

## AFTER BALANCE OF POWERS DIPLOMACY, GLOBALIZATION'S POLITICS

Luiz Carlos Bresser-Pereira

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**Abstract.** The September 11th episode not only marked the end of the Cold War, but of the Balance of Powers Diplomacy, through which the nation-states define themselves as enemies, and solve their problems with war or war threat. Today the major countries do not have enemies among other nation-states. Slowly Globalization's Politics replace the previous system, as long as globalization gets regulated, and the rule of law emerges at international level. In the global world we have three types of countries: the rich, the ones of intermediary development, and the poor. Globalization is inherently unjust to the latter. Unable to compete in a world where competition prevails everywhere, such countries are either just outside the system, or, frustrated, recur to terrorism. Interests, however, do not point out only in the direction of inequalities. Through politics, i.e., through debate and argument, it will be possible to create a less unjust international law system. And also though it, the hope in an international government ceases to be a mere utopia.

It was not only the Cold War that ended with the September 11<sup>th</sup> events, but also the centuries' old Balance of Powers Diplomacy. While the conflict between the United States and the Soviet Union ended in 1989 with the collapse of one of the contenders, international policymakers and analysts continued to behave as if the world remained divided between two conflicting superpowers. After the September 11<sup>th</sup> tragedy, however, it became apparent that the foreign policies of the remaining superpower, as well as those of other intermediary powers, required substantial revision; that a new international order must be thought about 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 became 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.

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Luiz Carlos Bresser-Pereira teaches political economy at Getúlio Vargas Foundation, São Paulo ([bresserpereira@uol.com.br](mailto:bresserpereira@uol.com.br) [www.bresserpereira.org.br](http://www.bresserpereira.org.br)).

September 11<sup>th</sup> demonstrated that other nation-states are no longer source of the major threats faced by the U.S. and other major powers. These nation-states are now merely competitors in the global marketplace. The real threat now comes from terrorism, from diverse kinds of religious fundamentalism, from the drug trade, from climate change, from financial instability due to uncontrolled international flows, from situations of extreme poverty coupled with stagnation still existent in some parts of the globe, particularly in Africa, and from the feeling 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<sup>th</sup> 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 position to become a real threat to the U.S. 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 testimony resistance to it in the United States, but isolationist policies as well as pure hegemonic behavior will conflict more and more with their 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 international trade and finance have to offer. The issue facing political leaders is how to win rather than lose in an international set 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 rules of international trade and finance, as well as those for immigration and multicultural life within nation-states are the central issues.

In other words, a new international order, which is emerging since the end of World War II and the foundation of the United Nations, became evident after the September 11<sup>th</sup> 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 expression 'politics' for 'diplomacy' is not accidental: it has a meaning, that I will discuss ahead. Conflicting major nation states required diplomatic activity, 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 similar if not the same thing in the new international order.

## **Nation-states ceased to be enemies**

International relations have been viewed as actual or virtual 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, if we ignore the many regional wars of the second half of the twentieth century are generally attributed to the displacement into third world settings of the US-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 contender. China was the most obvious candidate given 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 U.S. had to protect itself, and the National Missile Defense strategy was erected to accomplish that.

These analyses made little sense since they applied Cold War logic to international situations that were quite different. Scholars and policymakers were unable or uninterested in considering the new historical circumstances and insisted on applying traditional intellectual frameworks to understand changing realities. In this case, there was incentive to recognize that current realities were linked to military interests. Yet while dramatic events like those of September 11<sup>th</sup> may not change interests and dogmatic views, they may have the power to make historical change more unambiguous.

After September 11th it became clear that the U.S. 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, and while they may be threatened by American power, none of them represents or represented a real danger to the U.S. They know very well that if they initiate an attack to the U.S., legitimate retaliation will be immediate and overwhelming. They already knew this before the defeat of the Taliban regime. On the day of the terrorist attacks on the Twin Towers and the Pentagon, the first government that declared that had nothing to do with the attacks was Afghanistan's. 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 U.S. 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,

which is also valid for all the other intermediary powers such as China and Russia, or France, Germany and Britain, or Italy and Spain, or Brazil and Mexico. Among the intermediary powers, only India and Pakistan still see each other as enemies, or potential enemies, due to the Kashmir conflict. As soon as this is solved, 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, particularly 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. Why international arbitration aiming to resolve such conflicts would be reasonably impartial? Because parts would not accept if decisions taken according to different criteria, and they would continue to challenge them. They would rest on force, and, sooner than later, would give rise to new conflicts. The fact that the arbiters would impose their decisions does not represent a problem – the 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 solving conflicts**

Today, among major nations of the world, it is unthinkable to consider war as a way of solving conflicts. Not so much due to fear of retaliation as to other reasons. Firstly, classical imperialism—the strategy of submitting other people by force and colonizing or taxing them—is implausible today. Secondly, following a long and difficult process, territorial conflicts, that only wars previously solved, 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 pre-capitalist tribes, city-states, and ancient empires. It was the very way that traditional dominant groups used to appropriate economic surplus. They did that by collecting war booty, by enslaving the defeated, or through the imposition of 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, first completed 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, technical progress, and innovation became the new economic key 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 national-states materialized three or four centuries later as an outcome of the alliance of the king with the bourgeois class aiming to make markets free and secure within large territories previously divided among feudal lords. State institutions – essentially the legal system – that had already been highly developed in the Roman Empire gained importance in guaranteeing 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, as 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 today the developed countries. 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 intermediary developing countries. A third group of countries was not yet able to complete a Capitalist Revolution and remains mostly at the margin of global economic growth.

As countries changed into modern and wealthy democracies, or into intermediary developing economies, their national territories became well defined. Concurrently, their interest in maintaining imperial powers decreased as new independent countries opened their markets to foreign trade. The increasing resistance of colonies to foreign rule speeded up this loss of interest.

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 post-war period without being tempted to rebuild their military power. One may argue that this was a condition imposed by the U.S. in the aftermath of World War II, but what we see presently is just the opposite. The U.S. 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 won by the later, or as some backward country's attempt to speed up industrialization through bureaucratic control, or as the last chapter of resistance from some large countries, particularly Russia and China, to open 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 Soviet Union and China's resistance to open their economies did not draw only on the classical protectionist arguments. It also sought legitimacy in distorted socialist ideas. Soviet statism expected to be an economic and ideological alternative to capitalism and liberalism. In fact, it was just a protectionist and statist industrialization strategy closing for decades a large portion of the globe to international trade. While the Soviet Union still existed, and while China was under Mao Tse Tung's rule, their economies were kept apart from global capitalism.

### **Globalization is the new game**

It is not a mere coincidence that the word 'globalization' gained dominance after the Soviet Union's collapse and China's overture to the world and to capitalism under Lee Chua Ping. Both were the two major countries, which remained closed to global markets. As soon as they were opened, globalization became a matter of fact, and wars aiming to open markets lost meaning. On the other hand, the collapse of Soviet Union completed World War II's job of defining most national frontiers. For centuries, war was extensively used as a tool for national affirmation, but now we have to look for other instruments and different behaviors if we expect to understand the emerging new patterns of international relations among nation-states. The times of the Conflicting Powers' Diplomacy are over. It is true that the events of September 11<sup>th</sup> 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 affirmation of two basic and complementary institutions: the nation-state and the market. Nation-states emerged in the sixteenth century, in France, England, and Spain, in the times of mercantilism and absolute monarchies. The liberal revolution against the excessive market regulation by the state began with political revolutions, first in England in the seventeenth century, and, in the following century, in the United States and France. It reaches a high moment in late eighteenth century with the American and French Revolutions. The fact that political revolutions opened room to civil rights and liberalized markets is significant of the complementarity of market and state. Nineteenth century is the century of competitive capitalism and liberalism. @ They came to a crisis as mercantilism had before become exhausted. In that moment, however, the basic reason for it was uncontrolled markets, not excessive market

regulation. After the 1930s Great Depression, the new capitalist pattern then emerging is the welfare or social democratic state. For some time, there is a dispute between economic planning and Keynesian economic policies, but the later prove to be more sensible and durable.

As in mercantilist and in liberal phase, the social-democratic one was also marked by the continuous emergence of new nation-states and the affirmation of the old ones. Economic growth, which gained full historical significance in the liberal period, achieved momentum in the social-democratic one. Cyclical crises continue to characterize capitalist development, but crises ceased to have devastating economic consequences. Nevertheless, a much longer cycle –cycles or waves of state intervention – manifested itself in mid 1970s. Given the excessive and distorted growth of the state organization in the previous period, a new crisis of the state came into being – a fiscal crisis and a crisis of the bureaucratic way of managing it – and room 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. Trading with goods, services, technology, money and credit, and making direct investments 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 turned global, although the strong immigration flows toward rich countries point in this direction.

Several new historical circumstances contributed to the growth of globalization. On one hand, there was the acceleration of technical progress, the information technology revolution, and the reduction in transportation costs; on the other hand, the end of the Cold War, the increasing pressure for trade liberalization coming from the dominant U.S. economy, and the increasing acceptance that international trade may be – although not necessarily – a win-win game. Combined, these six factors 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. It is different of ‘globalism’. Globalization is an economic and technological fact with political consequences, while ‘globalism’ is just one of these political consequences: an ideology that asserts, first, that there is today an international community that would be independent of nation-states, and, second, that the nation-states have lost the autonomy to define their national policies and have no other alternative but to follow the rules and restrictions imposed by the global market. Although there is grain of truth in the second assertion, national states remain powerful and conserve a sizable degree of independence in defining their policies. Contrarily to certain naïve perspectives, developed democracies do not follow a single

economic model – the American model. There are three additional ones: the Japanese, the Rhenish (of Germany and France), and the Scandinavian.

### **But globalization requires strong states**

Both phenomena – the endogenous crisis of the state and globalization, which implied a relative reduction in nation states' autonomy to define policies – led ultra-liberal analysts to predict or to preach the reduction of the state to a minimum. This was just non-sense. 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 mid 1990s, when the ultra-liberal ideological wave lost momentum, this truth began to become evident. After September 11<sup>th</sup>, however, it gained full significance. The times of small government were over. Target

In the United States, where the ultra-liberal wave had been stronger, but where the terrorist attack was directly target, change was more evident. Confidence in government, which have been going down since the 1960s, came back powerfully. It is in times of crises that people remember how important is government. According to public opinion surveys, in the 1960s, confidence in government (measured by questions like “do you believe that government will do what is right?”) was above 60%; it fell to less than 20% in the 1990s; after the September 11<sup>th</sup> events, it returned to 1960s levels.<sup>2</sup>

However, as a sad trade-off, with the argument of fighting terrorism, some civil rights were summarily eliminated in the U.S.. *The Economist*, reviewing Bush administration acts, involving the secret detention of more than 600 foreigners, suspension of attorney-client right to secrecy, racial profiling, extended powers of government surveillance, and trial by special military tribunal, admit that these were “disturbing” executive decisions, “no, not quite a dictatorship”.<sup>3</sup> Indeed, we cannot speak of dictatorship, but there is no doubt that the measures are threatening to freedom. The fight for civil rights has a long history. Americans, with their Founding Fathers, always played a major role in this battle, whose last relevant episode was President Carter's fight for human rights. As there is a necessary, although ever changing, balance between state intervention and market allocation of economic resource, we need a balance between civil rights and national security. Yet, as we well

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<sup>1</sup> - See Bresser-Pereira, 1993.

<sup>2</sup> - See *The Economist*, January 8, 2002, based on data from the University of Michigan and Gallup.

<sup>3</sup> - *The Economist*, December 8th, 2001.

know in Latin America, where military regimes prospered from mid-1960s to mid-1980s, the first argument that authoritarians use to justify limits to civil and political rights is the need for national security. September 11<sup>th</sup> events had the positive effect of reminding us of the importance of government and good governance, but represented a dangerous move back from the affirmation of civil rights. I believe that this is a transitory problem, and that the tradition of protecting civil rights and democracy will finally prevail, but it is clear that as it is important to fight against international terrorism, it will be necessary to fight for civil rights.

If we look carefully into the sense of market oriented reforms that took place since the 1980s, the more successful ones were able not only to liberalize markets but also to increase government capacity. In developed countries, this was a rule. In Britain, for instances, we may disagree with Thatcher's reforms, but we have to admit that they did not weaken the state, but made it stronger. In developing countries, this was not always true. Look, for instance, Argentina. This country followed or tried to follow all the orientation coming from Washington and New York, and yet ended in disaster. Privatization was chaotic and ruinous, but we can say 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 expenditures cuts were not accompanied by GDP growth and increased revenues, as long as businessperson showed no confidence in investing, and salaried workers in consuming. IMF demanded fiscal adjustment, but accepted the currency overvaluation. Summing up, reforms and fiscal adjustment were poorly designed and coupled with incompetent macroeconomic policies: they weakened the Argentinean 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 height just after the September 11<sup>th</sup> events and concurred to draw attention to the need of stronger state organizations, fiscally sound, and administratively, competent, in times of globalization. The nation-state remains the basic political unit where collective interests and citizenship are warranted. Globalization makes them interdependent, not weaker. An ordered or secure globalization requires competent state organizations, and strong.

If we can discriminate, historically, 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 understand 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 genre, race, and culture. A strong democratic state is the polity that assures representative and legitimate government. A strong social-democratic state is the one that seeks full employment and equality of opportunity, and assures social rights. A strong republican state is the state organization that protects the environment and the economic public patrimony against rent seeking. Globalization does not come to dismantle the nation-states and the respective state organizations. Globalization just makes markets global, and requires that such markets be regulated at

an international level. Thus, only the support of strong nation-states will make possible such international regulation.

### **Terrorism thrives in weak, frustrated states**

September 11<sup>th</sup> events took place in the realm of an already global world but where most nation-states remain weak, underdeveloped. The states where fundamentalism thrives and terrorism has its birth are poor and weak states, where modernization got frustrated. Their civil society are inexistent; their elites, rapacious; their governments, representing just such elites. In the twentieth century a number of countries, as Japan and Italy, modernized and joined the club of the rich capitalist nations. Others, like Korea, Brazil, Russia and South Africa, completed their capitalist revolutions, and turned intermediary developing countries. A group of very large countries, like India and China, although remaining in the 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 left definitely behind. Among them, I would distinguish two types: the ones that never experienced real economic development and a capitalist revolution, and the ones that attempted to develop and modernize but failed. The former, among which we have most of the Sub-Saharan countries, remain just outside the globalization process, they have weak states and a population unable to protest. Different is the case of the later, most of them in the Middle East, following the muslim faith. Fundamentalism and terrorism grows in such countries principally as an outcome of the national frustration that their people experienced with the failed modernization attempts in the last 50 years. The only country in the region that was able to modernize was Turkey. Iran, which has a long cultural tradition, was nearing modernization in the 1960s and 1970s, but their elites were corrupted, and room was open to fundamentalism. Now, bit by bit, Iran is rediscovering its own way out toward a secular society. The other countries have each one a different situation, but the countries where the fundamentalist threat is more eminent are the ones where frustration with modernization and national affirmation is clearer. That is the reason why Habermas remarks that “in spite of its religious language, fundamentalism is an exclusively modern phenomenon, and, so, not just an others’ problem”.<sup>4</sup>

This is not the moment to ask why so many modernization attempts failed. The lack of an educated people and of an active civil society to control their elites are in the base on the problem, but pre-capitalist societies are precisely so defined. So, to perform original or primitive capital accumulation and to succeed in the national and capitalist revolution they need enlightened business and political elites that only by

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<sup>4</sup> - Jürgen Habermas (2002: 5).

chance they may have. For some time, developed countries thought that World Bank and IMF's technicians, armed with the superior knowledge and with financial capacity, would be able to demand action from elites and control their performance, but in most cases, they sadly failed, mostly because international technocrats are unable to understand the specific economic and political conditions of each country. Since the mid 1980s, however, developing countries have been adopting two right conditions: pressing the poorest countries to investments in education and to adopt democratic political regimes. With such policies, they are enabling elites to govern, and making them more accountable to their own people.

It is quite clear that the countries that are excluded from economic growth are also the ones excluded from globalization. As Clive Crook argues, "far from being the greatest cause of poverty is its only feasible cure".<sup>5</sup> In other words, only countries that participate from globalization, adopt the new technologies and institutions that globalization requires, will have conditions for economic growth. However, the problem that became transparent after the September 11<sup>th</sup> events is that the population of countries not able to do that are increasingly restless. Such countries are not able to participate from global markets, or, when they participate, they do in such disadvantageous conditions, that no real growth and increase in standards of living are achieved. In several studies, using regression analysis, Dany Rodrik showed that poor countries are not profiting from international trade.<sup>6</sup> One, however, should not confuse 'international' with 'free' trade. International trade can privilege manufactured against primary goods, as Raul Prebisch showed long time ago;<sup>7</sup> local production in poor countries may be organized in such way that 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 increased efforts coming 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 these countries' population and elites to protect their national interests and to resolve their own problems, instead of imposing them modernizing policies that do not necessarily fit to their needs.

As to just poor Sub-Saharan countries, the threat that comes from them does not lie in terrorism, but in infectious diseases. In a global world, where virus travels as fast as men and women, the rich and the intermediate countries cannot ignore this fact. If they were not able to act before in name of solidarity, they will have to do now for self-interest. For some years, rich countries have been discussing the conditions for debt relief to these countries. It is time to speed up this process, because if the loans to

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<sup>5</sup> - Clive Crook (2001: 2).

<sup>6</sup> - See Dany Rodrik, 1999.

<sup>7</sup> - See Raul Prebisch, 1950.

these countries were in large part captured by corrupt local elites, the responsibility for this misdeed is not only of the transgressors, it is also of the technocrats that devised a growth strategy for them based on foreign loans.

### **To assure security globalization must turn political**

A strong United States as well as a strong economic and military association among developed countries, like G-7 and NATO, is essential for the international order required by global markets, but it is not enough. To involve intermediate countries, through, for instance, the G-20 or an enlarged United Nations' Security Council will help, but, again, it is not enough. To design strategies to reduce poverty in poor countries, and to limit elites' corruption in countries that are beginning their modernization or their Capitalist Revolutions, are essential tasks, but the attainment of such objectives requires strategies that the international institutions 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 Globalization's Politics that is emerging.

We can compare the new challenge faced by the world as a whole, in the twenty first century, with the test faced by the new nation-states when they rose from the feudal order. The challenge that the king associated with the bourgeoisie, and, later, the politicians and the rising civil societies first faced was to establish order, security, within the national borders – order or security that would enable the constitution of national markets. Yet, slowly but unavoidably, societies understood that order could not depend only on force, but also on the rule of law, and on the gradual affirmation of civil, political, social, and finally republican rights. They also realized that such goals involved, first, elites', and, later, people's participation in political affairs: involved argumentation, development of secular ideologies, and public debate, and required besides competition some degree of cooperation and solidarity. In other words, the attainment of social order involved politics, in the noble way that Aristotle, and, modernly, Hannah Arendt understood the term. Nation-states may raise from violence, from war and revolution, but they have no other alternative but to become political, to build up a polity, to cultivate some degree of solidarity and mutual respect between their members. Civil, political and social rights were the outcome of successful political demands coming from below, but they also responded to intrinsic needs of the new economic and social order in the making.

According to Arendt, in her *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, 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.

Politics was central in the Greek *polis*, and in the Roman republic, when speech and arguments were central. Yet, these were exceptional times in a pre-capitalist world dominated rather by violence and war than by politics. With the emergence of the modern nation-states, politics gains room progressively among its members, who concurrently turn into citizens. Through argument and persuasion, citizens established methods of deciding on collective action, regulated elections and representation, set common goals, define rights and obligations, make agreements and comprises. Violence lost ground, except if one considers the money spent in political campaigns as a form of violence. Yet, with this money, the rich try to persuade the poor: are not anymore able to threaten them. It is still not a fair or democratic way of making politics, but it is politics: it is not just brute force.

Thus, politics is an alternative to brute force. It existed tentatively in ancient Greece and Roman republic, and reappeared in modern times, with the rise of nation-states, who were born in the middle of violence, but gradually turned to politics, and became pacific and democratic. In the international domain, the first manifestation of politics was diplomacy. Negotiations now preceded wars, and, in certain cases, avoided them. Yet, diplomacy and politics are different things. In classical diplomacy, the central way of solving questions is not persuasion or elections, but threat of violence. The international order that have been in retreat since World War II – the Balance of Powers Diplomacy – worked according with this principle.

Now, in the global world, the challenge faced by the countries is similar to the challenge that nation-states faced in their consolidation process: it is to achieve order, security, not domestic but global order, global security. To attain such goals, diplomacy is changing into politics. Modern diplomacy, which is essentially economic diplomacy, is already a form of politics. A strictly political diplomacy, aiming at creating political institutions at international level is becoming increasingly important. The first major step, in the twentieth century, was the creation of the United Nations. Now, the United Nations as well as new or related political international institutions, like the International Criminal Court, and the several international agreements either protecting human rights and the environment, or fighting drugs and international crime, will be strengthened.

The great international challenge today, when Balance of Powers Diplomacy lost most of its meaning, is to transform globalization into Globalization's Politics: it is to assure to the global economy a political status. Globalization, per se, is not an international order. However, as long as, besides economic international institutions like WTO and IMF, the specifically international political institutional just mentioned

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<sup>8</sup> - Hanna Arendt (1963: 19).

gain force and representativeness, globalization will cease to be the manifestation of wild global markets, to become the civilized, the political way nation-states and individuals relate themselves at the international domain.

### **Globalization' Politics requires solidarity**

As it happened within nation-states, as long as international institutions are strengthened, international cooperation ceases to be a slogan, and a certain degree of international solidarity begins to be built. A solidarity that we may explain either as the manifestation of the altruistic bent that counterbalance self-interest in each one of us, or as Tocqueville's "well-understood self interest". The fact is that to live in a society that organizes itself politically requires solidary behaviors among its members. In 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, and extreme poverty. Therefore, a global society will only be able to fight such enemies if it is able to develop some degree of solidarity. Self-interest and competition will remain dominant, but cooperation and solidarity will have necessarily its way. Recently a public health professor from UCLA, in a *Washington Post* article which title is self-explanatory, "Why We Must Feed the Hands that Can Bite Us",<sup>9</sup> emphasized the interest of the American people in helping the poor nations. Globalization approximated people not only economically, not only culturally, also in health terms. The rich countries have now a well understood self-interest in demonstrating solidarity in relation to the poorest ones.

Solidarity already exists among rich countries. They may compete economically among themselves, but they know they are part of a same game – a game that sums up more than one –, and so, 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 turn democratic, they are admitted in this club as junior members. The problem is with the developing countries where modernization was frustrated and with the very poor countries.

These two categories are the ones that need more solidarity, but are the ones that get less. It is more difficult to be solidary with those who are different. Within the rich nation-state, mass immigration turned the multicultural problem into one of the central political questions faced by the m. In the international level, the rich often view the frustrated and poor nations as a threat, making solidarity problematic. When the rich countries try to show their solidarity, it often takes the form of charitable help coupled with 'civilizing' conditions.

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<sup>9</sup> - See Jared Diamond (2002).

There is no easy solution to this problem. The international institutions created to promote growth, like the World Bank, were more successful with the intermediate countries, than with the frustrated and poor countries. Their international technocrats are full of good intentions, but good outcomes depend much more on the capacity of the local officials and local businesspersons in making good use of the resources coming as aid or as finance, than of the imposed conditionalities. In the case of Sub-Saharan Africa, for instance, World Bank's decision, in the early 1970s, to base the strategy development for the countries of the region in international finance proved eventually a major mistake. Corrupt local elites wasted the lent money, so that 30 years later, income per capita remained about the same, while a big foreign debt had to be serviced.

The building up of some degree of solidarity in a global world takes place not only because such behavior corresponds to the self-interest of the rich countries. It is also necessary to consider the moral values of their citizens, whose concrete expression is in the international NGOs and social movements that they lead, and the demands of the poor countries. These two factors are leading to the rise of a global civil society and a global citizenship, which can be observed since the United Nations' Declaration of Human Rights. With it, it became clear that men and women had the right to have rights. Globalization is speeding up the process. The concrete possibility of a global citizenship and of a global civil society is part of the global dynamics.<sup>10</sup> It is just another aspect of the Globalization's Politics.

### **Globalization's Politics suppose 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, as it allows for the advance of the international division of labor and the working 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 the major problem faced by developing ones: now they are challenges for all. Inequalities are dangerous; but, if we remember Hirschman's tunnel effect, we

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<sup>10</sup> - On the emergence of a global citizenship see the survey by Cristina Vargas (2001). She surveys works by Manuel Castells, Anthony Giddings, Boaventura de Sousa Santos, David Held, and Yuval Davis.

will realize that increasing inequalities are still more dangerous.<sup>11</sup> Globalization involves opening markets and increasing levels of productivity and wealth, but also involves increasing inequalities, when the poor and the weak are unable to profit the opportunities globalization offers. We know well that markets are efficient but blind. Thus, as it happens within national markets, globalization requires regulation: fair regulation.

Market liberalization represented a great advance for the developing countries, where import substitution strategies had ceased to make sense. The same, however, is not true in relation to the frustrated modernizers and the poor countries. These countries are far from having completed their capitalist revolutions, and do not count with a modern business class, nor with a competent professional middle class. Their insertion in the globalization process often involves economic risks. The groups or regions unable to modernize are bound not just to keep their present situation, but also to loose income and social prestige.

In the reform process, the rich countries established the priorities, according to their interests. Opening of financial markets and full protection of intellectual property rights, for instance, came to many countries in a moment when they 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, for the first time the developing countries took the initiative in economic international affairs. They were involved in a failed international effort to build a New International Order based on trade preferences. Yet, they suddenly had access to large amounts of private international credit, got highly indebted, and since then their growth rates were substantially reduced, while they lost the precarious lead they had achieved in the international arena. Since the end of World War II, most developing countries engaged in state-led import substitution strategy. These countries (with the classical exception of the Asian tigers, which were able to change to export-led growth in the right time) expanded too rapidly, generating serious distortions in their economies. The foreign debt crisis as well as a fiscal crisis of the state made manifest their economic fragility.

The initiative was now American, the instruments, the World Bank and the IMF. Since the Baker Plan, in 1985, fiscal adjustment and market-oriented reforms became the new domestic guiding principle, while, at the international level, the U.S. advanced with the Uruguay round and the creation of the WTO out of GATT, and with its major provisions related to property rights and protection of direct investments. All these policies were in the right direction. In each country, they responded to the demand of badly needed reforms, and internationally they pointed to 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

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<sup>11</sup> - When, in a two-lane tunnel, drivers face traffic congestion, they turn frustrated, but the drivers in one lane will become much more frustrated if the other lane starts moving ahead.

poor counterparts, that financial liberalization happened too soon and too widely provoking repeated financial crises and diminishing economic growth rates, and that property rights agreements were also more beneficial to developed countries than to developing ones.

These facts and the incapacity of most poor and developing countries to profit from the opportunities offered by globalization led to increasing differences in rates of per capita growth between rich and poor countries. In the limit, they ended just in frustrated modernization. On the other hand, the acceleration of technical progress increased the demand for skilled labor, reducing the demand for unskilled and leading to the further concentration of wealth within each country. The critique that the contemporary globalization is excluding large parts of the world from the benefits of growth comes from these three factors. Discontent in relation to globalization originates not only from left-wing groups in developed countries, but also from considerable social segments in developing countries. The Porto Alegre's Social Forum, which is meeting for the second time in January 2002, is a serious expression of these concerns. The sponsors of globalization are right when they observe that the worst thing that can happen to a country is to be unable to participate.

The developing countries, like Brazil, are already competing in the international arena, and the growth challenge they face depends more on their capacity to advance with democratization, so that public debate may reduce the policy mistakes that their 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 take the decisions that are required, that are not necessarily the ones recommend by international organizations. The situation of the poor countries and of the frustrated modernizers, however, is different. A central challenge the rich countries and the 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 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 war threat are the guiding principles, if it tends to be based in the rule of law, and in competition mitigated by solidarity, how can we understand that the immediate response to the September 11<sup>th</sup> events was war?

The September 11<sup>th</sup> assault was an attack directed at the U.S. The hegemonic nation in the world immediately understood literally this attack as an act of war, compared it to the Pearl Harbor attack, and decided to respond war with war. For a few days, the problem was to know who the enemy was. The American media and the American administration immediately defined international terrorism as the enemy, but they new that such object is a too diffuse agent to be singularized as the enemy. To

define as enemies all countries that harbor terrorism was also a too broad definition. The U.S. would have to include among its enemies some traditional friends, as Saudi Arabia. Afghanistan, however, proved perfect to take the role of the enemy, as long as the fundamentalist group that was in power more than harbored terrorists: it was their hostage. The Taliban used and was used by the chief para-military terrorist organization in the world, Al-Qaeda, in such way that it was difficult to distinguish the Taliban from the Al-Qaeda followers. Differently from previous regional wars in which the US got involved, in this cases the Cold War was not behind.

The Taliban was defeated, Al-Qaeda was defeated, but we are far from being able to say that terrorists in general were defeated, because no war will ever defeat this kind of evil. On the contrary, when civilized nation-states decide to fight uncivilized terror with war, the danger is that it gets also uncivilized. Jürgen Habermas, writing on the consequences of the September 11<sup>th</sup> events, said:

The “war against terrorism” is no war. In terrorism we can see the deadly and without words chock of worlds whiçh, beyond terror and missiles’ mute violence, must develop a common language.

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 its major consequence in the hegemonic nation will be reexamining radically its international policy. In both cases, the objective will be to increase American and international security by reducing hate. As gradually begins to be recognized, generalized retaliatory actions against unfriendly Arab countries, and the maintenance of a cold-war policy dividing the world between friends and enemies will worsen the present insecurity instead of improving it.

Now the obvious enemies are terrorist groups. Moved 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 hatred turn so intense, and so strongly oriented to the U.S.? Just 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>13</sup> The United States may not be the “benevolent hegemony”<sup>14</sup> that it likes to view itself, but it is the first democratic country in the history of humankind to become hegemonic, and, therefore, some degree of anti-Americanism will exist everywhere, even in the countries that are friendlier to the United States. This sentiment should not, however, be confused with

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<sup>12</sup> - Jürgen Habermas (2002: 5).

<sup>13</sup> - Paul Kennedy (2001), for instance, defended such explanation in an article published immediately after the attack.

<sup>14</sup> - This expression is attributed to Larry Summers, former U.S. Treasurer, and, presently, President of Harvard University.

the deep hate that bred the September 11<sup>th</sup> terrorist acts. Is hate related to the Islamic religion? Nonsense. Many other people besides the Arabs are muslims – they sum up 1.3 billion – and only in the Middle East muslim fundamentalists bear so much hate. Is it because globalization is provoking an increase instead of a reduction of economic inequality? This may make a little more sense, but there are many more poor people in the world besides those in the Middle East, that do not show so much hate. Is it because American international policy was unable to recognize that the cold war ended, and continues to act in a biased way in relation to the countries that it considers friends, particularly in relation to the state of Israel? This answer does not explain everything but I believe that one basic answer to so much hate among the Middle Eastern people - including non-Arabs, such as the Afghans and the Iranians - lies in this mistake. More broadly, the answer to such question is directly related to my basic claim in this essay. I believe that it is time to change from Balance of Powers Diplomacy to Globalization's Politics, from an international order in which participants divide themselves between friends and enemies into an order where participants compete among themselves in the same time that have some say in international political institutions.

Isolationism is definitely dead. September 11<sup>th</sup> events had the effect of clearing up to Americans why they need to engage with the rest of the world on a sustained basis. To advocate an isolationist policy for the United States is as non-realistic as expecting that it does not 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 up 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 understood this new reality when it intervened in the ex-Yugoslavia. In its action together with NATO, it did not favor Bosnians, Serbians, or Croats. It acted in favor of peace. Thus, even if many were unhappy with the American action, I believe that in the end most people in the region came out with friendly sentiments towards the US. In the case of the State of Israel, we may already see a clear change in the American policy. It does not consult its national interest to side up with just one side. It must assure Israel's security, but now peace in the region is essential. It may take some time. For the moment, what we see on the part of Israel and of Palestinian terrorist groups is just radicalization. American efforts have been fruitless. But the logic of the new international order that is emerging tells us 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 emerges from the end of the Cold War, the medium-term objectives will be to maintain effective order and security, to warrant freedom, and to reduce inequality between men and women and between nations. I do

not say this only because it is coherent with my personal values, but also because global markets will require it. Global markets will require new international institutions, new international behaviors, i.e., a new international order: Globalization's Politics or Globalization's Diplomacy instead of a Conflicting Powers' Politics.

The U.S. will remain the hegemonic country for a long time, but it will have to limit its unilateral policies and play according to the international rules that they are actively helping to build. Before September 11<sup>th</sup>, the U.S. rejected the Kyoto Protocol, refused support to the World Criminal Court and resisted joint action against tax heavens. Now it is reviewing such policies. Changes will take time, will face opposition, and will require debate. Interest and ideologies will continue to play their classical roles. Yet, I believe that a new realization of what such issues impact in the U.S. national interest. will lead to new resolutions. 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 have also to change. They have a more balanced internal society, but multicultural problems originating in immigration will have to find a more reasonable solution. Its protectionism, also, particularly in relation to agriculture, will have to be eased. In relation to the 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 competition must be counterbalanced by cooperation and solidarity. Yet, instead of a global solidarity, what we are seeing is global hatred. Consistent action to countervail this tendency must be undertaken. A democratic world requires international security, and the United States can count on other democratic nations to secure it. In the short run, the question is how to punish the terrorist organizations. In the medium run, it is how to define an arbitral international policy for the United States. In both circumstances, the challenge will be the reduction of hate, and the establishment of civilized relations among all.

This challenge and the efforts to face it are not new, but September 11<sup>th</sup> 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 change into a win-win game, if international political institutions temper market blind actions, if competition is mitigated with solidarity, and if the leading countries in the world, through the United Nations, play a 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 to become more interdependent 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 towards 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 involve arguing and persuading, as well as compromising and voting. While markets are supposed to be competitive, politics is essentially cooperative. It acknowledges conflicting interests, but it is impossible without some degree of solidarity. The September 11<sup>th</sup> events showed that no one is secure alone, and opened definitely 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 citizen's 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 its 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 turned into politics, that international governance will some day 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 ceased to be an utopia.

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