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Liberal Democracy in a Global & American Era

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1. Introduction: Cross-Border Exercise of Power and Democracy

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The purpose of the symposium is to examine how democracy should function in an age in which political decisions affecting sovereign countries are being made across national borders. What may appear to be a complex issue is actually one that has become very commonplace in today's world. Whereas we would expect the fate of nations to be determined by internal democratic processes, we see that the course of nations is being influenced by external forces, which include foreign countries and international institutions as actors, or the market as a pervasive mechanism.

Democracy and the Unchallenged Hegemony of the United States

Many cases can be cited of foreign interests exercising significant influence over the affairs of other countries. But the most straightforward case concerns the United States and the use of its power. We have just observed how the "boots on the ground"¹ statement has circled the globe to affect the Self-Defense Forces stationed at Asahikawa.

Needless to say, the United States possesses the greatest power and influence in the world today. As Joseph Nye has stated in *The Paradox of American Power*, as the world's biggest military spender, the U.S. military budget exceeds the combined military budgets of the eight countries that follow it, while its economic output equals the combined output of the three countries that follow it. There is a good possibility that the United States will be able to maintain its overwhelming military and economic advantages. The "revolution in military affairs" (RMA)² that has made multiple and simultaneous pinpoint bombing possible provides the United States with an uncontested military advantage that will be carried forward into the next generation. The same applies to the U.S. economy and its continued growth. While frequently referred to as a bubble constantly stalked by the risk of collapse, U.S. economic growth is in fact supported by very robust gains in productivity.

These forms of hard power cannot in themselves ensure domination over the peoples of other countries. However, they do establish the resources and the potential for the exercise of power and influence. In recent years, there has been a renewal of interest in theories and discussions of "empire." This renewal cannot be considered without reference to the overwhelming resources of power that lie at the disposal of the United States.

Above and beyond its hard power, what forms of soft power does the United States have at its disposal? Since 9/11, there has been a considerable divergence of views

concerning the arsenal of American soft power, which consists of the forces of cultural attraction and direction needed to facilitate long-term and stable hegemony.

For many years after World War II, the legitimacy of the directives issued by the “empire” (whether these directives concerned freedom, democracy or capitalism) contributed to the acceptance of the supremacy of the United States as the “empire.” In this context, a mutually complementary relation existed between American hegemony and democracy. However, this relation has become an increasingly tenuous one today. The legitimacy of the directives of the “empire” is being undermined by how the United States is treating its Afghan prisoners at Guantanamo Bay, by how it treats its domestic Muslim population, and by the heavy-handed actions of the U.S. military in Iraq and elsewhere. These developments neutralize the willingness to accept U.S. hegemony and point to the problem of the “failure of empire.” This is a problem that has been brought into sharp focus by the failure of U.S. power to effectively govern postwar Iraq.

Notwithstanding the “failure of empire,” some countries, such as Japan, will not easily change the direction of their foreign policy. This is because they have been following the American lead as a reflex action for many years. The system constructed around the Japan-U.S. Security Treaty will no doubt survive for many years to come. A similar conclusion applies to many other countries as evidenced by the fact that there is no shortage of countries willing to join the U.S.-led coalition as it goes through various permutations.

U.S. Defense Secretary Rumsfeld’s metaphor of the “new and old Europe” very mercilessly clarified the split between the European elements of the coalition at the time of the Iraq war.

It is highly likely that the United States will continue to exert tremendous influence over Japan and many other countries of the world. In the very least, it is clear that the United States will retain the power resources necessary for exerting such influence. It is from this perspective that this symposium approaches its principal subject: What does the future hold for democracy when the United States, ensconced in the structure of its unchallenged hegemony as epitomized in the term “empire,” continues to exercise its power across national borders?

Global Governance by Stealth

The problem goes beyond the field of military action and can also be seen in the increasingly globalized field of economics where the market, and the institutions and actors surrounding the market, have been exercising a powerful influence for many years. Here again, it cannot be said that this influence has necessarily been subject to democratic controls.

As is widely recognized, the liberalization of financial, bond and currency transactions has accelerated the globalization of the markets. As a result of this liberalization, markets have acquired the attribute of simultaneity and have been rendered increasingly massive in size. Funds ranging between \$1 trillion and \$1.5 trillion (approximately 100 –150 trillion yen) are rushing around the world everyday.

For many years now, we have been living in an environment that mirrors Strange's description of "casino capitalism" (*Casino shihonshugi: Kokusai kinyu kyoko no seiji keizai gaku*). The full destructive force of this flow of funds was fully exhibited in the currency crisis of 1997-98 that was spawned in Thailand and Indonesia and which thereafter spread to Korea, Russia and Brazil. Memories of this crisis and similar experiences vividly remain in Hokkaido, which was hit by the failure of the Hokkaido-Takushoku Bank.

One of the problems engendered by this form of globalization is the erosion of the power of national governments. Simply compare the scale of the international flow of funds against some national economic indicators. For instance, as the world's second largest economy, Japan's annual government budget amounts to roughly 80 trillion yen, and the total sum of the foreign reserves held by the rich advanced countries of the world amounts to \$640 billion. There is an overwhelming size differential that favors the stock of internationally mobile capital. It is true, as many have argued, that national governments retain control over powerful policy tools that include discretionary fiscal policies and the authority to establish discretionary standards. These powers allow individual countries to continue to maintain certain national differences in such areas as welfare and regulatory control. In this sense, there are no grounds for arguing that the role of national governments has already come to an end.

On the other hand, a single country is restricted in what it can do to withstand the massive globalized markets when their forces are unleashed against it. Various examples of this were seen well before the Asian currency crisis. For instance, in the early 1990s, the United Kingdom identified the stabilization of its currency through membership in the flexible exchange regime of the European Monetary System as a core element of its economic policies. However, a wave of speculation that hit in 1992 forced it to withdraw from the EMS.

Capital is not the only factor whose movement has been accelerated by globalization. The process of globalization has also affected the unprecedented scale, speed and ease with which people, goods, information and even diseases now crisscross our national borders. Clearly, national governments have suffered a conspicuous decline in their power to control the movement of any one of these factors. Call to mind the e-mail virus, "Love Bug," that was spawned in the Philippines. (My own computer was hit by the more recent "MyDoom" virus.) There is the mad cow disease that started in Europe, and SARS and the avian flu from Asia. From the developing countries, there is the flood of undocumented workers. Many similar examples abound.

The management of globalization entails the constant formulation of global standards. It also embodies the process of separating between things that conform to those global standards and things that don't. Recently, our research group invited some government administrators to examine how global standards are formed and how Japanese companies and government administration are being affected by them in the fields of accounting and insurance supervision. Although I have been studying globalization for many years now, I was totally surprised by the extent to which globalization of standards and regulations has actually advanced. While the scope of this paper does not allow a detailed review of the materials that were studied in this

research meeting, the following are worth mentioning: *Kokusai kaikei kijun senso* [*The International Accounting Standards War*], by Tomoyuki Isoyama, and “Kokusai kinyu hoken shisutemu no kyoka-saku to waga kuni no kadai (Issues Pertaining to Japan in Measures for Strengthening the International Financial and Insurance Systems),” a paper by Yoshihiro Kawai. The term “globalization” has been used ad infinitum. Many are tired of hearing it and may feel they have had enough of globalization. But the truth is that globalization has not lost any of its momentum.

These global standards entail a very fundamental problem. That is, they are being established and implemented by international institutions and international private organizations that are far removed from the policy sector. Frequently, the public is not even familiar with their names. However, the standards that they establish have an enormous impact. Two examples are the International Association of Insurance Supervisors (IAIS) and the International Accounting Standards Board (IASB). The former is an international institution whose membership consists of national governments, while the latter is an international private organization supported by associations of accountants. Neither is formed through any type of electoral process, but is instead centered on a secretariat. Both have the de facto authority to work toward global harmonization of regulatory standards pertaining to segments of the financial market.

Perhaps there would be no problem if the process of creating standards was a democratic one that reflected the will of the people in Japan and other countries affected by these standards. However, in reality, no provisions have been made for democratic processes and circuits, and nothing is actually put to a vote. These organizations go about their business of creating standards quietly and out of the sight of the public, such as behind closed doors at the headquarters of the Bank for International Settlements (BIS) in Basel. There is none or very little input from the public in these deliberations for the creation of standards. Borrowing from the metaphor of “Europe by stealth” (Endo, Samayoeru yoroppa togo: demokurashi to tekunokurashi no hazama [European Unification Gone Astray: Between Democracy and Technocracy]) used in criticizing elite-led European unification, this process can be labeled “global governance by stealth.” Global standards, undetected by any radar screen, have a way of swooping down on the unsuspecting public.

Relation between Cross-Border Political Decisions and Democracy

The phenomenon of globalization, which includes the proliferation of global standards, is not the same as the phenomenon of “empire” and the unilateral hegemony of the United States. From a conspiratorial perspective of history, it is frequently claimed that “globalization is an American agenda and is tantamount to Americanization.” But the two are clearly not the same.

First of all, the United States itself is influenced by global markets and global standards. Given its comparative advantage in policy resources, the United States certainly can and does influence market activities and the creation of standards. However, not even the United States is able to control the process of globalization. Every year, 3,700 terminals located in 301 ports and airports throughout the United States receive 475 million people, 125 million cars and 21 million shipments of

imported goods. This is equivalent to five million 40-foot containers, each of which takes five hours to inspect. It is virtually impossible to check all these shipments. The United States is unable to stop the 2.7 million illegal immigrants who enter its soil annually from Mexico and Canada. Moreover, it is generally understood that even the United States must comply with rulings handed down by the dispute-settlement panels³ of the World Trade Organization (WTO). This has in fact become a source of frustration, not only for conservatives, but also for a broad range of American society.

Thus, although the central position of the United States in globalization cannot be denied, it would be mistaken to view globalization and U.S. hegemony as being one and the same thing. Further reading on this subject is indicated in the references. For instance, see the book co-edited by Pattner and Smolar, particularly the article written by Kagan. For a theoretical treatment of the relation between globalization and the United States, see *Empire* by Hardt and Negri, and *Shuken, teikoku (shugi), minshushugi – “teikoku” no shatei “Hitaishoka suru sekai – “Teikoku” o yomu* [Sovereignty, Empire (Imperialism) and Democracy – The Range of “Empire” (On Reading Empire – The Asymmetrical World)] by Endo.

Nevertheless, there are certain points in common between globalization and Americanization. Both entail the making of important decisions at points beyond one’s national borders, and both are very difficult to control. This symposium today constitutes an intellectual exercise aimed at examining where these problems are leading us when considered as a problem of democracy. In this sense, this symposium has no foregone conclusion to which we intend to initiate the participants here from the general public. Instead, the intent is to bring our heads together and to try to formulate new ideas.

As organizer of this symposium, I wish to frankly share with you some thoughts that trouble me. Political decisions that cross national borders to enter a country must normally assume a subordinate position to decisions that are reached through a democratic process by the people of the country itself. After all, this is what the principle of “popular sovereignty” denotes. Can countries effectively resist what the “empire” foists upon them? Successful resistance is doubtful unless backed by the full weight of sovereign and democratic decision-making.

I have discussed this question with many people, including for example Professor Jiro Yamaguchi. I am beginning to be convinced that, whether you come from the right or the left, a convincing case cannot be made without accepting some form of sound nationalism. For example, it is very difficult to explain the recent resurgence in Japan of the concept of “national interest” without reference to the unique power of persuasion contained in nationalism. I believe that even now many people continue to weigh the advisability of the dispatch of Self-Defense Forces to Iraq in terms of “how does this benefit Japan’s national interest?”

On the other hand, sovereign national decisions are subject to certain risks. These are risks encountered in scenarios for achieving “self-determination” that feature populist arguments for the removal of the United States and other countries based on such nationalistic talk as “unwanted foreign presence” and “Japan’s nuclear armament.”

As such, the “logic of national self-determination” runs the risk of falling into xenophobic patterns and practices of exclusivity. As a matter of fact, when we first began to think about an event feting the 90th anniversary of Iwanami Shoten Publishers, it was the theme of nationalism that came to mind in discussions with staff members of the publishing company.

Even without resorting to some alarming and disturbing scenario, it is fully possible to envision a situation in which globalism, the multilateral framework supporting it, international organizations, and global standards and international rules are made targets of attack by democratic decision-making. As a matter of fact, such attacks are already in progress. The anger and frustration engendered by the penetration of cross-border decisions are fully in evidence in Jose Bove’s⁴ attacks against MacDonald’s and in the aggressive demonstrations that took place in Seattle and Genova.

Two years ago when I was in the United States, I attended a graduate school luncheon organized by a (anti-neoconservative) policy group with ties to the Democratic Party. A presentation was made on the subject of “WTO and democracy,” the object of which was to consider institutional changes that would allow the U.S. Congress to overturn WTO panel rulings. For me, the whole experience underscored the fragility and vulnerability of international organizations and rules.

When democracy remains in the domain of individual countries, it is very difficult to develop scenarios for strengthening international rules and organizations. In other words, as pointed out by Habermas, the problem is that mechanisms for establishing democratic legitimacy function solely inside the boundaries of individual sovereign states, and public space exists only within that which is national. This situation effectively obstructs the development of the international framework of systems and rules. Furthermore, this situation is directly linked to the fragility and inability of international organizations and rules to restrain an “empire” and global hegemon, such as the United States. Ironically, the nationalists of countries throughout the world and the United States as global hegemon are leagued together at this level.

A very significant distance remains between one pole consisting of empire, globalization and cross-border political decisions, and a second pole consisting of democracy established within a national framework. It is easily seen that nothing exists to bridge these two poles. This symposium was not organized on the premise that there are clear answers to these problems or for the purpose of displaying such answers. On the contrary, I stand before you and you are gathered here today exactly because there are no obvious answers to these questions. As there are no answers, our panelists and discussants, whom I would like to now introduce, have a particularly difficult task before them.

We have invited four panelists: Ronald Dore, Shusei Tanaka, Gary Gerstle and Kenichi Nakamura. Later in the program, the following three discussants will join in: Osamu Kawasaki, Seiji Endo and Nozomu Yamazaki. We are now ready to begin.

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¹ “Boots on the ground” statement: Slogan used by the Bush Administration to encourage Japan to dispatch Self-Defense Forces to Iraq.

² RMA: “Revolution in military affairs” brought about by the use of information and communication technologies.

³ Panel ruling: Under the WTO system, trade disputes that cannot be resolved by the interested parties themselves are referred to a subcommittee, or “panel” established under the Dispute Settlement Body for review. As a rule, panel members consist of trade experts from countries other than the interested parties. Panel rulings are characterized as recommendations.

⁴ Jose Bove: French environmental activist internationally noted for dismantling a MacDonald’s hamburger store that was under construction in France. His action was aimed at protecting farmers from multinational corporations and protesting globalized food manufacturing methods. Bove has also participated in major demonstrations in the United States under the banner of “anti-globalization.”