

On the new international disorder

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We should all be delighted that today there is one less despot in the world. Yet, we should contemplate the possibility that our international system is in critical condition due to the collateral damage it has recently suffered.

Please do not think this the hysterical proposition of a lone voice. In response to the novel doctrine of preemption, Henry Kissinger wrote last summer:

“The new approach is revolutionary...the notion of justified preemption runs counter to modern international law, which sanctions the use of force in self-defense only against actual, not potential, threats.”

In his typically tactful way, Dr. Kissinger was suggesting that what turned out to be a preemptive war against the now-fallen tyrant might give us two regime changes for the price of one: the first in Iraq, the second in the international order itself. In fact, his *Washington Post* article was titled “Our Intervention in Iraq: How a Preemptive War Could Lead to a New International Order.”

With the war formally over, does this mean that we are already in a new order? My short answer is that we are not. Rather, at best, the old order is in transition, and, at worst, it is in crisis. For now, let’s simply say that we’re in an international disorder. The present disorder was long in the making and runs much deeper than mere disagreements over how to deal with Iraq.

During the Cold War, the US response to the Soviet Union was to build an international order with two pillars. One pillar—security—was based on military deterrence and containment. The other pillar—prosperity—was based on multilateral institutions, democracy, and open trade. In the Cold War, these two indispensable pillars frequently reinforced each other. Let us not forget, however, that at the end of the Cold War it was the second pillar, not the first, that had finished the job. The Soviet system collapsed because it lacked the political and economic freedom that was so abundant in the American-led camp. In the half-century following the Second World War, this camp evolved, slowly but surely, into an international community with significant shared values and common interests. It was supported by a multilateral system of cooperation

and rules-based political and economic institutions, with the United Nations as its centerpiece.

The success of this system helps explain why an implicit consensus to accept a unipolar world seemed to emerge so quickly at the end of the Cold War. During the 1990s, the behavior of major geopolitical actors seemed to contradict the conventional notion that unipolarity is unstable. Instead, their accommodations lent credence to the alternative view that unambiguous unipolarity provides both peace and long-term stability. The implicit consensus perhaps explains why so little was done in the 1990s to reform the existing political structures for collective security, despite the significant changes brought about by the end of the Cold War.

In retrospect, this lack of reform was costly. It is a great shame that no serious attempt was made to build a new security framework to fit a much-changed world. For ours is not only a world of unipolarity but also one of globalization, with all the opportunities and challenges that phenomenon brings. We now face global problems that call for global responses. Ours is now a world in which the very notion of Westphalian sovereignty (and its sacrosanct principle of non-intervention) is in question. Today this notion of sovereignty is not only challenged by the world's sole hyperpower, acting supposedly to ensure its own security, but also by many others—for example, by those acting to further the protection of human rights. “Intervention for humanitarian reasons” was a concept used by Doctors Without Borders long before it was espoused by NATO.

I am hopeful that one day it will be possible to build, multilaterally, a new and solid pillar for international security. To be feasible, this pillar must be based on the new realities of the 21st century. And it must be one which all parties, from the least to the most powerful, would find useful. Its architecture must be efficient enough to minimize the chances that security threats, either real or perceived, will be met with unilateral responses. Therefore, this pillar must also ensure that the world is spared costly efforts to balance American military power. It will always be better to spend more on fighting poverty than on weapons.

This new multilateral framework for security is possible, but I doubt that it can be built quickly. Therefore the main problem now is how to preserve and strengthen the prosperity pillar—the second pillar of the international system I mentioned earlier. And

my sense is that the militarily assertive unipolarity we have just witnessed is shaking this pillar too.

The marginalization of the United Nations, the transatlantic rift, the division in NATO and the European Union, and the current resentment among old friends, neighbors, and partners, are all harmful to the other structures of the international system.

Some in Washington are skeptical of the system's value and are not sorry to see it harmed. This view is particularly widely held among those who believe that all the United States must do is exert its unmatched military and economic power to protect its legitimate national interests. Yet with all due respect, this theory just does not hold water. On the contrary, this is precisely the moment when these structures are *most* needed. The use of force is simply not sufficient to protect the self-interest of a great nation in matters that inevitably affect the interests and sensibilities of other countries. As a good friend of the United States, allow me to venture that this great nation also needs to exert its influence by relying more on respect than on fear and envy. To create the consensus necessary for its leadership to be successful, it needs to lead with more than just force. It needs friends and allies. And it needs the international rule of law and institutions, which, let us not forget, were created under its leadership. Strange as it may seem, this last point is particularly relevant in the field of security where overwhelming military superiority is not all that counts. For example, the Chemical and Biological Weapons Conventions and the Comprehensive Test Ban Treaty helped both entrench American military superiority and prevent the proliferation of weapons of mass destruction.

Consider also what has recently become the biggest security concern of the United States and many other countries: transnational terrorism (as well as organized crime, its not-so-distant cousin). It would be dangerously naive to think that terrorism can be fought single-handedly. In the absence of international cooperation, can terrorists be defeated? Can the international traffic in deadly weapons, or the spread of fanaticism, be ended if countries do not work together? Never. Combating borderless terrorism requires the support of friends, allies, sometimes even adversaries. I insist that global threats call for global responses.

But even if you wanted to believe that unilateralism is the right approach for US *security* matters, it does not follow that in international *economic* relations, unilateralism

will best serve the United States' self-interest. Indeed, I would go even further to say that peaceful and durable unipolarity *requires* the multilateral system as much as the multilateral system requires the enlightened, not the aggressive, leadership of the sole superpower.

For more than half a century, the United States and other industrial countries have prospered, thanks in no small measure to the expansion of world markets. And this expansion would not have come about without the multilateral economic system that emerged at the end of the Second World War. International economic cooperation is not a useless abstraction. It has been a powerful and tangible force driving global prosperity.

Could international economic cooperation coexist alongside aggressive unipolarity? Hardly, I suspect, if at all. A healthy multilateral system depends on negotiations, compromises, and agreements. None of these can flourish in acrimony and resentment. The riskiest scenario would be one in which those offended by American aggressive unipolarity express their resentment by withholding their cooperation on the many economic issues that cannot be addressed by the United States alone. Admittedly, this would be a lose-lose scenario and is therefore unlikely to occur in the abstract world of rational and perfect information economics. But it's quite possible in the real and imperfect world of geopolitics.

Unfortunately, my concern is not about a hypothetical situation that may or may not become reality. On the contrary, I could illustrate the risk of suffering a breakdown in international economic cooperation with a long list of real and outstanding issues. But none deserves more attention at this moment than the future of the multilateral trading system. This is an area that, in one scenario, could become the battleground of unsettled geopolitical disputes, with disastrous consequences. Yet in another scenario, this area might help mend fences among old and new partners, by reinforcing international cooperation in the pursuit of free markets and the betterment of developing countries, and would thus be a formidable tool for global prosperity.

I hardly need to tell you that both the biggest risk and the biggest opportunity now facing the multilateral economic system is the Doha round of trade liberalization. Failure to push the Doha program forward would seriously undermine confidence in the

multilateral system. And it would severely damage the credibility of those who led its launching: an enthusiastic United States and, more reluctantly, the European Union.

The Doha process was heralded with great fanfare as the development round. This was supposed to mean that at last negotiators would seriously address the issues of greatest interest to developing countries. Chief among these was the need to resolve the implementation issues of the Uruguay round, including the question of TRIPs and access to essential medicines, the removal of remaining barriers in nonagricultural products and, of course, the liberalization of agricultural trade.

Unfortunately, the development goals made it into the Doha agenda only at a high price to developing countries and to the already overburdened WTO. The agenda was loaded, mostly at European insistence, with other issues that are not only of questionable value for developing countries but also highly contentious. They could jeopardize the entire Doha round, given the single-undertaking criterion that governs the whole process. The link between trade and environment as well as the intended multilateral agreements on investment and competition policy were the main sources of suspicion at the time the round was launched in November 2001.

Since then, suspicions have grown sharply. The negotiations have suffered several major setbacks in three topics of the highest sensitivity for developing countries: access to essential medicines, trade in agriculture, and the so-called special and differential treatment. Given their importance to the round, it is worth seeing what has happened so far on each of these three issues.

On the first, recall that governments at Doha reaffirmed the right to grant compulsory licenses to generic manufacturers. This clarification addresses the situation of developing countries that have the capacity to manufacture pharmaceuticals, such as Brazil and India. But it left out the poorest countries that lack pharmaceutical industries, such as sub-Saharan African nations. The special Doha Declaration on TRIPs committed WTO members to find a solution for these countries before the end of 2002.

The deadline was missed. A compromise crafted carefully over several months was in the end rejected by the United States. And since then, attempts to resolve the gridlock have failed. Considering the death toll in poor countries due to infectious

diseases such as HIV/AIDS and malaria, it is not surprising that this has become a very emotional issue at the Doha negotiations.

The rejection of a TRIPs compromise last December was a tactical mistake. The poor countries that would have benefited from the agreement account for less than 2 percent of global pharmaceutical sales, so the United States and its pharmaceutical companies really gained little by rejecting the deal. And I suspect that the cost—an erosion of US leadership by poisoning the Doha process—will be far higher than any possible benefits. The rejection is also undermining the laudable efforts of certain pharmaceutical companies to provide cheaper drugs to some poor countries. Even worse, it is undercutting the diplomatic and humanitarian value of President Bush's proposal to provide an additional \$2 billion a year to fight HIV/AIDS in Africa, a significant example of international cooperation.

The failure to solve this TRIPs issue before the next WTO ministerial meeting may cause a sizeable number of developing countries to demand that negotiations on the protection of intellectual property rights start from scratch. They might even request the removal of TRIPs from the WTO.

The countries most dissatisfied with the TRIPs question not only have a good humanitarian case but also economic theory on their side. As any good graduate student in economics will tell us, it was wrong in the first place to appoint the WTO to be the guardian of intellectual property rights. And, furthermore, TRIPs is not even the *third*-best way to protect those rights. So beware of the backlash.

Agricultural negotiations, the second issue, are proving to be equally frustrating. I hardly need to repeat here why they are so crucial for developing countries. Almost 60 percent of developing-country populations live in rural areas, where 75 percent of the 1.2 billion people live on less than \$1 a day. The combination of agricultural protectionism and high subsidies in rich countries has hampered agricultural growth in the developing world and aggravated their poverty problems. Agricultural protectionism is also a self-imposed burden on rich countries, which they pay for through higher food prices and larger tax burdens for their citizens, not to mention the consequences for the environment and health. Total net transfers to farmers in OECD countries amount to more than 60

percent of their farm gross value added. Admittedly, developing countries are also the victims of their *own* history of protectionism and faulty agricultural policies.

Members agreed to commit to a framework for agricultural negotiations by last March 31. That framework would have involved the adoption of specific targets for achieving the mandate of the negotiations. In order to shape the framework, countries put forward their own proposals.

The first bold move was made by the United States. In July 2002, amid acrimony over its farm bill, the United States put forward an ambitious two-step proposal for liberalizing agricultural trade. The first step would eliminate export subsidies and significantly reduce tariffs and trade-distorting domestic support measures over a five-year period. The second would aim to fully remove all tariffs and trade-distorting measures, by a time frame yet to be decided. Not surprisingly, the American proposal was opposed from the very beginning by the Europeans who see it as aggressively antagonistic to their Common Agricultural Policy. They were quick to observe that the rapid elimination of export subsidies and the use of the so-called Swiss formula for reducing agricultural tariffs, among other measures proposed by the United States, would mean a bigger proportional adjustment for European agricultural protectionism than for American.

The European reaction to the American proposal has been, as they like to say, multidimensional. First, they locked their agricultural protectionism in the agreements to enlarge the European Union, despite the fact that their Doha commitment on agriculture was made prior to their October 2002 agricultural decisions on enlargement. Second, they produced a proposal that would mean some progress in reducing tariffs, export subsidies, and domestic support, but was far shy of the American and the Cairns Group proposals. And, third, they decide to bet strongly on the “divide and conquer” tactic with the developing countries. On the one hand, they introduced a category of “advanced developing countries” expected to behave in every way as developed countries so that they will have to grant the same preferences to other developing countries. On the other, they offered to enhance preferential treatment to the group of least-developed countries. The message to these countries is very clear: protect my protection because it is your

protection too; or, equivalently, don't ever let your preferential access to my market be eroded by other developing countries.

The bottom line is that the agricultural negotiations became highly polarized. Striking a deal from the two extreme positions presented by the United States and the European Union is practically impossible. Hence the importance of the proposal put forward by Mr. Stuart Harbinson, chairman of the Committee on Agriculture. It aimed at a good balance among the different proposals. It is less liberal than the American and the Cairns Group proposals but significantly more ambitious than the European and Japanese proposals. Yet nobody wanted to give in. The Harbinson draft was rejected and the March 31 deadline abandoned. The agricultural negotiations are now not only polarized but paralyzed as well, putting the whole Doha exercise at serious risk of failure.

Equally dire are the talks on the third issue: special and differential (S&D) provisions, which are supposed to give developing countries special rights and enable developed countries to treat them preferentially to other WTO members. It was agreed at Doha that S&D provisions would be reviewed to make them stronger, more precise, effective, and operational. Yet the third deadline for these negotiations was missed last February 10, and there is now little or no hope for any significant progress before the next ministerial meeting. In some sense, these talks are in even worse shape than those on other critical issues.

Developing countries have submitted no less than 88 proposals, and many of them portray, in my view, a mistaken conception of the role that the multilateral trading system must play in supporting their development. It is one thing to believe that developing countries should take longer to implement trade liberalization agreements. Or that they should receive some exemptions from disciplines that are not crucially related to trade. Or that they should get financing and technical support to build their capacity to participate in international markets. But it is quite another thing for these countries to try to use the WTO to shield them from ever having to reduce their own trade barriers.

Perhaps more than in the other Doha issues, the solution to the S&D question will require a fresh discussion and understanding of the development value of an open, nondiscriminatory trade system with transparent and universal rules valid for all its members. This understanding, of course, should not rule out granting low-income

developing countries immediate preferential market access to the markets of rich countries, and the necessary policy flexibility and support to enhance the development impact of their participation in international markets.

Of course, the appetite for S&D would be significantly tempered if developed countries agreed to adopt non-discriminatory, full liberalization—that is, zero tariff—for all nonagricultural products by a nonremote date, say 2015.

The deadlock in the Doha round must be broken, not only because its goals are important by themselves (especially in light of the round’s purported development content) but also because failure to move forward now will throw more gasoline on the already fierce fire of trade disputes and flagrant abuse of trade safeguards by both developed and developing countries. The neoprotectionist spiral must be checked right away; any later might be too late.

But saving the Doha round will take much more than the hard work of country negotiators and ambassadors to the WTO in Geneva. I am afraid that this time around not even the diligence of [United States Trade Representative] Robert Zoellick and [EU Trade Commissioner] Pascal Lamy will do the trick. For better or for worse, the matter must go to the highest political levels.

It is the irony of present geopolitics that the responsibility to overcome the Doha gridlock lies not solely but significantly with both the United States and France, given the criticality of the agricultural issue. This is a somewhat cruel and risky circumstance but also a big opportunity to kill two birds with one stone: put the Doha process back on track and start mending the transatlantic crack.

President Jacques Chirac opposed the war in Iraq by invoking the virtues of multilateralism. He can now give sound proof of his government’s true commitment to the multilateral system by giving up his opposition to effective European agricultural reform.

Similarly, a meaningful step toward restoring “the good kind” of American international leadership would be for Washington to become more open to compromise on the key Doha issues. If the United States were to stop playing hardball on agriculture, it would probably make Europeans more accommodative to a solution for this topic. Acceptance of the TRIPs formula that was blocked a few months ago would heal some

injuries and lend strength and credibility to the leading role the United States must play in the Doha process. Needless to say, a concerted effort to leave behind resentment and useless recrimination toward old allies and partners will help a lot in trade as well as other multilateral endeavors.

The G-8 summit at Evian in early June will give leaders an opportunity to repair the present international disorder. There is no scarcity of ideas for pursuing a common positive agenda for the recovery of both the international economy and sound international politics, as clearly shown in the report prepared by the Shadow G-8, co-chaired by Fred Bergsten. I hope that such a solid set of proposals makes it to the right places in time.

Another significant opportunity to rewire international cooperation exists in the Millennium Development Goals (MDGs) adopted in 2000 and ratified in Monterrey last year. If present trends continue, most of the MDGs will not be met by the agreed date of 2015. The main reason for this failure is to be found, not surprisingly, in the lack of funding. Even if the additional US and European aid resources that were promised at Monterrey became effective, there will still be a substantial gap of around \$40 billion a year.

If the MDGs are taken seriously by the international community, then the international finance facility—proposed by the British government—to meet those goals should also be taken seriously. So far, this proposal is the only concrete initiative put on the table to provide the additional required financing.

It was not by mere accident that the second half of the 20th century—in spite of the many disturbances—proved to be much better than the first half.

It happened not entirely, but significantly, because toward the end of the Second World War and after, some remarkable world leaders—most of them from this country—worked hard to create institutions in which nations could cooperate for the common good. These institutions have helped make it possible for a growing proportion of the human population to live in freedom and prosperity.

Now the international system and its institutions are under unprecedented stress. Deep disagreements have emerged about the best way to combat new threats to international peace and security and on how to preserve and extend prosperity. It is time

now to stop blaming the institutions for these disagreements and recognize that the institutions are no better and no worse than what the major powers put into them in terms of leadership, the will and ideas for reform, skillful bilateral diplomacy, and resources. I am not asking any country to forgo its self-interest. Even when I plead for additional resources to help poor countries fight poverty, I avoid invoking altruism.

Exactly two years ago, in May 2001, I was working with John Williamson on the financing for development report that [UN Secretary-General] Kofi Annan requested to serve as an input for the Monterrey conference. With absolute conviction, we said: “For people in the rich world, elementary self-interest is also at stake. In the global village, someone else’s poverty very soon becomes one’s own problem: lack of markets for one’s products, illegal immigration, pollution, contagious disease, insecurity, fanaticism, terrorism.” In insisting that the solution is not to destroy the international system but to transform it so it can take on the new challenges facing it, I repeat that it is elementary self-interest that is ultimately at stake.