervasiveness of the processes leading to climate change have meant that key players have been systematically unable to arrive at a “global deal” for mitigating future climatic changes and adapting to those that are already imminent. Meanwhile, our window of opportunity for lowering emissions to sustainable levels is rapidly closing, making it more and more likely that desperate measures, such as geo-engineering, will need to be used to forestall the worst consequences. Such solutions, of course, throw up their own risks that require careful management (Humphreys 2011). While climate change is probably the most striking example of a “super wicked” problem in the environmental domain, it hardly seems to be the only one; solutions to fisheries depletion, water pollution, deforestation, biodiversity loss, and so on, are neither obvious nor straightforward (Humphreys 2006; DeSombre and Barkin 2011; Feldman 2012; Levin et al. 2012; also see Dauvergne 2010).

In short, the current situation is one where the interdependencies created by complex global processes, from the economic to the ecological, connect the fates of communities to each other across the world. Global interconnectedness means that emerging risks or policy failures generated in one part of the world can quickly travel across the globe to those that have had no hand in their generation. And the problem-solving capacity of the existing system of global institutions, both multinational and transnational, is in many areas not effective or accountable enough to address the mounting crises we face.

But while the demand for governance has been sharply rising as global interdependence has intensified, our ability to support it appears to be declining. Perhaps the most important variable underpinning this fact has been the emergence of new powers, such as Brazil, China, India, Indonesia and Turkey. The rise of these countries at the global level
has involved a major shift in economic, political and, to some extent, military power. Danny Quah (2011), for example, has compellingly documented how the world’s economic centre of gravity has moved from the mid-Atlantic (in the 1980s) to east of Bucharest (by 2008). Basing his estimates upon existing economic forecasts, he projects that by 2050 it is likely to lie somewhere between India and China. This shift has been very positive for the life chances of hundreds of millions of people in many respects, yet it has entailed a massive increase in production, which has contributed significantly to global greenhouse gas emissions as well as a range of more local environmental and social problems. By increasing demand for basic inputs, for example, it has also contributed to growing competition for mineral, agricultural and energy resources across the world. The rise of emerging economies has, therefore, been magnifying many of the burdens that we collectively face and making the governance of global issues more difficult. Resolving many of today’s most pressing problems now requires actions by a much larger group of actors. Climate change, for example, cannot be resolved without major efforts to lower the emissions of many developing states, even though their historical contribution to the problem has been negligible; indeed, their future emissions are expected to grow so fast that, even if the industrialized world could somehow reduce its emissions to zero by 2040, global emissions would still be higher than they are today (see Held et al. 2013 and Hale et al. 2013). Yet this new dynamic is not somehow unique to climate change. We see it in the economic and security domains as well, as Western states must increasingly engage and gain the help and support of a much wider group of actors.

Thus, over the past 10–20 years we have seen greater efforts to reform existing institutions in order to include the voices of emerging economies. The International Monetary Fund (IMF), the World Bank and the Financial Stability Board (FSB), to name just a few, have each changed voting or membership rules in order to accommodate and include a larger number of stakeholders. At the same time, emerging
powers are also playing much more prominent, if not leading roles in global negotiations. However, the widening circle of stakeholders at the global level makes it more difficult to reach acceptable solutions, by both raising the costs of bargaining and shrinking the zone of potential agreement. A larger number of conflicting aspirations, political systems and worldviews must somehow be reconciled, with gridlock increasingly pervading international negotiating fora as a result. The reluctance of old powers to accommodate new ones generates troubles as well (see Narlikar 2010; Hale et al. 2013). Thus far, emerging economies appear to have preferred the status quo and working within existing institutions created by Western states. Yet, as they grow in power and seek to ensure that their needs and values are reflected at the global level, their assertiveness and dissatisfaction with existing institutions may rise. This is all the more likely when existing mechanisms of global governance seem systematically unable to resolve pressing challenges.

Governance Legacies: Successes and Failures

Repeated governance failure at the global level carries with it severe risks. We see in many parts of the world a reassertion of nationalism, protectionism, mercantilism and the single-minded pursuit of national over collective security, as countries seek to buffer themselves against global forces. The risk is a step backwards to a period defined by great power politics, growing international conflicts and beggar-thy-neighbour policies. The post-war gains made possible by the prevailing mechanisms of global governance could unravel.

These gains should not be underestimated. Whereas once participation in the multilateral order was sporadic and tenuous, it became more entrenched and regularized in the twentieth century. There are today nearly 8,000 international organizations, whereas in 1909 the number was only 37 (UIA 2010). There has been a substantial growth in the
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number of international treaties in force, as well as in the number of international regimes, both formal and informal (Held et al. 1999; Held and McGrew 2007). States have become enmeshed in an array of cross-border governance arrangements, albeit often unevenly and unequally. And as formal international organizations and regimes developed, new kinds of institutional arrangements have emerged alongside them (Hale and Held 2011). Diverse kinds of actors, both public and private, have formed partnerships, networks, standards and rules designed to tackle issues of common concern. Businesses and other private actors have created new institutions, ranging from voluntary regulations to private arbitral tribunals. Government officials have also linked with their peers in other countries, establishing innovative transgovernmental coordination mechanisms between central banks, police forces, cities, and so on (Slaughter 2004; Andreas and Nadelmann 2008). In many respects, these transnational institutions have proven to be much more dynamic and flexible than larger traditional multilateral organizations have, at least in recent years.

These successes have been, moreover, evident across many issue areas (see Held et al. 1999; Held and McGrew 2002; Wolf 2004). In the domain of global health there have been important achievements in terms of reducing the incidence of certain diseases (smallpox and polio, for instance), as well as efforts to put in place surveillance and response systems to help manage health risks such as the SARS, H1N1 and H5N1 viruses. With respect to the global environment, the regime that was put in place to address ozone depletion – the Vienna Convention of 1985 and its Montreal Protocol of 1987 – has been one of the most successful international environmental agreements, helping to phase out the use of chlorofluorocarbons (CFCs). With respect to the global economy, the World Trade Organization (WTO) has helped to constrain protectionism and resolve trade disputes. From the introduction of the Landmine Ban Treaty in 1997 to the
containment of piracy off the Horn of Africa (see IMO 2011), global security cooperation has yielded benefits, too, however far this may have fallen short of original objectives. Taking a bigger picture, global cooperation in the post-war order has itself engendered growing interdependence and huge gains in prosperity and living standards across many parts of the world. Greater trade, access to capital and rapid export-led development brought hundreds of millions of people out of poverty (see Held and Kaya 2006). It is difficult to overestimate the importance of many of these achievements.

Yet in area after area of contemporary global concern, global cooperation has been faltering. In domains such as nuclear proliferation and disarmament, the explosion of small arms sales, failed states, new forms of terrorism, financial market instability, global economic imbalances, global poverty and inequality, and climate change, multilateral cooperation is either ineffective or deficient, and transnational institutions, though promising, have not yet achieved the scale or scope needed to fill the “governance gap”. Global cooperation appears to be increasingly difficult and threadbare exactly when it is most needed.

Indeed, to some extent, the current international environment is worryingly reminiscent of the interwar period, which was marked by the failure of the concert of great powers to contain competitive interests. The Great Depression undermined the Gold Standard monetary system that had been in place, more or less, since the nineteenth century, and this led to rampant protectionism and conflicting policies designed to advance national interests but with collectively sub-optimal results. Failures of global cooperation in other areas – for instance, the failure to restrain Italy’s occupation of Ethiopia – reduced the credibility of the League of Nations and led to further calamities as the forces of nationalism, fascism and imperialism were set loose. The result was a cascade of crises that rippled across institutions and issue areas, ultimately culminating in the systemic crisis of the Second World War. Today, our increasingly interconnected
economies and societies, new weapons of mass destruction and the global spread of democracy make war and conflict far less likely; they are both much more costly and unattractive paths than they were in the past, and the gains from further cooperation are great. But, at the same time, our interconnected world, the new issues this interconnectedness generates and the rise of new powers with different political systems, agendas and worldviews have increased the likelihood that a sudden crisis, such as a major terrorist attack, a new economic shock, or an outbreak of war, could disrupt the cooperative equilibrium that has prevailed since the Second World War, triggering a vicious downward spiral into a new, uncertain world.

Yet, crises can also, of course, create opportunities and new windows for concerted political action. The word “crisis” is itself derived from the Greek word *krisis* (meaning decision or judgement), which in the late middle ages came to refer to a turning point in a disease – a point where the disease either becomes fatal and a patient dies or begins to subside and the patient recovers. The development of global governance over the last century has often followed such a dynamic. The United Nations, for example, was born from the global fallout of the Second World War and the Great Depression, as was the International Bank for Reconstruction and Development (the World Bank) and the IMF. Smaller crises in the system of global trade – rising protectionism in the form of growing NTBs and growing institutional fragmentation in the 1970s – risked the considerable gains that had been achieved in the world economy in the 1950s and 1960s, and helped motivate the Uruguay Round of trade negotiations and subsequently the WTO. Even more recently, the Financial Stability Forum emerged in response to the East Asian Financial Crisis of 1997–8 and was reformed (becoming the Financial Stability Board) after the global financial crisis of 2008. It is perhaps not overstretching the point to say that many of the key initiatives in global governance have been in considerable part a reaction to crises of various kinds.