

# The Private Sector, the Nation-State, and International Organizations

Paul Kennedy

**T**HE KEY PARADOX OF OUR GLOBAL CONDITION IS THE increasingly integrative nature of our commercial and financial activities. They are liberated from national constraints, on the one hand, yet we still instinctively rely on governments, ministries and other organs of state power, on the other. This tension, between the virtually unlimited operational sphere of economic action and the much more limited responses of state structures—limited, that is, by geography, capacity, and public pressure—is not itself a bad thing. We cannot in any case reverse the steady globalization of our national economies and we all recognize, in the broadest sense, the benefits that flow from the increase in world commerce. Still, the tension is there and it is our task to think of intelligent and sensible ways to adjust to it and, if possible, to reconcile our national preferences with these transnational forces.

This global paradox is in full evidence whenever the political and financial leaders of the G-7 nations meet for their annual summits. On the face of it, these are summits of the powerful national units of the world, and the media take pains to detail and comment upon the weighty decisions that flow from them. Among critics in developing countries, we expect to hear the complaint, to some a very legitimate complaint, that the fate of the global economy ought not to be decided by a few, unrepresentative, rich nations. To those with an historical bent, the group photograph of the G-7 prime ministers and presidents is seen as a modern-day echo of earlier summits, for example, of Bismarck, Disraeli and their peers gathered in assembly at the Congress of Berlin, a portrait that adorns the cover of Henry Kissinger's recent book, *Diplomacy*. This, one might conclude, is still where *real* power lies in today's world.

And yet, the agenda of items prepared for recent G-7 summits could also point to a different conclusion, namely, that deep and troubling transnational forces have been unleashed, and that the major governments of the world are having some difficulty in working out an adequate response to them.



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What are some of those forces, and some of those problems? For purposes of brevity, *three* areas are discussed here.

*Area one* is the issue of financial and currency volatilities, and their impact upon national economies and the international economy as a whole.

*Area two* is the issue of migration, particularly from poorer to richer societies, against the backdrop of trends in global population increases, North-South relations, and the changing shape of the international labor market.

*Area three* is the issue of cooperative action to achieve international peace and security in the post-Cold War era, especially in the light of recent peacekeeping experiences.

In all three of these areas—financial and currency volatilities, migration, and international peacekeeping—several broader and more general points stand out. The first is that each of these specific challenges is symptomatic of a larger problem facing nation-states. For example, the Mexican peso crisis with its subsequent impact on “emerging markets” overall and on the value of the US dollar, is just one manifestation of the emergence of a new international economic order that is built upon a communications revolution, new technologies, and the market liberalization measures of the 80s. It is not just 24-hour-a-day currency trading, and in volumes that dwarf national economies, that is at issue here. It is the whole gamut of globalized trade in goods and services, in cultural ideas and intellectual property, in the reallocation of manufacturing and assembly from one part of the planet to another. Just as these economic and technological trends are multi-faceted, so also are the social and political repercussions, those unintended effects that concern the G-7 leaders most because of what happens to their domestic constituents.

Similarly, the issue of migration at the end of the 20th century is inextricably connected to other, very broad matters such as global population increases, the growing gap between the richest and the poorest societies, a media revolution that allows poor peasants in Szechuan or the Maghreb to know about living standards in Vancouver and Marseilles, the displacement of millions of families through war, famine, and resource depletion, and (in the case of Rwanda, Somalia and Zaire) the collapse of entire state structures. Any G-7 agreements that focus only upon tighter numerical controls and improved border surveillance will address merely the symptoms and not the root causes of the global migration issue.

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In just the same way, while specific measures to improve international peacekeeping—such as establishing Ready Reaction forces—would enhance present arrangements, they are only part of the larger challenge of achieving improved peace and security for nations and their citizens as we enter the 21st century. Broader and more systemic reforms would have to include a re-examination of the UN's entire peacekeeping and peace-enforcement mandates, the composition and political legitimacy of the Security Council, the role of the veto, and many other contentious issues.

The second, broad point about all three of these areas is that all of these forces for change are tending to weaken the traditional authority and competency of the sovereign nation-state. If your currency is being freely traded in East-Asian markets in the middle of the night, to what extent is it still *your* currency? If a multinational corporation closes five plants in North America, and opens three in Southeast Asia, what can local communities do about it? How can governments deal with global environmental degradation? How can they achieve better security for their national interests in an unpredictable world, where the “threats” may come nowadays in the form of terrorism, drugs and hijacking incidents? How can they secure full respect for the Universal Declaration of Human Rights which each state has pledged to uphold? How can we rescue “failed states”? How can states do all this when authority is being relocated from the national centers, either down to the regions or upwards to transnational actors?

There is only *one* conceivable way forward: the only chance we have of dealing with this cluster of *transnational problems* is to work out a cluster of appropriate *transnational responses and solutions*. Please note the use of the word “appropriate”. This is not an argument for omni-interventionism. In various domains of social and human activity, governments and international organizations can stay happily on the sidelines. However, there are many challenges and problems to which the only sensible response will be the creation of more effective international structures and operating procedures, *not as means in themselves, but as an end to getting things done*.

This is the absolutely critical *conceptual* breakthrough we have to make if we are to resolve the paradox of having an increasingly globalized human society relate to *non-global*,

deeply national structures and habits. Thus far, much of the debate about the future of the nation-state has tended to assume stark polarities: *here* is the Sovereign State, with all of the claims and attributes it has acquired since the Peace of Westphalia in 1648; and *there* are the things that are challenging that sovereignty, like multinational corporations, currency traders, illegal immigrants, atmospheric drift, and ethnic discontents. This dichotomy tells only half the story. It ignores the fact that there *also* exists out there—or can be made to exist out there—appropriate international structures that can aid nation-states to achieve their purposes and protect their interests.

Consider for a moment the eminent and complex international organization called the United Nations. UN activities span a vast range of areas, including peacekeeping, human rights, sustainable development, social issues, and the rest. Yet, the UN is not some huge extra-terrestrial force; it is the property and the instrument of the member states who created it in the first place. And just as they created and modified the United Nations over the past half-century, so they can do the same—if they have the political will—over the half-century ahead.

Do measures to enhance the effectiveness of the UN take away *in real terms* from the sovereignty of states? That is too superficial a reading. Many proposals for UN reform are intended not to *reduce* the freedom of member states but to buttress the *real sovereignty* of societies everywhere: recommendations to establish and train an emergency Rapid Reaction force to avoid the Rwandas of the future, new structures to coordinate UN agencies as they seek to

restore order in collapsed states, authoritative and intergovernmental bodies that would bring together rich and poor countries to work out global economic priorities, improved cooperation among human rights agencies, and so on. In this instance, “real sovereignty” means the *ability to influence outcomes*. The ability of individual states like France and Belgium and Canada to influence global trends has been diminishing in recent decades. Countries will not recover their ability to influence outcomes unless the UN's member states are willing to re-affirm what they asserted at San Francisco fifty years

ago: the need for a “rule-based system, with strong international institutions”.

It will not be difficult to persuade governments and publics in many parts of the globe to accept this reasoning. Australia,



UN peacekeeper.

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the Scandinavian countries, Canada, and some important developing countries like Costa Rica and South Africa can already see that it is in their enlightened self-interest to establish a more effective international organization to meet the challenges of the next century. Whether the argument will be accepted in the United States, where the political *misrepresentation* of what the UN is and does has reached new depths, is much less likely. One of the historical ironies evident in the summer of 1995 was that, as people gathered to celebrate the fiftieth anniversary of the signing of the UN Charter, the country chiefly responsible for creating the UN had lost much of its vision, its understanding, and its generosity in this particular international arena.

Where does the private sector fit into this larger framework? Once again, I feel we often confront flawed stereotypes about polarities: that the private sector is over *there* and, at least in some ways, its untrammelled activities and volatilities are part of the problem; and international agencies, watchdogs, the WTO and regulations are over *here*, trying (sometimes not very successfully) to impose order.

This is not, I suspect, how an intelligent international businessman would view the situation. After all, it is not just states and societies, but increasingly globalized companies that need a “rule-based system” and “strong international institutions”. The best way to think about this is to use the analogy of domestic markets. Just what does the businessman require before feeling confident enough to invest in the Ukraine, Scotland, or Quebec for that matter? He wants to see the rule of law, and an effective policing system that provides physical security for all codified commercial practices, regulated and predictable procedures, copyright protection, guarantees of access to one’s capital, and so on.

But exactly the same is true, at the global level, when the company becomes involved in ventures around the world. It needs the international system to provide physical security, international police to deter terrorists, bodies like the WTO to head off trade wars, the Bretton Woods institutions to assist emerging markets, an international human rights organization to guarantee its employees across the globe, that myriad of often-forgotten UN agencies and offices that ensure safe airline traffic and coordinate communications. *Without* the frameworks established by our international organizations, international business would be lost—only pirates and criminals would

flourish. *Within* those frameworks, legitimate enterprise can prosper.

This is how we should perceive the relationship between the nation-state, the private sector, and international organizations. All three have their own special functions to perform, and define themselves differently. Each of them relies upon the existence of the others, and contributes to the more effective operation of the others. In particular, international organizations exist to carry out tasks which neither nation-states nor companies could implement on their own.

In conclusion, there is no doubt that the nation-state is coming under many pressures, some of which will intensify further. Neither total *laissez-faire*, nor massive, multi-level interventionism will provide our adequate response. The need is compelling to create a rule-based system with strong international institutions, under which nation-states can protect themselves and the private sector can flourish. This involves enhancing, and *not* belittling, the

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United Nations and other international organizations so that they can better assist both governments and business in the decades ahead.

Finally, and in the years following the fiftieth anniversary of the signing of the UN Charter, it involves a recovery of the political leadership, courage and vision of those who set up the post-1945 international order—*plus* the articulation of the basic point that *without some* transnational order and structures, the private sector will probably be the one that suffers most in the coming age of globalized economies. ♦