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COMMENTARY

Globalisation with a Twist: Stability, Volatility and Fragility All in One

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This article does not reflect the official views of the OECD.

The process of globalisation[1] has brought the world innumerable improvements and opportunities. Economically, for example, it has vastly increased global trade and foreign direct investment, opened up markets for exports and often optimised allocation of capital. Politically, it has stimulated waves of regional integration and democratisation. In identity terms, it has connected cultures and worldviews as never before.

Globalisation has not, however, made the world a more stable or equitable place (e.g. Yergin and Stanislaw, 2008; Judt, 2010; Heine and Thakur, 2011). Economically, commodity price spikes or crashes, often in part transmitted through rapid changes in global demand and supply, frequently lead to food riots. The Asian financial crisis (1997), the Argentine economic crisis (1999-2002) and the current European sovereign debt crisis are reminders of the costs that globalisation can rapidly spread and amplify. In the realm of politics, the swift, domino-like overthrow of autocratic regimes in Tunisia, Libya and Egypt springs to mind, enabled by powerful technological platforms and a sense of deprivation fed by acute and detailed awareness of circumstances at home as elsewhere. In identity terms, without the power of the Internet and social media, al Qaeda's or Boko Haram's efforts to position radical Islam as an alternative response to 'Western modernity' could not have been nearly as global in scope.[2]

In the main, the rapid growth in interdependencies and interconnections that has occurred as a result of globalisation has created vast opportunities for human progress and simultaneously introduced new risks, while highlighting vastly different national capacities to engage with both. In this vast panorama, it is increasingly recognised that fragile and conflict-affected countries are particularly vulnerable to the risks because of their generally weak governance systems and/or low capacity (e.g. World Bank, 2011). This is of concern because conflict and fragility today constitute a global challenge. There are about 40 such countries (ca. 20% of UN membership)[3], which are home to approximately 1.5 billion people and which are unlikely to achieve most of the Millennium Development Goals. These countries also feature a significant slice of today's organized violence.

In this brief contribution we explore two specific critical risks posed by globalisation for conflict-affected and fragile countries.

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Building on these, we subsequently advance three elements of an international agenda that could stabilise some of the volatility these countries face as a result.

From a conflict and fragility perspective the premier risk of globalisation is that it has enabled a vast expansion of the global marketplace for illicit goods and services that rides on the coat-tails of its licit cousin and offers easy access to resources such as ideas, funds, weapons, services, recruits and even loyalty. It facilitates the use of violence as a tactic for political or commercial profit. The two marketplaces – licit and illicit – must not be conceived of as separate but as deeply interwoven. Free trade can benefit both licit and illicit goods on a scale previously unknown; while better controls are possible, they also reduce trade, profit and jobs. Easy and anonymous corporate registration even in the most developed and well policed countries attracts savvy entrepreneurs and dodgy shell companies alike. The export of arms and security services has become a thriving business that, however, also enables and perpetuates conflict. The symbiotic nature of the licit and illicit activities that globalisation enables may partially explain the lack of concerted international action to, for example, better regulate the market for arms and security services or to reduce money laundering. Legality and illegality are intermeshed in such a way as to make it highly complex to combat illicit activities without impinging on licit ones.

A second critical risk of globalisation from a conflict and fragility perspective is that it has enabled dominant economic and political ideas to be more intrusively 'imposed' on societies dependent on external support by powerful players with global reach but without either adequate fit or adequate consent. Such 'exporting of ideas' takes on different forms that range from benign to unintentionally harmful or intentionally manipulative and damaging. For example, the 'export of democracy' is generally considered in a positive light. However, in the context of conflict, it has acquired a strong and sometimes detrimental focus on holding elections. Worse, where the institutions and values required for peaceful political competition lagged behind the pace of democratisation, it has on occasion fuelled violence. Similarly, the case for the 'export of liberal economic policies and measures' – generally argued to be wealth- and growth-enhancing – is already much less clear-cut, especially where it is rushed, ill-sequenced and insufficiently attentive to risks for vulnerable groups. In Kosovo, for instance, a straightforward programme of economic liberalisation seems to have resulted, more than a decade after conflict, in 43% unemployment, poverty rates of 48% and deep socio-political fractures set – incredibly – against a rising GDP. There are also much less benign ideas whose propagation is greatly facilitated by globalisation, including aggressive forms of religious fundamentalism, militarism and the notion that international law can be set aside when the end justifies the means.

These two risks generate long-term volatility that manifests itself in cycles of conflict and fragility. A strong international agenda to stabilise this dimension of globalisation is desirable, both out of self-interest and out of a notion of shared responsibility. Unfortunately, both the nature of global governance and the global power distribution are subject to intense debate and competition at the moment. The disappointing results of international conferences in Doha (trade), Durban (climate) and Rio (sustainability) offer some telling proof.

Hence, any stabilisation agenda needs to cater to different sets of interests to take off. We argue that a basic layer of common interest is provided by the increasing realisation that the cost of violence and fragility are being paid locally, regionally and globally as an inevitable consequence of the interdependencies mentioned above. It is by no means just fragile and conflict-affected countries that suffer. One has only to consider the harmful effects of piracy, the drug trade,

human trafficking, corruption and money laundering on the societies of developing, emerging and developed economies alike (e.g. World Bank, 2011; OECD, 2011). A useful first action in support of such an international agenda would be to quantify the cost of conflict and fragility for fragile, emerging and developed economies more rigorously. Despite the inevitable educated guesses involved, this would offer a healthy starting point for debate and an incentive for change.

In addition, we offer three elements for such an agenda that, as a package, both cater to different interest sets and could go a long way in helping fragile countries deal more effectively with some of the volatility that globalisation has brought to their doorsteps.

Changing course in the current approach to the global war on drugs is the first element of our agenda. Globalisation (economic and trade liberalisation in particular) has helped the drug trade to become a truly global business that links mostly OECD-based demand via transit through Central America, West and East Africa and Central Asia with production in Afghanistan, Latin America and South-East Asia. The trade's high profitability and illegality stimulates organised violence because it triggers criminal competition for profits and offers an attractive revenue stream for groups engaged in conflict. At the moment, the approach to drugs is characterised by criminalisation and supply-side reduction (see e.g. the Global Commission on Drug Policy, 2011). But this approach faces two problems:

· Because the drugs trade is a global business, the laws of supply and demand suggest that at constant levels of demand a reduction of supply will first increase prices and subsequently encourage 'new' market entrants. This easily leads to increased levels of violence. With a death toll of around 47,515 people killed in relation to organised violence since 2006, the situation in Mexico illustrates this tragic dynamic (BBC, 2012). Worse, reduction of supply often means destruction of the livelihood of small farmers who have few alternatives to make a living and pushes more people into poverty.

· The drug trade is profitable because the product commands an attractive, non-transparent price premium resulting from its illegality. As long as this remains the case, drug enforcement activity alone will be ineffective to reduce it. Given the cost some OECD countries pay to fight crime, maintain public health, struggle with non-state armed groups sustained by the drug trade (e.g. in Afghanistan) and confront a range of other threats financed by drugs money, the search for alternative policies is urgent. Joining the call of Latin American countries for a serious debate on the issue could reduce an important driver of violence to the benefit of fragile, developing and developed societies alike.

The second element of our agenda is the need to halt the spread of radical Islam as a global factor that fuels conflict. Modern communication technology, financial liberalisation and easier travel have greatly facilitated the instantaneous dissemination of its ideas and enabled a real-time dialogue between leaders and followers. With an emphasis on violence, social 'exit' and state overthrow, this ideology has inspired a great many local conflicts from Nigeria to Indonesia – significantly damaging the image of Islam in the process. The societies where radical Islam resonates often feature weak governance, corruption, high poverty and ethnic diversity with little access to education or possibilities for open debate. This suggests that a more enlightened and balanced approach is required than hunting down terrorists and freezing assets.

Capitalizing on the powerful imagery, change and fear spread by the Arab Spring, wealthy Gulf States might be subtly tempted to use their petro-dollars to reduce inequalities both within their societies and to partner with lesser endowed Arab states. This momentum could also be seized to create new partnerships in higher education between,

for example, the EU and Tunisia, Libya and Egypt that can work a long term influence by creating platforms for debate, study and reflection as well as skills acquisition. A more Islam friendly discourse and migration policies in OECD countries selectively aimed at skills transfer could also help turn the tide. None of this alone offers an immediate solution, and vigilance remains required; but over time such measures can reduce the effects of this and similar violence-stimulating ideologies.

Finally, better regulation of the international provision of security services forms a third element of our agenda. Catalysed by the interventions in Iraq and Afghanistan, the security services industry has grown from a niche business to a global industry over the past two decades, which now provides services ranging from risk assessment to combat support on a global commercial basis. This would not have been possible without a global economy. At the same time – and despite the tragedy at Nissour square in 2007, the International Code of Conduct for Private Security Providers and the Montreux document – the industry remains largely non-regulated. Yet, making security available on a commercial and lightly regulated basis in societies characterised by inequality and unaccountability creates serious risks of aggravating conflict; security itself can potentially become a primarily private, rather than a public, good and right. There is little reason why markets in security services, just like those in military goods, should not be guided by a legally binding framework that establishes the principles and conditions under which they can be provided and purchased.

These three elements are interlinked and can be complemented by many others. They suggest basic building blocks for an international agenda that can stabilise some of the volatile effects of globalisation on conflict and fragility. Contrary to the stabilisation agendas in Iraq and Afghanistan, these building blocks can incentivise and mobilise a range of countries to address mutual and common interests in reducing conflict and fragility. Sustainably benefiting from the gains of globalisation requires addressing its less savoury or unintended effects on the basis of shared responsibility and partnership, in full recognition of the symbiotic nature of licit and illicit processes and their feedback loops. The alternative is for such factors to exercise their influence unchecked against a deepening process of globalisation and a fragmenting international ability for effective governance. §

NOTES

1 We understand globalisation as the acceleration of processes of political, social and economic change due to increases in international interdependencies and international access to goods, services, markets, people and ideas. Such increases are primarily enabled by the reduction of space and time as critical barriers to interaction because of the falling cost and increased ease of transportation and communication (building on Wolf, 2005; Yergin and Stanislaw, 2008).

2 The use of social media to spread alleged inflammatory movies and images in the ethnic and tribal clashes in Assam (India) offer another recent example of the power of digital platforms. See BBC (2012).

3 Depending on which fragility index one consults.

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