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INTRODUCTORY NOTE

London was the location of the 2001 annual meeting of the Trilateral Commission, which began on the evening of March 9 and ended at midday on March 12. The publication that follows draws together edited transcripts and texts of presentations made in the course of those three days.

The London meeting, the first of the Trilateral Commission's new triennium, was also the first annual meeting in the widened framework agreed upon last year. Most notably, the Japan group has been widened into the Pacific Asian group; and the North American group now includes Mexican members. Mexico and Pacific Asia beyond Japan are well-represented in this publication. Section 10 includes the speech of Lee Hong-Koo (from page 86), former Prime Minister of the Republic of Korea and head of the group of Korean Trilateral members. Section 3 includes the presentation of Jusuf Wanandi (from page 15) of the Centre for Strategic and International Studies in Jakarta, one of fifteen members from the original five ASEAN countries. In Section 5 are excerpts from the answers to Joseph Nye's questions of Young Soogil, now at the Institute for Global Economics in Seoul. Section 2 includes the London presentation of Ernesto Zedillo (from page 12), former President of Mexico. Luis Rubio, Director General of Mexico City-based CIDAC (Center for Research for Development), was among those responding to the Nye questions (Section 5). We are continuing the practice in this triennium of inviting a number of persons from other key areas of the world to participate in annual meetings. Speaking to the London meeting was Frene Ginwala, Speaker of South Africa's National Assembly (Section 8 from page 68).

The substance of the London meeting was centered on four sessions grouped under the broad theme of "globalization and governance":

"The Changing Role of States" (Section 2), "Addressing Those in Danger of Being Left Behind" (Section 3), "Improving the Trading Regime" (Section 4), and "The Legitimacy and Accountability of Key Multilateral Organizations" (Section 5). The speech of Robin Cook (then Britain's Foreign Secretary) on the opening evening of the London meeting was focused on the challenges of globalization; and in this publication the Foreign Secretary's speech is presented as Section 1, with the "globalization and governance" sessions. The growing interdependence that so impressed the founders of the Trilateral Commission in the early 1970s has become a process of "globalization" that in a number of ways presents even more complex and urgent challenges.

At the outset of the London meeting, Peter Sutherland became the new European Chairman of the Trilateral Commission. Mr. Sutherland, now based in London as Chairman of BP Amoco and of Goldman Sachs International, earlier served as Director General of GATT/WTO, a Member of the European Commission, and Attorney General of Ireland. He takes over from Otto Graf Lambsdorff, Honorary Chairman of Germany's Free Democratic Party and former German Minister of Economics. Paul Volcker announced at the March London meeting that Tom Foley would succeed him as North American Chairman. In April Mr. Foley, former Speaker of the U.S. House of Representatives, completed service as U.S. Ambassador to Japan and returned to Washington, D.C., as a partner in the law firm of Akin, Gump, Strauss, Hauer & Feld. In May he succeeded Mr. Volcker, former Chairman of the Board of Governors of the U.S. Federal Reserve System. Reflecting the widened framework of the Trilateral Commission, there are two new Deputy Chairmen: Han Sung-Joo, former Foreign Minister of the Republic of Korea and now Professor and Director of the Ilmin International Relations Institute at Korea University; and Lorenzo Zambrano, Chairman and Chief Executive Officer of Cemex.

ROBIN COOK

The Challenges of Globalisation

It is my pleasure to welcome you to your debates on globalisation in London. There could not be a more appropriate setting than London in which to muse on the challenges and legacies of globalisation. Today's London is a perfect hub of the globe. It is home to over thirty ethnic communities of at least ten thousand residents each. In this city tonight, over three hundred languages will be spoken by families over their evening meal at home.

That is a cultural diversity which reflects the long historic connections which Britain has forged in seven continents. But it is also an economic advantage in a world in which the prosperity of a nation depends increasingly on the health of its trade and investment networks with other nations. The national airline of at least one of the countries represented in this audience has recently relocated its booking operation to London precisely because of the linguistic variety of the staff whom it can recruit here.

So I have every confidence that the stimulating environment of London will help you to resolve the problems of globalisation. To help you on your way, let me share some of the perspectives of a Foreign Minister.

The Impact of Globalisation

The effect of globalisation on business and industry has been profound. Innovations created in one country are routinely manufactured in a second country, often mobilising capital from several countries. The components in the laptop on which this text was

produced may have travelled further before final assembly than even the Foreign Minister in the same period.

We live in a global economy in which growth is driven by trade, which is expanding more than twice as fast as output. And in which financial flows across currencies are increasing even faster and every week outstrip the annual volume of trade. You will all be familiar with the dramatic effects of these trends on your business over your lifetime. Even the youngest executive among you has probably seen a bigger growth in trade than that in the period from the Industrial Revolution to the Second World War. And I will not embarrass the more mature among us by listing the even more dramatic changes we have experienced in our lifetime. But the impact of globalisation is as profound on politics as on business. No national economy is now an island. And every nation-state is as interdependent as it is independent.

In the twenty-first century, the old dividing lines of national politics between domestic Left and Right will be less and less useful as a political definition. A more relevant guide to the forces of progress and those of reaction will be provided by how they respond to the new global reality of interdependence.

The progressive political forces will be those who are cosmopolitan and outward-looking, who are comfortable building international partnerships and who respect people from different ethnic identities. They will offer solutions that recognise that national security requires international alliances and that domestic prosperity requires the dynamic pursuit of external economic cooperation. They will be people who welcome foreign contact as enriching, not as threatening.

The reactionary political forces will be those who are isolationist and inward-looking, who feel more comfortable clinging to the comfort blanket of a false idyllic past. They will offer solutions that are based on a retreat to narrow nationalism and a reluctance to enter into international partnerships. They are more

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likely to keep out foreign contact than to welcome it.

As you meet in Britain, permit me to say where the British Government stands.

Global Britain

This Government is firmly committed to embracing the changing nature of the international reality as a condition of domestic success. We do not want to cling to a Little England. We want to build a Global Britain. A country which accepts globalisation as an opportunity to be seized, not a threat to be resisted. A country which is confident in its approach to international partnership. A country which is comfortable that it can face the challenges of globalisation. A country which is at ease with itself and with its neighbours in Europe. Global Britain can be confident in its approach to globalisation because it speaks the language of globalisation. English has become the language of the Internet, of software, of the communications revolution. English has been our country's single most successful export.

Global Britain can be comfortable in facing the challenges of globalisation because our ethnic diversity is a strength in the modern world. A multi-ethnic society is better equipped to handle a multi-polar world.

Global Britain understands that the stronger we are in our own continent of Europe, the stronger we will be in the other six continents of the world. Any sane foreign policy must start by accepting the facts of geography. We cannot manage a foreign policy that goes all the way round the board of the globe without passing Europe. Any responsible trade policy must start by accepting the laws of arithmetic. It is with the other countries of Europe that we trade the clear majority of our exports.

The prosperity and the security of our nation depend on foreign contacts. Tolerance towards the foreign resident who has made his or her home in our country is the parallel to partnership with a foreign country abroad.

In the global village legitimate migration is the necessary unavoidable result of economic

success which generates a demand for labour faster than can be met by the birthrate of a modern developed country. We must ensure legal migrants have the full opportunity to contribute their skills and talents to the country they have chosen as their home. By contrast, discrimination at home is sister to xenophobia abroad. In the age of globalisation, both damage the national interest. Neither should have any place in the political lexicon.

I have said that we want a Global Britain that is confident and comfortable and at ease with the challenges of globalisation. I was very struck reading through the papers for your discussion that not all contributors showed that sense of confidence, comfort and ease about globalisation. On the contrary, there were frequent strains of angst at being misunderstood and a touching sense of hurt at not being regarded with more affection. Let me therefore as a politician address some of the questions raised by the gulf between globalisation and its populist critics.

Building a Wider Consensus

The age of globalisation is marked by remarkable economic vibrancy and rapid technology transfer. In economic history, it is matched only by the experience of the post-war decades, from the Marshall Plan to the Seventies oil shock—what the French call “les trente glorieuses.” During that period, the British economy doubled in size, the U.S. economy tripled. Germany and Japan both grew ten-fold. However, the striking contrast between these two phases of similar growth is the difference in public reaction. The period of post-war growth was overwhelmingly welcomed and by and large was not in itself a matter of political controversy. By contrast, the term “globalisation” has entered the language as an unloved, faintly menacing word—as unattractive as it is polysyllabic. Why this contrast in popular reaction to two periods of similar growth?

The post-war settlement was built not just around economic growth. It reflected a much

wider political consensus which was broadly shared across Western Europe. Business was guaranteed a stable environment for sustained growth. But the wider consensus was based on an implicit social contract with the people. Their consent was based on other features of the post-war consensus. A universal standard of welfare. Equal opportunity of education and in employment regardless of birth. An open society and democratic government. These were the broad planks on which popular support was built for the prolonged post-war period dynamism of business in the Atlantic area. Globalisation does not enjoy any such broad consensus. It is vulnerable precisely because it is often perceived by its critics as the globalisation only of investment and of trade. If we are to defeat those critics, we can do so only by building a wider consensus that globalisation must be much more than just a global economy.

We will not construct such a consensus simply through better presentation or wider process. I have no doubt that both could be improved. For instance, global organisations need to master the same structured dialogue that national governments hold with NGOs. Non-Governmental Organisations are no substitute for elected democracy, but they can complement it and are part of the strength of any mature civic society. There are for instance in Britain five times as many members of environmental NGOs as there are members of political parties. Prudent politicians treat them with respect.

If we are to divert sympathy of NGOs from those who take to the street, then we must enable them to be part of the international community in the same way as they are part of national society. And with a similar basis for dialogue. Official forums through which they can formulate and express their concerns. More open access to working papers. The exchange of secondments between staff of the official organisation and staff of the larger NGOs. The inclusion of representatives of NGOs within national delegations. All of

these are methods which we have adopted domestically in Britain. It does not spare us from criticism. The whole point of a Non-Governmental Organisation is to put forward non-governmental views. By and large, though, inclusion does engage those who take part in a legitimate dialogue rather than illegitimate disruption.

But changes in presentation and process cannot by themselves create a consensus. That also requires changes of substance. So now I want to focus on two issues of substance, two essential building blocks of a consensus on globalisation—Global Fairness and Global Responsibility.

Global Fairness

First, Global Fairness has made a strong net contribution to development. In the past decade, the level of foreign direct investment in developing nations has increased six-fold. It now runs at three times official development aid. Over the past generation, countries in Asia have achieved such dramatic growth in trade that their incomes have moved from something akin to African levels to something similar to countries in Europe. These are formidable pluses on the balance sheet. But the benefits of globalisation have been unevenly spread. The overwhelming bulk of investment goes to just a few developing countries. Africa has been passed by. Despite the exciting trends and dramatic growth elsewhere, per capita income in Africa is less today than a generation ago. It is not just an irony but a tragedy that the poorest continent on the globe is the one which has actually got poorer during the age of globalisation.

The revolution in communications creates limitless opportunities for the transfer of knowledge, technology and design. A prime driver of economic growth will be the accelerating speed of technology transfer in a wired-up globe. But large parts of the face of the globe are simply not wired up. Here in Britain, 95 per cent of households have a fixed telephone line, and 65 per cent of the total

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population now have mobile phones. But half of humanity has not made or received a telephone call in their life. Like me, many of you might feel one day without a telephone call would be enriching, but a lifetime without it is impoverishing. The old divide based on differential access to investment or to skills is in danger of being replaced by a modern divide over different access to the new technologies of communication.

Globalisation is not to blame for this unfairness, but nor will globalisation alone remove the unfairness unless we consciously adopt Global Fairness as a deliberate objective. There is much that can be done.

It is one of the harshest paradoxes of globalisation that in the very decade when the world has been integrating a global economy, the global level of development aid has been declining. Moreover, the global distribution of official aid sometimes appears to enhance rather than diminish unfairness. For instance, if we were to produce an index of poverty, it would be unlikely to produce a spread of development aid which allocated to sub-Saharan Africa only one-twentieth of the help per head available to the Middle East and North Africa.

As Foreign Secretary, I pay tribute to my colleague Clare Short, our Development Secretary. Under her guidance, Britain is increasing our aid budget by almost 50 per cent in six years. And refocusing it on the poorest people in the poorest countries.

Development aid in these circumstances is not in competition with private investment. It reaches those communities which currently receive no investment and which will attract private investors only through sustained development of human resources. And it needs to be accompanied by an approach characterized by a generous realism which recognises that poorer countries cannot develop their human resources if their debt burden exceeds their education and health budgets.

Yet, I was struck that none of your contributors saw an increase in official aid or a reduc-

tion in debt as part of the answer to the critics of globalisation. I believe it is in the interests of global private enterprise to press governments to reverse the general decline in development assistance and thereby address the perception that globalisation is unfair.

There is a parallel here with the point I made about the post-war consensus. Welfare for the destitute, public health to protect the community as a whole, and free access to education for all were essential elements in that consensus. It is precisely that development of human resources which is now needed in the poorest countries to enable them to take advantage of the opportunities of globalisation. Businesses engaged in the spread of globalisation should openly demand such investment by their governments. The other means of promoting Global Fairness is trade. Even a modest shift in the terms of trade can produce gains to a national economy that widely exceed any possible increase in development aid.

The fastest-growing developing countries have been those which have done most to take the opportunity of globalisation to boost trade. As a result, global inequality fell in the 1990s after three decades in which it soared. But global inequality remains much higher than a generation ago and the benefits of greater trade are uneven. The total exports of India, Pakistan and Bangladesh together are broadly similar to the exports of Thailand's 60 million people.

The collapse of the Seattle talks arose in large part from the feeling among the developing countries that their priorities were not high on the agenda and that their voice was not influential in the Council chamber. Yet, it would be a tragedy for those same developing countries if we were not to take forward a further World Trade Round. Halving trade tariffs worldwide would boost developing countries' income by three times the total of development aid flows. We must persist with a further World Trade Round. But we must ensure that it gives strong priority to promoting develop-

ment. Free trade for the industrialised products of the developed world must be matched by fairer access for the agricultural products, textiles and clothing of the developing world.

This poses a particular challenge for Europe. The Common Agricultural Policy is the largest system of agricultural protectionism on the globe. But it does not protect the living standards of the farmers themselves, as we have seen here in Britain. Nor is it in the interests of our nations as a whole. Our consumers pay prices well above the world market, and in the case of commodities from the poorest countries, such as sugar, they pay three times the world market price. Europe cannot simultaneously be in the vanguard of liberalising industrial trade and in the rear-guard of liberalising agricultural trade.

There is one simple but profound step which the WTO could take to demonstrate its commitment to Global Fairness. It should commit itself to achieving agreed International Development Targets, such as the reduction by half by the year 2015 of those living below the poverty level. It has the capacity to make a massive contribution to meeting those targets. It could thereby demonstrate to the developing member states that their concerns are shared by the organisation as a whole. And it could disarm those critics that see it as an instrument of injustice rather than an advocate of Global Fairness.

Global Responsibility

The other foundation for a new consensus must be Global Responsibility. The connections between our actions and their results were much easier to understand in an age when most of the products we bought were produced domestically, possibly even locally. But now consumers buy their food, their clothing and their compact discs from countries which they have never visited. They have no idea, and no means of knowing, what may have been the non-financial costs of their purchase. When they buy furniture, they have little idea of the environmental footprint on the

local forest. When they buy an engagement ring, they cannot tell whether it was bought with blood in an African conflict.

Nor can their government address these concerns by unilateral regulation. Developing countries are rightly suspicious of national environmental restrictions on trade as a covert form of protectionism. And, in any case, these are international problems which can be solved only by international solutions. Governments cannot hope at an international level to discharge the public responsibility which they are expected to exercise at a national level.

Nor is it unreasonable in the modern world to expect a wider degree of private responsibility. One of the consequences of globalisation has been the rise of transnational corporations with assets greater than those of governments. Wal-Mart has a turnover broadly similar to the GDP of Norway and General Motors has a turnover greater than the GDP of sub-Saharan Africa. Many of the larger corporations represented in this room have more executives working in foreign capitals than I have diplomats working for the Foreign Office.

In these circumstances, it is reasonable to ask for corporate good citizenship. Business has as much a duty as government to ensure that its activities protect the environment. And there are many striking examples of corporate business accepting that duty. Global Responsibility means that it should become the norm within globalised business to observe the sound principles of environmental management. The sustainable harvesting of timber and fisheries. The reduction of waste emissions and energy consumption. The application in developing countries of the same safety standards that they would apply at home. The publication of an environmental audit as a routine part of the annual reporting cycle.

All of this is in our own interests as well as those of the local population. The most compelling demonstration of globalised cause and effect is the discovery of the intimate way in which disturbing the environment in one

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hemisphere can produce profound and irreversible changes in the climate in the other hemisphere. Those businesses most active in the globalising economy must show the greatest global responsibility in stabilising the global climate.

There are other examples where business and government can work as partners to demonstrate Global Responsibility. For instance, diamonds from regions of conflict.

The majority of deaths in conflict over the past decade have taken place in Africa. And the struggle for control over the diamond fields is at the heart of many of those conflicts—in Angola, in the Democratic Republic of the Congo, and in Sierra Leone. In all of them, control of diamonds is a principal incentive and the sale of diamonds is the principal means of paying for weapons.

Mainly because of our leading role in Sierra Leone, Britain has been pushing for a global ban on rough diamonds from conflict areas. I have to say that we are very encouraged by the positive response from the diamond trade and I would particularly mention the strong leadership provided by De Beers. As a result, we are now on the verge of a world certification regime, which will ensure that rough diamonds cannot be traded from countries in conflict unless they are validated by the legitimate government. This will reduce both the capacity and the will of rebels to prolong a conflict. But this will also provide an illustration of the positive potential of globalisation and the way global networks can be turned to advantage if business and government together accept their Global Responsibility.

Conclusion

Globalisation is with us. It is not just here to stay. It is here to accelerate. Our prosperity and our security will become increasingly interdependent. I have tried to sketch out some of the elements of a political consensus to match that new economic reality. Greater transparency of international organisations. A determination to ensure that the benefits of

globalisation are more fairly shared. A commitment that global trade does not knowingly destroy the local environment or unwittingly promote local conflict.

Of course, it will be a major undertaking to turn round the perception of those who see globalisation only as a threat and never as an opportunity. But I said at the start that London might prove a stimulating environment for your discussions. Perhaps I could end by adding that the example of London provides not only a stimulus but a hope. London was after all first established as the capital of England by Romans from Italy. Who were in turn driven out by Saxons and Angles from Germany. The great cathedrals of this land were built mostly by Norman bishops, but the religion practised in them was secured by a Dutch prince. Contact with the outside world did not begin with globalisation.

London City and the British nation have both been shaped by successive waves of migration and foreign influence. And there is a consensus among my countrymen of natural pride in the culture and economy that has resulted from their past contact with the outside world. I offer that happy ending as an encouragement to your discussions and a sign of hope that with effort it should not be impossible to build a similar consensus on the accelerating foreign contacts required by globalisation.

Robin Cook was the United Kingdom's Secretary of State for Foreign and Commonwealth Affairs in the first Blair Government (1997–2001), including during the March 2001 Trilateral meeting. In the Cabinet shuffle after the June 2001 elections he became the Government's leader in the House of Commons.

GORDON SMITH

Globalization and Governance

I understand globalization to be more than an economic phenomenon, even one with clear social and cultural implications. Other things than the economy are “globalizing.” Security has been globalized ever since the advent of nuclear weapons and the long-range means of their delivery. We now see environmental challenges as global in a number of areas; none more obviously than climate change. Again, I would argue this definition is too narrow. Global challenges, by definition, are those that require responses at a global level. No individual state can develop adequate policies on its own. That is the point on which I shall build.

Let me tell you something about my experience as the Canadian Prime Minister’s “sherpa,” or personal representative, for the G-7/8 Summits in the mid-1990s. Two decades ago, the first summits focused on macroeconomic issues. I found fascinating in the mid-1990s that, when the leaders were alone talking amongst themselves about their major worries, they talked about a much broader range of global challenges and the management of our increasing interdependence. Of course, they talked about the Bretton Woods institutions, the WTO, a possible new environmental organization, and the UN. But they also talked about other particular challenges in some depth. Climate change will not surprise you. But infectious diseases and transnational crime might. Both are subjects that sherpas were asked to prepare for substantive discussion at future summits. Why were leaders so

interested in these issues? Quite simply, they understood that they could not deal with them at a national level, and believed that the international machinery was at best creaky.

Globalization, particularly in the economic area, is not new. Impressive numbers can be brought to bear showing the high importance of international trade and investment one hundred years ago. It is also clear from that experience that economic globalization was not and is not irreversible. War can certainly bring it to an end. In today’s context, so can a major backlash against globalization. Such a backlash could even undo other forms of global integration being caused by new technology and the increasing pressure of humans on the planet.

Global “Governance” at Best a Work in Progress

I also want to ensure we all understand in broadly the same way “governance.” It is obviously not synonymous with government. To me, global governance refers to the management of issues that spread across borders and typically involve governments, of course, but also international organizations, civil society, often the private sector, and sometimes—and indeed increasingly—formal or informal networks. These issues require, in many cases, what has been called “global public policy.” To deal with climate change, for instance, it is obvious that there must be just such a global public policy.

These changes in the public policy agenda have clear implications for the role of states and of international institutions. So does the rise in importance of civil society. The number, scope, and influence of non-governmental organizations have grown impressively. This process has been facilitated by the information revolution, which makes it so much easier for people around the world to connect quickly and cheaply. We are also seeing the spread of democratization and its consequences. While not universal in scope or in quality, it has meant that more people now are

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aware of what is going on and feel a right to be involved in decisions that affect them. They are asserting that right, sometimes on the streets. There is mounting discontent as decisions that have important effects at the local level are taken by international bodies that are not perceived to be part of a governance process for which there are clear accountability mechanisms.

In an increasingly interdependent world, it is obvious—I think to most everybody, but maybe I am mistaken—that one needs better and universally applicable rules of the road. We need means of ensuring we don't collide, and at a higher level, that will enable us to arrive at our chosen destinations. The rules have to be both effective and accepted as fair. How to bring this off is not obvious and does lead to questions about who should make the rules, how they should be made, how flexible should they be, and who, if anybody, is to enforce the rules. You will recognize these as classic questions about politics and governance. Yet we have no clear system and process of global politics and global governance. We have parts of a system, but nothing that is remotely complete. The building has many architects and many workers, and can at best be described as a work in progress.

It is clear we will not have comprehensive global government for a long time, if ever. That does not mean that building governance in a more conscious way for the major global challenges that require policy and management is not urgent. It is. Governance has to reflect the state of global politics, even if it is now a messy one. It also has to reflect a system of accountability that has more acceptance than the present one. And that has implications for transparency and participation.

I have no doubt that global institutions feel quite accountable to those they understand to be their stakeholders. The latter are governments, or more accurately, parts of governments—individual ministries. I would argue that the series of separate links back from international bodies to national governments

is part of the problem. The decisions of these institutions can have truly dramatic effects across economies, societies, and cultures. Think about the Asian crisis and that dramatic picture of Michel Camdessus standing with arms crossed waiting for Indonesia to accept the terms established by the IMF. Despite recent efforts to improve transparency, participation, and accountability, these institutions fall far short of what one would expect from a democratically elected government. This is not because of the insensitivity of management and boards. It is in no small part because the stakeholders—member governments—would not have it any other way.

The end result is not satisfactory. There is a need for greater inclusion, a sharing in the benefits of globalization, and better means of managing what economists call global public goods—and “bads”—which cut across a number of institutions. Otherwise the backlash against globalization will mount and we will find ourselves with more and more important environmental and security problems. This would not be a pleasant world in which to live. The good news is that we don't have to live there.

**States Must Still Lead,
but in an Inclusive Way**

Let me now turn to the changing roles of states, the traditional locus of authority and accountability for governance. The reality of major global challenges that can only be met through intensive international cooperation is a major change affecting the efficacy of individual states. We live in a world in which, despite some rather impressive concentrations, I would argue power is increasingly diffused. Sovereignty has been ceded upwards to international institutions. Non-state actors (civil society and the private sector, nationally and globally) have simply asserted their increasing power. And sub-national levels of government are increasingly constitutionally required to be part of the process. There are clear contenders to the state's formerly unchallenged exclusive authority.

But it does not follow the state is going away—far from it. What is needed is for the state to learn how to share power. This requires more than better information and even consultation. Let me recall two examples that I have experienced. First are the negotiations on a multilateral agreement on investment (MAI). Experts in the field who met at the OECD conducted them. A variety of differences emerged that required difficult and absorbing negotiations, but meanwhile those involved lost sight of the developing opposition to the MAI in civil society that eventually did in the negotiations. That opposition was an alliance of convenience of groups that in other circumstances would have had difficulty agreeing the time of day.

My other example is the treaty to ban anti-personnel landmines, so often heralded as a success by my former boss, Lloyd Axworthy, who was Foreign Minister of Canada. Let me say very clearly that if we had concentrated our efforts on lobbying other foreign ministries around the world, we would not have come very far. Instead we built on and helped develop a coalition of NGOs. We worked with the late Princess Diana—a transnational personality if ever there was one.

What this means is that governments need to act in different ways. While they can and must lead, they need to do so in an inclusive way. They need to become more and more comfortable working with civil society—not necessarily all of it, but key parts. Subordinate orders of government (in a constitutional sense) need to be brought into the tent. Nonetheless, the state retains its unique authority. It is uniquely accountable to its electors. NGOs may be increasingly powerful, but have in many cases questionable representativeness and accountability. The state is an indispensable part of governance at the global level. Global environmental change, transnational health and crime problems cannot be solved without the state. This is quite apart from the fact that many, indeed most, policy issues and program services are best

handled at the national level.

We are living in a world in which there is simultaneously integration and fragmentation. Traditional lines between “domestic” and “foreign” have broken down. Old national loyalties are being undermined. There is increasing distrust of governments and other institutions. National borders are more porous. It is harder and harder to frame policies strictly at the national level. Events move more rapidly. These are challenging times for policymakers.

The Role of the United States

Before closing I would like to say a word about the United States, obviously the country that has by far the most power in the world today. The leadership of the United States in building a rules-based system with strong institutions to manage those areas in which we are interdependent is crystal clear. That won't happen if the United States succumbs to the inclination to act unilaterally. I am not worried about isolationism. I worry instead about the concept of U.S. exceptionalism, as well as attachment to sovereignty, which I know is deeply rooted in American political culture. I am absolutely convinced that the idea of a world in which there is one set of “rules” that the United States establishes for itself and another for the rest of the world won't fly. Think about the example of the International Criminal Court. There would not be an ICC without the leadership of a number of Americans. If the United States wishes to be able to bring to justice war criminals, can there be a system for Serbs and Rwandese, not to mention Canadians and Germans, that cannot by definition apply to Americans? Excuse me, but I think not.

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My conclusion, therefore, is that while globalization, global change, global interdependence—whatever you want to call it—is going forward and leading to the development of innovative forms of governance that increasingly often include civil society, the state is not

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going away. Other actors have joined it on the world stage. The state needs to learn some new roles, to operate in different ways. And there are more and more opportunities for those of us at present not in governments to have influence. There are some interesting political implications from this. The capacity of elected governments to deal with an increasingly important set of problems is circumscribed. This reflects on how governments are seen and what they must say to their electors. As externally agreed decisions and rules have growing impact, including on social cohesion, who is to be accountable and how will that accountability be exercised? There will be a large political cost to fudging the answers.

Global politics on the great issues of poverty, sustainable development, climate change, and the like are now only working in a rudimentary way. There is no assembly or parliament; nor is there likely to be one for a while. Yet something has to be done at the global level to permit non-governmental voices to be heard in a more systematic way. It seems to me that there is something the Trilateral Commission, as a good NGO, can do to facilitate this process.

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ERNESTO ZEDILLO

Globalization and the Changing Roles of States

It is commonly believed that globalization is forcing nation-states to adapt. This view considers that modern globalization is mainly a result of technological progress in production methods, transport, and telecommunications. It attributes to nation-states a somewhat reactive, even passive, role in the process. At the very best, proponents of this standpoint look at the nation-state as just one among several important factors in the globalization process. An extreme version of this view would submit that globalization frequently proceeds in spite of nation-states. I dispute the validity of this view because it does not correspond with practical experience and it can also lead to mistaken policy decisions. I believe that modern globalization has occurred not in spite of the nation-state, but really, to a significant extent, because of decisions and actions taken by nation-states.

Global integration, economic and otherwise, has indeed been driven by technological progress and economic incentives, but it would be inconceivable in its present form without the universe of political decisions taken by states at both the national and international levels in many fundamental respects. The rapid expansion of international trade and investment in recent decades has certainly been facilitated by technological progress, but it would hardly have occurred in the absence of very deliberate policies implemented by member-states of the international community. At the national level, sovereign state decisions to foster the market economy by opening to foreign trade and investment and liberalizing financial markets are, more than anything else, key to explaining present economic integra-

tion. At the international level, it has been chiefly by virtue of political decisions made by sovereign states that many agreements leading to unprecedented integration have been made.

For example, regional agreements such as the European Union, Mercosur, and NAFTA were not the result of technological progress. They have been above all the result of political visions and decisions by sovereign states. The processes which have produced, for example, the remarkable, albeit yet incomplete, rules-based WTO system are of an equally political nature. Believe me that no technological factor would help to significantly explain the way in which the Mexican economy has integrated into the world economy in just a few years. Sheer political decision and action explain why today Mexico has free trade with more countries than any other nation in the world. Of course, this circumstance includes NAFTA and the unprecedented FTA with Europe.

Acknowledging the strong political roots of globalization brings with it both good and bad news. The good news is that notwithstanding their current adverse reputation, the human inventions of politics and the nation-state are still doing a lot of good. The bad news is that, contrary to some beliefs, globalization, being to a great extent a creature of political decisions, is not an irreversible process. Its technological determinism is a fallacy. Beware of the possibility that governments and politicians can still resort to new forms of protectionism to roll back existing liberalization and can also make policy mistakes that could lead to a less propitious environment for the expansion of the international economy. They can, in short, adhere too quickly and too blindly to the emerging “political correctness” that fallaciously imputes to globalization all the present evils of the world. Let us not forget that, in modern history, globalization was already reversed once by the actions of states with disastrous consequences for humankind.

If we believe, and I certainly do, that global-

ization is not the cause, but part of the solution to the problems of poverty and inequality which unfortunately prevail in the world, then nation-states have an enormous responsibility not only to confront, with good politics and wise public policies, the present hostility towards globalization, but also to continue playing an active role in its orderly development. Our conference chairman, Peter Sutherland has rightly pointed out that, “While the market economy system is largely agreed in principle, the mechanisms to make it work internationally are at an early stage of development.” This is by no means an exaggeration. The agenda facing nation-states to harness globalization’s full potential contribution to human development is very challenging as well as fascinating. Of course, I do not intend to burden you with an exhaustive discussion of such an agenda. Fortunately, it is being covered to some extent in the various sessions of this meeting. Just allow me to hint at a few points that I consider to be of some relevance.

First, I would insist on the fundamental and irreplaceable role of nation-states in the construction of global governance. In this task, as in many others, it is absurd to try to bypass the nation-state with agents of nil democratic representation and of dubious transparency and accountability. Indeed, let us be attentive to all voices, but without allowing the state to be overruled by other actors, however altruistic they may claim to be.

Second, nation-states should continue to strive for a rules-based international system. This is in the best interests of the weaker members of the international community. Far from diminishing modern national sovereignties, a rules-based system enhances the power of weaker states to safeguard their legitimate interests. I liked what Secretary Robin Cook said to us yesterday, “We are now as interdependent as we are independent.” In reference to the developing countries’ cases I could change somewhat Mr. Cook’s idea to make it even more appealing: We are now independent to the extent that we are interdependent.

LET US NOT FORGET THAT, IN MODERN HISTORY, GLOBALIZATION WAS ALREADY REVERSED ONCE BY THE ACTIONS OF STATES WITH DISASTEROUS CONSEQUENCES FOR HUMANKIND.

