

GLOBAL ECONOMIC GOVERNANCE AND STATES: STILL IMPORTANT AS LEADERS?

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The importance of countries as actors in international economy is the basis of global economic governance. Though the world has increasingly become more integrated in terms of economics, it continues to be politically fragmented in independent states, which follow their own interests. In general, the countries choose the organizations which serve best their interests. But they seek also to achieve their goals through building coalitions with other states, seeking to solve problems of mutual interest directly and in a pragmatic way. Global economic governance requires the development of agreements and coalitions of states or groups of states and, also, the creation of ad-hoc multilateralism, which has to deal, in particular, with peace and security problems.

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Introduction

Regional and global hegemonic powers have created interstate business organizations to strengthen their dominance and influence worldwide. As international relations critics say, the various models of economic governance are created for the rich and powerful ones, with privileges in a discriminatory manner for some countries than others. Decision-making process of the five permanent members of the United Nations Security Council gives them the power to influence others' opinions, like the International Monetary Fund and World Bank (Karns, Mingst, 2010).

The rich countries use their financial resources to influence international organizations, and decisions are not always taken in the distribution of wealth for everyone, of multilateral diplomacy to build coalitions among the less favored ones. Not all the states have a say in solving global and regional problems. The conventional image of power belongs to the powerful states or to the most powerful one, that dominates its neighbors and the smaller ones are reduced to the status of dependent states in the international system (Palan et al, 2007). But in an increasingly interconnected world, everyone has the power to be a modeler. Even without a global government, we can achieve better global governance (Friedman, 2008).

The importance of countries in global governance

International organizations and the mechanisms serving personal interests are involved in solving the practical problems between states, like the coordination of telecommunication and transportation infrastructure. But states can depend on these things when it comes to providing goods or health protection. The genius of the nation-states resides in their ability to provide a new collective identity for a growing number of free and autonomous agents that make up the world of private property relations in self-regulatory markets (Rifkin, 2006).

One of the main issues for debates when it comes to this type of relationship is the sovereignty. Sovereignty is the basis of the state's power supremacy within the country itself, exclusive control over the territory and power independence from other states, concept that is analyzed and criticized for centuries. Over time, sovereignty was limited by international agreements. The

world order is based on sovereignty, but the concept itself dates from the time when there were rulers and ruled (Soros, 2007).

Increased sovereignty is taken as assessing responsibility, including environmental or human health and not only the geographical territory. But the state has become an unnatural unit, sometimes dysfunctional in organizing the human activity and business management in a world without borders (Ohmae, 1995). After creating regional economic groups, states can no longer be considered the most effective and functional entities for growth. And the growing internationalization of production, trade and finance, combined with the increasingly global nature of economic and environmental issues rise the question related to the functional capacity of the states. No matter how different and incompatible are the social issues, one of the most important task of the states is to create consistency in its policies (Gilpin, 1987).

When it comes to international organizations, a key question is whether states are willing to give some of their sovereignty to supranational institutions. Some studies show that only a small number of organizations have decision-making power and states are willing to delegate this authority legally speaking: European Court of Justice, European Central Bank or the mechanism of dispute resolution under World Trade Organization.

The various international forums provide the possibility to choose exactly where to discuss each problem and what mechanisms they need in taking a decision. Although certain thing belongs logically to certain specialized organizations, the correlation between problems in question is difficult to take into consideration when it comes to choose a specialization for a certain institution. For example, issues related to the rights for workers or international investments can be addressed using the norms provided by WTO or EU, and in environmental problems they can contact the World Bank or the Commission on Sustainable Development.

Some countries learn how to use the situations in their advantage and others develop by using a more holistic approach on their policies and institutions (Palan et al, 2007). The growing trend toward regional integration is almost at universal level, so we have a more pronounced integration in economic activities in a number of specific regional agreements (Gilpin, 2004). Regionalism is considered the economic strategy followed by countries in order to improve and enhance their competitiveness on global markets, and as a response to changing global economic environment, which undermines the tradition preeminence of the nation-state. Regionalism is not only an instrument for improving competition in the global game; its attraction is done by the fact that is a competitive strategy and an instrument of regional and global economic governance.

The growing number of the groups of states provides another important element of global governance. At the moment, the most important group seems to be G20, a coalition of finance ministers and the governors of central banks, whose purpose is to promote informal dialogue between developed and emerging countries. G20 includes 19 states and the EU, the IMF and World Bank as ex officio participants and represents about 90% of world gross product, 80% of world trade and 2/3 of global population. Until the beginning of the economic crises in 2008, the G20 was not so well known outside the WTO negotiations, where Brazil, Russia, India and China were using group policies to accelerate the economic reforms in developing countries. But with the crisis, the G20 held its first international summit and has engaged in finding and coordinating responses to global problems.

The strategic choices of countries

The states have to deal with choosing the best types of policies and strategies in line with global economic governance (Karns, Mingst, 2010). A strategy can be defined as a calculated and deliberated application in order to reach a specific policy. The debates and controversies concerning the appropriateness and effectiveness of these strategies offer interesting perspectives. The countries implement several strategies at once and they are not always complementary, but also contradictory and inconsistent.

A state can choose a strategy as a subject to the following factors: it must be based on a historical compromise, successful strategies are copied, selecting a strategy is based on the degree of development everyone state has. State strategies are tools for national restructuring and they do not only provide macroeconomic conditions in which certain business thrive, but they also create specific institutions, which manage and promote the expansion of social, economic and political values (Sklar, 1990).

The structure of the international system, especially its anarchic nature, helps in explaining the strategies chosen by states. The theory of hegemonic stability has dominated the world in '80s and '90s, explaining whether international organizations are being created or not, a decisive factor in taking a position (Keohane, 1984). The United States and the Western powers were dictating the regulation of the global economy, and the power distribution between states offered explanations of a certain type of strategy choice from the multitude of policy instruments and decisions taken at international forums. The immediate interest of the hegemony is market creation and ensuring a stable supply of raw materials (Williams, 1972).

Hegemony is controversial as an option in foreign policy, accessible to a just a few selected countries. It may take the form of a strong state, but the picture is more complicated; it is exercised in a constellation of social and political forces for a historical block (Gill, 1994). Hegemony is domination and power and is less a strategy for economic competitiveness since it proved to be costly in the long term (Palan et al, 2007). Hegemonic strategy dominates all other possible state strategies (Calleo, 1982).

Domestic policies play a key role in drawing a state strategy, international commitments and attitudes toward global governance. Understanding the fact why states choose to cooperate at multilateral level and their susceptibility toward global governance can depend on the domestic dynamics of the already adopted policies, rather than on the interactions between states, international organizations and NGOs. Great powers have included economic regionalism in the strategies they choose to increase their relative gains and protect themselves against external threats to their economic welfare and national security, but also to reap the benefits of an expanding global economy (Gilpin, 2004).

Countries and global economic governance

As the dominant hegemonic power after World War II, the United States played a critical role in shaping the structure of the postwar international system, including the creation of many international organizations like the United Nations, the institutions that emerged from the Bretton Woods system, NATO and GATT. The fact that this system is marked by the existence of international institutions and the promotion of international law is the result of the U.S. preferences, which gave birth to rules and regulations compatible with its own interests.

The U.S. unilateralism was often a threat to the global peace, and its increasing power makes United Nations to take decisions that ignore the less developed countries (Ikenberry, 2003). In response to these unilateral decisions, other countries have shown frustration and the desire to participate in global economic governance without the U.S. The researches have shown that anti-American sentiment may lead to the inability of international organizations to take any legitimate global decisions (Johnson, 2007).

American exceptionalism is based on the belief that American values and norms are universal, and the U.S. has the responsibility to promote them and use the international organizations as the main instruments of their development (Luck, 1999). But the U.S. hegemonic position is used incorrectly (Calleo, 1982), and the main challenge to the American leadership is to identify problems they can still solve alone, namely those it can solve with the help of its partners (Friedman, 2008).

The U.S. has easily embraced the multilateralism of the international financial institutions, because it had an immense power over their voting decisions by controlling both the IMF and the

World Bank and having well-trained scientists from educational system within them. The Americans have the power to act alone, but by taking unilateral actions they risk undermining the multilateral system, a system that is almost entirely consistent with U.S. interests (Friedman, 2008).

When a hegemonic power fails to act within its borders, the credibility of the established institutions and norms fail as well (Cronin, 2001). The international institutions, dominated for long time by the American money and ideas, were considered as influential vehicles of the U.S. and emerging economies, like China, Russia, India, Brazil, Saudi Arabia and South Korea, not only they do not longer need them, but are taking more and more the position of a direct competition with them (Zakaria, 2009). But the U.S. is no longer the only power in global governance. Other powerful states appeared on the arena of international relations and their weight considerably in global decision-making process.

The political ambitions of the Latin America depend entirely on Brazil, which is encouraged by the mythical similarities with the U.S. and is trying to become the vanguard of the Latin diplomacy (Khan, 2008). Brazil's global leadership is recently, the state is in this position due to its strong economy based on agriculture, mining and processing industry, and also its political stability since the early '90s. Brazil supports Pan-Americanism, but has adopted an independent position in the era of globalization, building MERCOSUR and resisting the U.S. desire to create a Free Trade Area of the Americas. To improve its global image, it has become a major contributor to the peace missions under United Nations and to assist technically the South-South agreements, especially in tropical agriculture, energy and transportation projects in southern African countries (Karns, Mingst, 2010). It is not just another South American country, but the continent's essential geographical key factor (Khan, 2008). Brazil took the lead of G20 with China, India, Russia and South Africa, showing diplomatic maturity in international trade arena. Emerging strategic alliance between them is illustrated by the fact that U.S. has unconditional allies on the geopolitical market, and the developing countries can effectively work together in finding a balance and redrawing the global economic governance.

During the Cold War, Russia has held the role of hegemonic power in the bipolar struggle for supremacy with the U.S. He created two multilateral organizations as response to the ones created by the American side: the Warsaw Pact in opposition to NATO and the Council for Mutual Economic Assistance in opposition to the Marshall Plan. In both of them, it dictated the operating policies and programs, being a coercive military power in order to maintain its domination. After the fall of the Soviet Union, the Russian power has been economically weakened, but still having strong influence in the United Nations. Its weakness is an imminent threat to the world stability (Friedman, 2008). After extended its multilateralism in international forums, such as OSCE and G8 and has developed a partnership with NATO, Russia has shown increasing nationalist tendencies. Instead of joining the global economic system, Russia prefers to be a regional power and provide a distinct alternative to the economic and political institutions (Karns, Mingst, 2010). But its transition is uncertain and even it has eliminated the central planning, still having an opaque communist culture, which lacks flexibility and transparency (Friedman, 2008).

Nowhere in the world there lies so provocative such a depopulated state as Russia with such a populated one as China. A huge demographic imbalance and China's growing needs for resources lead to the question: can Russia continue in its actual shape? Russia is the state whose map will change in the near future: while Europe absorb its former influence spheres in the West, China swallow it to the East; without Russia, the Western world do not have access to the headquarters of power in the Eastern part of the continent. If the West is not successful in addressing Russia, then China will be victorious (Khana, 2008).

Along with China, India is one of the most populated states, with a significant economic growth in the last decade and one of the declared nuclear powers. The backbone of its economic

development is the private sector, and the economic growth has nothing in common with the governmental activity, but exists despite it (Zakaria, 2009). Its foreign policy has incorporated significant elements of multilateralism and, also, unilateralism. India is an active participant in peacekeeping missions led by the United Nation and helps the poorest countries, providing diplomatic support in the redistribution of preferences to the disadvantaged areas (Cooper, Fues, 2008). India has refused to be part of treaties and other agreements that would emphasize its role as a powerful state, but is still an active member in ASEAN or APEC. It faces an interesting domestic paradox: although the society is open, energetic and ready to take its place in the world, the ruling class is hesitant, weak and suspicious in front of the changing realities around them (Zakaria, 2009).

China's role in the international arena has changed along with the transformation from a self-imposed isolation to the opening toward the global system. The awakening China is reshaping the economic and political landscape, being modeled by the rising world (Zakaria, 2009). As one of the most populous states in the world, as a nuclear power, as the largest borrower for the World Bank, as the largest aid donor to Africa and having the highest carbon dioxide emissions, China is a key player at global level (Kent, 2007). Its relations with the world are practical, reflecting the context of its interests and it declares itself as being a developing country, even if it is one of the major economic powers that redefine the global economic order. Multilateralism has become the center of its foreign policy. After avoiding multilateral agreements for a long time, China has recently come into as many as possible. Since the mid-'90s, it has proved unprecedented actions toward multilateralism in Southeast Asia, is an active member of ASEAN and it is taking the responsibility in solving regional and global problems.

Since 2000, China has shown self-confidence due to its economic growth, international experience and perception of U.S. vulnerability. In fact, its multilateralism contrasts sharply with the American unilateralism in a time when multilateral actions and consensual decisions are needed. Although he agreed to cede some sovereignty just like the U.S. and other important states did, China was selective in responding to challenges. It moved slowly in taking decisions regarding trade liberalization and implementation of the imposed standards by international organization (Karns, Mingst, 2010).

China's multilateralism is one with regional and global prerogatives and has become a convenient way to move in the direction of being a world superpower, to extend its influence, to promote multi-polarity and to assume proper responsibility in global decision-making process (Wu, Lansdowne, 2008). This way of thinking has contributed to the increasing interdependence, compromises in achieving targets and to embrace the institutionalized forms of cooperation not only to continue its growth, but also to address the arising challenges of globalization process. But, in reality, the globalized world pushes America and China into an alliance hard to materialize geopolitically speaking; for over three decades, China's foreign policy was geared towards satisfying the U.S., and the economic relationship is one of mutual dependency: China needs the U.S. market to sell its product, U.S. needs China to finance its debt (Zakaria, 2009).

Conclusions

The study of global economic governance allows the understanding of the complex interactions between states and other important international actors. Systemic shocks or rapid changes at the regional and global level in the distribution of power contribute to choosing a state strategy. Cold War, oil crises, financial and economic crises are just a few examples of systemic changes that contribute to taking a strategic position. In such cases, states may be willing to cede more of their authority to the new governance structures or to the ones already in place in order to protect themselves against side effects.

Groups and coalitions provide a certain coherence and order in the world of over 192 countries, with an extremely busy agenda of issues to be solved in no time. They put these issues on the

table and engage in negotiations with compromises in order to reach consensus. The countries remain active participants in the new global economy.

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