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Intervention on

The importance of global institutions in mediating between the West and Asia.
By Joergen Oerstroem Moeller

Let me start by emphasizing some basic principles about institutions, primarily how they work or do not work in an international context, but also valid for national and domestic institutions.

- Institutions cannot create or shape policies, nor can they lead to decisions if the political will is not present. They are channels or instruments to implement policies.
- They are not an end or a goal in itself. They serve a purpose and are mobilized only if a goal cannot be reached without them or is reached less efficiently.
- Formalities cannot twist realities. The substance dictates what we do and who is doing it.
- To be a suitable vehicle for decision-making, institutions must respect the balance of power, as seen by their member-states.
- To be effective, institutions must be perceived as being “theirs” by those they serve. A former Secretary-General of NATO had a sign above his desk saying:
« The Secretary-General is the servant of the member states. »
- Institutions stop working effectively when their *raison d’être* disappears, but keep working inefficiently until that truth dawns upon the member-states.

1. The Post-War system

The Cold War ended in 1989-1991. Until the UN Security Council in 2003 failed to agree on the Iraq issue, the Cold War global system continued to function because the autopilot was switched on. No one really pressed for changes and no challenges popped up to disclose that the job it was designed to do had disappeared. The Iraq war did so for a variety of reasons and since then, the world has sailed on without a steering system.

Let us cast a glance on the post-World War II system, if for no other reason than that it served the world well for more than 50 years.

1) The system was comprehensive in setting up the UN, a trade organization (ITO/GATT, to be replaced by the WTO), a channel for funding reconstruction and development (with the World Bank designed to be the world’s family bank), and a fund to help overcome balance of payments difficulties (the International Monetary Fund). Later, these institutions were supplemented by a host of other more or less specialized institutions, organizations and agencies. These institutions supported one other and where one could not help, another one was called in.

2) The institutions looked like multinational or international institutions, but were in fact a vehicle for the mightiest country, the US, to exercise power in conformity with its political priorities. The rest of the world not only acquiesced, but went along because the US resisted – not always but most of the time – the temptation to use the institutions to pursue narrow American interests. When the US acted alone, it acted.....alone. The majority of the other member states were comfortable with sharing most of the set of values steering US policies and felt that they had joined the institutions for this reason. The institutions made it possible for the US to impose its will with some civility and most other countries saw themselves as its partners.

3) World opinion backed the institutions, perhaps not unanimously and not all the way, but to a large extent. It took a long time for pressure groups and NGOs to emerge as opponents or critics and when that happened, it was only half-hearted and aimed at part of the system or at isolated policies.

4) There was a dominating model, the American one, but there was still room for the socialist model to challenge it until 1989, when socialism collapsed and caused some developing countries like India to try their own model. The dissenters, so to speak, were not reigned in, but allowed to try their model.

5) In retrospect, that may have been one of the reasons it was only in the 1980s that the free market began to run amok. Before then, it was kept under control or might have kept itself under control because there was an alternative. So long as that was the case, aberrations were held in check. When the challenger disappeared, the economic model began to lose self-control.

2. How does it look now?

Leaving aside, for a time, the question whether the institutions are looking at the right target, there is no doubt that decision-making is out of tune. Examples are the veto right in the UN Security Council being vested in the five victors from World War II; the composition of the Security Council, which leaves out India, Germany and Japan and which has no representative from Africa, the Middle East and Latin America; voting rights in IMF and the World Bank which, though adjusted, do not reflect the power balance. The WTO is based formally upon unanimity but in reality leaves decision-making in the hands of a few major powers, asking the rest of the world to endorse what they have agreed on. Bodies like the G-7, G-8 or G-9 reflect the idea of a directory, but are, in fact, a rich man's club that views the world from that particular angle.

People around the globe do not see the institutions taking consensus decisions but being moulded in the tradition of American interests, even if Americans sometimes appear to be their most vocal critical. There is a saying that a political compromise is a good one if no one is happy, but the same proverb cannot be applied to global institutions.

Those who shaped the institutions 60 years ago would probably have been pleasantly surprised if told that the institutions would still be there in 2008, but even more pleasantly surprised to see that all the rising powers have joined the system. It is one of the marvels of the past 20 years.

As a *quid pro quo*, the established powers should have stretched their hands out to welcome the new powers and made room for them by adjusting decision-making procedures. By not doing so, they have created a constituency of members which feel that the institutions are not really theirs but belong to the establishment. They did not join the institutions; they joined the global economic model and chose to live with the institutions set up to run that model.

The established powers, especially the US, apparently are unable to come to grips with the following dilemma:

- Either to welcome new powers, share decision-making with them and relinquish some of their power, but at the same time reap the benefit brought by the values guiding or controlling the system, which continues to be theirs. In short: You can shape a global system in your own picture.
- Or hold on to formal powers, counting on players to see things as they used to be, which will be the case for a time, perhaps a long time, but which sooner or later will change. When change occurs, it will do so in circumstances that will cut deeply into their influence and open the door for others to shape a world order.

What you cannot do is to do both – or neither.

3. Global system out of touch

The basic problem is not, however, that the decision-making procedures do not reflect the picture of the real global economic and political power, but that they have lost track of what happens in the world. This can be illustrated by five observations:

- The existing global model, which is the American post-1990 edition of capitalism, is not any longer accepted as universal.
- Free trade is being questioned by a number of countries, business (Warren Buffett!) and academics (Paul Samuelson!).
- The dissemination of information and the shaping of opinion is shifting. Facebook and YouTube have made interaction real.
- We are moving from an international environment of plenty and low prices for the whole range of commodities to an era of scarcities with high prices.
- The nation-state is gradually losing power to clusters, megacities, cross-border regions, and multinational or supranational companies. A whole range of new players has entered the fray without being integrated into the system.

The existing edition of globalization is out, another model is feeling its way in, but international institutions are caught by inertia.¹

The system is out of touch, does not respond to current challenges and does not incorporate a number of important players. The contrast is striking with the post-World War II system, which was responsive and delivered the goods.

The new main topics for global action must either be incorporated into the existing institutions – alternatively, the institutions’ objectives must be changed – or new institutions must be built. The world has seen this before – for example, in the post-World War II period – and knows how difficult it is. The drivers for this to take place should be the rising powers because they are the countries expected to benefit the most from new issues, but are newcomers in the game and lack experience.

It looks as if the US will still be the dominating power for a long time, with Europe presumably but not for certain to support it. But the US will not any longer be strong enough to design and impose a system on others. In other words, we are moving into an era with a strong power that is much stronger than the other powers, but is not strong enough to exercise undisputed leadership and impose its will and, if I read the signals coming from the US, has some self-doubts about where it wants to take the world.

Who is going to lead? The established powers are strong enough to block, but not to lead. The rising powers voice their discontentment, but are short of alternative suggestions.

Let me enumerate what I see as the topical issues that will shape international institutions in the years to come.

Issue number one. Regional internationalization.

Coming from Denmark with the Lego bricks, I do not hesitate to tell you that a durable global model needs to be built by the Lego bricks method. We operate with several layers: national, regional and global. The nation-state is too small and the global level too diffuse. The regional level offers the prospect of tackling congruous problems in collaboration with adjacent nation-states pursuing analogous political objectives. The depth of regional institutionalization depends upon similarity of political objectives, political systems, economic model and governance in a broad sense².

Regional organizations serve as vehicles for helping nation-states with problems confined to a region, for example currency cooperation in Europe or Asia, or freedom of movement for labour inside a region. Gradually, they take over safeguarding the interests of member-state at an international/global level. These regional organizations will gradually replace the nation-states and link together to shape a kind of global governance. Monetary cooperation will come first. In a not too distant future, we will probably see Europe and adjacent regions in a Euro Zone, North America and at least some of the rest of the Western hemisphere in a US Dollar Zone, and a large part of Asia uniting around a Yuan Zone. The rest of the world will choose one of these three currencies as its anchor. From there will emerge some kind of policy body to fix currency rates and control global economic policy and from that platform may emerge a new global body with wider competences.

The problem is that, so far, only one of the organizations, the European Union, has reached a level where it is capable of playing that role.

But the good news is that if we actually look at what is happening, we can see how regional organizations are growing in number and stature and gaining more clout in East Asia, Latin America, South Asia, the Middle East and in Africa.

Issue number two. Sovereignty

We have passed from the era of the nation-state to the era of internationalism. The nation-state is fighting a tough rearguard battle – yes, it fighting for its life – but its days are numbered. How can a global steering system managing economic globalization be composed and controlled by nation-states? That is a contradiction in terms.

The hard core in all this is sovereignty³. In the former global model, sovereignty was the bulwark for the nation-state against what came from the outside world. It decided what it would let in and what it would block. The plinth of the system was the nation-state's right to defend itself against the outside world. In the era of globalization, it is the other way around. We have moved into an age where the international or global system reserves for itself the right to intervene in case it finds that the policies of a nation-state threaten global stability. For those in doubt, see what has happened over the last 10-15 years. Having digested that, just think of what would happen to globalization if we opted for a toothless global system allowing nation-states to disrupt international relations. We do not yet have a high priest or an icon as a whistleblower setting it out in specific terms, but we can see it happening.

If this is not intercepted by a global system, the next thing to happen will be the spread of coalitions of the willing – as we have seen.

The only thing that is not going to happen is that the international system sits back, adopting the cast of a lame duck. Formerly national economies could and did function on a domestic base and the international economy was seen as a potential disruptive force. Disruption came from external circumstances hitting the national economy. Now, the global supply chain, logistic networks and ICT must be secured against disruption emanating in one country and, *via* the global economy, making the other national economies fall like dominoes. Disruption originated nationally, putting the spanner into the works of the global economy. To mention a specific example, during the SARS pandemic in East Asia, the fear among several Asian countries was that the WHO would move to impose restrictions on travelling out of the countries/territories hit – not help the countries hit – to protect the international system

Sovereignty will be adapted to globalization, giving the right to intervene inside nation-states. An unconditional condition for this to be accepted is an institutional framework with rules and procedures, just as the world today has rules and procedures for how the nation-state can defend its sovereignty.

The intriguing question in the West-Asia perspective is that Europe, Asia and the US find themselves on different stages on the lifecycle of the nation-state, the guardian of sovereignty. Europe is dismantling the nation-state even if a host of people say the opposite. Asia is on the upward bend of the curve, with many Asian nations striving to build a national identity. The US may be at the beginning or the end of the curve, but is not near either Europe or Asia. A witty comment in *Fortune* (June 23, 2008) predicts that the US will fall apart with an oil price of US\$1,000.

Issue number three. Burden sharing ⁴

All the institutions are designed to distribute the benefits of economic growth or, alternatively, to support economic growth.

The game is changing. In the future, we are going to live in an era of scarcities, with high prices for commodities, pressure for pollution abatement and a focus on global warming/climate change.

The institutions we now have are not designed to do that and, although not impossible, it is unlikely that they can be turned around.

The future game will be a battle about burden-sharing, a brutal and ruthless exercise where everybody will try to pass the buck to somebody else. Politicians, be they national or international, have found it difficult to deal with distributing benefits. It is nothing compared to burden-sharing.

But if we do not succeed in shaping some kind of common policies to tackle this in an orderly way, the alternative is not to go on, but that large parts of the world will implode.

Issue number four: Interaction

International institutions probably, like national institutions, have not adjusted to the era of mass communication, dissemination of knowledge and information, how a consensus is shaped outside institutional frameworks and how to incorporate the new players in decision-making.

Just to give one example. When the London underground was bombed in 2005, it was not the authorities or the traditional mass media which were there first but people with their cell phones and cameras. The result was that before the authorities had had the chance to assess what had happened and how to shape public opinion, there already was a public opinion shaped by people themselves on the spot.⁵

Conventional communication *via* the authorities and/or by established mass media, which consider themselves to be part of the establishment – albeit, in some cases, being a pain in the neck for the authorities – is losing the game.

International institutions are delinking from national governments as a consequence of globalization and must accordingly build up their own channels to intercept this new trend on a global basis, take in the new players, and open channels on how to receive information and how to give information. This is interaction, not one-way communication.

4. Why institutions at all?

I almost forgot!

Institutions are not perfect, but are the best instruments for delivering continuity, coherence, compromise/negotiations, transparency, legitimacy and accountability.

When international institutions are criticized – which, for example, is the case with EU institutions and the WTO – they are almost always compared to national institutions and not compared with an alternative global model.

The virtues above are well-known and not many would seriously dispute that institutions are better placed to deliver goods than, for example, bilateral diplomacy, where the mightiest powers either force their will through making less-powerful nations fear them, or show magnanimity to draw others into their orbit as client-states.

Let me finish by mentioning two virtues and two criticisms.

The two virtues are essential although their benefits may not at first glance be tangible and even less measurable.

First, institutions reflect a stage of political maturity, forcing countries into a negotiation framework instead of confrontational attitudes. It is easily forgotten, but until 1945 exactly such a framework guided global politics and the first attempt to change the pattern under the aegis of the League of Nations failed completely.

Second, institutions operate by rules and procedures. The virtue is that powerful and less-powerful nations both know the rules, and that a set of rules declares what is permissible and what is not permissible. The effect is not only transparency but also an improved basis for decision-making, so that the reaction of others becomes more predictable. Surprises cannot be ruled out, but will be the exception.

An extrapolation of this is the discipline imposed on member-states by the institutions and the self-discipline the member-states impose on one other. The trick, so to speak, is to make the member-states abide by the rules. That makes it unnecessary to bring enforcement into the picture

There are, however, two criticisms again international institutions that are somewhat difficult to deal with.

First, institutions normally are far away from the citizens they serve. This transforms them into faceless monsters regardless of whether they are or not monsters, because a citizen can go to the local community and talk with a person, but not to international institutions.

Second, when there is not sufficient trust among member-states, institutions will not enjoy trust, either. Country A has no trust in country B. An institution means that a citizen from country B takes decisions in matters of great importance for country A.

How these difficulties are to be overcome is an unresolved question that explains much of the public scepticism towards European institutions.

The somewhat disappointing observation is that we are still in first gear, where international institutions belong to the national government and nation-states. Hopefully, we will be able to move into second gear, where they start to belong to the people.

¹ See, for example, Bobbitt, Philip, *The Shield of Achilles*, New York, Random House, 2002.

² The European Union mapped out at the meeting of the European Council in June 1993 the Copenhagen criteria for accession to the union. See

http://europa.eu/scadplus/glossary/accession_criteria_copenhagen_en.htm

The European Constitution, rejected by a majority of voters in France and the Netherlands in early summer 2005, contains for the first time an attempt to describe what the EU stands for and what keeps the member-states together. See Title I, Definitions and Objectives of the Union plus articles I-9, I-10, and I-11:

http://europa.eu/institutional_reform/index_en.htm

³ I have tried to take the analysis a bit further in the following works: Møller, Jørgen Ørstrøm, *European Integration-Sharing of Experiences*, Singapore, ISEAS, 2008, *A New International System*, Singapore, ISEAS, 2004, *A New International System*, In *The National Interest* February 18, 2004, *A Vacuum in Strategic Thinking*. *The National Interest* online. November 2004.

⁴ See, for example, Møller, Jørgen Ørstrøm, "The Return of Malthus", *The American Interest*, Vol. III, Number 6, July/August 2008.

⁵ See, for example, *The New Media, Inc.* Co-author Terence Chong. *The National Interest* online, October 30, 2006.