

Seminar on Confronting the Long Crisis of Globalization – Risk, Resilience and International Order

Opening Remarks, Brookings Institution, 29 March 2010

David Steven

The Long Crisis

The forerunner of this [paper](#) was commissioned by the UK Prime Minister in Spring 2008 and was [presented](#) at the Progressive Governance Summit in Watford on 5 April of that year.

At the table were a dozen or so heads of state, plus the heads of the WTO and IMF, and a few wildcards, most visibly Bill Clinton, who spent much of the summit in a rage about a mysterious figure he would only identify as 'my wife's opponent.'

Our section of the agenda was on building an international system that could withstand global risks, but its start was much delayed. Leaders wanted to get stuck into the nitty gritty of the most recent and pressing crisis – an economic one. Bear Stearns had just been bailed out and heads were clearly shocked by what this had revealed about global economic systems.

That day, the general view was that the acute phase of the crisis was now over. While the world had experienced unprecedented market turbulence, the situation was now under control and the focus should switch to rebuilding. As it turned out, of course, the tsunami of financial destruction was still building – with the worst impact months later, after Lehman's was allowed to collapse in the Autumn.

Governments were forced to admit that they had little idea of how global economic systems worked – and still have only provisional thoughts about how to fix them. If the financial crisis has changed anything, it's that it's now acceptable to admit that too often, today, policymakers simply don't know what to do. Our presentation to leaders was written from the belief that this crisis of confidence was not just confined to the economic sphere.

We have lived through an unexpectedly turbulent opening decade of the 21st century. The financial crisis shattered all assumptions about how economic risk is controlled, especially as it crosses the borders between organizations, countries, and categories (from the risk itself, to instruments derived from that risk).

We also witnessed 9/11 and the ill-considered and poorly-executed invasions of Afghanistan and Iraq that followed it – an event that took governments by surprise, and a reaction that was marred by moral, strategic and intelligence failures. 9/11 has, and will continue to have, far-reaching implications for the way the US and its allies think about security, while also significantly limiting their scope for action when confronted by new threats.

Finally (and least commented upon), we experienced a pronounced oil and food price spike – a harbinger of how difficult it will prove to cope with the world's interrelated demographic, economic, and resources constraints. Again, it is clear that we lack understanding of the complex interplay between demand (driven by population numbers, wealth and, on occasion, speculation) and supply (driven by natural limits, investment patterns, and regulation) across a range of resources, each with interlinked patterns of usage and pricing.

Looking at these three events, we see a number of common threads which taken together define what we term the *long crisis of globalization*. These include:

- *Scarcity*, limits to the sustainable consumption of highly strategic commodities such as energy, land, water, food and 'atmospheric space' for emissions.

- *Instability*, the tendency for complex systems to experience unpredictable and unsettling shifts.
- And finally, the potential for the *deliberate disruption* of fragile global systems – whether by terrorists, rogue states, or the inventors of that other potent weapon, the CDO or collateralized debt obligation.

Why focus on risk?

The long crisis poses a challenge to all governments, but especially to those who have made a one-way bet on open global systems in the period since the Second World War. In each of these countries, an existential question is bubbling below the surface. *What should citizens expect these governments to deliver through their actions on the international stage?*

I don't think a simplistic resort to the national interest can answer this question, for reasons which I won't elaborate on given limited time available today. Suffice it to say that this is not because I don't believe that nation states are selfish actors, but because they clearly cannot meet their objectives unilaterally, in a world defined by extremely high levels of strategic interdependence.

Instead, we focus on the concept of risk. As we argue in *The Long Crisis* recently published by Brookings, we believe that governments should strike a (more or less explicit) bargain with their citizens. *Citizens* will benefit from (and, through their interactions, expand) the opportunities that an open global system offers (thus paying for the public goods provided by governments). *Governments*, in return, will protect, insulate and insure them from risk insofar as they can, through investment in the transnational systems and public goods on which citizens depend.

The focus on risk forces governments to:

- Look holistically across a range of security, economic, resource and environmental threats – helping create an integrated international agenda.
- Concentrate resources on concrete outcomes around which strategies can be created. In other words, *has a risk been effectively managed or not?*
- Accept that much of their current international activity is failing to deliver these outcomes – providing a basis both for international reform, and in the way foreign policy is conducted at national level.

From risk to resilience

The concept of resilience is paired naturally with that of risk. In effect, resilience is *a high level and generalized strategic outcome*, setting a purpose that is sufficiently capacious to stretch across disparate issues, but sufficiently precise to enable priorities to be set. To create a more stable globalization, in other words, we should act to build transnational systems that are resilient in the face of a range of threats, while abjuring actions that bring short term gains, but increase vulnerability over the long term.

We use the following definition of resilience – which is drawn from a rich literature on the performance of socio-ecological systems (see the full [paper](#) for references):

The capacity of a system to absorb disturbance and reorganize while undergoing change so as to retain or enhance effective function, structure, identity and feedbacks.

Hidden in this rather technical definition are the following points:

- Attention is directed towards the systems-level, forcing us to think about the interactions and feedbacks between risks, not confine each issue to its silo.
- The definition contains both reactive and proactive elements. We need systems that respond well to crisis – they *bounce back* when threatened. But we also need systems that are *innovative* – that “reorganize while undergoing change” – rather than networks of institutions that are configured to fight the wars of another age.
- Resilience also helps us focus on questions of distribution. In a high resilience system, risk and response to risk will be broadly distributed – not concentrated on those weak links that will prove a point of failure in any crisis.
- Finally, the definition forces us to think about high order questions such as values, culture and identity, and not be captured by a purely technocratic perspective. The transatlantic alliance probably has one last chance to be a decisive voice in helping set the rules of the international game. Before we become rule-takers, rather than rule-makers – we need to ask hard questions about the *type* of world we would like to live in.

In the paper, we discuss two interrelated types of resilience. On the one hand, the world needs enhanced levels of *functional resilience* – institutions that deliver lasting benefits from cooperation by managing risks effectively. On the other, like-minded actors need to stimulate the will to cooperate in creating those structures, and ensure their integrity and durability – what we call formal resilience.

That ultimately is what is at stake internationally over the next ten years.

In the face of threats – I'd highlight nuclear proliferation; disruptive innovation by terrorist networks; and the interaction between global economic imbalances and resource scarcity – leading powers need to build virtuous cycles where cooperation and strategic effectiveness reinforce each other; while avoiding the danger of a vicious cycle where repeated failure and a growing reluctance to cooperate lead to a sudden and dramatic loss of global capacity.

At the moment, leading powers *can* rise to the occasion, but only when a crisis is at its most acute – such as at the London Summit when the US, China and – as hosts – the UK made notable contributions to stabilizing the global economic system. That provided an encouraging precedent. In the future, however, it will not be enough to be effective only when globalization is already in the emergency room.

Building resilience

In his remarks, Bruce will explain in more detail the specific recommendations that emerge from our paper. Let me just briefly mention some generic steps that we identify for strengthening the cooperation needed to support resilience. These include:

- Building *bandwidth* – increasing the quantity and quality of interactions between international actors.
- *Aggregation* – cutting through complexity by creating incentives for countries to caucus together, thus clarifying areas of agreement and disagreement.
- *Foresight* – making more explicit the likely outcomes of different responses to key global issues.
- *Signaling* – setting out early and often, the principles and *narrative* that will underpin a new phase for globalization.
- *Fairness* – not running away from the competing visions of what is fair that bedevil relations between countries of different levels of development, but bringing them to the surface so they can be tackled head on.
- *Penalties* – accepting that robust, but graduated, sanctions will be needed for free-riders and disruptive actors.

Each of these are fleshed out in greater detail in our paper, where we also outline a *theory of change* in the international system – exploring the *shared awareness* of both problems and solutions needed to make reform possible, and the *shared platforms* that can bring together sufficient actors to make that reform a reality.

Finally, let me underline some of the broad themes emerging from our work on risk and resilience:

- First of all, a focus on risk provides a powerful way for leading powers to reframe the challenges that face them – while the concept of resilience offers a new way of thinking about how to design effective global systems.
- Second, however, success is likely to prove elusive. For most risks, we don't control the timetable – there is no option to take a timeout to rethink strategy. And we face forces that will not easily be controlled. The only thing you can do in turbulent water is keep paddling. On a range of issues – the biggest mistake will be to do nothing.
- Finally, none of this will be possible without radical changes to the way we think about and execute foreign policy (whether through diplomacy, development, or military means).

Governments cannot move alone on this agenda, but must act together. They need to invest more in working with each other, and to do so in quite practical ways that explore potential frameworks that manage risk. They also need to reform their diplomatic, development and military organizations in ways that maximize their interoperability. Together – these challenges delineate the frontier for a new doctrine for contemporary foreign policy.

Alex Evans, Bruce Jones and David Steven, *Confronting the Long Crisis of Globalization: Risk, Resilience and International Order*, Brookings Institution, Washington DC, 2009