

HOW DO WE 'RE-PLAN THE JOURNEY'? COMMENTS ON THE PAPERS BY PROFESSOR LLACH¹ AND PROFESSOR POSSENTI²

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OVERVIEW

Both papers have presented very far-sighted views of 'the Crisis' and offered an in-depth exploration of our way forward. Professor Llach envisages the dawn of 'a historical, civilization-wide change' of our world, or of the 'East coming back'. More specifically, it is going to be a shift of 'the axis of the world's economic power from the Atlantic to the Pacific'. The forecast is based on broad trends of sustainable economic growth of the emerging countries. To chart our way ahead, Professor Llach argues, we need to solve first, the commitment problem, or problem of enforcing international regulations and policies and then the 'conflict between world capitalism development and postmodern values and culture'.

Professor Possenti's paper draws a broad picture of the multi-faceted nature of 'the Crisis', a matter going beyond the world economy. It is a meta-crisis involving four different but interrelated problems of globalization, capitalism, culture and justice. To address the problem of how to govern globalization, he argues for the formation of a global political authority, with extensive reference to the Church's social doctrine.

¹ 'The Crisis, its Aftermath and the New Role of Developing Countries'.

² 'The Governance of Globalization: Global Political Authority, Solidarity and Subsidiarity'.

WHAT IS 'THE CRISIS'?

This is indeed the basic question. Both Professor Llach and Professor Possenti acknowledge the existence of a crisis. For the former, the focus is on its scale, as revealed by his question 'Is there a *global* financial crisis?' Possenti is, instead, more interested in the *nature* of 'the Crisis'.

In Table 1, Professor Llach impresses us with the pattern of inequality in economic growth/decline during the global financial/economic crisis. It suggests that the so-called global crisis is not global. Rather, its impact is very uneven across regions and countries. The suggestion can be buttressed further by presenting China's experiences with this global financial/economic crisis. For her, the crisis' effect is mild and short-term, as compared to many other countries. In fact, it has turned out to be a great opportunity. The adversity involves just a slowdown in growth rates in the economy, trade (especially export), foreign investment, consumption, and industrial production. The year 2009 is the worst, especially for export which suffers a 16% decrease compared to 2008, against an average 20% annual growth rate during the decade up to 2007. On the positive side, however, the crisis has awakened the Chinese leadership to the risk of the export- and foreign investment-led growth strategy of the past. As a result, an alternative, domestic demand-driven growth strategy already advocated by some economists in the past has now gained the upper hand. The crisis has also accelerated the restructuring, merging and upgrading of industrial enterprises with a view to improving competitiveness and the adoption of corrective measures to uplift the livelihood for the peasants who had suffered from exploitation by the regime in past decades. The latter approach will bear great significance to the prospect of the demand-driven strategy of growth. In addition, outstanding reforms of the energy price formation mechanism, public finance system, investment regime and state enterprises all received renewed attention. Last but not least, there is a marked increase in self-confidence as China's reputation in the world grows enormously despite the odds of the crisis.

As mentioned above, the subject matter for Professor Possenti is the nature of 'the Crisis'. It concerns globalization as a whole. The crisis of the global finance and economy should not be regarded as an isolated phenomenon in human interactions at the global level. This is a sound approach but begs the question about the nature of globalization as a crisis. The answer is a structural mismatch between the existence of a global community of human destiny and the lack of global governance. In a speech given

in Barcelona in 2004, fellow academician Professor Joseph Stiglitz has advanced a similar idea to the effect that the problem of globalization lies in the fact of economic globalization having outpaced political globalization, in the context of a greater need for collective action driven by closer integration of the countries of the world. Professor Stiglitz' concern is confined to the economic aspect only. Professor Possenti's 'human interactions', on the other hand, can encompass many more, such as global problems of social disparities, population growth, migration, environmental degradation and cultural relativism. There is thus no wonder why he urges for a general solution by means of a global political authority, whereas Professor Llach as an economist prefers a narrower understanding that ends up addressing two more concrete, but no less important issues in the search for a new journey plan, i.e. (1) commitment problem, or problem of enforcing international regulations and policies and (2) conflict between world capitalism development and postmodern values and culture. I shall presently address these strategic considerations for re-planning our journey. Let us first examine the trends of global issues, since any solution depends on the course of the trends.

OUR WORLD IN 2040?

Trend analysis is not done in Professor Possenti's paper but constitutes the major contribution by Professor Llach. The world will be very different in the year 2040, we are told. It will be an era of the Pacific. We will observe the dominance of emerging countries and the decline of the developed ones in the West. The historical, civilization-wide change is marked by a new role of emerging countries under Asian leadership. The above forecast is based on evidence of broad trends. But if we look at Table 4 more closely, what is most striking is actually not the story about Asia, but China. If we really let the facts speak for themselves, there would have to be a new role of emerging countries under China's dominance. Is China's growth trend really sustainable to ensure her dominance in the world?

Taking the share of the world's GDP as proof of dominance, it is apparent that with 40% share, China will become in 2040 the single most prominent power in the whole world (See Table 4 in Professor Llach's paper). The world will be, in the language of international politics, a 'unipolar system', with China as the sole superpower. With a superpower in place, it is superfluous to speak of a regional leadership. The regional framework can only

be a façade at best. China as the sole superpower carries significant implications for the problem of global governance. There are two scenarios. First, if China would become capable of leaving all other countries far behind in terms of national power, the world system will tend to be unstable, as the power cycle theory will predict.³ The power cycle theory may be wrong; China could perhaps evolve into a benevolent hegemon who wields decisive influence in the governance of the world, thereby ensuring global stability.⁴ Whatever the scenario, it hinges on the question of whether China will in fact become 'the Number One'. Recall that in the 1970s Japan was hailed as a rising economic power,⁵ a proposition only to be falsified after the 1990s. In the same vein, it may also be premature to predict that China will become the number one. As pointed out by Professor Steve Chan,⁶ the possibility that China may one day overtake the U.S. will depend on the ability of the former to develop its human capital and undertake technological innovations, in which the U.S. still enjoys an advantage.⁷

WHAT ARE THE PROBLEMS?

The problem of governing globalization goes beyond reigning in economic and political power for the sake of global stability, especially not just in terms of prevention of war. This is the message I get from Professor Posenti. He explicitly states that '(T)he global political authority is necessary in principle for managing globalization, not only to remove the war. Its

³ Charles F. Doran and Wes Parsons, 'Wear and the Cycle of Relative Power', *The American Political Science Review*, Vol. 71, No. 4 (Dec. 1980), pp. 947-965.

⁴ For the two schools of thought about hegemonic stability, consult Robert O. Keohane, 'The theory of Hegemonic Stability and Changes in International Economic Regimes, 1967-1977' in Ole R. Holsti, R. Siverson, & A. George, eds., *Changes in the International System*, Boulder: Westview, 1980; George Modelski, *Long Cycles in World Politics*, Seattle: University of Washington Press, 1987.

⁵ See Ezra Vogel, *Japan as Number One: Lessons for America*, Cambridge: Harvard University Press, 1979. Two more books by Professor Vogel were published as sequel to the 1979 one: *Japan as Number One Revisited*, Singapore: Institute of Southeast Asian Studies, 1986 and *Is Japan still Number One?* Selangor Darul Ehsan, Malaysia: Pelanduk Publications, 2000.

⁶ 'Is There a Power Transition between the U.S. and China? The Different Faces of National Power', *Asian Survey*, Vol. 45, No. 5 (Sep.-Oct. 2005), pp. 687-701.

⁷ Apart these two assets, I would add America's advantage in having a liberal immigration policy that can attract talents all over the world.

necessity is clear from the very theme of the common good, which has become global dimension'. He makes reference to the encyclical *Mater et Magistra* of John XXIII that the common good is in the 'sum total of social conditions which permit and foster in human beings the integral development of their person'.

The common good brings me back to Professor Llach's second issue for 'world governance', i.e. the conflict between world capitalism development and postmodern values and culture. It is a matter of values or culture that underlies any plan for human development. They shape public policies at various levels of government. At this general level of understanding of the conflict, Professor Llach has brought up an important perspective in our search for solutions. At the substantial level however the conflict is mis-specified here as one between world capitalism development and postmodern values and culture. The values and behaviors desired by Professor Llach are 'justice, intergenerational solidarity and an active subsidiarity'. They are in conflict with the unbridled capitalism of today, expressed as de- or unregulated market forces and poor ethical foundation of economic decisions and activities which are driven by the pure profit motive. Those values mentioned by Professor Llach are just in short supply in postmodern societies. They are not values of postmodern societies. To integrate the substance of Professor Possenti into the analytical framework of Professor Llach, we get a more generalized value conflict of a global scale between parochial goods and the common good. Without the latter prevailing in collective decisions in human interactions, our world will remain fragmented, conflict-ridden and ungovernable. Without the common good accepted widely, it is difficult to have a fair global political authority.

However, Professor Possenti seems not to be too pessimistic about the goal of global political authority. The prospect is not close, we are assured, and 'what can be expected is that the major global leaders – political and economic – to take this in their decisions, and that alone would be an outcome of greatest importance'. I must say that he has failed to take seriously the commitment problem as alluded to by Professor Llach.⁸ The commitment problem is real and prevalent for all regulatory frameworks agreed upon among sovereigns. The reason is obvious: given the basically anarchical nature of world politics, there is no superior authority above sovereign

⁸ Professor Possenti does acknowledge the problem when he notes the fact that China, India, Russia and USA have so far refused to join the International Criminal Court.

states to enforce rules and policies. It is ultimately a system of self-help. In general, enforcement of agreed mutual commitments or rules in international relations depends on voluntary compliance, tit-for-tat in case of violations, or norm of reciprocity.⁹ All these are imperfect ways in which commitments to values and code of behavior can be assured. They are no substitute for a global regulatory framework with provisions for legal liability, monitor mechanism and sanction for violations. When power is the dominant currency in international relations, the commitment problem is most severe when a big power refuses to commit itself no matter what and even when there is already a commitment, there is no authority to sanction it for non-compliance.

We are in a vicious circle. We need institutions to solve global problems. Yet, the principle of supra-national authority is locked in a conflict with national sovereignty. And national sovereignty cannot be overcome so long the world is anarchic without any central authority to provide for peace and justice. There seems no quick fix of the vicious circle. A return to incremental, pragmatic paths seems in order.

APPROACHES TO INSTITUTIONALIZING SOLUTIONS FOR GLOBAL PROBLEMS

Professor Possenti has a grand vision for global political authority to manage globalization. It is a multi-functional and 'multi-layered from the bottom up' system of global institutions for governing globalization. The vision is very general and requires further specifications. An alternative, more practical approach would be to examine existing forms of governance in terms of their nature, operations and degree of effectiveness. He does mention some institutions, albeit only in passing, such as the International Criminal Court to which major world leaders 'should adhere faithfully to' and the United Nations as 'only a distant precursor of a "global political authority"'. Yet, the whole paper is very theoretical. A more empirical approach may yield the results that all current attempts to reign in globalization are ineffective, or that they vary greatly, depending on the nature of

⁹ 'Reciprocity' is a concept coined by Robert Jervis in his explanation for the success of the Council of Europe between 1918 and 1923. It refers to a standard of behaviour based on each statesman's belief that if one moderated his demands or forbore to take advantage of others' temporary weakness, they would reciprocate when the tables were turned. See 'Security Regimes', *International Organization*, Vol. 36, No. 2 (Spring 1982), pp. 357-378.

specific global problems and other factors. Such an exercise may strengthen the paper's argument for the need for a single political authority of the world, especially when it is found that a fragmented system of international institutions/regimes has failed to provide a coherent and effective solution to the global problems.

Modern history of international relations knows these following approaches to global governance: world government, international government, international governmental organization, (global) civil society, international regimes, and the model of European Union. The multi-functional, 'multi-layered from the bottom up' system of global political authority as proposed by Professor Possenti could be a combination of some of these approaches.

The core of the global governance argument concerns the acquisition of authoritative decision-making in the context of pluralist views and interests. A world government is a domestic government *writ large*, vested with recognized and final power to authoritative decision-making. It is a tall order to reconcile such a conception of world government with the Church's principle of subsidiarity.

Short of a world government, global problems can conceivably be resolved by a hegemon who can develop and enforce the rules to govern the world. As a result, world crisis can be averted and stability in international relations maintained. Such an idea was advanced by Charles P. Kindleberger who blamed the Great Depression (1929-1939) on the lack of a world leader with a dominant economy.¹⁰ The idea can hardly be accepted today since the financial crisis originated in the United States which is still the single superpower left after the end of the Cold War. China seems a poor candidate even if she may become dominant in 2040 with a 41% share of the world's GDP.¹¹ The theory of hegemonic stability is surely not the same as the call of the Church for a world political authority, given the paramount principle of subsidiarity and of the common good.¹²

¹⁰ *The World in Depression: 1929-1939*, Berkeley: University of California, 1975.

¹¹ Data from Robert Foget, as quoted in Professor Llach's paper.

¹² The experience of China's economic growth offers a good example of the value conflict. Apart from the five factors offered by Professor Llach for the increasing prominence of the emerging countries in the years to come, the factor of 'state capacity' is crucial for China. This factor cannot be subsumed under 'better economic policies'. Let me just illustrate with a prominent case. Before the crisis, on 26 June, 2007 the National People's Congress of China had enacted a new law of employment contracts to better protect the rights

A ready alternative to the world hegemon is the United Nations. Its performance has always been controversial. Realists in political science call it an international government by super – or big – powers. The same critique may be applied to other international governmental organizations. For instance, who governs the IMF? Professor Possenti does not place his hope in the United Nations which is only a distant precursor of a *global political authority*. Instead, he privileges the (global) civil society,¹³ saying that it is the natural base of the political world. To its critics, (global) civil society as of today is primarily a Western phenomenon, there is a long way to go before it can be regarded as a precursor of a global political authority. Protagonists however stress that civil society is already an element in the present architecture of global governance. There are many international non-governmental organizations nowadays. They are active actors in a highly disaggregate system of agency which has the capacity to get things done at the international level, without the legal competence to command that they be done. Even this is the case, it is hard to see how the global civil society can be transformed into a global political authority, since the former is a centrifugal phenomenon driven by specific policy issues and reinforced by the desire to maintain autonomy in actions. Instead of conceiving civil society as a promoter of a political authority, it is better to expect it to keep a distance from and serve as a check against the global political authority once established.¹⁴

Can international regimes facilitate the formation of a global political authority? International regimes are outcomes of voluntary agreements

of workers. When the adverse impact of the global crisis was increasingly felt in China in the second half of 2008, some of the provisions, including the minimum wage mandate, were suspended for implementation. No labour protests ensued. This is in stark contrast to the Greek government whose package of fiscal constraints met with strong opposition. This means that China has succeeded partly because of low human rights costs between which and economic prosperity there is a severe value conflict. The risk for global governance is whether the bad currency will drive the good one out.

¹³ Apart from the (global) civil society which is the most important, Professor Possenti cites three other preconditions for the emergence of the global political authority: a strong cosmopolitan feeling, a kind of recognized legitimacy and the ability to identify and achieve shared goals. All these are important points for the way forward and need further elaboration.

¹⁴ For a debate on the contested future of global civil society, please consult Gideon Baker & David Chandler, eds., *Global Civic Society: Contested Futures*, N.Y.: Routledge, 2005; Krishan Kumar, 'Global Civil Society', *Arch. Europ. Sociol.*, XLVIII, Vol. 3 (2007), pp. 413-434.

among nation-states. As frameworks of implicit or explicit principles, norms, rules and decision-making procedures, international regimes function as devices to overcome the barriers to more efficient coordination identified by theories of market failure.¹⁵ There are great variations among international regimes. Taken as a whole, they constitute a disaggregate system, much like the global civil society. On the other hand, unlike the civil society, international regimes are better connected in certain areas. Robert O. Keohane has given an example of the trade regime as follows:

An agreement among the United States, Japan, and the European Community in the Multilateral Trade Negotiations to reduce a particular tariff is affected by the rules, norms, principles, and procedures of the General Agreement on Tariffs and Trade (GATT) – that is, by the trade regime. The trade regime, in turn, is nested within a set of other arrangements – including those for monetary relations, energy, foreign investment, aid to developing countries, and other issues – that together constitute a complex and interlinked pattern of relations among the advanced market-economy countries. These, in turn, are related to military-security relations among the major states.¹⁶

The ‘nesting’ of international regimes can be regarded as a process of functional integration with spill-over effect from one area to another, thus leading ultimately to the formation of a more encompassing security community as the natural base of a political authority. There is no automatic transformation from a sufficiently nested community of international regimes into a global political authority. A global political authority requires a consciously constitutional engineering, with international regimes as probable, major elements. Constitutional engineering is a moment of inter-governmentalism, with diplomacy¹⁷ playing a decisive role. Unless a consensus can be reached at points of hard negotiation, no new path can be successfully shaped.¹⁸

The prospect for a global political authority is very dim at present. The closest model of hope is offered by the experience of European integration. The question is whether a regional experience can be generalized to the

¹⁵ See Robert O. Keohane, ‘The Demand for International Regime’, *International Organization*, Vol. 36, No. 2 (Spring 1982), pp. 325-355.

¹⁶ *Ibid.*, p. 334.

¹⁷ In the age of globalization, the world summit has become a dominant form of diplomacy for coordination of national policies on global problems.

¹⁸ The constitutional engineering of the EU was stalled in 2005 and 2008.

global level. The incomplete success of European integration is the outcome of a confluence of very unique factors.¹⁹ First is the window of opportunity, i.e. a context of deep reflection after two devastating world wars, the need for coordination in post-war reconstruction and the Soviet threat. The second but no less significant requirement²⁰ was the availability of political entrepreneurs who had cooperated with each other during the pan-European anti-Nazis movement and had the vision to transcend narrow-minded nationalism. Thirdly, European integration was initiated also as a peace project. It was initially conceived as a small project confined to six nations but evolved into an open-ended, incremental, and long-term task to institutionalize specific structures and processes of regional governance. The first step of institutional construction is crucial. As supra-national jurisdictions laid down for the European Coal and Steel Community, i.e. the High Commission and the European Court of Justice, have evolved into bulwarks and engines for continued integration. The functional logic of cooperation (integration in one area entails the need for integration in another one) together with the dynamic of supranational institutions work to keep member states on the haphazard path of expansion and deepening. As a result, the EU of today can be proud of being a successful, innovative scheme of supranationalism, unsurpassed by any alliance, free-trade zone, international governmental organization or regime.²¹ Having said that however, the EU is not yet a regional political authority, in the true sense of the world. For instance, it still suffers from the commitment problem as witnessed in the Union requirement of fiscal restraints. It is risky to generalize the European experience to the global level. The experience, to conclude, represents only a useful lesson for the construction of a global political authority. Initial conditions matter. But is there a window of opportunity now? Where are the required political entrepreneurs? Is there a role for the Church?

¹⁹ Culture is neglected here, because I am not entirely sure about the exact role of the common European culture in the installation of the integration process, given the prevalence of wars in the past. Otherwise, it makes sense to hypothesize cultural homogeneity as a facilitator for international political cooperation.

²⁰ Under the assumption of self-interest, the existence of common goals alone does not entail voluntary collective action among members of a community to achieve them. Leadership is crucial to overcome the logic of collective action, especially in the context of a large, heterogeneous community.

²¹ It is difficult to characterize the EU for the lack of any precedent. Nevertheless, Kersbergen and Verbeek apply the analytical tools of international regime theory to study the history and role of subsidiarity as a norm in 'the competence regime' of the EU

between 1991 and 2005. See Kees Van Kersbergen and Bertjan Verbeek, 'The Politics of International Norms: Subsidiarity and the Imperfect Competence Regime of the European Union', *European Journal of International Relations*, Vol. 13, No. 2 (2007), pp. 217-238. It remains unclear though whether they regard the EU as an international regime or they just talk of its competency regime. It is possible to see the EU as 'a web of international regimes' across many functional areas, on the grounds that it is after all a system of international treaties. No other international regime has ever reached the level of multi-functionality and structural differentiation (into legislative, executive and judicial branches) like the EU.