

Globalization's Deficit

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FIFTEEN YEARS ago it was fashionable to pronounce the eclipse of the nation-state. In a globalized world, power would flow to supranational bodies: to the North American Free Trade Agreement, the World Trade Organization and the European Commission, and even to a United Nations freed from the paralyzing divisions of the Cold War. Today this trend appears exhausted. Supranational institutions are not exactly retreating, but they have run out of forward momentum.

Start with economic institutions. The latest round of tariff-cutting talks under the auspices of the WTO is stalling, not because countries oppose trade but because they do not want to make concessions in this multilateral forum. Ambitions to deepen the WTO's power to settle disputes beyond trade into labor and environmental issues have (fortunately) fizzled, while WTO rulings against protectionist European food regulation or American cotton subsidies don't (unfortunately) cause those policies to be reformed quickly. The same story holds for NAFTA. In the 1990s there was talk of building NAFTA tribunals on labor and the environment into influential voices. It hasn't happened.

The International Monetary Fund is even more diminished. In the 1980s and 1990s, it had a place at the top table, leading the charge for economic reform in developing countries during the years of the debt crisis, then struggling to manage financial crises from East Asia to Russia to Latin America from 1997 to 2001. But now the East Asians have built up financial reserves, partly to withstand future financial shocks without the IMF's assistance. Russia is high on petrodollars. And Brazil and Argentina recently paid off the IMF early in a gesture of independence. The world still faces big international financial issues, from the vast U.S. trade deficit to China's currency manipulation, but the IMF has chosen to duck them. Meanwhile, the World Bank is struggling to define its role in a world awash with private lenders. Its new leader, Paul D. Wolfowitz, wielded power confidently when he was part of the Bush administration, but he is feeling his way along in his new job.

Political institutions are in no better shape. Because of the rise of China and other big middle-income countries, the annual Group of Eight summits have lost their old claim to represent the world's key players; now that Russia has assumed the G-8 presidency, the forum's credibility has shrunk further still. Far from being reinvigorated by the end of the Cold War, the United Nations is in crisis: It is unable to respond decisively even to extreme moral affronts such as the Darfur genocide. It is tarnished by the oil-for-food scandal. And a laudable effort to modernize its institutions and doctrine petered out last year. The European Union has suffered the rejection of its new constitution at the hands of its voters, and NATO has been irrelevant in Iraq and has moved with imperfect unity and uncertain commitment into Afghanistan. The Bush administration makes no secret of

the fact that its strategy in foreign policy is not to build international support through international institutions, but rather to forge coalitions of the willing on an ad hoc basis.

No doubt the pendulum will swing back again. Some day another global trade round may be completed; Argentina's leaders may trip over their own populism and return begging to the IMF. But for the moment the stalling of international institutions is striking -- and troubling. Yes, democratic nation-states have more legitimacy and capability than international organizations; yes, they should remain the key units of international relations. But in a world knitted together by modern travel and communications, so many policy challenges cross national borders that institutionalized cooperation among nation-states must grow eventually. Financial crises, state failure, global warming, bird flu, terrorism: In the end there must be more than ad hoc answers to this constant succession of problems.

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