

## *Introduction*

While my generation was growing up and when we went to college in the 1960s and 1970s, intercontinental missiles were pointed at many cities of the world. Reading now about the Cuban missile crisis or the early 1970s, when fear over oil supplies triggered plans for US military intervention in the Middle East that could have possibly provoked Soviet retaliation, we realize how close the world came to nuclear holocaust during those decades. Quite paradoxically, I suspect that most of us felt “safer” in those days; we boarded aircraft without anybody searching our luggage, and we did not worry about attacks on our trains, yet the danger of massive destruction on a global scale was very real. When the Berlin Wall was removed a decade and a half ago, the imminent threat of nuclear war disappeared with it. The end of the Cold War allowed the projection of a global future of reduced conflict with heightened prospects for worldwide peace and security. Unfortunately, while we seem to have escaped, at least for now, the danger of nuclear holocaust, few would argue today that we live in a world that is secure and peaceful. Terror has replaced intercontinental missiles as a source of

insecurity that we feel in our daily lives. Moreover, the threat of nuclear mass destruction may reappear in the not so distant future: the capacity to destroy is, if anything, greater today than ever before. The technology of war has become even more deadly, and, after a brief decrease in the early 1990s, worldwide expenditures on armaments have increased despite the end of Cold War rivalry. Teenagers growing up today in China, the Middle East, Europe, or the United States can communicate with each other over the Internet and share insights, hopes, and questions in a way that has truly revolutionized the world. And yet it is not clear that they have a safer future than their parents had. Far from enjoying the peace dividend that we hoped for in the early 1990s, we now feel a deep sense of insecurity as high officials declare that the worst terror is yet to come. Expenditures on armaments increase unabated while budget cuts often reduce expenditures on basic human needs. Can we not build institutions and forms of cooperation that would bring much greater safety and allow the advances of technology to go hand in hand with real security? The debate about Iraq has shown how little agreement there is on what constitutes legitimate international action in the security sphere or what can be defined as an imminent or future threat. Inevitably there will be debates over future threats, some of which will probably be much greater than the threat Iraq was purported to pose. We should prepare global governance mechanisms to deal with future crises now rather than wait until it is too late.

In the economic sphere, while there may be debate about exact numbers, the empirical evidence is quite clear: over the last two decades a greater number of people have been able to escape extreme poverty than ever before in human history. Astonishing technological breakthroughs and their implementation in an increasing number of countries and sectors have unleashed a process of transformation and growth that dwarfs the industrial revolution of the 18th and 19th centuries. China, with a current population of 1.3 billion people, has been growing on average at a rate exceeding 8 percent per year for over two decades. India, with almost as large a population, has realized growth close to 6 percent per annum since the mid-1980s. Production for the world market and productivity growth spurred by global integration of production circuits have been important sources of this growth. Productivity growth in the United States has also been at a historical high, allowing the US economy to grow at about 3 percent on average per annum over the last two decades, a remarkable performance for what is the “frontier” economy in terms of

technology and know-how. Japan and some European countries have not grown much over the last fifteen years, but they maintain living standards close to or in some cases higher than those in the United States. Other developed countries, such as Spain, Ireland and Korea, have grown more rapidly than the United States.

Despite this unprecedented economic growth, there is a great deal of discontent and insecurity throughout the world. Many countries and regions seem altogether excluded from the process of global development. Africa and the Middle East have, with the exception of a few countries, essentially stagnated over the last two decades. Per capita income growth in Latin America has also been disappointingly slow, again, with some exceptions. In Europe, very high unemployment rates have destroyed the feeling of success and shared prosperity that characterized the postwar period. Even in the United States, labor-saving technical progress and global outsourcing seem to prevent GDP growth from creating much new employment in recent years, and there is a great deal of job insecurity. The same outsourcing undoubtedly contributes to growth, including employment growth, in the developing countries. Nevertheless, the conditions of that employment can be quite degrading. The *Financial Times*, hardly a radical critic of capitalist globalization, reported on research conducted by Cafod, a UK-based Catholic development charity. The research documents the harsh and often humiliating experiences of workers in emerging-market economies who make personal computers, printers, monitors, and components for the electronics industry. Young women often work illegally below the minimum wage, sometimes 16 hours a day, 7 days a week. One report describes how workers are screened to secure the most docile labor force. Psychometric tests ensure that creative and imaginative minds do not get through: candidates who drew a small unadorned stick tree were likely to be chosen while those who drew trees with big root systems, colored in the leaves, and put fruit on the branches displayed too much ambition and imagination.<sup>1</sup>

One can argue that at least such workers are employed and that, despite difficult and sometimes degrading conditions, they are likely to escape extreme poverty over time. There is no doubt that direct foreign investment has created many jobs and has been very beneficial to countries such as China, India, Mexico, Brazil, and many others, despite the

1. John Authers and Alison Maitland, "The Human Cost of the Computer Age," *Financial Times* (London), January 26, 2004, London Edition 1, p. 10.

difficult labor market conditions, particularly in the informal sectors, mentioned above. However, there are hundreds of millions of human beings in remote rural areas or urban slums who, excluded from the world economy altogether, are even worse off than the modern equivalents of the exploited labor masses of 19th century Europe.

The uncomfortable truth is that in this age of instant communication and global integration there are enormous inequalities separating human beings, with billions barely subsisting, billions working in incredibly difficult conditions, and a small elite commanding a mind-boggling degree of wealth. Perhaps such visible and extreme inequality would be more acceptable if it were not for the recurrent financial crises leading to job losses and insecurity, even in the richer countries, and the persistent extreme poverty in large parts of the world. But economic crises, a deep sense of insecurity, and extreme poverty remain defining characteristics of early 21st century globalization, threatening our confidence in the future and undermining our ability to harness knowledge and technology to create the security and prosperity we long for.

Does it really have to be this way? How can we counter the increasing threat from terror? How can preventive action be legitimate? Can we foresee and try to forestall tomorrow's biggest dangers? In the economic sphere, can we not build a process of globalization that brings about greater equality while creating wealth and eradicating poverty? Must emerging-market economies really have to experience the kinds of devastating crises we saw in Latin America, Asia, Russia, and Turkey, where real incomes often fell by 15 percent or more? How can the political and economic spheres of the "international system" interact in a more constructive manner to lead to both greater security and greater prosperity?

These are the questions, asked by many, that have led me to write this book. A great number of books on globalization and global governance have been published over the last few years. Some have become best-sellers, such as Joseph Stiglitz's *Globalization and Its Discontents*, while others have much smaller audiences; some reflect enthusiasm about globalization, such as Jagdish Bhagwati's *In Defense of Globalization* and Martin Wolf's *Why Globalization Works*, while others underline negative aspects; some are grounded in political theory and sociology, as is the work of Anthony Giddens, David Held, or Ulrich Beck, while others are more focused on economics and finance, such as the many volumes triggered by the Asian crisis. Some are written from an American perspective, such as Zbigniew Brzezinski's *The Choice* or Joseph Nye's *Soft Power*,

others from a more European perspective, such as Dominique Strauss-Kahn's *The Flame and the Ashes* and Jean-Francois Bayart's *The Government of the World* or Ralf Dahrendrof's *The New Beginning of History*. The growing literature reflects the need to recast much of the analysis of economic policy options and social issues into a global framework.

The objective of this book is to contribute the special perspective of someone who has acutely felt the tensions and difficulties in reconciling the new global world with national roots, the requirements of international markets with the need for political legitimacy, and policies appropriate to the global age with politics that remain very much a local affair. After teaching economics in Turkey and the United States for six years, I was active in an international institution, the World Bank, for over twenty years, learning about the world and trying to contribute to economic development, enjoying it, often frustrated by the lack of progress but sometimes hopeful about reforms, realizing again and again that technical knowledge without political legitimacy can only achieve limited results. In the spring of 2001 I was called to steer my country's economy out of one of the worst financial crises ever experienced by an emerging-market economy. This time sitting on the other side of the table, I had to negotiate with the IMF and the World Bank and try to rally the finance ministers of the G-7 countries to Turkey's support. I was then elected to the Turkish Parliament—after the worst of the crisis was over and the economy rebounded—a “global man” in national politics. The Turkish Parliament sent me to Brussels, representing the left-of-center opposition, to participate in the “Convention” on the future of Europe that was drafting a new constitution for the enlarging European Union. This was a unique experience, during which we debated the need for and the limitations of supra-national governance, the future of the nation-state, the principle of subsidiarity, the separation of Church (or Mosque) and State and the “frontiers” of Europe. I learned a lot from my colleagues there, such as Giuliano Amato, former prime minister of Italy and vice president of the Convention, and many others. This was also a period during which I became involved with progressives from around the world who were working on defining the “ideological” agenda for the first decade of our new century. I had the privilege of participating in the Global Progressive Governance network and conferences supported by the British Labour Party, the Global Progressive Forum headed by Poul Nyrup Rasmussen and his team, meetings of the club “A Gauche en Europe” organized by Dominique Strauss Kahn and his friends, the Sympo-  
siums led by

George Papandreou each summer, and in other meetings and networks that were often in the context of the Socialist International led by Antonio Guterrez. I also continue to be part of and take great enjoyment in working with a Task Force on Global Public Goods headed by Ernesto Zedillo and Tidjane Thiam and a special Commission on the Future of the Balkans headed by Giuliano Amato.

The teaching of international economics, life and work in an international institution (including my last assignment at the World Bank as the vice president in charge of coordinating the global fight against poverty), the struggle to save my own “emerging-market country” from economic and financial collapse, and then work on the enlarged supra-national European Union of the 21st century, all led to a strong desire to synthesize some of the experience I gained and the thoughts I developed in a volume on global governance. As students in the late 1960s at the London School of Economics we still possessed the “modern” certainties nourished by positivist thinking and believed in nearly “linear” progress led by social engineering. More than three decades of experience with development and public policy in a world more strongly influenced by “post-modern” uncertainties and relativism has taught me to be cautious and to appreciate the fragility of human progress. I have not, however, given up my belief in the possibility of real progress, in the perfectibility of human society, and in the power of good public policy. The recent report on Europe’s role in the world produced under the leadership of former prime minister Poul Nyrup Rasmussen of Denmark is entitled “The Will to Change the World.” I still believe, along with the authors of that report, in the power of ideas to change the world. The world is not the happy community almost uniformly benefiting from economic growth that some enthusiasts or apologists of the current order depict. The world also remains extremely unsafe. Some of the most enthusiastic supporters of “laissez-faire” economic globalization sometimes seem to forget that political events triggered by a social crisis or war can undo decades of progress. There is indeed the need for a “will to change the world” that will translate into new policies and institutional reform.

The solution does not at all lie in a rejection of globalization or a retreat into new forms of autarchy, but in the deliberate invention and building of a new institutional setting that will *govern* the process of increasing interdependence and integration among countries, regions, and peoples of the world. Without pretending to reach their philosophical depth, the approach in this essay follows the lead of social democrat

thinkers such as Karl Polanyi and Jürgen Habermas, who have emphasized the critical importance of political *institutions* and political *ideology* in shaping events, as opposed to the belief that history unfolds due to forces inherent in human society and quite beyond the control of public policy. The key problem we are facing at the beginning of the 21st century is that too many of our political ideas and institutions still reflect the post-World War II world of nation-states recovering from war and emerging from decolonization and characterized by manufacturing-dominated economic structures, while we have now entered a truly new era of global structures, service- and communication-dominated economic activity, and with it, new forms of alienation and insecurity.

The search for answers to these new challenges must acknowledge the enthusiasm and vigor of what I would like to call the “Porto Alegre Spirit.” The belief in change, the refusal to conform, the revolt against injustice, the celebration of diversity and freedom, the eagerness to network globally; these are all part of that spirit that made a success of the first “alterglobalization” meeting, which took place in the Brazilian town of Porto Alegre in 2001 at the same time as the rich and powerful met in Davos. We must reach beyond protest, however, to really confront the threats and build the future while being mindful of the dangers inherent in excessive social engineering. Walden Bello, a prominent sociologist from the Philippines and an “anti-corporate globalization” activist, criticizes the idea “that the challenge is to replace the neo-liberal rules with social democratic ones,” which he views “as a remnant of a techno-optimist variant of Marxism that infuses both the Social-Democratic and Leninist visions of the world, producing what Indian author Arundathi Roy calls the predilection for gigantism.”<sup>2</sup> I think one must take this warning against positivist excess seriously in light of the failures of over-centralized models of governance practiced by the totalitarian left at the national level in the past. Surely, however, the solution cannot be a retreat into small-scale production and autarchy of the type sometimes advocated by many of the anti-globalization activists such as, for example, Martin Khor, who wants to see “Gandhi-style community based, self-reliant family units of production, trading mainly within the community and the region and only making occasional exchanges with the rest of the world, as needed.”<sup>3</sup> The risks and new forms of dependencies created by

2. Bello (2002).

3. Martin Khor quoted in “A Better World Is Possible: Alternatives to Economic Globalization,” Report of the International Forum on Globalization (2002, p. 14).

global markets are real, but we cannot undo technological progress and the growth of interdependence—nor should we want to, because there is fantastic scope in using technology and its diffusion worldwide as well as international trade to overcome poverty, disease, and human suffering and foster unprecedented prosperity. Instead of a retreat into a mythical past, we must work towards a set of practical proposals that will make the *democratic* governance of globalization possible and provide us with security and justice both in the political sphere and the economic sphere of the international system. “Embedded Liberalism”<sup>4</sup> must be replaced by “Embedded Globalization.” There will only be progress toward such global governance if it is grounded in democratic values and practice, respectful of cultural diversity, avoidant of the dangers of gigantism and bureaucratism by leaving what can be decided locally to local levels of public policy, and able to gain the allegiance of majorities across the globe.

Achieving such global governance is, of course, a huge challenge. I have tried to address the challenge and reach a broad audience interested in a reform process based on cooperation and democratic values. The reforms must also be based on sound economics and build on what we have learned from experience. I have tried to go beyond generalities and to offer some specific proposals on both security-related and economic matters. Given that this book is an individual effort, it cannot go into quantitative detail of the kind found in some of the analysis provided by large institutions or task forces. It is only by debating specific reforms, however, that we can test general approaches and frameworks proposed in the context of globalization. Many now recognize, for example, that despite unprecedented military and economic power, the United States must seek a world order based on cooperation and legitimacy if it wants to be more secure. But what does this mean concretely in terms of reform of the United Nations, the operation of the international financial institutions, and the management of world trade? We are at the beginning of a long and difficult road, but not moving rapidly in this direction will cost us dearly. If this book succeeds in contributing some ideas on how to accelerate the movement and manages to build some bridges between those who would like to see change but worry about feasibility and those young people who dream courageously without yet having had experience with the tough process of real life reform, it will have fulfilled its aim.

4. Ruggie (1982) introduced the term “embedded liberalism,” referring to the political and institutional context in which markets are allowed to operate and allocate resources.