

## **6. AFTER BALANCE-OF-POWERS DIPLOMACY, GLOBALIZATION'S POLITICS**

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The Cold War was not all that ended with the September 11 events. The centuries' old balance-of-powers diplomacy was also eclipsed. While the conflict between the United States and the Soviet Union ended in 1989 with the collapse of one of the contenders, international policy makers and analysts continued to behave as if the world remained divided between two conflicting superpowers. After the September 11 tragedy, however, it became apparent that the foreign policies of the remaining superpower, as well as those of intermediate powers, required substantial revision; a new international order must be conceptualized and developed. The basic premise upon which the old order was built—that conflicts can be resolved through war or the threat of war—no longer made sense. While military power continues to be a relevant factor in international relations, it has become clear that the history of diplomatic relations could no longer be reduced to a chronicle of wars or threats of war between empires or nation-states.

September 11 demonstrated that other nation-states are no longer the source of major threats faced by the United States and other major powers. These nation-states are now merely competitors in the global marketplace. The real threats now come from terrorism, from diverse kinds of religious fundamentalism, from the drug trade, from climate change, from financial instability due to uncontrolled international money flows, from situations of extreme poverty coupled with stagnation still existent in some parts of the globe, particularly in Africa, and from the perception of long-term economic decadence and exclusion that haunts some regions and ethnic groups, particularly in the Middle East.

The new obvious enemy that emerges from the events of September 11 is international terrorism, although it is unlikely that any country will dare to harbor and support terrorism in the aftermath of the U.S. attack on Afghanistan. Some countries may be quite friendly to U.S. leadership in the world while others may be less so, but no nation is in a position to become a real threat to the United States or to other major democratic countries in the world. Balance-of-powers or conflicting-powers diplomacy is over. The question now is, what kind of international order will replace it, given the changing nature of threats facing the world powers. My guess is that globalization—up to now an economic phenomenon

with powerful consequences in the arenas of development and distribution—will require more political guidance than ever. I suggest that under these circumstances, the old idea of international governance, which always seemed utopian to Realist theorists and politicians, is now an actual possibility. We will continue to witness resistance to it in the United States, but isolationist policies as well as pure hegemonic behavior will conflict more and more with true national interests.

The central problem faced by nation-states with respect to foreign affairs is no longer war or the threat of war, but how to take better advantage of the opportunities offered by international trade and finance. The issue facing political leaders is how to win rather than lose in an international arena essentially characterized by win-win trade games, but in which some tend to gain more than others. Thus, instead of diplomacy being defined by political-military conflict, what we will increasingly see is a global diplomacy in which the central issues are the rules of international trade and finance, as well as those for immigration and multicultural life within nation-states.

In other words, a new international order, which has been emerging since the end of World War II and the foundation of the United Nations, became dominant after the September 11 events. The old international order was the conflicting-powers diplomacy; the new order that is emerging I call in this essay globalization's politics. The substitution of the word "politics" for "diplomacy" is not accidental: it has a meaning that I will discuss below. Conflicting major nation-states required diplomatic activity, and a global world will continue to require diplomacy, but more than that, it will demand political action. Diplomacy and politics were never opposite activities, but they will be increasingly related, if not identical, in the new international order.

## NATION-STATES CEASED TO BE ENEMIES

International relations have been viewed in terms of actual or potential clashes of superpowers for centuries: France vs. England, Spain vs. France, Spain vs. England, Germany vs. France, England vs. the Ottoman Empire, the Austro-Hungarian Empire vs. Napoleonic France, the Ottoman Empire vs. the Austro-Hungarian Empire, and so on. The Cold War was the last chapter of this conflicting-powers diplomacy—a period in which the conflict remained "cold" and did not turn into war. However, the many regional wars of the second half of the twentieth century are generally attributed to the displacement into Third World settings of the U.S.-Soviet conflict. When the Berlin Wall came down and the Soviet Union fell apart, analysts immediately acknowledged that only one superpower remained, but this did not keep them from searching for the new great

world power that would become the United States' next competitor. China was the most obvious candidate, because of its size and the dynamism of its economy. Others were also suggested. Yet given China's manifest interest in peaceful trade and the violence implicit in the clash-of-civilizations hypothesis, international relations analysts had to look for new threats. The category of "rogue nations" was introduced as the new enemy from which the United States had to protect itself, and the National Missile Defense strategy was put forth to accomplish that.

These analyses made little sense since they inappropriately applied Cold War logic to changed international situations. Scholars and policy makers were unable to consider the new historical circumstances or uninterested in doing so and insisted on applying traditional intellectual frameworks in their attempts to understand changing realities. In the wake of September 11 there was an incentive to determine that current realities were linked to military interests. Yet although dramatic events like those of September 11 may not change entrenched interests and dogmatic views, they may have the power to clarify the nature of historical change.

After September 11 it became clear that the United States no longer has enemies among nation-states. Today, no country in the world represents a real military, economic, or ideological threat to the United States. Some countries are friendlier than others. Certain small countries, like Iraq or North Korea, and Afghanistan before the Taliban's defeat, may be regarded as unfriendly, but though they may be threatened by American power, none of them represents or represented a real danger to the United States. They know very well that if they initiate an attack against the United States, legitimate retaliation will be immediate and overwhelming. They were well aware of this before the defeat of the Taliban regime. On the day of the terrorist attacks on the Twin Towers and the Pentagon, Afghanistan was the first government to declare it had nothing to do with the attacks. Although war may have been the first response to the terrorism, it will not be the major strategy for fighting and defeating it.

It would be misleading to conclude that the United States has ceased to have real enemies among nation-states because of its military strength. I suggest that there is a more general and relevant reason for the end of the conflicting-powers politics that is also valid for the intermediate powers such as China and Russia; France, Germany, and Britain; Italy and Spain; or Brazil and Mexico. Among the intermediate powers, only India and Pakistan still see each other as enemies, or potential enemies, owing to the Kashmir conflict. As soon as this is resolved, they will join the prevailing category of competitors instead of war-threatening countries. Among the small nations, the Israeli-Palestinian conflict remains the most dangerous one. There are other territorial conflicts among small nations, partic-

ularly in Africa, but the new emerging diplomacy will have to tackle them in reasonably impartial terms.

Regional conflicts represent an unacceptable threat to economic security. In a global world, where respect for property rights is essential, such conflicts have to have a solution—in most cases, some form of compromise. International arbitration to resolve such conflicts should be reasonably impartial because parties would not accept decisions unless they are based on impartial principles, and they would continue to challenge them. States would rely on force, and, sooner or later, new conflicts would arise. The fact that the arbitrators would impose their decisions does not represent a problem—courts, which are in principle impartial, impose their decisions—but it is essential that the imposed decision have some legitimate reference to the concept of justice.

## WAR CEASED TO BE THE WAY OF RESOLVING CONFLICTS

Among major nations of the world today, it is unthinkable to consider war as an acceptable way of resolving conflicts. This is not so much due to fear of retaliation as to other factors. First, classical imperialism—the strategy of subjugating other people by force and colonizing or taxing them—is implausible today. Second, following a long and difficult process, territorial conflicts, which had previously been resolved only through wars, are now mostly settled. Finally, the common economic interest in participating in global markets far outweighs any remaining conflicting interests.

War was the standard “international” behavior among precapitalist tribes, city-states, and ancient empires. It was the mechanism that traditional dominant groups used to appropriate economic surplus, which they did by collecting war booty, enslaving the defeated, or imposing heavy taxes on colonies. On the domestic front, dominant classes always depended on the control of the state to appropriate economic surplus from peasants and merchants. Religious legitimacy was always an essential part of the process, but the very existence of empires and dominant oligarchies depended on their capacity to hold political power and wage war.

With the capitalist revolution, consolidated in England with the Industrial Revolution, a new and enormously significant factor emerged. The internal appropriation of economic surplus ceased to depend on the control of the state, as it now took place in the market, through the realization of profits. Markets, wage labor, profits, capital accumulation, technological progress, and innovation became the key economic elements that a new polity was supposed to assure. The modern state began to emerge in twelfth-century Italian republics in order to

organize and guarantee long-distance trade. The first nation-states materialized three or four centuries later as an outcome of the alliance of kings with a bourgeoisie seeking to make markets free and secure within large territories previously divided among feudal lords. State institutions—essentially the legal system—which had already been highly developed in the Roman Empire, gained importance as a guarantor of merchants' property rights and contracts.

In this new historical context, military power continued to play an essential role, as it was required to defend the nation against external enemies, and, further, it supported the strategy of the new nation-states to open new markets and to assure access to strategic inputs. During the nineteenth and the first part of the twentieth centuries, history was essentially the story of how capitalist countries defined their national territories and developed modern empires to assure market monopoly over large territories. In this period, the first nation-states were able to consolidate their capitalist revolutions, to assure the rule of law, to develop liberal institutions, and, finally, to transform their authoritarian regimes into modern democracies. These are the developed countries of today. Some of the countries left behind, such as Brazil, Mexico, Argentina, India, China, the Asian tigers, and South Africa, were able to achieve a capitalist revolution in the twentieth century, and today are the intermediate developing countries. A third group of countries has not yet been able to complete a capitalist revolution and remains mostly at the margin of global economic growth.

As countries evolved into modern and wealthy democracies or into intermediate developing economies, their national territories became well defined. Concurrently, their interest in maintaining imperial power decreased as newly independent countries opened their markets to foreign trade and colonies increasingly resisted foreign rule.

Conversely, the moment when a country's territory is well defined and further imperial expansion no longer makes sense as a national strategy, war ceases to be an affirmative way of achieving economic development. It is not by accident that Japan and Germany, the two major countries defeated in World War II, developed extraordinarily in the postwar period without being tempted to rebuild their military power. One may argue that this was a condition imposed by the United States in the aftermath of World War II, but what we see presently is just the opposite. The United States is pressing these two countries to rebuild their military capacity in order to participate more actively in international security actions.

Thus, in a world in which economic surplus is achieved through profit in markets, and where markets are open all over the world, war or the threat of war has lost most of its classical appeal in the life of nations. The last "war"—the Cold

War—may be interpreted alternatively as a conflict between statism and capitalism, which capitalism won, or as the attempt by some underdeveloped countries to speed up industrialization through bureaucratic control, or as the last chapter of resistance from some large countries (particularly Russia and China) to opening their economies to global capitalism. It is likely that all three interpretations shed light on some aspects of the Cold War, but here I would like to highlight the last one. The resistance of the Soviet Union and China to opening their economies was not solely rooted in the classical protectionist arguments. They also sought legitimacy in distorted socialist ideas. Soviet statism was designed to be an economic and ideological alternative to capitalism and liberalism. In fact, it was just a protectionist and statist industrialization strategy that closed a large portion of the globe to international trade for decades. While the Soviet Union still existed, and while China was under Mao Zedong's rule, their economies remained separate from global capitalism.

## GLOBALIZATION IS THE NEW GAME

It is not a mere coincidence that the word “globalization” gained dominance after the Soviet Union collapsed and China made overtures to the world and to capitalism under Deng Xiaoping. They were the two major countries that had remained closed to global markets. As soon as they opened up, globalization became a *fait accompli*, and wars to open markets lost meaning. Furthermore, the collapse of the Soviet Union completed the process begun in World War II of defining most national borders. For centuries, war was extensively used as a tool for national consolidation, but now we have to look for other instruments and different behaviors if we expect to understand the emerging patterns of international relations among nation-states. The era of conflicting-powers diplomacy is over. It is true that the events of September 11 were followed by a war, but it has been an entirely different kind of war that more resembles an extreme form of international policing.

The configuration of global capitalism took centuries and was marked not only by technological change and economic growth but also by the consolidation of two basic and complementary institutions, the nation-state and the market. Nation-states emerged in the sixteenth century in France, England, and Spain, a period of mercantilism and absolute monarchies. The liberal revolution against excessive market regulation by the state began with political revolutions, first in England in the seventeenth century and in the United States and France in the following century. It reached a high moment in the late eighteenth century with the American and French revolutions. The fact that political revolutions made

room for civil rights and liberalized markets is indicative of the complementarity of market and state. The nineteenth century was the century of competitive capitalism and liberalism, which, just as mercantilism previously had been exhausted, came to a crisis. However, the basic reason for the crisis of capitalism and liberalism was uncontrolled markets, not excessive market regulation. After the Great Depression in the 1930s, the new capitalist pattern that emerged was the welfare or social democratic state. For some time there was a dispute between centralized economic planning and Keynesian economic policies, but the latter proved to be more sensible and durable.

Like the mercantilist and liberal phases, the social-democratic phase (that spanned roughly from the 1930s to the 1980s) witnessed the continuous emergence of new nation-states and the consolidation of existing ones. Economic growth, which gained full historical significance in the liberal period, achieved momentum in the social-democratic phase. Cyclical crises continued to characterize capitalist development, but crises ceased to have devastating economic consequences. Nevertheless, a much longer cycle consisting of waves of state intervention manifested itself in the mid-1970s. Given the excessive and distorted growth of the state apparatus during the preceding decades, an endogenous crisis of the state emerged, a fiscal crisis and a crisis in bureaucratic management, and space was opened for liberal, market-oriented reforms. Concurrently, the growth of world markets at a faster pace than GDPs, the explosive rise of global financial markets, and, more broadly, the emergence of an increasingly strong net of international relations not only among nations but also among individuals, firms, associations, and NGOs led to globalization.

Today we see the effective dominance of global markets. Trade in goods, services, technology, money and credit, and direct investing abroad is not the only game in town, but it is the one that really counts. All sorts of international rules protect markets, making them open and increasingly secure. Only labor markets have not yet become global. Yet, even there, strong immigration flows toward rich countries point in this direction.

Several new historical circumstances contributed to the growth of globalization. The acceleration of technological progress, the information-technology revolution, and the reduction in transportation costs combined with the end of the Cold War, the increasing pressure from the dominant U.S. economy for trade liberalization, and the increasing acceptance that international trade may be a win-win game, were the factors that changed the world in the last quarter of the twentieth century.

Globalization is a set of economic relations, institutions, and ideologies that are mostly controlled by rich countries. Globalization is different from “global-

ism.” Globalization is an economic and technological fact with political consequences, whereas “globalism” is just one of these political consequences: an ideology that asserts, first, that there is now an international community that exists independent of nation-states, and second, that the nation-states have lost the autonomy to define their national policies and have no alternative but to follow the rules and restrictions imposed by the global market. Although there is a grain of truth in the second assertion, nation-states remain powerful and retain a sizable degree of independence in defining their policies. Contrary to certain naïve perspectives, developed democracies do not follow a single economic model, the American model. There are three additional models: the Japanese, the Continental European, and the Scandinavian.

### GLOBALIZATION REQUIRES STRONG STATES

Both the endogenous crisis of the state and globalization, which implied a relative reduction in nation-states’ autonomy to define policies, led ultraliberal analysts to predict or to preach the reduction of the state to a minimum. This was just nonsense. Strong markets need a strong state. Globalization, to be completed, demands stronger, not weaker, nation-states. The balance between state organization and market coordination may obey a cyclical pattern, as I suggested in a previous work,<sup>1</sup> but it is not difficult to see that the countries with more free and active markets are also the ones with more effective state organizations and state institutions. Since the mid-1990s, when the ultraliberal ideological wave lost momentum, this truth became increasingly clear. After September 11, however, it gained full significance. The times of small government were over.

The United States, a repository of ultraliberal strength and also the direct target of the terrorist attack, is experiencing clearly changed attitudes toward the role of government. Confidence in government, which had been declining since the 1960s, has rebounded powerfully. It is in times of crisis that people remember how important government is. According to public opinion surveys in the 1960s, confidence in government (measured by responses to questions like “Do you believe that government will do what is right?”) was above 60 percent, it fell to less than 20 percent in the 1990s. After the September 11 events it returned to 1960s levels.<sup>2</sup>

However, as a sad trade-off, some civil rights were summarily eliminated in the United States under the rubric of fighting terrorism. The Bush administration secretly detained more than 600 foreigners, suspended attorney-client right to secrecy, instituted racial profiling, and extended powers of government surveillance and trial by special military tribunal. *The Economist* characterized these



“disturbing” executive decisions as “not quite a dictatorship.”<sup>3</sup> Indeed, we cannot speak of dictatorship, but there is no doubt that the measures threaten freedom. The fight for civil rights has a long history. Americans, from the time of their Founding Fathers, always played a major role in this battle. The last relevant episode was President Carter’s fight for human rights. Just as there is a necessary, although ever-changing, balance between state intervention and market allocation of economic resources, there must be a balance between civil rights and national security. Yet, as we know well in Latin America, where military regimes prospered from the mid-1960s to the mid-1980s, the first argument that authoritarians use to justify limits to civil and political rights is the need for national security. The September 11 events had the positive effect of reminding us of the importance of government and good governance, but represented a dangerous retreat from the consolidation of civil rights. I believe that this is a temporary problem and that the tradition of protecting civil rights and democracy will eventually prevail, but it is clear that it will be just as necessary to fight for civil rights as it is important to fight against international terrorism.

If we look carefully at the direction of market-oriented reforms that have taken place since the 1980s, the more successful ones were able not only to liberalize markets but also to increase government capacity. This was consistently the case in developed countries. In Britain, for instance, we may disagree with Thatcher’s reforms, but we have to admit that rather than weaken the state, they made it stronger. In developing countries this was not always true. Argentina is a case in point. This country followed, or tried to follow, all the directions coming from Washington and New York, and yet met with disaster. Privatization was chaotic and ruinous, although it may be claimed that this was a problem of implementation, not of conception. In the case of macroeconomic policy, however, this excuse does not apply. Given an obviously overvalued currency, badly needed fiscal adjustment proved unfeasible, because expenditure cuts were not accompanied by GDP growth and increased revenues as long as entrepreneurs showed no confidence in investing, nor wage earners in consuming. The IMF demanded fiscal adjustment but accepted the currency overvaluation. In sum, reforms and fiscal adjustment were poorly designed and coupled with incompetent macroeconomic policies: they weakened the Argentine state instead of making it stronger, and led the country to a severe economic and political crisis in late 2001.

Argentina’s crisis came to a head just after the September 11 events and served to draw attention to the need for stronger states that are fiscally sound and administratively competent in an era of globalization. The nation-state remains the basic political unit where collective interests and citizenship are guaranteed.

Globalization makes states more interdependent, not weaker. An orderly and secure globalization requires competent and strong state organizations.

If we can historically distinguish the rise of republican, liberal, democratic, socialist, and, again, republican ideals not as conflicting but as concurrent political values, we can also define what we mean by a strong liberal, democratic, social, and republican state. A strong liberal state is a political system that protects freedom, property rights, and respects each gender, race, and culture. A strong democratic state is the polity that assures representative and legitimate government. A strong social-democratic state seeks full employment and equality of opportunity, and assures social rights. A strong republican state is organized to protect the environment and public economic patrimony against corruption and rent seeking. The process of globalization does not dismantle nation-states and their respective state organizations. Globalization just makes markets global, necessitating international-level regulation. Only the support of strong nation-states will make this international regulation possible.

## TERRORISM THRIVES IN WEAK, FRUSTRATED STATES

The September 11 events took place in the context of an already global world where most nation-states still remained weak and underdeveloped. The states where fundamentalism thrives and terrorism is born are poor and weak states where modernization has been frustrated. In these states, civil society is nonexistent, elites are rapacious, and government only represents elites. In the twentieth century, a number of countries, such as Japan and Italy, modernized and joined the club of rich capitalist nations. Others, like Korea, Brazil, Russia, and South Africa, completed their capitalist revolutions and became intermediate developing countries. A group of very large countries, like India and China, although remaining on average very poor, were able to develop, industrialize, undergo a partial but effective modernization or capitalist revolution, and build strong states.

A large number of countries, however, were definitely left behind. Among them, I would distinguish two types: those that never experienced real economic development and a capitalist revolution, and those that attempted to develop and modernize but failed. The former, among which are most of the sub-Saharan countries, remain outside the globalization process; they have weak states and a population unable to protest. The latter are a different case in that they are mostly Middle Eastern Islamic countries. In these countries, fundamentalism and terrorism are principally the result of frustration with the failed modernization attempts of the last 50 years. The only country in the region that successfully

modernized was Turkey. Iran made significant strides toward modernization in the 1960s and 1970s, but because of a corrupt elite, space was created for fundamentalism. Now, Iran appears to be slowly moving toward a secular society. Other countries each exhibit a different situation, but the fundamentalist threat is most pronounced where frustration with modernization and national consolidation is clearest. This is why Jürgen Habermas remarks that “despite its religious language, fundamentalism is, as we know, an exclusively modern phenomenon.”<sup>4</sup>

This is not the place to delve into why so many modernization attempts fail. The basis of the problem is the lack of an educated people and an active civil society that can control elites, but this is precisely the definition of precapitalist societies. Original or primitive capital accumulation and successful national and capitalist revolutions require enlightened business and political elites that exist only by chance. For some time, developed countries thought that World Bank and IMF experts, armed with superior knowledge and financial clout, would be able to demand action from elites and control their performance. But in most cases they failed miserably, mostly because international technocrats are unable to understand the specific economic and political conditions in each country. Since the mid-1980s, however, developed countries have been adopting two appropriate conditions for assistance to the poorest countries: investments in education and adoption of democratic political regimes. These policies enable elites to govern and make them more accountable to their own people.

It is quite clear that countries that are excluded from economic growth are also excluded from globalization. As Clive Crook argues, “Far from being the greatest cause of poverty [globalization] is its only feasible cure.”<sup>5</sup> In other words, only countries that participate in globalization, adopting the new technologies and institutions that globalization requires, will create conditions for economic growth. The problem that became clear after the September 11 events is that populations in countries not able to accomplish this are increasingly restless. These countries are not able to participate in global markets, or, when they participate, they do so under such disadvantageous conditions that no real growth or increase in standards of living are achieved. In several studies using regression analysis, Dani Rodrik has shown that poor countries are not profiting from international trade.<sup>6</sup> However, one should not confuse “international” trade with “free” trade. International trade can privilege manufactured against primary goods, as Raul Prebisch showed a long time ago;<sup>7</sup> local production in poor countries may be organized in such a way that the benefits from international trade accrue only to a small elite or to foreign interests.

Thus, the fight against terrorism and all kinds of fundamentalism involves in-

creased efforts from the international community to help developing countries whose modernization was frustrated by corrupt and alienated elites. Such help, however, will only be successful if it is concentrated in enabling the citizens and elites of these countries to protect their national interests and to resolve their own problems, instead of imposing modernizing policies that do not necessarily fit their needs.

Unlike the frustrated modernizers, the poor sub-Saharan countries do not pose the threat of terrorism. However, the devastation of infectious disease in that region is an increasingly global issue. In a global world, communicable diseases travel quickly and easily, and rich and intermediate countries cannot afford to ignore this reality. If they were not able to act before out of solidarity, they will have to act now from self-interest. For many years, rich countries have been discussing the conditions for debt relief to these countries. It is time to accelerate this process, because even if the loans were largely captured by corrupt local elites, responsibility for this misdeed does not only lie with the transgressors. The technocrats that devised a growth strategy for them based on foreign loans are also at fault.

### TO ASSURE SECURITY, GLOBALIZATION MUST EMBRACE POLITICS

The international order essential to global markets includes a strong United States as well as a strong economic and military association among developed countries, like the G-7 and NATO; but this is not enough. Involvement of intermediate countries through, for instance, the G-20 or an enlarged United Nations Security Council would help but would still be insufficient. It is critical to design strategies to reduce poverty in poor countries and limit elites' corruption in countries that are beginning their modernization or capitalist revolutions. But attaining these objectives requires strategies that international institutions have proved unable or poorly equipped to define. The essential task is to make the leading countries understand the new characteristics and the new requirements posed by the new diplomatic paradigm that is emerging: globalization's politics.

We can compare the new challenge faced by the world as a whole in the twenty-first century with that faced by the new nation-states when they arose from the feudal order. The first challenge faced by monarchs and the bourgeoisie and, subsequently, by politicians and civil societies was to establish order and security within their national borders—which would enable the constitution of national markets. Yet slowly but inevitably, societies understood that order could not depend only on force, but also required the rule of law and the gradual con-

solidation of civil, political, social, and finally, republican rights. It also became clear that such goals involved first elite and later popular participation in political affairs. Argumentation, development of secular ideologies, and public debate were required, and some degree of cooperation and solidarity alongside competition had to develop. In other words, the attainment of social order involved politics, in the noble sense that Aristotle and, in modern thought, Hannah Arendt understood the term. Nation-states may arise from violence, from war and revolution, but they have no alternative but to become political, to build up a polity, to cultivate some degree of solidarity and mutual respect within their societies. Civil, political, and social rights were the outcome of successful political demands coming from below, but they also were responses to the intrinsic needs of the new economic and social order in the making.

As Arendt wrote in *On Revolution*, politics is the alternative to war and violence. She remarks, “The two famous definitions of man by Aristotle, that he is a political being and a being endowed with speech, supplement each other.” In addition, she concludes: “The point here is that violence itself is incapable of speech, and not merely that speech is helpless when confronted with violence. Because of this speechlessness, political theory has little to say about the phenomenon of violence. . . . As long as violence plays a predominant role in wars and revolutions, both occur outside the political realm, strictly speaking, in spite of their enormous role in recorded history.”<sup>8</sup>

Politics was central in the Greek *polis* and the Roman republic, where speech and arguments played a pivotal role. Yet those were exceptional instances in a precapitalist world dominated by violence and war more than by politics. With the emergence of modern nation-states, politics progressively prevailed with the governed, who concurrently became citizens. Through argument and persuasion, citizens established methods for deciding on collective action, regulated elections and representation, set common goals, defined rights and obligations; and made agreements and comprises. Coercion lost ground, unless one considers the money spent in political campaigns as a form of coercion. Yet, with this money, the rich merely try to persuade the poor: they are no longer able to threaten them. It is still not a fair or democratic way of conducting politics, but it is still politics rather than brute force.

Thus, politics is an alternative to brute force. It existed tentatively in the ancient Greek and Roman republics, and reappeared in modern times, with the rise of nation-states, which were established in the midst of violence but which gradually turned to politics, becoming pacific and democratic. In the international domain, the first manifestation of politics was diplomacy. Negotiations preceded wars and, in certain cases, prevented them. Yet diplomacy and politics are dif-

ferent things. In classical diplomacy, conflict resolution was not achieved with persuasion or elections, but with the threat of violence. The international order that has been in retreat since World War II, the balance-of-powers diplomacy, worked in accord with this principle.

Now, the challenge faced by individual countries in the global world is similar to the challenge that nation-states faced in their consolidation process. Just as nascent nation-states slowly built political institutions to guarantee domestic order and security, global order and security will require the development of mature political institutions. Thus, diplomacy is being transformed into globalized politics. Modern diplomacy, which is essentially economic diplomacy, is already a form of politics. But a strictly political diplomacy, aimed at creating political institutions at the international level, is becoming increasingly important. The first major step in the twentieth century was the creation of the United Nations. Moving forward, we can expect stronger international political institutions in the United Nations and new or related entities, such as the International Criminal Court and the multiple international agreements protecting human rights and the environment and fighting drugs and international crime.

The great international challenge today, now that balance-of-powers diplomacy has lost most of its meaning, is to transform globalization into globalization's politics, which is a politics that supports the global economy through the establishment of political institutions. Globalization per se is not an international order. However, to the extent that specifically international political institutions gain force and representational status alongside international economic institutions like the WTO and IMF, globalization will cease to be the manifestation of wild global markets and become the civilized, political means for nation-states and individuals to relate to one another in the international domain.

## GLOBALIZATION'S POLITICS REQUIRES SOLIDARITY

If institutions at the international level are strengthened in the same way that nation-states were consolidated, international cooperation will cease to be a slogan, and a certain degree of international solidarity can begin to be constructed. This solidarity may be explained either as the manifestation of the altruistic bent that counterbalances self-interest in each one of us, or as Tocqueville's "well-understood self-interest." Simply put, maintaining a society that organizes itself politically requires solidarity among its members. At the moment the global economy tends to transform itself into a global society, some degree of solidarity becomes a necessity. When there is a global society, there are global enemies to be fought—enemies like fundamentalism, terrorism, drug traffic, disease, and ex-

treme poverty. Global society will only be able to fight these enemies if it is able to develop some degree of solidarity. Self-interest and competition will remain dominant, but cooperation and solidarity will necessarily have a role. Recently, in a *Washington Post* article with the self-explanatory title, “Why We Must Feed the Hands That Can Bite Us,” a physiology professor from UCLA articulated the interest of the American people in helping poor nations.<sup>9</sup> Globalization has reduced distances between people not only economically and culturally but also in health terms. Rich countries now have a well-understood self-interest in demonstrating solidarity with the poorest ones.

Solidarity already exists among rich countries. They may compete economically among themselves, but they know they are part of a single game—a game whose sum is greater than its parts. Consequently, they build solidarity nets among themselves, their business enterprises, and their citizens. As long as developing countries complete their capitalist revolutions, achieve an intermediate level of development, and become democratic, they are admitted to this club as junior members. The problem is with the very poor countries and with those developing countries where modernization was frustrated.

These are the two categories of countries that need the most solidarity but receive the least. It is more difficult to express solidarity with those who are different. Mass immigration transformed the multicultural problem into one of the central political questions faced by rich countries. At the international level, the rich often view frustrated and poor nations as a threat, making solidarity problematic. When rich countries try to demonstrate their solidarity, it often takes the form of setting “civilizing” conditions as a quid pro quo for charitable help.

There is no easy solution to this problem. The international institutions created to promote growth, such as the World Bank, have been more successful in intermediate countries than in frustrated and poor countries. The international technocrats are full of good intentions, but good outcomes depend much more on the capacity of local officials and local entrepreneurs to make good use of resources received as aid or finance than on imposed conditionalities. In the case of sub-Saharan Africa, for instance, the World Bank’s decision in the early 1970s to base the regional development strategy on international finance eventually proved a major mistake. Corrupt local elites wasted the borrowed money, and 30 years later, income per capita remained about the same while the impoverished nations had to service large foreign debts.

Building some degree of solidarity in a global world takes place not only because such behavior corresponds to the self-interest of rich countries. It also stems from the moral values of their citizens, concretely expressed in the international NGOs and social movements that they lead as well as from the demands of

the poor countries. These two factors are leading to the rise of a global civil society and a global citizenship, which began with the United Nations' Declaration of Human Rights. The Declaration made clear that men and women had the right to have rights. Globalization is speeding up the process whereby human rights are universally acknowledged. The concrete possibility of a global citizenship and of a global civil society is part of the global dynamics.<sup>10</sup> This is yet another aspect of globalization's politics.

## GLOBALIZATION'S POLITICS PRESUMES FAIR REGULATION

Globalization is a historical fact that is here to stay. It is a technological and economic phenomenon promoting societies' capacity to increase productivity and generate wealth while it facilitates the advance of the international division of labor and the application of Ricardo's law of comparative advantages. Yet markets, when uncontrolled or regulated in a biased way, may be as blind and unjust in distributing income and wealth as they are efficient in allocating factors of production and promoting economic growth.

Globalization made all countries interdependent. Before globalization, large and increasing inequalities among nations were a moral challenge for the developed countries and were the major problem faced by developing ones. Now they are challenges for all. Inequalities are dangerous, and if we remember Hirschman's tunnel effect, we will realize that increasing inequalities are still more dangerous.<sup>11</sup> Globalization involves opening markets and increasing levels of productivity and wealth, but it also generates increasing inequalities when the poor and the weak are unable to profit from the opportunities globalization offers. We know well that markets are efficient but blind. Thus, like national markets, globalization requires regulation, fair regulation.

Market liberalization represented a great advance for the developing countries, as import-substitution development strategies pursued by developing countries throughout most of the post-World War II era had ceased to make sense. However, this is not true for the frustrated modernizers and the poor countries. These countries are far from having completed their capitalist revolutions, and do not have a modern business class or a competent professional middle class. Their insertion into the globalization process often involves economic risks. The groups or regions unable to modernize are destined not only to stay in their present situation, but also to lose income and social prestige.

In their attempt to reform the economies of precapitalist countries, rich countries established the priorities according to their interests. For instance, opening of financial markets and full protection of intellectual property rights



were instituted in many countries over the past decade or so at a time when these countries were not yet prepared for such reforms. With few exceptions, the opportunities offered by global international markets worked against the developing countries, not in their favor. In the 1970s, developing countries took the initiative in economic international affairs for the first time. They were involved in an international effort to build a New International Economic Order based on preferential trade relations, but this effort failed. They suddenly gained access to large amounts of private international credit and became highly indebted. Subsequently, however, growth rates dropped substantially and developing countries lost the precarious gains they had achieved in the international arena. Since the end of World War II, most developing countries engaged in state-led import-substitution strategies. These countries (with the classical exception of the Asian tigers, which were able to switch to export-led growth at the right time) expanded too rapidly, which generated serious distortions in their economies. The foreign debt crisis as well as a fiscal crisis of the state made their economic fragility manifest.

The initiative was now American, and the instruments were the World Bank and the IMF. After the Baker Plan in 1985,<sup>12</sup> fiscal adjustment and market-oriented reforms became the new domestic guiding principle. At the international level, the United States advanced with the 1986–1994 Uruguay Round and the creation of the World Trade Organization out of the General Agreement on Tariffs and Trade (GATT), which included major provisions related to property rights and protection of direct investments. All these policies went in the right direction, responding to the demand for badly needed reforms and indicating the establishment of global markets that in principle are in the interest of all. Yet today it is widely accepted that the Uruguay Round agreements benefited rich countries more than their poor counterparts, that financial liberalization happened too soon and too widely and provoked repeated financial crises and diminished economic growth rates, and that property rights agreements were more beneficial to developed countries than to developing ones.

The critique that contemporary globalization is excluding large parts of the world from the benefits of growth comes from these three factors, which help to account for the inability of most poor and developing countries to profit from the opportunities offered by globalization, and which led to increasing differences in rates of per capita growth between rich and poor countries. In the end, poor countries were left with frustrated modernization. At the same time, the acceleration of technological progress increased the demand for skilled labor and reduced the demand for unskilled workers, and this led to further concentration of wealth within each country. Discontent in relation to globalization origi-

nates not only from left-wing groups in developed countries, but also from significant social segments in developing countries. The Porto Alegre Social Forum, which met for the second time in January 2002, is a serious expression of these concerns.

Developing countries like Brazil are already competing successfully in the international arena, and the growth challenge they face depends on their capacity to advance democratization, so that public debate can reduce the policy mistakes that government administrations are otherwise inclined to make. A fair regulation of global markets is important to them, but more important is their ability to think independently and make the decisions that their situation requires, which are not necessarily the ones recommended by international organizations. By contrast, poor countries and frustrated modernizers are in very different situations. A central challenge rich countries and international institutions face in order to achieve global security is to develop some solidarity initiatives that create conditions that will allow such countries to participate in and profit from global markets.

## TRANSITION TO GLOBALIZATION'S POLITICS REMAINS DIFFICULT

If the new global order that is emerging is a political order where argument and persuasion rather than war and the threat of war are the guiding principles, and if this order tends to be based on the rule of law and on competition mitigated by solidarity, how can we explain that the immediate response to the September 11 events was war?

The September 11 assault was an attack directed at the United States. The world's hegemonic nation immediately understood this attack literally as an act of war, compared it to the Pearl Harbor attack, and decided to respond to war with war. For a few days, the problem was to figure out who the enemy was. The American media and the U.S. administration immediately defined international terrorism as the enemy, but they knew that this was too diffuse an agent to be isolated as the enemy. Defining all countries that harbor terrorism as enemies was also too broad. The United States would have to include among its enemies some traditional friends, such as Saudi Arabia. Afghanistan, however, proved perfect to take the role of the enemy, since the fundamentalist group that was in power did more than harbor terrorists; it was itself hostage to them. The Taliban used and was used by the chief paramilitary terrorist organization in the world, Al Qaeda, in such a way that it was difficult to distinguish the Taliban from Al Qaeda itself.

The Taliban has been defeated, and perhaps Al Qaeda has been defeated as well, but we are far from being able to say that terrorists in general have been defeated, because no war will ever defeat this kind of evil. To the contrary, when civilized nation-states decide to fight uncivilized terror with war, the danger is that they also become uncivilized. Jürgen Habermas, writing on the consequences of the September 11 events, said: “The ‘war against terrorism’ is no war, and in terrorism is expressed also—and I emphasize the word ‘also’—the ominously silent collision of worlds that must find a common language beyond the mute violence of terrorism against military might.”<sup>13</sup>

The monstrous attack on the American people caused manifestations of solidarity from the civilized world because all felt threatened. In the short run, it led the American government to a punitive war, but the major long-term consequence for the hegemonic nation will be a radical reexamination of its international policy. The objective will be to increase American and international security by reducing hate. As is gradually being recognized, generalized retaliatory actions against unfriendly Arab countries and the maintenance of a Cold War policy of dividing the world into friends and enemies will worsen the present insecurity instead of improving it.

At present, the obvious enemies are terrorist groups. Motivated by hate, their actions are not rational—there is no trace of the use of adequate means to achieve specific ends. In contrast to governments of nation-states, terrorist leaders do not fear widespread retaliation. They may even look forward to it, since it will only breed more hatred.

Why did hatred become so intense and so strongly directed against the United States? Is it solely because the United States is the hegemonic country in the world? Although many will be tempted by this explanation, I am sure that it is wrong.<sup>14</sup> The United States may not be the “benevolent hegemon” that it likes to consider itself,<sup>15</sup> but it is the first democratic country in the history of humankind to become hegemonic, and consequently some degree of anti-Americanism will exist everywhere, even in countries that are friendly with the United States. This sentiment should not, however, be confused with the deep hatred that animated the September 11 terrorist acts.

Hate is clearly not rooted in the Islamic religion itself. Of the 1.3 billion Muslims worldwide, it is primarily among Middle Eastern fundamentalists that this hatred is widespread. It makes somewhat more sense to designate the increased economic inequality wrought by globalism as the underlying cause. However, there are many poor and excluded groups throughout the world who do not express the same level of hatred as the perpetrators of the September 11 attack. Another explanation is that American international policy has been unable to

assimilate the end of the Cold War, and the U.S. government continues to act in a biased way toward countries deemed friends, particularly the state of Israel. This explanation is not comprehensive, but the nurturing of anti-U.S. sentiment among so many in the region, including among non-Arabs such as Afghans and Iranians, probably emanates from this American policy mistake. More broadly, the answer to this question is directly related to my basic claim in this essay. It is time to change from balance-of-powers diplomacy to globalization's politics. The international order in which participants divide themselves into friends and enemies needs to be transformed into an order where participants compete among themselves at the same time that they have some say in international political institutions.

Isolationism is definitely dead. The events of September 11 had the effect of clarifying for Americans why they need to engage the rest of the world on a sustained basis. To advocate an isolationist policy for the United States is as unrealistic as expecting that nation not to intervene in regional conflicts. Thus, if the United States is the all-powerful hegemonic country in the world, if it no longer faces enemy-countries but enemy-terrorists, its strategy of limiting terrorism and assuring national and international security should change. Instead of siding with friends against enemies, which was rational in Cold War times, it should move to a new policy of acting as an unbiased arbiter in regional conflicts.

The American government grasped this new reality when it intervened in the former Yugoslavia. In its joint action with NATO, it did not favor Bosnians, Serbs, or Croats. It acted in favor of peace. Thus, even if many were unhappy with the American action, in the end most people in the region developed a positive stance toward the United States. In the case of Israel, we may already be seeing a clear change in American policy. The United States does not consider its national interest to be alignment with just one side. Israel's security must be assured, but peace in the region is now essential. It may take some time. At the moment, Israeli and Palestinian terrorist groups are behaving in a more radicalized fashion. American efforts have been fruitless. But the logic of the new international order that is emerging indicates that the United States will have a major role in achieving peace in the region, and that it will perform its role by adopting an impartial attitude toward the parties. This change in policy will eliminate a major source of hate.

In the new global world that has been emerging from the end of the Cold War, the medium-term objectives will be to maintain effective order and security, to guarantee freedom, and to reduce inequality among people and nations. I do not say this only because it is consistent with my personal values, but also because

global markets will require it. Global markets will require new international institutions, new international behaviors, in short a new international order: globalization's politics or globalization's diplomacy instead of a conflicting-powers politics.

The United States will remain the hegemonic country for decades to come, but it will have to limit its unilateral actions and play according to the international rules that it is actively helping to build. Before September 11, the United States rejected the Kyoto Protocol, refused support to the International Criminal Court, and resisted joint action against tax havens. Now it is reviewing these policies. Changes will take time, will face opposition, and will require debate. Interest and ideologies will continue to play their classical roles. Yet, a new comprehension of how these issues affect the U.S. national interest will lead to new approaches. Two major changes are already evident. U.S. support for the United Nations is less ambiguous, and gone is the U.S. policy of automatic alignment with Israel. Europe, for its part, will also have to change. European society is more internally balanced, but multicultural problems originating in immigration require more appropriate responses than those heretofore undertaken. Additionally, the European Union's protectionism, particularly for agriculture, will have to be eased. In relation to this last issue, change is already under way, as could be seen in the WTO 2001 meetings in Doha, Qatar.

## CONCLUSION

We live in a global world where market competition is central, but cooperation and solidarity must counterbalance competition. Yet instead of global solidarity we are experiencing global hatred. The world's nations must undertake consistent action to countervail this tendency. A democratic world requires international security, and the United States can count on other democratic nations to contribute. In the short run, the question is how to punish the terrorist organizations. In the medium run, it is how to define the U.S. role as international arbiter. Both short and medium term, the challenge will be to reduce hate and to establish civilized relations among all.

This challenge and the efforts to face it are not new, but the September 11 events showed that it must be tackled more consistently. My prediction is that a new international order is emerging as a response to the new realities. A new globalization's politics will substitute the old balance-of-power diplomacy. Great nations will no longer see each other as enemies but as competitors. This new game may become a win-win scenario if international political institutions tem-

per blind market actions, if competition is mitigated with solidarity, and if the leading countries in the world, through the United Nations, take on the role of neutral arbiters in regional conflicts.

In this new international order, nation-states will remain powerful and more autonomous than globalist ideology suggests. Yet in order to achieve security in global markets, they will have to cooperate and accept greater interdependence in economic as well as in political terms. The transition from threat of war and diplomacy to world politics, from balance-of-power diplomacy to globalization's politics, will involve concrete steps toward world governance. Secure and equitable markets demand political institutions. Markets and politics are the alternative to brute force and war. Markets are the realm of competition; politics, the domain of collective action. Markets are apparently self-regulated, but they require political regulation. Political decision making involves arguing and persuading as well as compromising and voting. While markets are supposed to be competitive, politics is essentially cooperative. Politics acknowledges conflicting interests, but it is impossible without some degree of solidarity. The September 11 events showed that no one is secure alone, and definitively opened the window to international politics.

The intrinsic combination of markets and politics, of self-interest and cooperation, of the profit motive and the republican responsibility for the common good, of citizens' rights and multicultural respect, are at the core of modern, secular, liberal, social, and republican democracies. For the first time in the history of humankind, politics instead of force will start to be the major factor in international relations. Military power will continue to play a role, but a diminishing one. Through competition and free markets, mutual benefits may be achieved, but it is only through politics that the necessary values and international institutions will be created. It is through a modern diplomacy, now transformed into politics, that international governance will someday emerge. I will probably not see this day, but the historical facts that I have analyzed in this essay make me confident that my sons and daughters, or at least my grandchildren, will. Global governance is not yet a reality, but it has ceased to be a utopia.