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Although the term "globalization" is now found in most studies of international affairs, its role in shaping, reflecting, and defining contemporary global reality is rarely examined. The student editors of ***e-merge*** chose the theme of "Globalization: Rhetoric, Reality, Redefinition" for the second issue of ***e-merge*** because we felt that a closer examination of the various processes associated with globalization was crucial for better understanding the new and profound ways in which people are being linked to one another across the world.

The rhetoric of globalization itself speaks of inter-connectedness, issue-linkage, and the impact of technology on ideas and social structures. By virtue both of its method and medium, ***e-merge*** can be thought of as the very manifestation of this rhetoric. In fitting with the original concept behind ***e-merge***, this second edition displays views that seek to integrate diverse fields of study, and that deviate from established schools of thought.

In his article, "Virtual Diplomacy," Todd Martin addresses the issue of whether the age-old conservative practice of diplomacy can survive an ever-increasingly high-tech world where organizations are able to communicate information to the public faster than politicians can analyze it. In a similar vein, Rajwant Mangat's article "The Death of Distance?" considers the impact of the processes of globalization on the state system, with particular attention to their differing impact on the autonomy and sovereignty of the state

Moving beyond the state as the level of analysis, globalization has also transformed the international economy, in a way that has undermined the conventional framework of economic relations. In his article "International Economic Relations in a Globalized Environment," Jason Trainor asks how the institutions charged with monitoring the international economy can best adapt to these transformations, through improving the level of coherence amongst the institutions charged with monitoring international finance and trade.

Globalization has brought with it both increased collaboration and increased conflict between states. While relations between Canada and the United States have often been invoked as a model of peace and cooperation, Shane Day's "The US/Canada Salmon Dispute: Ecological, Managerial, and Structural Impediments to Consensus" discusses the factors that have led to an unusually high level of hostility between the two nations, and examines ways in which these factors can be most meaningfully addressed.

As members of the Editorial Committee of ***e-merge***, we take great pleasure in cordially welcoming you to this Web site, and we hope you enjoy reading the articles and book reviews. ***E-merge's*** reason for being is to publish the papers of graduate students that explore the way we think about international issues. In this respect, we are pleased to announce that the upcoming issue of ***e-merge*** will feature papers that explore the paradoxical trends of integration and disintegration, a theme that evolved very naturally from the theme of this issue. Feel free to visit the Call for Papers page

for more information. We hope that you will consider this publishing opportunity in the upcoming months.

Sincerely,

Richard Arbeiter, Managing Editor
Christina Johnson, Managing Editor
George Conway, Technical Editor

VIRTUAL DIPLOMACY

TODD MARTIN*

Can the age-old conservative practice of diplomacy survive an ever-increasing high-tech world where organizations are able to communicate information to the public faster than politicians can analyze it? This is the issue raised by the author, who explores the impact of technology on diplomacy through a *cyberpolitik* paradigm that draws upon evolutionary notions of technological adaptation. Martin contends that while there may be more actors engaging in activities that were traditionally the exclusive prerogative of the state, the state will "survive" in the environment of new information technologies, remaining a key actor in diplomatic relations.

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INTRODUCTION

Human society is currently experiencing an epochal shift in the way it communicates. Although the "information revolution" has been well underway since the 1960s, the convergence of once distinct technologies into an integrated network is a relatively recent phenomenon. This new "hypermedia"[1] environment is not just the television, the computer, the fax machine, the cellular phone, the satellite reconnaissance system, or the Palm Pilot--it is all of the above and, increasingly, their linkage within a single seamless web of digital-electronic-communications.

This latest trend in information and communication technologies (ICTs) has been conceptualized by many experts as a severe blow to the supremacy of the state and the driving force behind an emerging international "neo-medieval"[2] world order. The state is considered to be losing its capacity to control and influence the flow of information across its borders, and over what its citizens see, hear and think. Specifically, network technology--especially the Internet--is allowing an increasing array of civil society and other non-state actors (NSAs) to augment their power and seize the initiative away from states, thereby rendering it but one source of authority in an increasingly complex and polycentric world of many authorities. Simply put, this "neo-medieval" outlook contends that the scale and complexity of the new hypermedia environment is rendering geographic borders and, more fundamentally, the basic construct of state sovereignty problematic, to say the least.

The projection of a new international world order based on computer networks is a rather brave, but perhaps misplaced prediction. While it is generally agreed that such technologies are reordering political relations, it is important not to exaggerate the potential impact of ICTs on the foundations of global politics.[3] In analyzing the significance of ICTs, one must recognize that the state is not likely to disappear any time soon. Nevertheless, it can be agreed that the state is in the midst of a profound metamorphosis resulting from structural changes in world society produced, in large part, by changes in the way we communicate.

This epochal shift in communication has perhaps been most pronounced in the field of diplomacy—a traditional prerogative of the state and symbolic of its claim to sovereignty. In the past, diplomatic agencies were not often subject to organizational rivalry. The diplomatic world is now beginning to feel the heat of competition, especially from more agile NSAs empowered by the information revolution. In fact, the recent successes of NSAs in affecting statecraft are such that even diplomats have come to contemplate the "end of foreign policy."[4] Given diplomacy's long roots and connotations of tradition and conservatism, such a prediction is not entirely unfounded.

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[1] The term "hypermedia" is used to designate the new communications environment, as it captures the convergence of discrete technologies and suggests the massive penetration and ubiquity of current electronic media. The prefix "hyper" (meaning "over" or "above") emphasizes the two central characteristics of this environment: the velocity by which communications currently take place, and the interoperatibility of once discrete media.

[2] The term “neo-medieval” originated in 1977 with Hedley Bull's suggestion that an alternative to the modern state system might be a modern secular equivalent of the kind of universal political organization that existed in Western Christendom in the Middle Ages. See Hedley Bull, *The Anarchical Society* (New York: Columbia University Press, 1977).

[3] Among International Relations theorists, for example, John Ruggie has argued that we are witnessing "a shift not in the play of power politics but of the stage on which that play is performed." Similarly, James Rosenau contends that the present era constitutes a historical breakpoint leading to a "postinternational politics" while Mark Zacher has traced the "decaying pillars of the Westphalian temple."

[4] David Held et al, *Global Transformations: Politics, Economics, Culture* (Stanford: Stanford University Press, 1999), 55.

Contrary to those predicting a foreign policy *coup d'etat*, diplomacy is unlikely to soon wither away. In truth, the hypermedia tools that have empowered the non-governmental domain are likely to be as relevant to the diplomatic realm. Thus, although it is likely to experience profound change, diplomacy will survive the current hypermedia environment and, in fact, will probably thrive in it.

To fully realize the potential of the new technologies, diplomats will have to recognize that a different communications environment is emerging and that its emergence will have a profound impact on statecraft. The diplomatic world is becoming much more complex and diversified as it conforms to the new realities prompted by the sheer growth in the number of actors operating in the international sphere. As will be demonstrated below, the "neo-medieval" view often disregards the fact that the new communications environment is as likely to empower traditional actors as non-traditional actors. Governments too can harness the power offered by the information revolution. Information has always been an important element of state power, and computers and communications technologies allow states to access, store and use information as never before.[5]

DEFINING DIPLOMACY

The classic definition of diplomacy comes from Sir Harold Nicolson's treatise, *Diplomacy*, in which it is defined as "the management of international relations by negotiation; the method by which these relations are adjusted and managed by ambassadors and envoys." Nicolson's definition, contrived in the 1930s, is state-centric and, as such, other writers have attempted to bring it up to date in order to account for the many changes that have occurred internationally. Gordon Smith has redefined diplomacy as "the art of advancing national interests through the sustained exchange of information among governments, nations, and other groups. Its purpose is to change attitudes and behaviour as a way of reaching agreements and solving problems."[6] The key elements to be noted in this newer definition are the inclusion of other actors and the prominence given to communication.

The current realities of diplomatic relations reveal the importance of communication and information. As Hedley Bull notes, the primary function of diplomacy is to facilitate communication between the political leaders of states and other entities in world politics. More recently, former US Secretary of State George Shultz stated that "the raw material of diplomacy is information: getting it, assessing it, and putting it into the system for the benefit and puzzlement of others."[7] The fundamental importance of information to diplomacy makes it an ideal institution to explore how the new communications environment "favours" the state as well as NSAs. Given the importance of information to diplomacy, it is not inappropriate to infer that a fundamental change in the mode of communication will consequently have a profound impact on the way diplomacy is conducted.

Specifically, the information age has and will continue to undercut the conditions for "classic" diplomacy based on *realpolitik* and hard power, instead favouring a new kind of diplomacy based on *cyberpolitik* and its preference for soft power. Although cyberpolitik does not provide a definitive answer to

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[5] Allen Sens and Peter Stoett, *Global Politics: Origins, Currents, and Directions* (Toronto: ITP Nelson, 1998), 466.

[6] Gordon S. Smith, "Reinventing Diplomacy: A Virtual Necessity," Paper presented at the International Studies Association Conference, *Virtual Diplomacy: A Revolution in Diplomatic Affairs* (18 February 1999), at http://www.usip.org/oc/vd/vdr/gsmithISA99.html [08/20/00].

[7] George P. Shultz, "Keynote Address from the Virtual Diplomacy Conference: The Information Revolution and International Conflict Management," *PeaceWorks* 18 (September 1997), at http://www.usip.org/pubs/pworks/virtual18/vdip_18.html [08/20/00].

how diplomacy is adapting to fit the new communications environment, this analysis does suggest that the "Golden Age" of diplomacy is likely to be found in the future, not in the past.

SURVIVAL OF THE FITTEST

Communication is vital to social cohesion. The ability to communicate complex symbols and ideas is considered to be one of the defining characteristics of the human species. This is especially so in the diplomatic world, which essentially deals with information and its communication. Communication is rarely studied as a distinct element of international relations. Moreover, to the limited extent that international relations theorists have considered communications, their focus has primarily been on the content of information.[8] This fact is particularly puzzling considering the unprecedented advances that have been made in ICTs during the past decade. New technologies have become embedded in all spheres of human interaction, including production, security, knowledge and culture. Since communication is a vital aspect of human existence, a major change in the mode of communication is likely to have a profound impact on the manor in which world society is organized. This is not a new assertion, as there is general consensus that current world transformations are deeply intertwined with developments in ICTs popularly known as the "information revolution."

An appreciable lack of ICT-related literature[9] necessitates a deeper analysis of the impact of information on diplomacy. Without the confidence of hindsight or the ability to see into the future, theory becomes an essential, though context-bound, tool by which the apparent chaos surrounding the information revolution and, specifically, surrounding the field of diplomacy can be ordered. Traditional theories are simply inadequate and unsuited to the task at hand. Both neo-realists and neo-liberalists seek to escape history by grounding their theories in fundamental presuppositions, be they based on the anarchic nature of the international system or on the desire to maximize utility. Accordingly, change in society and the international system is largely perceived as static and mechanistic. Even cyclical theorists still conceptualize change as merely the rearrangement of rationally motivated "units" under the universal constant of a constraining anarchic order.[10]

Ronald Deibert provides a more appropriate outlook on the role of ICTs and world order change in his book, *Parchment, Printing, and Hypermedia*. Deibert's framework interprets human existence as a permanent process of change and evolution, even that which appears to be static. Accordingly, his view escapes the confines of traditional theories as it views human institutions and practices, such as diplomacy, as products of historical contingencies and thus subject to change over time. Like other theorists, Deibert conceives of the landscape of world politics as undergoing fundamental changes related to the advent of digital-electronic-telecommunications. Unlike other theorists, however, he works through the lens of Medium Theory, as first developed by Harold Innis and later introduced to a wider audience by Marshall McLuhan.[11]

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[8] For example, considerable work has been done on propaganda as an instrument of foreign policy, noting the way a state will manipulate messages to garner international support or undermine foes; see John Gerard Ruggie, "Territoriality and Beyond: Problematizing Modernity in International Relations," *International Organization* 47 (Winter 1993): 139-40.

[9] A notable exception is James N. Rosenau, *Turbulence in World Politics: A Theory of Change and Continuity* (Princeton: Princeton University Press, 1990).

[10] See Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981).

[11] See Marshall McLuhan, *The Gutenberg Galaxy* (Toronto: University of Toronto Press, 1962); Marshall McLuhan, *Understanding Media: The Extensions of Man* (New York: McGraw-Hill, 1964); Harold Innis, *Empire and Communications* (Oxford: Oxford University Press, 1950); and Harold Innis, *The Bias of Communication* (Toronto: University of Toronto Press, 1951).

Medium Theory holds that changing modes of communication affect the trajectory of social evolution. Specifically, this outlook traces such effects to the unique properties of different modes of communication. In other words, to the way information is stored, transmitted, and distributed through different media at different times in history. Accordingly, the focus is on the material properties of communications environments rather than the content of the message conveyed, hence McLuhan's well-worn quip: "the medium is the message."

Using Medium Theory as a lens, a more useful way to look at the relation between communications technologies, actors and, more specifically, the ICT-driven trends occurring in the diplomatic world, is through a Darwinian evolutionary approach. In classical Darwinian theories of evolution, environmental changes strongly condition the survival of different species. Although species are vitally dependent on their environment, the environment itself cannot be said to engage in the selection process by acting on species; rather, innovations and genetic mutations produce a variety of physical characteristics which, in turn, are selected blindly according to their "fitness" or compatibility with the environment.

In the same way, according to Deibert, a change in the mode of communication (environment) will favour certain institutions and actors (species) by means of a functional bias toward some and not others, just as natural environments determine which species prosper by "selecting" for certain physical characteristics. In other words, and of direct relevance to diplomacy, the properties of a communications environment, the unique ways in which information is stored, transmitted and distributed in that environment, "favour" the interests of some actors over others. These social forces and ideas flourish or thrive, while others are placed at a significant disadvantage and tend to wither over time.

We could anticipate, in other words, that actors who are marginalized in one communications environment might thrive once the environment changes. Likewise, those actors and groups that benefited from a technology of communication may find themselves at a disadvantage once the new communications environment takes root. The key concern is whether, given the fact that civil society has fallen into the former group, diplomats will fall into the latter.

At first glance, trying to integrate ICTs into a profession steeped in time-honoured protocols reaching back to medieval times and earlier seems like a futile task. The institutional inertia of the diplomatic world is such that it is not immediately clear whether it will recognize the information revolution, much less welcome it.[12] It is the contention here that the diplomatic world is beginning to recognize the new reality and is starting, albeit slowly, to adapt to its new surroundings. Before addressing this issue, however, it is perhaps useful to step back and briefly look at how past changes in the communications environment affected certain actors and how the contemporary information revolution is considered to be currently affecting actors. By tracing the effects of the new communications environment on the state in general, it will be easier to project the likely effect of the new environment on the diplomatic "species."

PAST EVOLUTION

Even a brief glance at the past suggests that important historical junctures coincide with major changes in communication technologies. For instance, the so-called "Great Leap Forward" some 35,000 years ago—the evolutionary juncture at which modern peoples displaced Neanderthals—coincides with physiological changes in the vocal tract that permitted the spoken word; the invention of writing coincides with the development of the first civilization in the form of the city-states of ancient Sumeria; and the development of the alphabet and

[12] See Smith, supra note 6.

the spread of literacy *ca* 700 B.C.E. in ancient Greece coincides with the onset of the Greek enlightenment.[13] But these "coincidences" are not coincidences at all. Changes in modes of communication, such as the medium through which information is stored and exchanged, have significant implications for the evolution and character of certain actors. Indeed, the rise of the modern state system is, in large part, the result of such a change in communication and the subsequent withering of medievalism.

The dominance of the Roman Catholic Church during the Middle Ages is also linked to a change in the mode of communication. The Church had no army of its own and no material wealth to speak of, and yet became the most powerful feudal court in Europe, receiving oaths of allegiance from princes and kings, exacting taxes, and interfering in the affairs of state throughout Christendom. Such improbable preeminence can only be explained with reference to the Church's dominance over the processes of ideological production that created and maintained support for its exercise of power. Therefore, to understand the power of the Church during the Middle Ages, one must understand the mode of communication.

As Deibert describes, the decision by the Church to adopt parchment[14] favoured the spread of the papal-monastic network throughout Western Europe for three main reasons. First, unlike papyrus, which was grown almost exclusively in the Egyptian Nile delta region, parchment was ideally suited to the decentralized agrarian-rural monastic network as individual monasteries could remain self-sufficient, manufacturing parchment from the skins of their own livestock. Second, the collapse of the Roman Empire and its trading system resulted in the near-total disappearance of papyrus from Western Europe. Parchment thus became the dominant medium of communications, and, however inadvertently, the Roman Catholic monastic order became its chief supplier. Finally, and perhaps most importantly, very few people were literate during the Middle Ages. As such, the norm for western Europeans, for whom much of life was violent and chaotic, was the spoken word, further reinforcing the Church's monopoly on the written word.

According to Medium Theory, communications environments have distributional consequences in that they empower specific social forces. The relationship between parchment and the power of the Roman Catholic Church is a clear illustration, as the mode of communication "favoured" the interests of the Church. Indeed, the clergy became the sole custodians and suppliers of written information, which had a significant impact on their share of power.

By the fifteenth and sixteenth centuries, however, the Church's monopoly on communication came to an end with the invention of a new mode of communication, the printing press. Not coincidentally, once printing spread throughout Western Europe, it revolutionized the communications environment and had significant consequences for both society and politics. Specifically, the parcelization and segmentation of all economic, social, and cultural activity into mutually exclusive, functionally similar territorial entities occurred. This new mode of communication had the effect of facilitating the rise of social forces that helped constitute the modern state system. As Deibert describes in more detail, printing had the effect of supporting the growth of capitalism and consequently the urban bourgeoisie by providing the means by which contractual socioeconomic relations could be formulated. Printing favoured social abstractions such as bills of sale, deeds, court records, licenses, contracts, constitutions, decrees etc. which constitute the essence of modern capitalist society. Subsequently, the growth of the urban bourgeoisie had a leveling effect on patterns of political and economic obligation, cutting through the webs of personal loyalties characteristic of the medieval era and opening up the possibility of rule from a single centre. As well, the rise of the bourgeois class directly contributed to the centralizing drive of state monarchs by providing the capital necessary to maintain standing

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[13] Ronald J. Deibert, *Parchment, Printing, and Hypermedia: Communication in World Order Transformation* (New York: Columbia University Press, 1997), 2.

[14] Parchment codex replaced the cumbersome papyrus scroll developed by the Roman Empire; made of animal hide, parchment was much more suitable for easy reference and more durable under poor travelling conditions.

armies in return for standardized, rational administration of legal and commercial procedures within a territorial space.[15]

Indeed, in much the same way, printing fueled the strategic interests of budding state bureaucracies by providing the means by which standardized documents, from school textbooks, to public ordinances and fiscal regulations, to maps of the realm, could be mass produced and disseminated. Accordingly, printing provided the tools with which centralizing rulers could promote homogenous policies across territorially defined spaces and thus dissolve the cross-cutting and overlapping jurisdictions that defined the medieval world order.

While the transformation in Europe from the medieval times to the modern world was certainly driven by many factors, it is undeniable that change in the mode of communication from parchment to printing was critical in altering the distribution of power among social forces. Transformation would have likely been much different had change in the communication environment not occurred. The state system has since thrived and remains strong, as evidenced by the wide range of social, political and economic activities that reinforce it daily.[16]

The continued viability of the state-based world order is being questioned by a burgeoning array of scholars. Recent international affairs literature often conveys a sense of profound transformation in contemporary global politics, largely due to the recent changes in the mode of communication. Some argue that these changes present fundamental challenges to the architecture of modern world order and, specifically, to the survivability of the state.[17] For others, however, such changes in communication are not viewed as a threat to state sovereignty as the state will continue to retain a monopoly on authority. Rather than an either/or scenario, the outcome is likely to be a bit of both. In applying the above theoretical framework to the current changes in the communications environment, it will be argued that, much as the printing environment favoured both the urban bourgeoisie and the state, the current shift to a "hypermedia" environment favours both non-state actors as well as the state. This is perhaps most evident in the diplomatic realm, which serves as a useful litmus test as to what the likely evolutionary trajectory will be.

THE NEW ENVIRONMENT

The new communications environment is in fact a century and a half in coming and the technologies we are exploring are in effect a composite of developments that have taken place during that time. Such developments originated in the early 1830s with the invention of the telegraph, followed by the photograph in 1838 and the telephone in 1876. From these three initial breakthroughs in telecommunications and photography followed a surge of innovations in communication technologies. Of these, radio and later, television, were the most important. The distinguishing characteristic of each of these media was that they each entailed separate communications components and therefore remained discrete.

This discretionary nature of new technologies began to change with the Second World War and, the Cold War, both of which promoted research and development of microelectronics.[18] During this period,

[15] See Deibert, supra note 13 at 80-92.

[16] For a discussion of the institutional depth of the state system, see Richard Falk, "Sovereignty," in *The Oxford Companion to Politics of the World,* ed. Joel Krieger (New York: Oxford University Press, 1993).

[17] Such is the conclusion drawn by Deibert, who sees the modern world order paradigm as being "rapidly dismantled"; see Deibert, supra note 13.

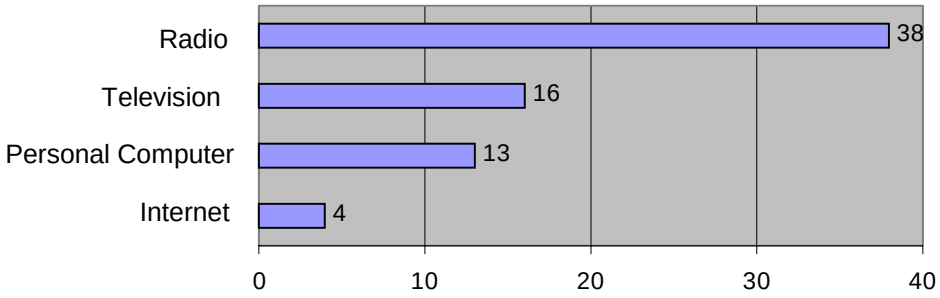
[18] For a more detailed account of the processes and dynamics of the evolution of microelectronics, see Sens and Stoett, supra note 5 at 450-51.

military-funded research brought about such crucial electronic advances as the first digital computer (ENIAC), the transistor, the silicon transistor, and the integrated circuit. Perhaps the most significant technological innovation came in 1971 with Intel's development of the microprocessor. This particular development in miniaturization, among others, made the concept of a "personal computer" more practically and economically viable, placing unprecedented processing power in the hands of individuals.

Advances in microelectronics have dramatically increased the processing power of computers while, at the same time, reducing their bulk and cost. Likewise, improvements in storage capacity and retrieval have led to a virtual explosion in the gathering, storing, processing, presentation and analysis of information. Indeed, as will be illustrated below with regard to diplomacy, such improvements are redefining both the tasks involving information usage as well as the institutions that execute those tasks.

Unquestionably, the paradigm of this new communications environment is the recent development of networked computing. Coupled with advances in communications technology, users are increasingly linking their computers together to connect with others to facilitate communication and access to information. The most famous of these networks is the loose conglomeration of worldwide networked computers known as the "Internet."[19] For many years, the Internet was extremely difficult to navigate, with a primarily text-based interface that could be intimidating to all but experienced users. Eventually, gradual improvements in software made browsing and searching the Internet much more user-friendly. Public migration to the Internet in the mid- to late 1990s has been remarkable. The number of Internet hosts, computers with a direct connection, rose from less than 100,000 in 1988 to more than 36 million by 1998.[20] More than 143 million people were estimated to be Internet users in mid-1998, and that number is expected to surpass one billion by 2005.[21] In fact, the Internet is the fastest growing tool of communication ever.[22]

Number of Years before Technologies Gain Widespread Acceptance[23]



But the truly revolutionary development, and the one that has contributed to the exponential growth of the last few years, was the emergence of the World-Wide Web, which permits the integration of

[19] The Internet actually began as a US military experiment in the 1970s to design a computer and communications network called ARPANET that would withstand a nuclear attack. ARPANET eventually evolved into the Internet in the late 1980s/early 1990s, used as a communications tool for public research organizations and universities.

[20] United Nations Development Programme (UNDP), *Human Development Report 1999: Globalization with a Human Face* (New York: United Nations, 1999), 58.

[21] Smith, supra note 6 at 5.

[22] UNDP, supra note 20 at 58.

[23] UNDP, supra note 20 at 58.

hypertextual links and multimedia into a single platform.[24] In fact, the World-Wide Web has grown so quickly and with such adaptability that it has literally subsumed the Internet. With new browsers such as Netscape and Internet Explorer "surfing" the net has suddenly become as easy as switching channels on a TV. The relative ease with which the World-Wide Web can be accessed and navigated has contributed to further growth in the number of Internet participants. Networked computing in the form of the World-Wide Web is probably the best illustration of the 'paradigm' that is the new communications environment.[25]

The central property of this new environment can be compared to a planetary central nervous system composed of a web of communications devices, telephones, fax machines, televisions,[26] computers, camcorders, portable digital assistants etc., all linked together into a single integrated network of digital-electronic-communications. This network never shuts down and operates at the speed of light through all sorts of transmission mediums including fiber optic cables, and orbiting satellites. Increasingly, it penetrates every aspect of life, from computers that operate household appliances to the cellular phones and laptop computers that provide mobile telecommunications. It is an environment in which all media are interoperatable and intertranslatable. Perhaps most importantly, the web is an inherently interactive environment where communication flows in two directions rather than from a single source, thereby enabling instantaneous communication between anyone who is connected.

While the opportunities of this new mode of communications may be boundless, the key question it raises is which actors can fit in and adapt to this communications environment. In other words, using the evolutionary logic outlined above, actors whose characteristics match the new environment are more likely to succeed, while those whose interests do not will tend to be disadvantaged and wither into relative obscurity. Although many scholars see the state as fundamentally disadvantaged in this new environment, the present analysis suggests that this is not necessarily so. This is most evident in the field of diplomacy where we see the state and, specifically, its foreign policy mechanisms, beginning to adapt to the new technology and the new environment it entails.

AN ENDANGERED SPECIES?

The "paradigm" of the modern world order is the practice of dividing political authority into territorially distinct, mutually exclusive sovereign nation-states. The evolution of this system was due, in large part, to transformations in communication, namely, the printing press. However, many scholars, like Deibert, are now advocating a view of a "post-modern" world order in which states are being eclipsed by non-state actors. Using the evolutionary framework above, the new hypermedia environment is seen as enhancing the activities of these NSAs while, at the same time, complicating the state's authority and functionality. Specifically, these new forms of communication are enabling NSAs to transcend geographic boundaries which, before, might have limited outside contact. Proponents of this view point out that information flows render borders increasingly porous, allowing all kinds of data to move across frontiers as if they do not exist.[27] Individuals and groups enjoy increased access to an array of experiences that they may not have had the opportunity to

[24] See Philip Elmer-Dewitt, "Battle for the Soul of the Internet," *Time*, 25 July 1994.

[25] Deibert, supra note 13 at 133.

[26] Witness the recent merger between America Online and Time Warner; "Stage Two In the Evolution of the World Wide Web," *The Globe and Mail* (Toronto), 12 January 2000, A16.

[27] See, for instance, Margarita Studemeister, "The Impact of Information and Communications Technologies on International Conflict Management," *Bulletin of the American Society for Information Science* 24, no. 3 (February/March 1998), at http://www.asis.org/Bulletin/Feb-98/studemeister.html [08/20/00].

engage in otherwise. Furthermore, the Westphalian framework is eroding as the state loses control over its diplomatic prerogative.[28]

The supporters of this view point to the fact that there have been several high profile cases where "aggressive" non-state actors have seized the diplomatic initiative away from governments by harnessing ICTs. Such was the case in Brazil, where the Internet carried news of a threatened Indian tribe before traditional media and Internet calls for action successfully applied pressure on the Brazilian Government to make a change in its policy.[29] Likewise, a group in Chiapas used the computer networking services of LaNeta to report on the brutal and inhumane tactics used by the Mexican government in its attempt to regain military control following the January 1994 insurrection, forcing the Mexican Government to back down.[30] More recently, democracy advocates in Burma have been able to form connections via the Internet with fellow advocates both within and outside of the country despite government regulations prohibiting ownership of unregistered computers, fax machines, modems and software. More significantly, this group, linked by the Internet, successfully forced a change in US policy toward Burma.[31] Such examples suggest a truly revolutionary breaking point with the past, when governments could freely shape their policies as they wished. Indeed, they serve as a caution to today's policy-makers who base their thinking on traditional foreign policy models. As Kissinger comments: "revolutions prevail because the established order is unable to grasp its own vulnerability."[32]

THE EVOLUTION IN DIPLOMATIC AFFAIRS

States have traditionally conducted their foreign policy in the context of a world marked by the practice of "classic" diplomacy.[33] It was a world in which government to government relations were the principal activity, ambassadors and embassies were a nation's only venue for expressing national interests, and heads of state met to discuss the great questions of the day. It was a world, in short, in which international affairs was the exclusive exercise of state actors, with little, if any, room for NSA activity. In this context, diplomacy was grounded in a *realpolitik* school of strategy. Recent developments demonstrate that the diplomatic community is beginning to "grasp its own vulnerability", is shedding the realpolitik model, and is gradually evolving into a new paradigm based on *cyberpolitik*.

Realpolitik can be described as foreign policy behaviour based on state-centred calculations of national interests and raw material power that is guided by the conviction that "might makes right." Classic realpolitik operates on the precepts of *raison d'etat*, whereby the national interest takes precedence over individual rights. Realpolitik advances state interests by creating and preserving a balance of power that keeps any one state from becoming too powerful. In a multipolar environment, the realpolitik theory suggests that

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[28] David J. Rothkopf, "Cyberpolitik: The Changing Nature of Power in the Information Age," *Journal of International Affairs* 51, no. 2 (Spring 1998): 355.

[29] Rothkopf, supra note 28 at 353.

[30] Studemeister, supra note 27 at 3.

[31] Tiffany Danitz and Warren P. Strobbel, "Networking Dissent: Cyber-Activists Use the Internet to Promote Democracy in Burma," Paper Presented at the International Studies Association Conference, *Virtual Diplomacy: A Revolution in Diplomatic Affairs* (18 February 1999), at http://www.usip.org/oc/vd/vdr/vburma/vburma_intro.html [08/20/00].

[32] Henry Kissinger, *Diplomacy* (New York: Simon & Shuster, 1994), 104.

[33] The Project for the Advocacy of US Interests Abroad, *Equipped for the Future: Managing US Foreign Affairs in the 21st Century* (The Henry L. Stimson Center, October 1998), 3.

such balancing acts are the essence of strategy and the way to maintain order and avoid chaos. The paradigm demands that alliances and other balancing acts be based strictly on power calculations with little regard for whether an ally has similar or differing beliefs. Most importantly, realpolitik is state-centric and admits only a grudging and selective recognition of non-state actors.

Although it is true that realpolitik has a strong influence on statecraft today, there are many signs that it is reaching its practical limits. First, it most effectively operates when states are in firm control of events within the international system; yet NSAs, especially those representing civil society, have gained in strength and are affecting areas traditionally reserved to the state, especially diplomacy. Second, realpolitik is most effective when states can maneuver freely and independently; but complex transnational interconnections are increasingly limiting this freedom. Third, realpolitik is best suited to situations where national interests dominate decision-making; yet there is now a host of "global issues" that clearly transcend state interests. Fourth, it works best when ethics are of minimal importance; but ethics are increasingly important as global civil society actors gain a voice through new communications technologies. Finally, realpolitik is successful where diplomacy can be conducted in the dark, away from public scrutiny and without having to share information with many actors. The new communications environment is making this increasingly difficult and customarily "selects" actors who can operate in the open and gain advantages from information sharing.

Liberal internationalism, or global interdependence, has sought to moderate if not supersede realpolitik as a diplomatic lens. It is a more recent paradigm, and requires higher levels of economic transactions that did not exist when realpolitik first emerged in the 16th century. Liberal internationalism, with its roots in 19th century liberal views, contends that increases in free trade facilitate harmonious and prosperous interdependence among nations, ultimately making war unthinkable. A subset of liberal internationalism—Wilsonian internationalism—gained prominence in the 20th century and aspired to replace raw power calculations with an understanding that the spread of democratic values and their embodiment in international institutions could prevent conflict, in part by encouraging increased economic interdependence and openness. Fleshed out in the 1970s by such scholars as Joseph Nye and Robert Keohane, liberal internationalism sought to demonstrate that the state-centric balance of power paradigm neglects the rising influence of transnational ties.

The trends that proponents of liberal internationalism identified are still unfolding. The global diffusion of power; the erosion of national authority and international hierarchy; the growth of transnational economics and communications; the internationalization of domestic policy; the fusion of domestic and foreign policy; the need to broaden security concepts beyond their military dimensions and, of particular significance to this analysis, the rise of a multilateral and fractured diplomacy is still occuring.[34] In general, this paradigm furthers the "Wilsonian" quest of state-based global regimes to regulate and solve specific issues. The turbulent nature of the world as well as the ever-expanding capacity of NSAs to effect changes in the international system calls the theoretical and practical viability of liberal internationalism into question.

It is not a coincidence that liberal internationalism gained prominence as a guide for statecraft in the 1970s, once the information revolution gained momentum through a series of developments in the cost and bulk of computers and other information technologies. Undoubtedly, this interdependence paradigm has kept pace with the new realities of the information age much better than has realpolitik. Nonetheless, it too has some notable shortcomings. For instance, although it correctly emphasizes the spread of transnational ties and NSAs, liberal internationalism does so mainly in economic terms, spotlighting multinational corporations and international organizations composed of state representatives, hardly keeping up with the growth and influence of global civil society represented by NSAs. Yet, it could be suggested that liberal internationalism

[34] See Robert Keohane and Joseph Nye, *Power and Interdependence: World Politics in Transition* (Boston: Little, Brown and Co., 1977).

is simply a transitional paradigm and that a new paradigm is emerging that may be better suited to explain how diplomacy is adapting to the emerging communications environment.

CYBERPOLITIK

With the end of the Cold War, two major shifts occurred that appealed to diplomats. In terms of political-military dynamics, the bipolar system expired, signaling a return to a loose multipolar balance of power system. Since this shift was largely concerned with interstate relations, it gained the interest of practitioners of realpolitik. There was also an economic shift, due largely to the increased growth of market systems woven together in global trade and investment. This shift began long before the Cold War ended but is now ascendant. Its dynamics appealed especially to liberal internationalist schools of diplomacy and strategy whose proponents argue that statist dynamics matter less and that prospects for peace depend on multilateral cooperation through international regimes that transcend the state.

A third, and equally significant, shift corresponded with the end of the Cold War. As emphasized by various academics including Deibert and James Rosenau, the world's political architecture is being altered by the intensification of the information revolution and its concomitant implications: that knowledge is power, that power is being diffused, and that the globe is increasingly interconnected. Most theorists do not quite know how to interpret this shift. Some, like David Rothkopf, see it as a paradigm change, but most still try to subsume it within either of the paramount diplomatic paradigms of realpolitik or liberal internationalism. Clearly, just as a fresh theoretical framework is needed to make sense of the changes emanating from the information revolution and how they affect world order change, so too does diplomacy need a new analytical lens to account for the many changes it is experiencing.

Accordingly, to properly analyze the effect of the information revolution on the role of the state in diplomatic affairs, academics should employ a theory that is able to merge the traditional concept of state-based politics with the emerging trend of communications technology. The relatively new theory known as "cyberpolitik" provides a more appropriate analytical lens to account for how diplomacy is evolving to fit the new communications environment than that which can be provided by realpolitik or liberal internationalism. This new paradigm analyzes statecraft as undertaken by state actors as well as NSAs, thus emphasizing the role of informational soft power to express ideas, values, norms and ethics through all types of media. Cyberpolitik transcends realpolitik's inherently guarded orientation toward the information revolution by favouring strategies of openness and sharing with allies and other actors. Cyberpolitik is becoming increasingly important since, in the new hypermedia environment, knowledge is fast becoming a source of power and strategy in ways that classic realpolitik and internationalism cannot absorb. Of course, it must be noted that this is a period of flux and that the present analysis merely scratches the surface; still, it is possible to identify a few trends in diplomacy, driven largely by the information revolution, that exemplify its evolution into a cyberpolitik paradigm.

The first notable trend in diplomacy is the dramatic increase in *the involvement and influence of civil society actors*, in statecraft. Although states will remain the paramount actors with regard to diplomacy, NSAs will continue to thrive in the new communications environment and will likely grow in power and influence. Cyberpolitik recognizes the importance of civil society actors, and expects them to play a key diplomatic role that it is often not played by the state. For instance, NSAs are increasingly serving as sources of ethical impulses, as agents for disseminating ideas and information rapidly and as sensors in the new networked environment that can assist with conflict prevention, anticipation and resolution. Of course, this sensory apparatus is not new, as it consists partly of established diplomatic and intelligence agencies, news media, academic institutions and so on. However, the looming scope and scale of this sensory apparatus is in fact quite new, as it includes networks of NGOs and individual activists who monitor and report on what they see in various issue areas, using Internet mailing lists, Web pages, fax machines etc. as tools of rapid dissemination.

Traditional diplomatic institutions are forced to adapt to this new reality or risk becoming obsolete. Indeed, the diplomatic agencies that "thrive" in the new environment, even if by traditional measures they appear to be relatively weak, are likely to be the ones that learn to work conjointly with the new generation of NSAs. This may mean placing a premium on state/non-state coordination, including a toleration of "citizen diplomacy" and the creation of state/non-state coalitions. Geopolitical strategist Zbigniew Brzezinski recognized as much. After treating the world as a "chessboard" to be mastered through realpolitik, he postulates that efforts to build a new transnational structure for assuring peace would benefit from:

> …the new web of global linkages that is growing exponentially outside the more traditional nation-state system. That web - woven by multinational corporations, NGOs (non-governmental organizations, with many of them transnational in character) and scientific communities and reinforced by the Internet - already creates an informal global system that is inherently congenial to more institutionalized and inclusive global cooperation…[35]

Along with an increased involvement of NSAs, a second trend suggesting a diplomatic evolution into the cyberpolitik paradigm is *global interconnection*. The era of global "inter*dependence*" began in the 1960s and many of its predictions continue to be fulfilled. However, "interdependence" entails an economic connotation that is largely associated with prescriptions for state-based international regimes and fails to address the emerging importance of new modes of communications. With the intensification of the information revolution, the future era may be best described in terms of "inter*connection.*"

If interdependence was driven largely by the growth of transnational corporations and multilateral organizations, interconnection is driven by a new generation of actors such as news media, human rights organizations, environmentalists and indigenous peoples, that are using the new technologies to go "global." They are projecting themselves as global actors with global agendas, and pursuing global expansion through ties with like-minded counterparts. Indeed, civil society was the first to adapt to the new communications environment and the cyberpolitik paradigm. The remarkable growth of civil society involvement in international issues during the latter half of the twentieth century exemplifies the shift. The number of human rights NGOs alone increased from 38 in 1950 to 103 in 1970 and to 275 by 1990.[36] In fact, the Union of International Associations now recognizes a total of some 14,500 NGOs.[37] Their penetration in a wide variety of international issues and, specifically, their growing influence on diplomacy, make them difficult to ignore. As an illustration of the growing importance of some of these groups, NGOs provided $8.3 billion in aid to developing countries in 1992, constituting 13 percent of total worldwide development assistance.[38] Of course, the rise in visibility and density of civil society groups cannot be divorced from the communications technologies that empowered them.

Although telephones and faxes have long been a key component for international coordination, computer networks and, in particular, the Internet have vastly transformed the scope and potential of these civil society groups, making them a key component of modern diplomacy. Today, NGOs use a vast web of

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[35] John Arquilla and David Ronfeldt, "What if there Is a Revolution in Diplomatic Affairs?" Paper Presented at the International Studies Association Conference, *Virtual Diplomacy: A Revolution in Diplomatic Affairs* (18 February 1999), at http://www.usip.org/oc/vd/vdr/ronarqISA99.html [08/20/00].

[36] Kathryn Sikkink, "Human Rights, Principled Issue-Networks, and Sovereignty in Latin America," *International Organization* 47 (Summer 1993): 418.

[37] Peter J. Spiro, "New Global Communities: Nongovernmental Organizations in International Decision-Making Institutions," *The Washington Quarterly* 18, no. 1 (1994): 47.

[38] Deibert, supra note 13 at 158.

networks that operate through the Internet and are linked together under the broad umbrella called the Association for Progressive Communications (APC), a nonprofit consortium of 16 international member networks serving approximately 40,000 individuals and NGOs in 133 countries.[39] One of the larger members of the APC network is the US-based Institute for Global Communications (IGC), which itself is an umbrella organization including a wide range of social and environmental movements subdivided into five main specialty networks: EcoNet, PeaceNet, ConflictNet, WomensNet, and LaborNet.[40] These linked networks share enormous databases containing everything from government department phone numbers and addresses to scientific studies to calendars of events to various government regulations and accords, all hyper-linked and searchable by keyword.

Perhaps most significantly, World Wide Web pages provide an important mode of global publication and distribution of information. Indeed, thousands of niche diplomatic efforts from across the political spectrum have built a presence on the Web. For instance, following violence linked to the September 1996 opening of a second entrance to a tunnel leading to an area sacred to both Jews and Muslims, over 100 Israeli and Palestinian youths produced, via the web, a joint statement which they sent to the White House. President Clinton read the statement to Yassir Arafat, Benjamin Netanyahu and King Hussein during their October 1996 meeting in Washington.[41] Likewise, in El Salvador, CARE, a private aid organization, used a global positioning system (GPS) and high-resolution satellite imagery to parcel land for the benefit of former combatants. The system relied on a network of 24 US Defense Department satellites orbiting the Earth, and was funded by the United States Agency for International Development. Nearly 12,000 acres were mapped and divided into individual plots as called for under the country's peace agreement.[42]

As this last example illustrates, the diplomatic functioning of the state has also been supplemented by the latest technologies. There has been explosive growth in governmental and transgovernmental communication and interaction—that is, policy networks or communications networks connecting a diplomatic agency with others in the same department and/or connecting diplomatic agencies in one state with their counterparts in other states or with intergovernmental organizations. These policy networks are extensive and highly active on a day-to-day basis, facilitated increasingly by electronic communications.[43] Such developments are tangible signs that diplomats are beginning to "fit" in the new communications environment.

To be sure, many diplomatic institutions have been noticeably slower at adapting to the information revolution. Not surprisingly, cyberpolitik is less applicable to developing countries where the technological infrastructure is in its infancy. Although Internet growth is accelerating faster in developing countries than anywhere else, it will continue to be available only to a small proportion of people in the poorest countries for many years to come.[44] It is surprising, however, that several Western countries--which, in most other respects, are leaders in the new technologies—have not incorporated them into their diplomatic institutions.

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[39] The APC can be reached via the Internet at http://www.apc.org [08/20/00].

[40] The IGC can be reached via the Internet at http://www.igc.apc.org [08/20/00].

[41] See Studemeister, supra note 27 at 2; and Seeds of Peace, at http://www.waw.be/sid/dev1996/seeds-of-peace.html [08/20/00].

[42] Studemeister, supra note 27 at 3.

[43] See Held, supra note 4 at 53.

[44] "The Internet and Poverty: Real Help or Real Hype?" *Panos Media Briefing* 28 (April 1998): 1.

For instance, the United States is perhaps in the best position to take advantage of the new communications environment but the US Government has done little to assess the impact of the information revolution or to adjust its diplomatic institutions to account for that impact. The US State Department lacks sufficient access to advanced, encrypted communications, the Internet, e-mail and teleconferencing.[45] This situation has been a serious stumbling block to the effective organization of information both within embassies and the US State Department headquarters in Washington. For example, the American Ambassador in Stockholm cannot access the daily electronic briefings of the Swedish government from his desk. Many such diplomatic institutions are on an inertial path not attuned to the information revolution. Such is the organizational culture of the US State Department and its perceived need for secrecy. As noted, it is for this reason that diplomacy will likely experience an "evolution" as opposed to a "revolution" in diplomatic affairs. While the US diplomatic infrastructure is beginning to show signs of adapting, movement is very gradual.[46]

Nonetheless, several diplomatic agencies appear to be successfully adapting to the cyberpolitik paradigm of statecraft. Several states, including Australia and the Nordic countries, are using and adapting to the new technologies with relative ease. Canada is arguably at the leading edge of cyberpolitik as its Department of Foreign Affairs and International Trade (DFAIT) has made a major effort to adapt to the new communications environment. DFAIT connects 97% of its "knowledge workers" (based around the world) by a flexible, leading edge technology platform called SIGNET, which can support virtually any application.[47] This system proved particularly useful in late 1996 when Prime Minister Chrétien volunteered Canada to diplomatically and militarily lead the humanitarian intervention force into Eastern Zaire. While the demands on DFAIT were immense, it was able to assemble a "virtual task force" whereby members of the foreign ministry were able to contribute to the effort worldwide, while keeping up on their day-to-day work.[48]

Another way in which DFAIT has adopted the cyberpolitik concept is through its openness with regard to the information it uses. For instance, the information on the Department's Web site is used internally as well as by the general public, including civil-society groups. The cultural change involved should not be underestimated. As Jean-Marie Guéhenno comments in *The End of the Nation-State*: "the value of organizations will be defined by their openness."[49] As noted, however, openness has not traditionally been one of the defining characteristics of diplomatic agencies. To see the maximum benefit of the information revolution, there will have to be a loosening of control and a willingness to take some risks. The diplomatic institutions that will thrive will be the ones that use the new environment to facilitate interconnection, cooperate with other actors, and shape consensus on specific issues—in other words, those that operate according to the cyberpolitik paradigm.

More generally, the use of these new information and communication technologies—by both NSAs and diplomatic agencies—is resulting in complex, seamless networks of economic, social and other relationships and a multitude of state and non-state actors are acquiring interests in the growth of these networks. For some global actors, building and protecting these new networks is becoming more important

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[45] The Project for the Advocacy of US Interests Abroad, supra note 33 at 5.

[46] The Project for the Advocacy of US Interests Abroad, supra note 33 at 5; see also the Project for the Advocacy of US Interests Abroad, *Shaping US Engagement Overseas: Future Challenges, Future Opportunities for the Twenty-First Century* (The Henry L. Stimson Center, January 1998).

[47] Gordon S. Smith, "Cyber-Diplomacy," Speaking Notes for the *Technology in Government Forum* (18 September 1996), at http://www.dfait-maeci.gc.ca/english/news/statements/96_state/96_gtec.htm [08/20/00].

[48] Smith, supra note 6 at 22.

[49] Jean-Marie Guéhenno, "The End of the Nation-State," in Smith, supra note 6 at 20.

than building and protecting national power balances, as the networks themselves are becoming sources of power. Some global actors are even looking at the world more in terms of widespread networks than in terms of distinct groups and nations located in specific places. (Held discusses the new "interconnected global order" in his latest book.)[50] Further, owing in large part to the constant advancement of the information revolution, this interconnection is likely to deepen and become a defining characteristic of diplomacy.

Finally, a third development that illustrates the relevance of cyberpolitik in analyzing diplomatic relations is the gradual rise in the importance of *soft power*. Soft power is the ability to achieve desired outcomes in international affairs through persuasion as opposed to coercion. It works by convincing others to follow, or agree to, norms and institutions that produce a desired behaviour. Soft power can rest on the appeal of one's ideas or the ability to set the agenda in ways that shape the preferences of others. In other words, soft power recognizes that relying on traditional state-to-state diplomacy will now be less effective. Instead, people and information matter more than missiles, guns and ships; indeed, there is seen to be a much bigger payoff in convincing others to want what you want rather than using threats and coercion to force desired behaviour. Most importantly, soft power acknowledges the ICT-driven globalization of issues that cross borders and the importance of engaging people beyond the halls of foreign ministries. [51]

However, this does not mean that hard power or realpolitik is obsolete; diplomacy still needs strength. As George Schultz comments:

> there is an essential interplay between strength and diplomacy. Diplomacy without strength - military and economic - is fruitless; but strength without diplomacy is unsustainable, particularly in the modern era when citizens want their leaders to demonstrate that they are searching for solutions.[52]

Yet, the soft power concept challenges the weight realpolitik affords raw, material power and is perhaps the more interesting side of the coin. It also contravenes realpolitik's inherently guarded orientation toward the information revolution by favouring postures of openness and sharing. Where guardedness is needed, however, soft power does allow for hard power options, although they are perhaps less statist than the ones prescribed by realpolitik.

With its emphasis on information and knowledge, the new communications environment is making soft power more practical. Indeed, the new ICTs hold the key to soft power, making it possible to appeal directly to a multitude of actors. Specifically, soft power entails that traditional diplomatic agencies tap into the "wellspring" of NGOs and civil society that monitor human rights, create educational exchanges and organize relief efforts.[53] Although NGOs and civil society are independent from states and their activities are different from those of diplomatic agencies, they are a great asset and have comparative advantages in certain areas. Accordingly, while NGOs and diplomatic agencies have yet to define their appropriate relation, they are clearly moving in the direction of cooperation and coordination.[54]

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[50] See Held, supra note 4.

[51] Lewis Manilow, "A New Diplomacy for a New Age," *The Washington Times,* 31 December 1996, A17.

[52] Shultz, supra note 7 at 3.

[53] US Advisory Commission on Public Diplomacy, *A New Diplomacy for the Information Age* (Washington: US Advisory Commission on Public Diplomacy, 1996).

[54] US Advisory Commission on Public Diplomacy, *Publics and Diplomats in the Global Communications Age*, (Washington: US Advisory Commission on Public Diplomacy, 1998).

In sum, cyberpolitik is an approach to diplomacy that is gaining currency in the new communications environment. It emphasizes the shaping and sharing of ideas, values, norms, laws, and ethics through soft power. Both state and non-state actors can be guided by cyberpolitik but its strength may well stem from enabling state and non-state actors to work conjointly. However, it should be noted, that the current communications environment is in an uncertain period of flux. Although cyberpolitik provides an explanation of how diplomacy might evolve to "fit" the new environment, it is by no means a definitive answer and much more research should be done as the information revolution unfolds.

RETURN OF THE GOLDEN AGE

Similar to the state, diplomacy is also undergoing a major transformation in response to the relatively recent changes in information technology. Diplomats remark increasingly that advanced communications and other aspects of the information revolution are changing the nature of diplomatic space and time—they are quickening the tempo of diplomacy and opening a once largely closed process. Ambassadors are finding that there are more actors involved in an increasing variety of issues, often in a public fashion, making it difficult for the ambassadors to speak with authority. They find that they have to engage more numerous and more diverse actors early on in the diplomatic process. As John Gerard Ruggie notes, there has been a push toward a more multilateral and "fractured" diplomacy since the Second World War.[55]

If information is the raw material of diplomacy, the new communications technologies can only be to the institution's advantage. True, the same technologies will benefit NSAs, but this does not necessarily pose a threat to the viability of the state nor is it necessarily to the detriment of diplomacy. Cautionary predictions that diplomacy is being eclipsed are perhaps misplaced. Rosenau has noted that diplomatic functioning seems likely to become increasingly subordinate to the dictates of the decisions of transnational actors, and that the diplomatic undertakings of states are likely to falter as the many tasks of governance shift to other spheres.[56] Such either/or formulations miss the complex inter-relationships between states and NSAs. More generally, and using the evolutionary framework above, both diplomats and NSAs will experience a "fitness" with the new communications environment. Considering the importance of information to both actors, diplomatic agencies and NSAs are likely to flourish in the new environment and, not so paradoxically in light of the emergence of cyberpolitik, may even amalgamate to a high degree, thus redefining who can practice diplomacy.

Although some writers are predicting a "revolution" in diplomatic affairs, the change is more likely to be one of evolution. This should not be unexpected considering the tradition and conservatism associated with the practice and, accordingly, the relative lack of eagerness to entertain technological enhancements. Furthermore, while diplomacy is beginning to feel the heat of competition from NSAs, this competition has not been as intense as that experienced in the other information technology related revolutions, namely, the revolution in business affairs (1960s) and the revolution in military affairs (late 1980s). Both of these worlds are driven by internal and external competition, in the first case between corporations, in the second between military services. Likewise, the diplomatic world has not experienced a shock that would propel it to pour resources into ICTs. It took a major defeat in Vietnam to open the US military up to an innovative rethinking of its technological capacity, culminating in the AirLand Battle doctrine employed so successfully during the Gulf War. If this is indicative of how the US government progresses and adapts, it may take either time or a major world event before significant resources are allocated to ICTs. In short, the diplomatic world has had few impulses to cease being an elite preserve for classic diplomacy.

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[55] See John Gerard Ruggie, "Multilateralism: The Anatomy of an Institution," in *Multilateralism Matters*, ed. John G. Ruggie (New York: Columbia University Press, 1993), 51-90.

[56] See James N. Rosenau, "States, Sovereignty, and Diplomacy in the Information Age," Paper Presented at the International Studies Association Conference, *Virtual Diplomacy: A Revolution in Diplomatic Affairs* (18 February 1999), at http://www.usip.org/oc/vd/vdr/jrosenauISA99.html [08/20/00].

Diplomacy is gradually being reinvented for the information age. Although states have traditionally conducted their foreign policy in the context of a world in which they had a monopoly over international contact, the new communications environment makes this increasingly unrealistic. Though states remain the primary actors on the international stage, diplomatic relations are no longer their exclusive privilege. Accordingly, there is a pressing need to re-examine diplomatic institutions in this new context and develop a framework to guide us through this time of flux. The realpolitik paradigm, despite its traditional grip on diplomatic thinking, can no longer prevail as the predominant analytical framework in this new communications environment. Indeed, the rules of the diplomatic game are changing, but the full extent of these changes and their implications remain unclear. Cyberpolitik seeks to address this void and provide a clearer lens through which to make sense of the current "evolution" in diplomatic affairs.

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INTERNATIONAL ECONOMIC RELATIONS IN A GLOBALIZED ENVIRONMENT:

THE INTERCONNECTEDNESS OF TRADE AND FINANCE AND THE CONCOMITANT PROBLEMS OF INSTITUTIONAL COORDINATION

JASON TRAINOR[1]

The various forces of globalization have markedly transformed the international economy. The international economic environment that initially provided the impetus for the current legal framework of international economic relations has evolved to such an extent that the efficacy of that original framework has been undermined. In light of the reciprocal nature of the relationship between international finance and trade and the persistent jurisdictional overlap among the GATT/WTO and the Bretton Woods institutions, there is a clear need to improve the level of coherence amongst the institutions charged with monitoring the international economy. Focusing specifically on the role of the IMF and the WTO, Jason Trainor attempts to clarify the interconnectedness of international finance and trade through an examination of two specific topics in the international economy: exchange rate volatility and the liberalization of trade in financial services. The analysis will attempt to highlight the extent to which the institutionalization of mechanisms for coordinating coherent interaction between international economic institutions remains an elusive undertaking.

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INTRODUCTION

The various forces of globalization have markedly transformed the international economy. International trade and finance have experienced dramatic shifts in both the market trends that propel their activities and in the national and international regulatory structures that monitor their behavior. The result has been an unprecedented level of interconnectedness between national economies in both the real and financial sectors. It might be argued that the system of international economic relations established at Bretton Woods has proved itself to be adaptable to the changing conditions of the international economy. However, a more convincing argument suggests that there are particular areas in which the system could be improved. There is reason to suggest that the original economic environment that provided the impetus for the current legal framework has evolved to such an extent that the efficacy of that original framework has been undermined.

In light of the reciprocal nature of the relationship between international finance and trade and the persistent jurisdictional overlap among the GATT/WTO and the Bretton Woods institutions, there is a need to improve the level of coherence amongst the institutions charged with monitoring the international economy. The present analysis will focus on the relationship between the WTO and the IMF, although there will be some reference to the World Bank. The issue of coherence arose prior to the Uruguay Round negotiations but was not subsequently addressed in any substantive manner. The institutionalization of mechanisms for co-ordinating coherence remains an elusive undertaking for the world's international economic organizations.

The interconnectedness of international finance and trade can be elucidated through an examination of two specific topics in the international economy: exchange rate volatility and the liberalization of trade in financial services. These two issues are apposite to the current discussion since they are commonly seen as falling primarily within particular institutional purviews. This has been the case even though there is a significant level of recognition that exchange rate issues affect trade and that liberalization of trade in financial services can have effects on the international financial system. An exposition of the two issues will attempt to lend support to the proposition that progress should be made toward greater coherence between international economic institutions.

THE INTERNATIONAL ECONOMIC INSTITUTIONAL FRAMEWORK: BRETTON WOODS AND BEYOND

The impetus for the creation of a new institutional arrangement for governing the international economy originated in the years preceding World War II. There was widespread agreement that international financial disequilibria and conflicts involving international trade were the principal causes of the international economic instability of the interwar period and, therefore, ultimately of the war itself.[2] The economic turbulence of the era is generally attributed to a number of underlying structural vulnerabilities. With the collapse of the gold standard in 1931, exchange rates began to fluctuate wildly, leading to the international transmission of deflation and a resort to competitive beggar-thy-neighbour devaluations.[3] Predatory practices in international monetary relations were accompanied by a proliferation of barriers to trade. The principal effect of such discriminatory efforts by national governments in monetary and trade policy was an increasingly inefficient allocation of resources throughout the international system.[4]

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[2] L. E. Preston and D. Windsor, *The Rules of the Game in the Global Economy: Policy Regimes for International Business* (Boston: Kluwer, 1992), 165.

[3] M. D. Bordo, "The Bretton Woods International Monetary System: A Historical Overview," in *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform*, ed. M. D. Bordo and B. Eichengreen (Chicago: University of Chicago Press, 1993), 28.

[4] M. P. Malloy, "Shifting Paradigms: Institutional Roles in a Changing World," *Fordham Law Review* 62 (1994): 1916.

The institutional project that developed at the international level attempted to achieve the requisite conditions for national economic prosperity. Any institutional arrangements devised to comprehensively address the inefficiencies of the interwar era would have to be capable of managing the problem of economic adjustment, the scope of which was regularly quantified and summarized in national balance of payments accounts.[5] Here, trade and monetary policy intersect in the attempt to balance the current and capital accounts. Despite the divergent agendas of the chief architects of the new system, the United States and Britain,[6] a compromise was eventually reached.

The Bretton Woods Agreement, effective in December 1945, was designed to achieve a number of objectives. Exchange rates were fixed between national currencies based on the value of the US dollar to gold; the convertibility of national currencies was assured; and institutions were formally introduced to assist in the reconstruction of war ravaged states and to combat the tendency toward trade and monetary warfare.[7]

The International Monetary Fund (IMF) was created to promote international monetary co-operation by institutionalizing a process of consultation between members on monetary issues (Article I (i)). It established a system of payments in respect of current account transactions (Article I (iv)) and provided loans to members suffering from payment difficulties (Article I (v)). The IMF was also responsible for promoting exchange stability by maintaining orderly exchange arrangements among members and attempting to prevent competitive devaluations (Article I (iii)).

The International Bank for Reconstruction and Development (IBRD or World Bank) was established to stimulate national development and promote the "trade and balance of trade equilibrium of its members, 'by facilitating the investment of capital for productive purposes' with its loans at conventional rates of interest and guarantees for foreign investors, and by providing technical assistance."[8] Although the efforts of the Bank were initially directed at the post-war reconstruction of European member nations, its emphasis later shifted towards infrastructure and other developmental projects in the developing world.[9]

It is worthwhile to note that there was some early recognition of the confluence of interests between monetary and trade policy. The original US Treasury proposal for a post-war international monetary institution suggested that it should have jurisdiction over both monetary *and* trade issues. It proposed that the members of such an institution agree "to embark upon a program of gradual reduction of existing trade barriers," and take the directives of the Fund into consideration before adopting "any increase in tariff schedules, or other devices having as their purpose higher trade obstacles." Members would also need the consent of the Fund "to subsidize—directly or indirectly—the exportation of any commodity or service to [other] member countries."[10] Subsequent proposals by the US Treasury, however, omitted such references to

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[5] L. W. Pauly, "The political foundations of multilateral economic surveillance," *International Journal* XLVII (Spring 1992): 299.

[6] A thorough analysis of the competing interests of the United States and Britain and their ultimate normative consensus in constructing the post-war order has been elucidated by Ikenberry. Some relevant differences included the propensity of the American negotiators to champion laissez-faire capitalism, free trade, and the flexibilization of exchange rates; whereas the British negotiators favoured Keynesian-inspired stabilization policies that were capable of achieving social welfare goals such as full employment and were conscious of the benefits of maintaining imperial preference in trade. See G.J. Ikenberry, "A World Economy Restored: Expert Consensus and the Anglo-American Post-war Settlement," *International Organization* 46, no. 1 (Winter 1992): 289-321.

[7] P. Sarcevic, "Impact of the International Monetary System on World Trade," in *Legal Issues in International Trade*, ed. P. Sarcevic and H. van Houte (Boston: Graham and Trotman/Martinus Nijhoff, 1990), 209.

[8] J. H. Jackson and W. J. Davey, *Legal Problems of International Economic Relations,* 2nd ed. (St. Paul, MN: West Publishing, 1986), 279.

[9] Jackson and Davey, supra note 8 at 279.

[10] *Preliminary Draft Proposal for a United Nations Stabilization Fund and a Bank for Reconstruction and Development of the United and Associated Nations*, April 1942. Reprinted in J. K. Horsefield, ed., *The International Monetary Fund: 1945-1965*, Vol. III, Documents (Washington, 1969), 37 and 44.

trade measures. The proposed monetary institution was subsequently viewed as "only one of the instrumentalities which may be needed in the field of international economic co-operation."[11] It was felt that "an international economic institution can operate most effectively if it is not burdened with diverse duties of a specialized character."[12]

Vestiges of the US Treasury's original disposition can be found in the constitutional document of the IMF. Article I (ii) states that one of the objectives of the IMF is "to facilitate the expansion and balanced growth of international trade." The inclusion of such a clause might be considered more rhetorical than substantive, as the rules of economic policy conduct within the Fund Agreement refer only to exchange actions.[13] The extent to which the IMF has effectively used the powers it has over monetary surveillance to promote trade related objectives will be explored in greater detail later.

Formal recognition of the need to fill the institutional void in the trade realm was made in Resolution VII of the Final Act of the conference at Bretton Woods, where it was recommended

> to the participating governments that…they seek, with a view to creating in the field of international economic relations conditions necessary for the attainment of the purposes of the Fund and of the broader primary objectives of economic policy, to reach agreement as soon as possible on ways and means whereby they may best:
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> 1. reduce obstacles to international trade and in other ways promote mutually advantageous international commercial relations;
>
> 2. bring about the orderly marketing of stable commodities of prices fair to the producer and consumer alike;.…[14]

However, a formal trade institution would not be immediately forthcoming. In its place was the General Agreement on Tariffs and Trade (GATT), which was the contractual manifestation of an ostensibly transitional set of trade rules negotiated during a multilateral round of tariff negotiations in 1947. Attempts to successfully institutionalize the International Trade Organization (ITO) established with the Havana Charter of 1948 died when the US Administration stalled the domestic ratification process by declining to submit the ITO Charter to the US Senate.[15] The inability of the American government to support the proposed institution effectively forced a structural realignment in the system, resulting in "the persistence of the GATT as a curious hybrid, lacking many of the formal characteristics of an 'institutional organization' but nonetheless functioning as a co-ordinate institution within the system."[16] The third organizational pillar of the Bretton Woods trilogy would not be formally institutionalized for forty-five years.[17]

The system of international economic relations has evolved significantly since the original Bretton Woods agreement. Exchange rates are no longer fixed, following the decision by the US in 1971 to devalue

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[11] See the July 1943 Draft Proposal in Horsefield, supra note 10 at 83-4.
[12] Horsefield, supra note 10 at 83-4.
[13] F. Roessler, "The Relationship Between the World Trade Order and the International Monetary System," in *The New GATT Round of Multilateral Trade Negotiations,* 2nd ed., ed. E.-U. Petersmann & M. Hilf (Boston: Kluwer, 1991), 365.
[14] *Proceedings and Documents of United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, 1-22 July 1944*, vol. 1, Department of State Publications 2866, International Organization and Conference Series 1, 3 (Washington, D.C., 1948) 944.
[15] G. R. Winham, "The World Trade Organisation: Institution-Building in the Multilateral Trade System," *The World Economy* 21, no. 3 (May 1998), 349.
[16] Malloy, supra note 4 at 1921.
[17] Various linkage mechanisms were incorporated within the design of the GATT to ensure coordination on policy areas where trade and monetary issues were thought to intersect. These will be examined in greater detail in subsequent sections of the paper.

the dollar and abandon the gold standard. Most major currencies are now convertible, and the concerns about competitive devaluations that infected the post-war conference have been replaced by frustration over insufficient devaluations.[18] Capital controls have been eliminated in most countries[19] and there is now a lucrative industry dealing in the trading of currencies on foreign exchange markets. The international economy bore witness to the emergence of a debt crisis in the developing world following the announcement by Mexico in 1982 that it would no longer service its external debt. There have also been a series of financial crises in Latin America, Asia, and Russia, the effects of which were transmitted across the globe through the process known as contagion.[20] The world trading system has also been altered by the formal establishment of an international organization for trade, the World Trade Organization (WTO), following the conclusion of the Uruguay Round of multilateral trade negotiations.

The institutional capacity of the international economic system to respond to such changes, particularly with regard to functional coordination, will be the subject of further examination in subsequent sections of the paper. It is relevant at this point, however, to examine two specific policy issues that demonstrate the intersection of trade and monetary policy: exchange rate volatility and financial services liberalization.

EXCHANGE RATE VOLATILITY

The initial system envisaged by the drafters of the Agreement at Bretton Woods encouraged the maintenance of currency stability combined with a liberal trading regime to counter the deleterious effects of exchange rate variability. This was a pronounced reversal of the widely accepted principle of the previous era, which held that each country was sovereign in the determination and management of the exchange rate for its currency.[21] The American abandonment of the gold standard in 1971, which effectively reintroduced floating exchange rates, led to another reversal in international monetary relations.

The most basic argument concerning the relationship between exchange rates and trade posits that the existence of different currencies, in and of itself, constitutes a barrier to trade. This implies that barriers to trade theoretically exist between countries even if exchange rates do not encounter any rate shifts.[22] This type of argument is known as the *static cost of currency differentiation*. In the absence of fixed exchange rates, currency differentiation is much more pronounced and complex.

Comprehending the relationship between the international monetary order and world trade requires an understanding of the market equilibrium theory of exchange rates and the balance of payments. These two elements have altered the traditional liberal conception of comparative advantage. The theory, which was first developed by David Hume, has been summarized as follows:

> In essence, the theory suggests that since the demand for a country's currency depends on demand for its exports, where the latter rises, so will

[18] Roessler, supra note 13 at 386.
[19] Recently, several countries have attempted to reintroduce mechanisms for controlling capital flows. For instance, Chile had introduced a form of tax on short-term capital inflows. Malaysia also attempted to introduce capital controls following the Asian crisis of 1997-98. Both countries have subsequently eliminated such restrictions.
[20] Contagion refers to the process through which the effects of financial crisis situations in one country are transmitted to other countries. This typically occurs as a result of the direct integration of the financial and/or trading structures of one or more countries, or may arise out of the existence of similar yet unrelated financial or trading systems. However, as Azis has noted, "this is an area where economists are not known to have a solid theory"; I. Azis, "Do We Know the Real Causes of the Asian Crisis," in *Global Financial Turmoil and Reform: A United Nations Perspective*, ed. B. Herman (New York: United Nations University Press, 1999), 82.
[21] J. Gold, "Developments in the International Monetary System, the International Monetary Fund, and the International Monetary Law Since 1971," in Jackson and Davey, supra note 8 at 837.
[22] C. Bliss, *Economic Theory and Policy for Trading Blocks* (New York: Manchester University Press, 1994), 115.

> the former. Where a country has a trade surplus, the extra demand for its exports will increase the value of the currency and therefore make its exports more expensive and its imports cheaper. This, in turn, will reduce the surplus, as demand for exports goes down in response to their relatively higher cost, whereas demand for imports goes up due to their relatively lower cost. In theory, an equilibrium will be reached where trade and payments are balanced at a given exchange rate.[23]

The threat to liberal trade rests on the notion that such an equilibrium is not a given. In fact, exchange rates have tended to deviate substantially from that equilibrium level, thus altering the forces of the market that normally strive for the most efficient allocation of productive resources.

> [T]he basic case for liberal trade rests upon the assumption *inter alia* of balance of payments equilibrium, hence equilibrium exchange rates. If the exchange rate conveys price signals to producers and consumers which are incorrect reflections of the underlying economic relationships, significant distortions can result for production, hence trade.[24]

Ceteris paribus, a currency that is overvalued encourages imports and provides a disincentive to domestic producers and exporters. It therefore has the same effect as an import subsidy and an export tax.[25] Conversely, an undervalued currency protects domestic firms from imports and provides incentives for domestic firms to export their products abroad. It is thus similar in effect to a tariff on imports and an export subsidy.[26]

An exporting firm will have genuine concerns about the relative exchange rate(s) of the country or countries with which it conducts business. Although its input costs may be fixed (depending on the extent to which its inputs are domestically sourced), a company's revenue will be subject to a certain degree of uncertainty due to unpredictable swings in foreign exchange rates.[27] Thus, in addition to the possible effects of the exchange rate on competitiveness, measured as the external demand for a product, an exchange rate can also have deleterious effects on a domestic firm's cash flow. Sustained conditions of relative disadvantage based on the level of the exchange rate can therefore have serious effects on the long-term economic viability of a firm or possibly even an entire domestic industry.

In the event that a domestic firm is unable to regain losses in market share due to misalignments in the exchange rate, 'trade hysteresis' is said to occur.[28] This is the case when a country suffers a prolonged period of currency overvaluation. A related problem in the case of an undervalued currency results when the persistence of such a low rate acts to encourage excessive expansion of domestic production facilities in import-competing and export industries.[29] In such a situation, any subsequent adjustment that brings the exchange rate closer to its equilibrium level would result in a sharp decline in production and the loss of jobs in these industries.[30] Political ramifications often dictate against such a move.

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[23] M. J. Trebilcock and R. Howse, *The Regulation of International Trade* (New York: Routledge, 1995), 56.
[24] C. F. Bergsten & J. Williamson, "Exchange Rates and Trade Policy," in Jackson and Davey, supra note 7 at 843.
[25] D. Salvatore, "The New Protectionist Threat to World Welfare: Introduction," in *The New Protectionist Threat to World Welfare*, ed. D. Salvatore (New York: North-Holland, 1987), 12.
[26] Z. Drabek and J. C. Brada, *Exchange Rate Regimes and the Stability of Trade Policy in Transition Economies,* WTO Working Paper ERAD-98-07 (July 1998).
[27] J. McCormack, *Financial Market Integration: The Effects on Trade and the Response of Trade Policy*, DFAIT Policy Staff Paper—94/01 (February 1994), section 4.3.1.
[28] J. McCormack, "*Not Out of the (Bretton) Woods Yet: Exchange Rate Disequilibria, Trade, and Suggested Reforms*, DFAIT Policy Staff Commentary, no. 6 (February 1995).
[29] Salvatore, supra note 25 at 13.
[30] Salvatore, supra note 25 at 13.

Volatile exchange rates can have particularly detrimental effects on the trade balance in developing countries. Extreme fluctuations in exchange rates have forced the countries of the developing world to regularly adjust by devaluing their currencies, which in turn exacerbates the inflationary pressures within their domestic economies.[31] Devaluation acts to increase the prices of imports in units of the domestic currency. Furthermore, as pointed out by W. M. Corden, devaluation "switches demand towards non-tradables, while reducing their supply and—in the absence of a reduction in absorption—that will create excess demand for non-tradables and so raise their prices."[32] The altered exchange conditions, when combined with fluctuations in interest rates, disrupt normal trade patterns and adversely affect the ability to meet external payment obligations. One analyst has noted that the effect of such a situation for a developing country is that the nation has no choice but to "persevere in striking a precarious balance between accelerating inflation and losing competitiveness."[33]

TRADE POLICY MEASURES FOR BALANCE OF PAYMENTS REASONS: THE PROTECTIONIST IMPETUS

Actors subject to real or potential harm due to monetary issues have a tendency to lobby their national governments for protectionist policy measures. In the case of the United States, there is credible evidence to suggest that protectionist pressures are strongest during periods in which the dollar is overvalued. The most pronounced periods of US protectionist pressure include the period leading up to the 1971-2 Burke-Harte proposal, the 1976 dollar overvaluation which contributed to the adoption of the trigger price mechanism for steel (as well as other protectionist measures), and the 1985 measures affording trade protection for strategic sectors such as automobiles, textiles, and (again) steel.[34] During periods in which the United States has approached exchange rate equilibrium, efforts were made towards trade liberalization, such as the Trade Act of 1974 and the Trade Act of 1979.[35]

The Canadian government has expressed concerns regarding the propensity of the nation's trading partners to resort to protectionist instruments. Such concerns were highlighted in a Staff Policy Paper of the Department of Foreign Affairs and International Trade:

> A pressing concern to the Department of Foreign Affairs and International Trade is the possibility that prolonged exchange rate misalignments could result in calls for protection in some of our trading partners. If, for example, foreign firms are unable to compete with Canadian exporters due to a temporary decline in the Canadian dollar, they might put pressure on other governments to restrict imports from Canada.[36]

The subject of exchange rate volatility and its relationship to trade has also contributed to discussion of the feasibility of fixed exchange rates between countries in regional free trade arrangements. In the Canadian case, the issue has raised the possibility of fixing the Canadian dollar to the US dollar or simply sharing a common currency. However, the requisite surrender of national sovereignty over monetary policy that such an arrangement would entail has militated against the likelihood of such a proposal in the near future.[37]

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[31] Sarcevic, supra note 7 at 214.
[32] W. M. Corden, *Economic Policy, Exchange Rates and the International System* (Chicago: University of Chicago Press, 1994), 73.
[33] Sarcevic, supra note 7 at 214.
[34] Salvatore, supra note 25 at 13-15.
[35] Salvatore, supra note 25 at 13.
[36] McCormack, supra note 28 at 25.
[37] McCormack, supra note 28 at 25.

Furthermore, the Canadian dollar's current, relatively low rate of exchange may arguably be beneficial to the nation's balance of payments. A study commissioned in 1989 by the Bank of Canada reported that a one-percent depreciation of the exchange rate resulted in a C$2 billion improvement in the Canadian trade balance over a four-year period.[38] Such findings might be considered particularly relevant in the current economic climate, in which the Canadian dollar has remained at a very low exchange rate vis-à-vis the US Dollar. Studies on the Canadian experience regarding the relationship between the nation's trade balance and exchange rates have supported the basic theoretical hypotheses regarding exchange rates and trade.[39]

TRADE MEASURES AFFECTING BALANCE OF PAYMENTS—GATT LAW

There are significant obstacles that must be overcome in determining the legal status of trade measures taken for balance of payments reasons. The institutional division of powers assigning responsibility for monetary issues to the IMF and trade issues to the GATT/WTO has not provided for proper mechanisms of co-ordination.

> The IMF has the general jurisdiction as well as considerable competence over the broader balance of payments problems. GATT, on the other hand, deals with trade restrictions. GATT has some lengthy articles dealing with the use of trade restrictions for balance of payments reasons, yet information regarding the basic underlying conditions that would lead to such restrictions is often available only to the IMF. During the decades of existence of these two organizations, there has been an uneasy relationship between them with respect to these problems.[40]

Articles XII and XVIII of the GATT provide exceptions to the Agreement's general prohibition on the use of quantitative restrictions by authorizing the use of quantitative restrictions or quotas in the event of balance of payments problems. Article XII of the GATT permits the use of import restrictions "to safeguard the external financial position." The use of such restrictions "shall not exceed those necessary to forestall the imminent threat of, or to stop, a serious decline in monetary reserves," or, "in the case of a contracting party with very low monetary reserves, to achieve a reasonable rate of increase in reserves." Article XV of the GATT stipulates that the IMF is to make a determination of whether these requirements are met upon being consulted by the GATT Balance-of-Payments Committee.

Jackson and Davey note that the GATT sanctioning of trade measures for balance of payments objectives contains an anomaly in that it permits the use of quantitative restrictions, but does not allow for the use of tariffs to achieve similar objectives.[41] Noting that there are a number of policy reasons why countries might prefer the use of tariff surcharges over quantitative restrictions in achieving balance of payments objectives,[42] the authors have recognized that a number of GATT Contracting Parties have in fact utilized

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[38] See R. Dion and J. Jacob, *The Dynamic Effects of Exchange Rate Changes on Canada's Trade Balance, 1982-87*, Working Paper 90-1 (Ottawa: Bank of Canada, December 1989).

[39] McCormack has noted that studies on the topic (particularly the work of R.G. Harris) have confirmed that "the Canadian trade balance responds to changes in the value of the Canadian dollar as economic theory would suggest. A decline in the value of the dollar improves the trade balance and a rise in the value of the dollar worsens the balance"; McCormack, supra note 28 at section 4.3.2.

[40] Jackson and Davey, supra note 8 at 874.

[41] Jackson and Davey, supra note 8 at 875.

[42] Jackson and Davey have reprinted a policy paper written by the GATT Secretariat (GATT Doc.Com. TD/F/W.3 at 1-2.) that outlines a number of policy reasons, including the fact that tariff surcharges are: 1) less administratively cumbersome; and 2) less likely to freeze the pattern of trade; and that 3) the revenues from surcharges are beneficial to countries attempting to implement stabilization programmes; and 4) surcharges could be quickly imposed in urgent situations.

surcharges. This has happened with enough frequency that it has been suggested that the GATT has been "amended *de facto*," although Jackson and Davey suggest that this is a dangerous argument.

During the Tokyo Round of multilateral trade negotiations, the contracting parties of the GATT negotiated a *Declaration on Trade Measures Taken For Balance of Payments Purposes*. The Declaration called for the preferential use of restrictive measures that are least disruptive to trade and the avoidance of the simultaneous application of more than one type of trade measure for balance of payments purposes. The Declaration also suggested that "whenever practicable," the contracting parties shall publicly announce a time schedule for the removal of any such measures. The Declaration called for prompt notification to the GATT of the implementation of any such restrictive measures and noted that these measures would be subject to consultation in the GATT Committee on Balance-of-Payments Restrictions. The Declaration also compelled the developed countries to take into account the export interests of developing nations when determining the application of any such restrictive measures.

Following the Uruguay Round Negotiations, the members of the WTO agreed to the *Understanding on the Balance-of-Payments Provisions of the General Agreement on Tariffs and Trade 1994*.[43] The Understanding recognized the provisions of Articles XII and XVIII:B of the GATT without attempting to modify the rights and obligations of members therein. It confirmed the commitments of the Tokyo Round Declaration and sought to avoid any recourse to quantitative restrictions in the pursuit of balance of payments objectives unless the member can justify the reasons why price-based measures such as tariff surcharges were not a sufficiently adequate instrument to achieve such objectives. The Understanding further elaborated the notification requirements and procedures for consultations with the Committee on Balance-of-Payments Restrictions. It has been suggested that the overall intent of strengthening the procedures surrounding notification and review by the Committee on Balance-of-Payments Restrictions has been to place balance of payments trade restrictions under heightened scrutiny, with a view to their subsequent elimination.[44] There was no mention of any formal mechanisms to permit greater coherence between the IMF and the GATT/WTO in the process.

An issue that has not been addressed by the WTO or the IMF is the limited utility of the original framework for determining the application of trade restrictions for balance of payments purposes. Roessler has argued that the elimination of the system of fixed exchange rates has also eliminated the comparative focus on a single exchange rate upon which the need for restrictions could be evaluated.[45] The elimination of the par value exchange rate as a basis upon which all others could be compared has left the system in a situation in which a country could seek to justify the use of exchange restrictions (or the exchange rate that resulted from them) on the basis of almost any exchange rate. The capacity of the Fund to perform its advisory function, as well as the ability of the GATT Balance-of-Payments Committee to perform its legal function, have therefore been compromised by developments in the international economic environment.[46] Roessler has attempted to explain how the GATT's original criteria for determining the legitimacy of recourse to import restrictions has lost its applicability in the present system:

> As the par-value system and subsequently also the system of central rates broke down, the Fund gradually ceased, in its findings submitted to the GATT Balance-of-Payments Committee, to relate the level of restrictions to that of the reserve problem. In most cases the Fund now provides the Committee merely with information on the macroeconomic situation of the consulting country and with a more or less clearly formulated expression of

[43] World Trade Organization, *The Results of the Uruguay Round of Multilateral Trade Negotiations: The Legal Texts* (Geneva, 1994), 27-31.
[44] Trebilcock and Howse, supra note 23 at 63.
[45] Roessler, supra note 13 at 378.
[46] Roessler, supra note 13 at 378.

> the view that the restrictive import measures should be replaced by more fundamental adjustment policies. The conclusions of the GATT Balance-of-Payments Committee on the restrictions has been correspondingly vague. It, too, has generally limited itself to more or less strictly worded exhortations to remove or modify the measures.[47]

The above arguments would suggest that a re-examination of the roles of the GATT and IMF instruments related to trade measures for balance of payments purposes should be undertaken by the respective international institutions. Such an examination should necessarily incorporate an evaluation of strategies that might promote greater coherence between the two institutions.

Antidumping provisions are another trade measure that were drafted during the period of fixed exchange rates that have failed to take into account situations of exchange rate variability. The original antidumping provisions of the GATT's Article VI were drafted during the initial Bretton Woods honeymoon. The subsequent refinements to the antidumping provisions, manifest in the 1979 Antidumping Code, ignored the question of exchange rates. Under a system of floating exchange rates, an exporter might charge less in a foreign market as the value of the currency appreciates without suffering a loss in profits.[48] The result has been the application of antidumping duties to imported products whose producers choose to absorb the exchange rate fluctuations rather than alter their export price.[49] A study by Hoffer has suggested that the Antidumping Code has been construed restrictively against imports by condoning the 'minimal causation standard' without taking due account of exchange rate fluctuations.[50] The result has been a threat to liberal trade:

> This standard subverted the plain meaning of Article VI and chilled trade, by encouraging affirmative injury findings even if harm to the industry was not 'significantly' caused by the dumped imports. As a result, afflictions to industry caused by factors other than dumped imports are now routinely applied to dumped imports. Today, authorities still focus on the same old factors to assess causes which were relevant when Article VI was first adopted, to the exclusion of continuous corrections in currency values. Unfortunately their anachronistic analyses now over-inclusively attribute injury to exporters instead of currency changes that the latter could not hope to control.[51]

This practice has been most prevalent in domestic situations where protectionist sentiments have been strong.

Another trade policy response that has been attributed to exchange rate volatility is countertrade. The practice is defined as a "composite transaction in which the sale of a product, which can include goods, know-how or a service (including tourism), is linked to, and to some extent paid by, the purchase of another product or products."[52] Countertrade transactions can take place through a number of channels, including barter agreements, counter-purchase agreements, buy-back agreements, offset agreements, and joint venture agreements.[53] Such practices are an attempt to avoid the rigidities often imposed on firms and national economies by monetary forces.

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[47] Roessler, supra note 13 at 378.
[48] S. M. Hoffer, "May Exchange Rate Volatility Cause Dumping Injury?" *Journal of World Trade* 26 (1992): 62.
[49] McCormack, supra note 28 at 25.
[50] Hoffer, supra note 48 at 62.
[51] Hoffer, supra note 48 at 62.
[52] F. Schwank, "Countertrade," *International Banking Law*, November 1988, 84.
[53] Sarcevic, supra note 7 at 217.

> Numerous debtor countries (buyers) do not have sufficient foreign exchange reserves to finance their purchases nor can they afford to take out new loans. Other countries (buyers and sellers) simply wish to avoid the risk of having their contractual obligations distorted by market swings caused by unpredictable interest rates and exchange rates. Thus the increasing use of countertrade arrangements may be regarded as an attempt to separate trade from monetary issues in order to avoid the uncertainty of the financial markets. As such, their impact on normal trade patterns is inevitable.[54]

The impacts of countertrade on international trade are numerous. They include the risk of fraudulent transactions and the destabilizing effects it can have on markets for raw materials.[55] Furthermore, countertrade "encourages inefficient transactions and thereby slows the adjustment process that trade flows should encourage," as well as contributing to problems regarding the quality and servicing of industrial goods."[56] The fact that countertrade transactions are effectively 'off the books' and are often arranged in an ad hoc nature precludes the availability of traditional warranties or other arrangements regarding the servicing of goods. Furthermore, the protection of the importing country in terms of the quality and service of products is further precluded because of the separation of the producer and consumer that often inheres in countertrade transactions, as manifested in the use of third parties such as brokerages to distribute the goods.

EXCHANGE RATE AND BALANCE OF PAYMENTS CONTROLS FOR TRADE PURPOSES

There are two types of exchange controls that have been applied for trade purposes. The first is an attempt by a country to restrict the right of its residents to spend their local currency abroad. Such restrictions have similar effects on trade as import tariffs or import restrictions.[57] In effect, they protect domestic industries by limiting import demand.[58] The second occurs when a country attempts to prevent a non-resident from repatriating currency obtained within that country. This technique is highly trade distorting.

> As far as trade is concerned, this means that exporters in other countries cannot use their export earnings in the restricting country to purchase goods in third countries, and that nations trading with the restricting country cannot use a trade surplus with that country to meet deficits with third countries. The result is trade-impeding bilateralism. By introducing non-resident convertibility a country contributes to the realization of the GATT principle of non-discrimination.[59]

The provisions of the GATT attempt to prevent the application of exchange controls with effects that are equivalent to trade restrictions. Article XV:4 of the GATT stipulates that "contracting parties shall not, by exchange action, frustrate the intent of the provisions of the [General] Agreement." However, it should be pointed out that Article XV:4 must be read in conjunction with Article XV:9, which exempts the use of exchange controls implemented in accordance with the IMF Agreement from *all* GATT obligations.[60]

There was some initial uncertainty as to how the IMF would attempt to determine the legality of such measures. A decision of the IMF directors clarified the issue by stating that the "guiding principle" that

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[54] Sarcevic, supra note 7 at 217.
[55] Jackson and Davey, supra note 8 at 1201.
[56] Jackson and Davey, supra note 8 at 1201.
[57] Roessler, supra note 13 at 368.
[58] Roessler, supra note 13 at 368.
[59] Roessler, supra note 13 at 368.
[60] F. Roessler, "Selective Balance-of-Payments Measures Affecting Trade: The Roles of the GATT and the IMF," *Journal of World Trade Law* 9 (1975): 643.

will be used to ascertain whether a measure will be considered an exchange restriction is whether the technique employed "involves a direct governmental limitation on the use or availability of exchange."[61] There is a disturbing lack of transparency in decisions by the Fund on whether to approve exchange restrictions:

> It does not consult the CONTRACTING PARTIES to GATT before taking such decisions nor does it inform them immediately afterwards. The GATT's only source of information on them are confidential documents submitted by the Fund to the Balance-of-Payments Committee that are not made available to all the contracting parties and that concern only the countries consulting in the Committee. The approval decisions therefore escape public scrutiny and systematic examination by the trade interests acting through GATT.[62]

Trebilcock and Howse have indicated that "there is some evidence that Contracting Parties have sought to minimize IMF scrutiny of *trade* measures, by advocating a narrow interpretation of Article XV:4, which limits the IMF's role to that of providing statistical findings concerning a balance of payments crisis."[63] However, they note that there has also been some indication that GATT panels may be inclined to take a more expansive view of the IMF's role. In the *Korean Beef Case,*[64] a GATT Panel went beyond merely accepting Fund data, opting to defer to "advice" provided by the IMF.[65] The ambiguity inherent in such conflicting interpretations of the Fund's role in GATT Panel decisions has been compounded by the fact that the IMF may also impose a requirement that trade and/or exchange restrictions be lifted as a condition of assistance.[66] It has been argued that the overall effect of these developments is such "that today, whether a Contracting Party chooses to enact trade restrictions or currency measures to address a balance of payments crisis, it will find its actions subject to a similar level and kind of scrutiny by the IMF."[67]

Another issue that is often overlooked is the fact that there are a number of factors apart from the balance of trade that can have destabilizing effects on the exchange rate. Such factors include the spatial mobility of currency for investment reasons, remittances of expatriate workers, and the speculative activities of currency traders based on projected calculations of the future value of currencies.[68] Some of the issues related to the mobility of currency and investment flows will be addressed in the following section on the liberalization of trade in financial services. In the current context, it might nevertheless be important to briefly note the effects such activities can have on exchange rates.

The bulk of foreign exchange transactions conducted in world markets today is no longer accounted for by payment of traded goods; non-trade factors such as foreign exchange trading now dwarf levels of trade in goods.[69] This has been documented by Kenen:

> In 1980, daily trading in American currency markets averaged less than $18 billion; in 1986, it averaged almost $60 billion; and in 1992 it averaged more than $190 billion. Daily trading in London, the World's largest currency market, averaged $300 billion in 1992.[70]

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[61] Roessler, supra note 60 at 642.
[62] Roessler, supra note 13 at 369-70.
[63] Trebilcock and Howse, supra note 23 at 65.
[64] *Republic of Korea—Restrictions on Imports of Beef (Complaint of the United States)* (1990), GATT Doc., 36th Supp., B.I.S.D., 268.
[65] Trebilcock and Howse, supra note 21 at 65.
[66] Treblicock and Howse, supra note 21 at 65.
[67] Treblicock and Howse, supra note 21 at 65.
[68] Trebilcock and Howse, supra note 21 at 59.
[69] Treblicock and Howse, supra note 21 at 65.
[70] P. B. Kenen, *The International Economy,* 3rd ed. (Cambridge: Cambridge University Press, 1994), 3.

This can be contrasted with the *annual* figures for world trade, which totalled US$2,035 billion in 1980 and US$3,506 billion in 1991.[71] The net effect of such figures is that "comparative advantage in trade can easily be wiped out, at least in the short run, by changes in exchange rates due to these non-trade factors."[72] These figures also raise the issue of the efficacy of protectionist trade policy reactions to exchange rate fluctuations. As one analyst remarked: "Isn't the trade policy tail trying to wag the financial dog?"[73]

FINANCIAL SERVICES TRADE LIBERALIZATION

Financial services are similar to other services in that they are "intangible, invisible and non-storable, and are traded through flows of goods, people, information or money."[74] Trade in financial services takes place through two principal channels. The first is cross-border trade, in which domestic consumers purchase financial services from a foreign supplier located abroad. The second is the establishment of commercial presence (whereby a foreign supplier obtains an equity stake in a domestically-owned institution or establishes an affiliate in a foreign territory through direct investment and sells financial services directly to domestic consumers.)[75] The liberalization of trade in financial services permits a more rational allocation of resources and contributes towards maximizing gains from trade in a similar fashion as trade in goods and other services. Trade in financial services "enhances competition and efficiency, lowers prices, and improves the variety and quality of financial services and products available in the market."[76] It is also argued to have stabilizing effects on the financial sectors of individual market economies and the international financial architecture as a whole.

The issue of liberalization of trade in financial services can be clearly understood in light of the financial disturbances that have recently burdened the international financial system. A number of financial crises have destabilized the emerging market economies in recent years, including the Mexican Peso crisis of 1994-5, the Asian crisis of 1997, and the Russian crisis of 1998. It is important to note that the effects of these crisis situations were distributed far beyond the parochial boundaries of the individual nation states in which the meltdowns occurred. The difficulties spread from one state to the next within particular regions through the process that has been subsequently referred to as 'contagion.'

The effects were also transmitted to the economies of the industrialized world. Financial institutions and other intermediaries from industrialized nations that had been playing a greater role in the financial sectors of the emerging market economies suffered losses at the hands of borrowers who were unable to repay loans. Although many financial institutions were eventually bailed out through the disbursement of funds by international lender of last resort facilities such as the IMF, investors still took a hit, particularly those who had invested in equity investments. The trade partners of crisis-afflicted areas also suffered tremendous losses through trade spillover effects. As exchange rates crashed, capital flight accelerated and foreign domestic economies suffered extreme downturns in economic activity, as the demand for exports to crisis countries became sharply depressed.[77] Such price and income effects later reverberated beyond their initial bilateral linkages to affect price competition and income levels in third markets.[78]

In the wake of the crises, there is now greater recognition of the relationship between many of the debates in the field of international economics and the subject of financial services liberalization. There is ongoing debate regarding the correlation between efforts to impose or remove controls on capital movements

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[71] Trebilcock and Howse, supra note 21 at 59.
[72] Treblicock and Howse, supra note 21 at 59.
[73] J. H. J. Bourgeois, "GATT Surveillance of Trade-Related Policies: A Comment," in Petersmann and Hilf, supra note 13 at 223.
[74] N. Tamirisa, *Trade in Financial Services and Capital Movements,* IMF Working Paper WP/99/89 (July 1999), 4.
[75] N. Tamirisa *et al., Trade Policy in Financial Services,* IMF Working Paper WP/00/31 (February 2000), at 4.
[76] Tamirisa *et al.*, supra note 75 at 3.
[77] Caramazza *et al., Trade and Financial Contagion in Currency Crises*, IMF Working Paper WP/00/55 (March 2000) at 5.
[78] Caramazza *et al.*, supra note 77 at 5.

and the opening of the domestic financial services sector to foreign competition within the overall canvas of international financial liberalization.[79] While countries in the developing and industrialized worlds are questioning the extent to which capital accounts should become or remain liberalized, similar questions are being posed regarding the extent to which international capital movements are related to domestic financial sectors. It has thus been postulated by Drabnek that the crises and their concomitant post-mortem apprehensions have at their root an interwoven common denominator: the enormous expansion of international capital flows combined with a dramatic opening of markets for financial services:[80]

> The rapid growth of foreign capital flows has been made possible, *inter alia,* by two kinds of measures—a reduction in foreign exchange restrictions on international capital movements, sometimes popularly known as measures leading to the introduction of "capital account convertibility," and by the liberalization of financial sectors. The former allowed freer access to foreign capital by domestic residents and the latter enabled an access by foreign investors to enter domestic financial institutions as partial or sole owners.[81]

There have been suggestions that the liberalization of financial services can have a direct impact on strengthening the institutional architecture underlying the international financial system, particularly by improving the stability of domestic financial sectors:[82]

> Allowing entry of foreign financial services providers under adequate prudential regulation and supervision could help strengthen financial systems. It tends to promote market discipline and encourage domestic providers to improve operational efficiency and strengthen their internal controls and risk management practices. It could also facilitate technology transfer and encourage improvement of financial infrastructure. Fundamentally, an open and liberal trade regime is essential for creating an efficient financial sector. When a financial sector is protected from foreign competition, it is more likely to become structurally weak over time and fall behind, given the rapidly moving frontier of knowledge in finance.[83]

It has also been argued that trade liberalization acts to promote transparency in the financial sector, as foreign financial institutions demand the accurate transmission of information as well as the use of proper auditing and accounting practices. Further, it contributes to a harmonization of practices through the importation of international standards.

Kono and Schuknecht have suggested that the debate might be more appropriately framed around the question of which type of financial services trade encourages "high quality" capital flows. For example, there might be some benefit in determining which types of services act to promote flows which can be absorbed by the domestic economies into which they flow, that have a balanced maturity and instrument structure, and do not display excessive volatility.[84] One particularly relevant factor in making such a determination would involve structuring a financial services regime so that it encourages limitations on the capacity of financial market actors to engage in short term or highly speculative transactions.

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[79] Tamirisa *et al.,* supra note 75 at 4.
[80] Z. Drabnek, "Foreward," in J. Williamson, *Whether and When to Liberalize Capital Account and Financial Services,* WTO Working Paper ERAD-99-03 (September 1999).
[81] Drabnek, supra note 80.
[82] Tamirisa *et al.,* supra note 73 at 3.
[83] Tamirisa *et al.,* supra note 73 at 24.
[84] M. Kono & L. Schuknecht, *Financial Services Trade, Capital Flows, and Financial Stability,* WTO Working Paper ERAD-98-12 (November 1998).

There are others who argue that there need not necessarily be a correlation between financial services liberalization and increased capital mobility. John Williamson, the Chief Economist for Southeast Asia at the World Bank, has suggested that the benefits of financial services liberalization can in fact coexist with a situation of restricted capital mobility.[85] This argument is predicated on the belief that unrestricted capital mobility is the chief determinative variable of the recent financial crises. Williamson would suggest that a strong financial sector alone is not enough to prevent a recurrence of the turbulence that infected financial markets. Instead, there must also be a limited number of restrictions on the capital account. He suggests that one important restriction would be the maintenance of reserve requirements against foreign deposits. The recent monetary policy of Chile is illustrative of such a restriction. It should, however, be noted that there remains an implicit relationship between international trade and finance, notwithstanding the absence of a theory postulating a direct correlation between capital mobility and financial services liberalization.

An interesting, albeit tangential, reference made by Williamson that should be considered in light of the current discussion concerns a suggestion regarding conditions of market access in financial services. Williamson suggests that the head offices of financial service institutions operating abroad should be required, as a condition of access, "to give their local branches liquidity support even during balance of payments crises." He goes on to suggest that "[i]t would be a mistake to have an international agreement whose effect were to prohibit countries from demanding such terms."[86] In essence, such a requirement would suggest that trade regulations should be drafted with a view to militating against the inclusion of the conditions precedent to a financial disturbance. It is interesting to note how such a seemingly innocuous prescription for financial stability can ignore the difficult intersection of international finance and trade or, more specifically, the lack of existing mechanisms of coordination to navigate such a course.

The merits of any one particular component of the ongoing debates regarding the relationship between capital mobility and the liberalization of financial services are of less salience in the current discussion than the illustrative value of such debates in highlighting the fact that there *are* significant interrelationships to be addressed. The analysis can be further elucidated through a cursory examination of the regime for trade in services.

THE LEGAL DIMENSION

The first significant attempts at multilateral liberalization of financial services occurred under the WTO General Agreement on Trade in Services (GATS) and the related Agreement on Financial Services. The GATS rules establish a basic framework for the conduct of trade in services. The primary GATS obligations are those of transparency and the most favoured nation (MFN) principle, which apply to all sectors regardless of any specific liberalization commitments.[87] There are inherent weaknesses in the GATS, such as the fact that, unlike trade in goods, national treatment is a negotiable rather than automatic right, and that the MFN principle is subject to reservations.[88] The provisions concerning the liberalization of market access are also conditional. The schedules contain lists of sectors that are to be bound according to their modes of supply and under particular conditions.[89] For the purposes of the present discussion, it might be important to note that there is provision for the two dominant forms of financial services trade: Mode 1 applies to the cross-border supply of services and Mode 3 applies to the establishment of commercial presence

[85] Williamson, supra note 80.
[86] Williamson, supra note 80.
[87] P. Sorsa, *The GATS Agreement on Financial Services—A Modest Start to Multilateral Liberalization*, IMF Working Paper WP/97/55 (May 1997), 7.
[88] Sorsa, supra note 87 at 7.
[89] Sorsa, supra note 87 at 7-8.

in another country.[90] As in the GATT agreement, there are exemptions for countries facing balance-of-payments difficulties, which include restrictions on capital transfers.[91]

It is not necessary to delve into the minutiae of the GATS agreement to comprehend its implications for international financial markets. Similar to the goods-based trading system, the trade regime that has developed in the service sector has omitted major avenues for coordination between the WTO and IMF on the finance-related aspects of financial services trade policy. Such an omission is particularly glaring in light of the fact that the GATS agreement has taken certain liberties with respect to issues typically under the purview of the IMF. For example, the GATS mandates the free mobility of capital in situations where this is necessary to provide the service. This requirement is articulated in the footnote to Article XVI, which reads:

> If a Member undertakes a market-access commitment in relation to a supply of a service through the mode of supply referred to in subparagraph 2(a) of Article I and if the cross-border movement of capital is an essential part of the service itself, that member is thereby committed to allow such movement of capital.

Moreover, the GATS specifically interferes with two articles of the IMF. First, it interferes with the Fund's jurisdiction over exchange measures related to current account transactions (Article XI), and to restrictions on capital account transactions imposed by the Fund (Article XI:2). Second, Article XII derogates for restrictions imposed to safeguard the balance of payments, which covers current *and* capital restrictions.[92]

COHERENCE: FOREVER AN ELUSIVE GOAL?

The preceding analysis has attempted to illustrate the depth and complexity of interactions between international finance and the world trading system. Such interactions include the substitutability of trade restrictions for balance of payments measures (and vice versa), and the implications of trade liberalization in financial services for international financial markets.

One issue yet to be addressed in this paper is the extent to which there is a jurisdictional overlap and a lack of co-ordination between the WTO and the World Bank. Commentators have gone so far as to state that the World Bank's policy span is virtually a "complete duplication of the WTO's current agenda and prospective."[93] Such a perspective extends beyond the purview of this paper, and presents an opening for further research, but it is clear that the existing channels of co-ordination between the GATT/WTO and the IMF are weak and ineffectual. The original stated aim of the drafters of the GATT, (that the contracting parties seek to establish a co-operative arrangement to co-ordinate the intersection of trade and monetary policies), has not been achieved. As Roessler has documented, "[t]here are cordial and intellectually fruitful relations between the staffs of the Fund and the GATT and an extensive interchange of information between them, but there is nothing that could be described as policy co-ordination between the governing bodies of the two institutions."[94]

It should be reiterated that the WTO and the Bretton Woods institutions operate through different organizational means. The WTO differs from the IMF in that it is a contract-based organization establishing

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[90] M. Vocke, *Investment Implications of Selected WTO Agreements and the Proposed Multilateral Agreement on Investment*, IMF Working Paper WP/97/60 (May 1997), 11-12.
[91] Kono and Schuknecht, supra note 84.
[92] Vocke, supra note 90 at 16.
[93] S. Ostry, "Coherence in Global Policy-Making: Is this Possible?" *Canadian Business Economics* 20 (October 1999): 23; see also Krueger and Rajapatirana, "The World Bank Policies Towards Trade and Trade Policy Reform," *The World Economy* 22, no.6 (August 1999).
[94] Roessler, supra note 13 at 385.

rights and obligations for its members. The role of the WTO Secretariat is to "service the needs of members in the implementation of these contracts, and not to interpret them."[95] It should be noted, however, that the system of dispute resolution within the WTO has indeed attempted to interpret the specific obligations of member states. Furthermore, there is a dramatic difference in staffing and budgetary allocations between the two organizations. The travel budget of the IMF is roughly equivalent to the total budget of the WTO.[96] In order for inter-institutional coherence to become reality, it has been suggested that the institutional capabilities of the WTO be enlarged. This would permit the feasibility of *actual* co-ordination, rather than the mere proliferation of vaguely worded memoranda.[97]

The issue of coherence/co-operation surfaced in the ministerial declarations preceding the Uruguay Round negotiations. The Declaration at Punta del Este established the Functioning of the GATT System (FOGS) negotiating group, which included among its goals the need to improve the "coherence" of international policymaking by establishing better linkage mechanisms between the GATT and the Bretton Woods institutions.[98]

The need for formal coherence was subsequently manifested in the Marrakesh Agreement establishing the WTO. The exposition of the need for coherence was, however, vague and somewhat ambiguous. Article III articulated the functions of the new trade organization:

> 5. With a view to achieving greater coherence in global economic policy-making, the WTO shall co-operate, as appropriate, with the International Monetary Fund and the International Bank for Reconstruction and Development and its affiliated agencies.[99]

The Marrakesh Agreement contained a Ministerial Declaration on the Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policymaking. The Declaration recognized that the strengthened multilateral trading system that was to emerge from the Uruguay Round would mean that "trade policy can in the future play a more substantial role in ensuring the coherence of global economic policymaking."[100] The Declaration further instructed the Director-General of the WTO

> to review with the Managing Director of the International Monetary Fund and the President of the World Bank, the implications of the WTO's responsibilities for its co-operation with the Bretton Woods institutions, as well as the forms such co-operation might take, with a view to achieving greater coherence in economic policymaking.[101]

Other economists, however, continue to favour maintaining vagueness and ambiguity. Gary Sampson, a former director of the WTO's Trade and Environment Division, has argued that a vague exposition of the need for coherence opens the door to new opportunities by establishing "an umbrella under which a number of useful initiatives could be pursued."[102] He goes on to suggest that the coherence objectives of the Uruguay Round Declaration should be lauded as a manifestation of political will on the part of trade

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[95] G. P. Sampson, "Greater Coherence in Global Economic Policymaking: A WTO Perspective," in *The WTO as an International Organization*, ed. A. O. Krueger (Chicago: University of Chicago Press, 1998), 258.
[96] Sampson, supra note 95 at 258.
[97] Ostry, supra note 93 at 24.
[98] Ostry, supra note 93 at 21.
[99] World Trade Organization, supra note 43 at 7.
[100] World Trade Organization, supra note 43 at 442.
[101] World Trade Organization, supra note 43 at 443.
[102] Sampson, supra note 95 at 258.

ministers.[103] From his parochial perspective, all that remains in the way of achieving a successful coherence project is convincing the ministers of finance to exhibit a similar level of "enthusiasm."[104]

CONCLUSION

Jackson has argued that the subject of international economic law is burdened with an "unfortunate bifurcation" in its tendency to maintain a delineation between monetary and trade issues, when in fact they are "two sides of the same coin." As such, "there is a degree of artificiality in separating them as topics."[105] This may be partially a result of the fact that trade and monetary matters are the respective responsibilities of different officials in different governmental departments.[106] It has been argued that this was a contributing factor in the absence of concrete policy mechanisms in the IMF agreement concerning trade. In such a perspective, the role of the Fund would have to be viewed in light of the structure of United States governmental organization, which gives the Treasury Department jurisdiction in financial matters and assigns responsibility for trade matters to the Department of State.[107] The absence of co-ordinating mechanisms might simply be attributable to the absence of a formal international institution related to world trade, although the formation of the WTO has since compromised such an argument.

The initial reluctance to effectively comprehend the level of interaction between the trade and financial spheres, and accordingly co-ordinate proper institutional channels, should have long since given way to a more prudential architecture. Since the international economic environment that precipitated the existing legal framework has evolved to such an extent as to question the utility of its institutional mechanisms, the impetus for progress should have been recognized and affirmed. Furthermore, the formal institutionalization of an international organization to monitor the rules of world trade provided an opportunity for mechanisms providing coherence to become a reality.

It should be emphasized that the present argument is not one in favour of diversifying the capabilities of the existing international institutions. Rather, an effective solution would seek to avoid any such exercises of mission creep. The present analysis should not be viewed as an indictment of institutional capabilities in their respective areas of competence. Functional specificity need not be forsaken in the name of coherence. Instead, the focal point for discussion should involve the appropriate means to develop and institutionalize channels that would permit a coherent exercise of international economic policy coordination and regulation. This is a subject that should be embraced by the constituent ministers of trade and finance in future discussions both within their institutional departments, and beyond.

[103] Sampson, supra note 95 at 258.
[104] Sampson, supra note 95 at 258.
[105] J. H. Jackson, *The World Trading System: Law and Policy of International Economic Relations* (Cambridge: MIT Press, 1989), 22.
[106] C. F. Bergsten and J. Williamson, "Exchange Rates and Trade Policy," in Jackson and Davey, supra note 8 at 842.
[107] Roessler, supra note 13 at 365.

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THE DEATH OF DISTANCE?

GLOBALISM IN INTERNATIONAL RELATIONS

RAJWANT MANGAT[1]

This paper is a theoretical analysis of the processes of globalization and the possibility of change in the state system seemingly suggested by those processes. Rajwant Mangat argues that processes of globalization and internationalism do not imply a fundamental transformation of the society of states. By making a distinction between globalization as a means, and globalism as an end, Mangat arrives at two related conclusions: globalization does not necessitate globalism, and, while the autonomy of the state may diminish, the sovereignty of the state remains intact.

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INTRODUCTION

The idea that the world is shrinking is attracting growing attention in the social sciences. Generally, this claim is merely asserted, rather thoroughly examined. Both mainstream media outlets and a wide spectrum of scholars refer to globalization, globalism and the death of distance with surprising alacrity, despite inadequate definitions for these terms and an incomplete understanding of their consequences.

Since the end of the Cold War, efforts to reconceptualize the state have proliferated. Globalization and globalism have entered popular discourse. The accelerated globalization of the world economy, revolutionary advances in communications technology, and environmental, health and demographic trends are identified as forces undermining the state's authority more than ever before. In addition, the rise of non-state actors, such as transnational corporations, non-governmental organizations and drug cartels, and other global phenomena, have contributed to this perceived decline of the state.

The state, according to some proponents of this view, will become "unbundled" and something larger than the state—a global community—will emerge in its place. A shift from a system of states to something beyond the state would signal a fundamental change in the nature of international society. International relations have become multi-textured in the past few decades with the emergence of new forms of agency. The pace of technological change, the extent of economic integration and the engagement of non-state actors in the provision of public goods such as food and medicine have brought into question the future of the nation-state as the main building block of governance.

Neither the modern state nor the modern world system is necessarily eternal; however, it is too simplistic to assume that the salience of the nation-state as the fundamental unit of international relations is threatened simply because the processes of globalization are underway. Both state and system are continually in flux. States today are different from states in the eighteenth century. They obviously have somewhat different challenges to confront. Nonetheless, the notion of state*hood* remains salient. Today, there are conspicuous differences between the various member states of the United Nations, yet the ontological significance of statehood is the same for Australia as it is for Somalia.

How, then, do we reconcile the notion that the state and the system of states are not eternal with the recognition that states and the system are continually in flux? The awareness that state and system are always changing leads to what Peter F. Taylor called "the adaptation/demise conundrum."[2] If we reject states as eternal but accept that their practices are inherently variable, how do we differentiate between the continual adaptation to new circumstances and a fundamental change in the nature of the system? Specifically, how do international relations theorists distinguish between *inter*-stateness and *trans*-stateness?

The central problem under investigation–whether globalism is fundamentally changing the nature of the society of states–will be discussed with reference to the interplay between globalization (as process) and the nation-state. I argue that simple determinism is erroneous; processes of globalization and interconnectedness do not imply a fundamental transformation of the society of states. By making a distinction between globalization as a means and globalism as an end, I argue two points: that globalization does not necessitate globalism; and, that while the autonomy of the state may be diminishing, its sovereignty remains intact.

DECONSTRUCTING GLOBALISM

Recent years have seen the emergence of a relatively large globalization / globalism literature that commonly treats both concepts as synonymous. Some social scientists are quick to assume that globalism is / will be a

[2] Peter F. Taylor, "Beyond Containers: Internationality, Interstateness, Interterritoriality," *Progress in Human Geography* 19 (March 1995): 1-15.

direct consequence of globalization, without considering that the processes at work are more complex than a simple linear development.

Unlike others,[3] I argue in favour of a clear distinction between globalization and globalism: globalization is a long sociological set of processes, and globalism is a possible (but not probable) socio-cultural end-result for the world system. Defining globalization as a process allows us to conceptualize it as set within multiple contexts, without obscuring obstacles to, and the instability of, globalized social practices. Relevant to this inquiry are three major issues raised in Roland Robertson's definition of globalization as "the compression of the world and the intensification of consciousness of the world as a whole."[4] First, globalization as a process, not an end state; second, the extent of the consciousness of global phenomena; and, third, the compression of space resulting in greater national interdependence.

Globalization is a set of long-term processes by which larger proportions of the world's population become aware of similarities and differences in culture, lifestyle, and wealth.[5] This increasing awareness has been underway since at least the era of European exploration and imperialism. The contemporary era, with its mass communications and transportation technologies, represents an acceleration of globalization rather than something entirely new. Overall, the processes of globalization have been much longer and slower than social scientists would like to admit. They have also been cyclical and subject to major reversals.

Christopher Chase-Dunn, Yukio Kawano and Benjamin Brewer recently completed a study of the trajectory of international trade as a proportion of global production, identifying three distinct waves of globalization since 1795: mid-nineteenth-century to late nineteenth-century, about 1905 to 1929, and 1945 onwards.[6] Between 1914 and 1945, a combination of war and economic nationalism reversed a century's process in economic integration. While international trade grew faster than output throughout the post-war period, the share of trade in the gross domestic product (GDP) of Organization for Economic Cooperation and Development (OECD) states only returned to 1913 levels in the 1970s.[7] In fact, the degree of international economic integration only surpassed levels reached in prior waves of globalization in 1975.[8]

Such a development seems to suggest an upward trend in favor of globalization; however, the study's authors caution that while the magnitude of the trend is significant, "it is not a qualitative leap to a vastly different degree of global integration."[9] Many of today's global markets existed in similar forms long ago. The boom in the 1980s syndicated lending market strongly resembles the nineteenth-century cycles of lending, over-lending, defaulting and fresh lending.[10] Also, today's transnational corporations have recognizable forebears in the trading companies of the past, such as the British East India Company.

Increased dissemination of information about the "Other" may lead to emulation and acculturation—and thus a perceived reduction of differences—but the processes of globalization are just as likely to lead to the amplification of differences. Xenophobic responses to perceived "global" or "Western" phenomena, such as enforcing strict codes of "community" conduct (particularly for women), represent one form of extreme response. The central problem of contemporary global interactions is the tension between

[3] Among them James N. Rosenau, Arjun Appadurai and Kenichi Ohmae.
[4] Roland Robertson, *Globalization: Social Theory and Global Culture* (London: Granta Books, 1991), 8.
[5] David J. Elkins, *Beyond Sovereignty: Territory and Political Economy in the Twenty-First Century* (Toronto: University of Toronto Press, 1995).
[6] Christopher Chase-Dunn, Yukio Kawano, and Benjamin Brewer, "Trade Globalization Since 1795: Waves of Integration in the World System," *American Sociological Review* 65, 1 (February 2000), 87-88.
[7] Vincent Cable, "The Diminished Nation-State: A Study in the Loss of Economic Power," *Daedalus* 124 (Spring 1995), 24.
[8] Roughly mid-way through the period most typically associated with popular conceptions of globalization.
[9] Supra note 6 at 88.
[10] Ibid.

cultural homogenization and cultural heterogenization;[11] however, this is not a tension between homogenization *or* heterogenization but rather between the ways in which these tendencies interact and elicit cultural responses. Arguments in favour of a global community fail to consider that globalization does not nullify locality; at least as rapidly as ideas and commodities are brought into societies, they become indigenized. The reinterpretation and indigenization of "global" ideas and pressures seen in the process of glocalization[12] refutes the end-state of globalism.

There is a tendency in scholarship and popular discourse to conceptualize globalization as a singular process moving in a uniform direction without considering its complexity and dynamism. These representations—often sharing the logic of "technological determinism"—distort both the scope and scale of globalization.[13] James Sidaway outlines five contradictory tendencies within globalization: universalization vs. particularization; homogenization vs. differentiation; integration vs. fragmentation; centralization vs. decentralization; and juxtaposition vs. syncretization.[14] Of these, the dialectics of homogenization / differentiation, and juxtaposition / syncretization illustrate the need to see space and place as part of a duality.

Inasmuch as globalization results in an essential "uniformity" on the surface level according to the "coca-colonization thesis" or the "modernization leads to westernization" hypothesis,[15] it also involves the rearticulation and reconstruction of the global in relation to local circumstances. By compressing time and space, globalization forces the juxtaposition of different societies, life-styles and cultural practices. This reinforces social and cultural prejudices and boundaries while simultaneously creating "shared" cultural and social spaces.[16] In this respect, consider the movement of moneys propelling the Arab property grab in Mumbai. On one hand, it has created a fear that Arabs are "buying up" Mumbai. On the other hand, it has simultaneously spurred a demand for Arab-imported commodities which has transformed consumer preferences. These processes feed off one another; neither is the dominant force.

The space of the whole takes on meaning through place and each constituent part (nation) engenders the space of the whole in its interconnection with other parts (nations). None of the globalization as space-time compression currently occurring signifies the straightforward end of each part. In the age of "hyperspace," the locality acquires a new significance within a more complex and relativistic space.[17] The geo-politics of place can become more, rather than less, emphatic. The overseas movement of Tamils has been exploited by a number of strategic interests both within and outside Sri Lanka to create complex networks, in which the issue of maintaining a sense of Tamil culture for (some) Tamils abroad has become increasingly tied to the politics of fundamentalism at home. This situation is not unique to Sri Lankan Tamils, as Sikh and Hindu communities in North America and the UK have been similarly exploited.

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[11] Arjun Appadurai, *Modernity at Large: Cultural Dimensions of Globalization* (Minneapolis: University of Minnesota Press, 1996).

[12] The term "glocal" and its derivatives are "formed by telescoping global and local to make a blend"—this idea has been "modeled on Japanese *dochakuka* (deriving from *dochaku* "living on one's own land"), originally the agricultural principle of adapting one's farming techniques to local conditions, but also adopted in Japanese business for global localization, a global outlook adapted to local conditions"; Elizabeth Knowles and Julia Elliot, eds. *The Oxford Dictionary of New Words* (Oxford: Oxford University Press, 1997), 134.

[13] Randall Germain, "Globalization in Historical Perspective" in *Globalization and its Critics: Perspectives from Political Economy*, ed. Randall Germain (New York: St. Martin's Press, 2000), 71.

[14] James D. Sidaway, "Political Geography in the Time of Cyberspaces: New Agendas?" *Geoforum* 25 (November 1994), 492.

[15] Samuel Huntington, "The West: Unique, Not Universal," *Foreign Affairs* 75 (November/December 1996).

[16] Supra note 14.

[17] Supra note 14 at 492.

If the contradictory tendencies within the process of globalization complicate globalism significantly, can there then be an "imagined" global community?[18] The imagination, and how we perceive ourselves in relation to others, is a powerful force in the creation of identities. Humans have multiple levels of reference including gender, nationality, citizenship, and class. Among these levels of reference is an awareness of the existence of the other levels. Of course, the degree of this awareness is variable. Eva Cadwallader suggests that many in the world have adopted a new paradigm, the "global ethos." She defines this ethos as "viewing oneself as part of a global community… and pledging one's overriding loyalty to the global community…."[19] Her conclusions, however, are idealistic; the global consciousness (that most of us have to some degree) does not command primary loyalty in self-identification. Despite accelerated interconnectedness, people continue to identify primarily and most significantly with the nation-state.

GLOBALIZATION AND THE STATES SYSTEM

It is tempting to conclude that globalization has made the traditional nation-state redundant, that national-level governance is ineffective in the face of increasing globalization. The tendency to perceive the state and globalizational interdependence as diametrically opposed extremes is wrong. The state is a key element within processes of globalization rather than something opposed to them (or rendered obsolete by them). In other words, the state, acting as an agent in the process, increasingly facilitates globalization.[20] What contributes to the confusion about the relationship between the state and processes of globalization is the tendency to discuss *inter*-stateness as though it was interchangeable with *trans*-stateness.

The terms "interstate" and "internationality" imply more than direct relations (*quid pro quo*) between states. They also evoke conceptions of mutual dependence and reciprocity inherent in interstate relations. States are defined through their relations with one another in the system. Hence, the state is not absolutely a "thing" in and of itself but simultaneously also a form of social relations. Thus, internationality is a process *sui generis*, rather than a static concept. Nation-states have been undergoing a process of increasing internationality since their inception. To search for signs of the demise of states is to go beyond the processes of interstateness and internationality to a condition of trans-stateness.[21] A focus on trans-stateness should imply more than simply a lateral move *across*; it should signify a move *beyond*. There is a polarity between interstateness and trans-stateness: the former defines processes reinforcing states whereas the latter refers to processes that undermine them. Interstateness accommodates states within a dynamic modern world-system, while trans-stateness implies the fundamental demise of states in a transition from that system.

ANALYTICAL FRAMEWORK

The state and the system of states are not eternal; they are constantly in flux. How then can we differentiate between common adaptation and a fundamental change in statehood?

The foundation of statehood is the concept of sovereignty, understood through the principle of *par in parem non habat imperium*.[22] Sovereignty is neither strict autonomy nor absolute freedom from constraints. So long as there is a system of states, states will not be free from outside influence in economic and political policy-making. Sovereignty remains the cornerstone of international relations, as it is the essential norm of the society of states. Fundamental change in the society of states will only occur if state sovereignty is eroded.

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[18] Benedict Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, revised ed. (London: Verso, 1991).
[19] Eva Cadwallader, "Ultimate Reality and Meaning in the Conflict Between Globalism and Anti-globalism," *Ultimate Reality and Meaning* 17 (September 1994), 232.
[20] James Mittelman, "The Globalisation Challenge: Surviving at the Margins," *Third World Quarterly* 15 (1994).
[21] Supra note 2 at 12.
[22] "Equals hold no jurisdiction over one another."

The following section will illustrate that globalization has not resulted in the erosion of state sovereignty. The state is increasingly losing its autonomy in decision-making, but still remains the sovereign agent of change in international relations. Processes of globalization and internationality are not necessarily a prelude to globalism or strict internationalism.

"UNBUNDLING" THE STATES SYSTEM?

At first glance, it might seem plausible that the very rapid growth of global networks and economic integration is creating the basis for an imagined global community to replace the nation-state. It is even tempting to assume that globalization is leading to an emerging global consciousness. David Elkins makes the claim that a process of "unbundling" identities that may change the significance of particular identities is occurring. According to Elkins, the nation-state was once at the apex of identity-formation, but has recently become a single component within a system of multiple identities and loyalties.[23]

The idea of multiple identities is not new, as Elkins himself concedes. He argues that the bundling of the state led to a hierarchy of identities. I contend that a contextually-defined multiplicity of hierarchies has always determined how people identify themselves. In some cases, persons may identify themselves primarily through gender; in other circumstances though citizenship, ethnicity, class, language, and so on. The multiple hierarchies that Elkins sees emerging in the twenty-first century already exist and have for millennia. The nation-state is only one of many bases of identity. Even if we were to assume only one primary identity for each person, there is nothing to suggest that that identity would necessarily be global in nature. Again, the disintegrating processes in globalization are just as powerful as the integrating processes.

TERRITORY AND POPULATION

Many theorists contend that the days of the state as a territorial entity are numbered because of the unprecedented flow and exchange of ideas, information, popular culture, narcotics, environmental hazard, etc. They inaccurately assume that challenges to the boundaries and coherence of some states signify the demise of all states and sovereignty as a principle. It has indeed become apparent that the world's social system is becoming more tightly integrated and connected. But while economic, social and cultural flows are increasing, the dominant paradigm of international relations remains territorial. And moreover, states have rarely existed as isolated entities; their boundaries have always been contested through warfare, illegal and legal migration, and trade.

The relatively quick and increasingly unconstrained exchange of ideas, information and commodities has yet to challenge the foundation of territorial statehood. While it has been argued that international markets and communications media have reduced the state's exclusive control of territory, the state continues to regulate populations. People are still less mobile than currency, goods, and ideas. They continue to depend on passports, visas and laws regarding residency and labour.[24] The state's role as possessor, defender and regulator of a defined territory gives it international legitimacy and responsibility in speaking and acting on behalf of its citizens and their interests. At the international level, no other agency or group can claim this right, unless it has been given *de facto* state status, similar to the PLO's special "near state" status in the United Nations. A nation-state is a place where most people feel connected to one another;[25] it is the politics of the first person plural (*we*). The government is perceived to have a right to speak for the people because it represents *us*.

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[23] Supra note 5 at 31.

[24] Paul Hirst and Grahame Thompson, "Globalization and the Future of the Nation State," *Economy and Society* 24 (August 1995): 409.

[25] There are exceptions to this, such as secessionist movements or people fleeing from repressive regimes; however, even people contesting the boundaries of the state still seek to create a new state or to find sanctuary in another.

Some theorists argue that the "us versus them" dialectic of identity politics will eventually be weakened as new communications and information technologies and non-governmental organizations loosen the state's exclusive control of territory.[26] But processes of globalization do not necessitate an either/or scenario. Cosmopolitanism and national cultures do interact and coexist. Distinct local traditions will continue to endure alongside "imported" cultural or social practices. The Japanese, for example, have engaged in deliberate, aggressive and selective cultural borrowing, followed by a Japanization or adaptation of foreign ideas and practices. The concept of *woken, yosei* (Japanese spirit, Western technique) illustrates the spirit of such acculturation. Interaction and borrowing between civilizations and cultures have always taken place without eroding territorial integrity. The Chinese absorption of Buddhism from India has hardly challenged the Chinese cultural or territorial identity. Nor has the vibrancy of diasporic communities, in merging host and homeland cultural practices, proven to be a threat to the host culture. Culture is dynamic by definition. It is through acculturation and interaction that cultures continue to grow and adapt. Cultural adaptation and the ability to change is perhaps the greatest constant in allowing culture to thrive.

The state may have less control over ideas and opportunities than it did in the past because information is becoming increasingly mobile. However, apart from an elite group of highly skilled professionals, undocumented migrant workers, desperately poor refugees and other displaced persons, the bulk of the world's population is not actively challenging territorial boundaries.[27] Increasingly, the poor of the South are unwelcome in the North. In the absence of free trade in humans, states retain power over their populations in defining essentially who is and is not a citizen and, more importantly, who can and cannot become one. Despite the rhetoric of globalization—which presumes the eventual dissolution of territorial boundaries—the bulk of the world's population continues to seek solutions within the confines of the state.

THE CHALLENGE OF NON-STATE ACTORS

Another supposed challenge presented by globalization to the sovereignty of the state is the intensification of non-state activities. Increasingly, through transnational and multinational organizations, citizens pressure their governments from two directions. "Lateral" pressure may be exerted through non-governmental organizations in other countries where the home country is favourably disposed to the desired change. "Downward" pressure may be exercised by international non-governmental organizations. This can occur when transnational organizations perceive a government is not complying with "global" norms or commitments, or when the state is incapable of providing goods and services adequately.[28]

Despite the increasingly common use of such tools to influence governments, it would be presumptuous to infer that the nation-state will become a less critical actor in international relations because of NGOs or INGOs. These non-governmental organizations can expect to be part of the changing order, but they are still dependent on the willingness of nation-states to empower them with resources, or allow them into areas that have traditionally been under the sole authority of the state. If Medecins Sans Frontieres enters a crisis zone to provide medical assistance, it has done so with the consent of states (or agents representing states) and with resources provided by states.

Hence, what is perceived by some as an erosion of state sovereignty is really a realization on the part of states that sovereignty can be shared under some circumstances. The suspension of funding by ECHO, the European Union's humanitarian aid wing, to agencies who have signed the Memorandum of Understanding (MOU) with the Sudanese government, along with the withdrawal of twelve NGOs from Southern Sudan (including World Vision International, Care International, Oxfam and MSF-Holland) due to a controversy

[26] Supra note 24.
[27] Ibid.
[28] George A. Lopez, Jackie G. Smith, and Ron Pagnucco, "The Global Tide," in *Annual Editions: Global Issues 96/97*, Annual Editions Series (Guildford: Dushkin Publishing Group, 1996), 38.

over the MOU, exemplifies the growing interdependency of actors on the international stage, and the continued relevance of the state in empowering NGOs with both resources and access.[29]

The traditional view of sovereignty as an immutable and untouchable "thing" has little relevance in international relations today. Sovereignty should not be perceived as rigid and uniform. Some will argue that redefining sovereignty is just an obscurist excuse to justify something that does not exist. However, reconstructing the term does not challenge its continued significance in international relations: states and state sovereignty continue to be the foundation of international relations even as different groups exercise agency at the international level. States remain sovereign not in the sense that they are "all powerful" or "omnicompetent" within their territories but simply because they continue to represent and remain accountable to those within their territorial borders, through modifying and rearticulating institutions and policies in a changing, multi-agent environment.

Regulatory regimes, international organizations and common policies sanctioned by treaty all come into existence when nation-states agree to create them and confer legitimacy on them. In this respect, sovereignty is alienable and divisive: states cede power to supra-state agencies. Sovereignty is of positive significance as a distinguishing feature of the nation-state. The state has a role as a source of legitimacy in transferring power or sanctioning new powers, both above and below it: above—through agreements between states regarding international law and governance—and below—through the state's restructuring of power between sub-units within its territory.[30]

Politics is becoming increasingly polycentric; states occupy one level in an intricate system of overlapping and competing agencies of power. Because international society today is highly integrated, states must act as pivots between the various forms of agency that they sanction and regulate, such as non-governmental organizations. Extreme globalization theorists like Kenichi Ohmae maintain that the forces of the global marketplace and transnational corporations cannot be effectively governed by the state.[31] However, markets and transnational corporations can only provide interconnection and coordination if they are governed: if nations provide the pivot between corporations and the consumers who will purchase their goods. Nation-states are necessary as "agencies of representation."[32] The nation-state acts as the ultimate "olive tree," to use Thomas Friedman's words, as it represents the decisive expression of to whom we belong--linguistically, geographically, historically and ideologically.[33] Dr. Mahathir's tirade against globalization and the West following the Asian economic crisis in 1997 and his decision to "opt out" of the market system—as economically misguided as it arguably was—exemplifies the primacy of state agency.

THE GLOBAL ECONOMY?

There is a general consensus amongst globalization theorists that economic integration is the hallmark of globalism. This view contends that national economies are no longer intrinsically "national" and states can only be effective if they subordinate themselves to the global economy. The question remains whether such a global economy actually exists. There is a significant difference between an economy that is strictly global and one that is highly internationalized. In a strictly global (capitalist) economy, national policies are ineffective because outcomes are determined entirely by world market forces and the profit-oriented decisions of transnational corporations. In highly internationalized economies, national policies remain essential to preserve the distinctiveness of the national economic base. Paul Hirst and Grahame Thompson argue that a

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[29] Charles Omondi, *Christians Appeal for Urgent Resumption of Relief Services* (17 April 2000), at http://www.eglisesoudan.org/english/othdoc.html [7 August 2000].
[30] Supra note 24 at 431.
[31] Kenichi Ohmae, *Borderless World: Power and Strategy in the Interlinked Economy* (London: Sage Publications, 1990), 13.
[32] Supra note 24 at 431.
[33] Thomas Friedman, *The Lexus and the Olive Tree* (New York: Random House, 1999), 31.

world economy with increasing trade and investment is not necessarily a globalized economy. Nation-states and international norms regarding the economy that are created and sustained by states continue to be fundamentally important in governing the economy.[34]

Aseem Prakash and Jeffrey Hart point to several reasons why a truly globalized economy may not come into existence, or at least not as rapidly as reported by most popular media outlets.[35] International firms still fly the flag of their home countries and maintain a distinct national identity. Critical functions, such as research and development, systems of innovation, and corporate finance, continue to be heavily influenced by the Multinational Enterprise's (MNE) home country. National governments continue to have incentives to defend and promote both domestic firms and home-based MNEs. Global firms, by definition, are not associated with or dependent on any particular state, representing "footloose capital."[36] Most MNEs are not global in this sense, but rather international in orientation and activity. Furthermore, in an international economy, states continue to define political and economic spaces. The proposed merger of Mobil and Exxon and the space Microsoft can occupy within the economy are thus at the mercy of US regulation. Moreover, cross-national trade and investment flows are regulated by the state or supra-national institutions established and conferred legitimacy by states.

A globalized economy would function in a post-Westphalian world where governments, stripped of sovereignty, lack the capacity and willingness to develop and enforce policy. However, it is clear that states have strong incentives to promote home-based firms and create and regulate economic policy. States are now actively engaging in commercial diplomacy. It is fairly common for large business delegations to accompany government officials on international visits creating a "Team Canada" brand, associated with a set of tangible and intangible benefits accruing from partnering with Canadians. As a result of economic globalization and increased openness, the quality of the state and its institutions (the legal system, financial system, and economic management) matters more, not less.[37]

Predictable trade rules, internationally common property rights, and stability in exchange rates are needed for corporations to plan strategically. Corporations cannot create such conditions without the state. The international economy can only be stable if states cooperate to regulate it and agree on common practices and norms. An internationally governed economic system in which policy dimensions are controlled by world agencies, trade blocs and treaties between individual states to ensure common practice and compliance, will continue to give the state a role in the international economy.

SUPRA-STATE ENTITIES

Another presumed challenge to the sovereignty of the state comes from the creation of supra-state entities, most notably the European Community. It can be argued that the formation of the European Community is a predictor of the demise of state sovereignty. But the decision of individual states to relinquish elements of their sovereignty to a larger unit is not the same as the forced dissolution of sovereignty *per se*. States entering into the Maastricht Treaty are aware of the concessions they must make in order to join and make their accession decisions accordingly. The Czech Republic may thus accelerate domestic reforms in order to further its European Union (EU) bid, while Norway concludes that the concessions involved are too great.

Regardless of state-specific idiosyncrasies, the aggrandizing principle guiding supra-state formation is similar to that of states dividing power amongst non-state actors. While the creation of a federal Europe would certainly shift boundaries, it would not affect the principle of interstateness. The federal European

[34] Ibid, 424.
[35] Aseem Prakash and Jeffrey A. Hart, "Responding to Globalization: An Introduction," in *Responding to Globalization,* Aseem Prakash and Jeffrey A. Hart, eds. (London: Routledge, 2000), 2.
[36] Ibid.
[37] Supra note 33.

unit would build a larger, alternative, new state to compete in the same international system. State boundaries have been continually fluctuating since the inception of the state system without altering fundamental principles of sovereignty and territoriality.

Arguments claiming that supra-state entities are subverting the authority of their constituent units fail to recognize that the end product of sovereignty pooling is an even larger and, presumably, more effective state. The "new" Europe would, at most, become a larger state within the system; it would not fundamentally alter the nature of the system itself. For example, Germany and France have consistently demonstrated their determination to act as a state within the Union or to exert influence over their new über-state. Furthermore, those states, in conjunction with their EU partners, arguably hope to use their mega-state as counterweight to other states, regions, or blocs.

CHANGE AND THE STATES SYSTEM

Many globalization theorists have answered Peter Taylor's "adaptation/demise conundrum"–the difficulty in determining when the system is in flux or has fundamentally changed–by taking the point of view that a quantitative change, such as the growth of communications technologies or the increasing volume of trade, necessitates a qualitative change, suggesting that we are living in a world somehow fundamentally different.

In the context of the nation-state, I have argued that a fundamental norm, practice or rule of an institution must radically change in order for a systemic shift to occur. In the case of the state, that fundamental norm is state sovereignty. I have also argued that globalization should not be perceived as an institution, but as a set of processes that have been operating for a long time. Further, globalism need not be considered the natural or logical evolution of the processes of globalization.

There is a vast difference between state sovereignty and state autonomy. Sovereignty remains the cornerstone of international relations; states have never been absolutely autonomous. International relations restrict state autonomy, as the system constrains how states act. The integrating and disintegration processes of globalization place great restrictions on state autonomy.

Regardless of whether we consider territoriality, the economy or supra-state entities, the state remains at the core of international relations. More importantly, state sovereignty remains both intact and salient. Conceptually, we need to modify our understanding of sovereignty and state from "state as country and sovereignty as absolute" to "state as organization and sovereignty as divisive." While there are challenges to state boundaries through secessionist movements, refugees, drug trafficking and the flow of information, other effective forms of political organization capable of replacing the state have not yet matrialized. States still provide the chief institution through which societies respond to change. One need only ask the Kurds, Quebecois or Tibetans to what form of political organization they aspire to see that the notion of statehood continues to enjoy great resonance.

The question remains as to whether globalization as a process will become an institution in the future if it continues to expand. There does not seem to be any indication that globalism as an institution composed of ideas, practices and rule will come into existence. Where there may be evidence of growing global consciousness, there does not appear to be an institutionalization of one set of practices or norms. Arguably, unless the sovereignty of the state is fundamentally undermined, globalism will not become institutionalized.

CONCLUDING REMARKS

In his essay, "Imaginary Homelands," Salman Rushdie compares the situation of an Indian writer living in London and writing stories set in India to that of a person "obliged to deal in broken mirrors, some of whose

fragments have been irretrievably lost."[38] There are two distances in the broken mirror. One is the distance of past time and remembrance. The other is the distance of place, a distance that decreases as the world shrinks. The partiality of memory is a familiar constraint; however, the partiality of distance is becoming less familiar. As distance "decreases," there is a tendency to think that selection has not occurred: we believe, then, that we are getting the "whole picture." Somewhat like memory, distance also imposes selectivity. What we experience is fraught with selectivity, those fragments of Rushdie's broken mirror. There can be no global citizen, as he or she will never be more than a tourist.

[38] Salman Rushdie, *Imaginary Homelands* (London, Granta Books, 1991), 11.

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THE US/CANADA SALMON DISPUTE:

ECOLOGICAL, MANAGERIAL, AND STRUCTURAL IMPEDIMENTS TO CONSENSUS

SHANE DAY[1]

The dispute between Canada and the United States over harvest allocations of Pacific salmon has been marked by an unusual level of hostility between the two nations, whose typical relations are often invoked as a model of peace and cooperation. Shane Day argues that the conflict stems from a fundamental misunderstanding of the needs of salmon and the ensuing history of mismanagement, of which both sides are guilty. Day details the history of the conflict, and examines the ways in which faulty managerial tools and structural inefficiencies in the Pacific Salmon Commission contributed to a less than optimal outcome for both parties, as well as for the fish themselves. Finally, Day makes several recommendations for how to address these issues, with particular emphasis placed on reconciling managerial policies with the needs of fish.

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INTRODUCTION

The dispute between Canada and the United States over harvest allocations of Pacific salmon has been an uncharacteristically acrimonious event in relations between the two countries. The perception that each nation has clearly defined property rights over the resource, coupled with the exploitation-related complexities posed by salmon migration and oceanic intermingling, have caused the countries to bicker over issues of equity and fairness in the harvest of the resource. The result has been detrimental to the fish themselves, and resulted in tensions not only between the United States and Canada, but also between governmental jurisdictions within both countries.

The fundamental issues involved in the dispute are both numerous and complicated. This paper discusses many of these issues, including the central assertion that establishing property rights for salmon misconstrues the nature of the resource: it is a *de facto* common property resource, and should enjoy such status. The paper then discusses the jurisdictional issues that dictate how the two countries handle their dispute, the ecological factors that complicate management of the resource, the use of questionable management policies that have further strained salmon stocks, and a host of structural problems inherent in the negotiating process. A history of the conflict that underscores many of these issues, illustrates the degree of hostility between the various parties to the salmon treaty, and casts into serious doubt the possibility that a lasting consensus can be reached is also presented. Finally, the paper makes several recommendations that are designed to address the fundamental issues surrounding the breakdown in the negotiating process, as a means of ensuring that the errors of the past are not repeated, and as a way of introducing a potential framework that can be utilized to better ensure the success of future negotiations.

THE NATURE OF THE PROBLEM

THE SALMON LIFECYCLE AND DETERMINATION OF PROPERTY RIGHTS

Because salmon live in the ocean and reproduce in freshwater streams, they pose a unique problem for the determination of property rights. The traditional method of dealing with this phenomenon has been to assert property rights over salmon based upon the "nation of origin" principle, which designates the nation where salmon spawn as the primary caretaker and exploiter of that particular stock of fish.[2] These property rights extend to the fish during their ocean lifecycle, when they intermingle and migrate over long distances.

Therein lies the fundamental problem in addressing the salmon problem. While in the ocean, salmon are harvested within each country's waters but, since salmon migrate over long distances, fish originating from one country are taken with fish from the other. These catches of fish originating in foreign streams are known as "interceptions," and because it is impossible for fishermen to ascertain the origin of these fish, such fisheries are termed "mixed stock fisheries."[3] Due to the impracticality of determining the "national origin" of fish, the reality on the high seas is that property rights are impossible to define, thus salmon resources more closely resemble what are known as "common property resources." Briefly defined by one economist, these resources refer "to those valuable natural assets which cannot, or can only imperfectly, be reduced to private ownership."[4] Other economists have differentiated between "common property" and "open access" resources. Individuals in open access resources "enjoy privileges" but have no rights because they "do not have a duty to refrain from use," whereas common property resources imply the use of social enforcement mechanisms to regulate

[2] Daniel Huppert, *Why the Pacific Salmon Treaty Failed to End the Salmon Wars* (Seattle: University of Washington School of Marine Affairs, 1995), 6.
[3] Huppert, supra note 2 at 5.
[4] Allen V. Kneese, *Economics and the Environment* (New York: Penguin Books, 1977), 121.

the behavior of the joint owners.[5] This paper argues that in the absence of *effective, binding* social enforcement mechanisms, salmon retain characteristics of an open access resource in that they are free to be targeted and overexploited.

Harvesting salmon thus presents a dichotomous dilemma: salmon are essentially an open access resource, yet are subject to asserted property rights which in and of themselves are not under dispute. Such circumstances significantly differentiate Pacific salmon from the clearest, comparable situation facing the United States and Canada: the Atlantic cod fishery. Cod are also a migratory species, but because property rights are not as easily asserted over them, short of unilateral rights to fish for them in each countries' own waters, they are a clear example of an open access resource, with management and cooperation of the species virtually non-existent.[6] In contrast, the intricacies inherent in the harvesting of Pacific salmon make the management of the species particularly prone to direct conflict.

JURISDICTIONAL ISSUES

Salmon are subject to a range of management issues that complicate the implementation of an effective agreement between Canada and the United States. The most obvious difficulty in salmon management is the allocation of harvest levels in mixed stock fisheries. The development of international management regimes for ocean fisheries falls under the auspices of the International Law of the Sea, which mandates that the management of species that migrate over national administrative boundaries be handled by international treaty organizations.[7] In the case of salmon, this management is conducted by the Pacific Salmon Commission, which was created by a treaty signed between the United States and Canada in 1985. The Canada-US salmon dispute is mediated within this body.

Another significant aspect of the International Law of the Sea is that, in 1982, the jurisdictional boundaries of coastal areas were extended to a 200 mile "exclusive economic zone" (EEZ).[8] Adoption of the EEZ entailed a dramatic increase from the three to twelve mile boundaries that were legally recognized beforehand. While this extended the national management regimes to such an extent that a good portion of high seas harvesting fell under the sole jurisdiction of national entities, thereby limiting open access, it also extended the area within which American/Canadian interceptions could occur. In essence, extension of the EEZ effectively led the US and Canada on a collision course over salmon property rights, as traditional rivals in the fishery, such as Japan, were largely cut out of access to the resource.

MANAGEMENT TOOLS

Because salmon have essentially been "nationalized" through the assertion of property rights, and because of the fact that salmon migrate, thus resulting in interceptions, quota allocations on harvests are developed to determine allowable catches.[9] The primary tool for devising these allocations is known as "abundance-based management," which utilizes studies of the abundance of fish *in the ocean* to arrive at a "maximum average sustained yield."[10] In the case of mixed stock fisheries, an increase in

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[5] Daniel W. Bromley, *Environment and Economy: Property Rights and Public Policy* (Oxford: Blackwell, 1991), 15.
[6] See Daniel V. Gordon. and K. K. Klein, "Sharing Common Property Resources: The North Atlantic Cod Fishery," *Global Environmental Economics,* ed. Mohammed H. I. Dore and Timothy Mount (Malden, MA: Blackwell Publishers, 1999).
[7] R. Bruce Rettig, "Management Regimes in Ocean Fisheries," *The Handbook of Environmental Economics,* ed. Daniel W. Bromley (Cambridge, MA: Blackwell Publishers, 1995), 437.
[8] Rettig, supra note 7, 435.
[9] For an excellent discussion on quota allocations and territorial use rights, see Rettig, supra note 7, 444.
[10] Huppert, supra note 2 at 15.

abundance and a corresponding increase in harvest will result in an increase in interceptions.[11] This can lead to instances where an overall abundance dictates higher harvest levels as well as the very real possibility that stocks that are not experiencing their own increases in abundance are also harvested at increased levels.

Another particularly divisive management issue involves the allocation of property rights for salmon originating in "transboundary streams," principally meaning the Stikine, Taku, and Alsek rivers that originate in Canada and pass through the Alaskan panhandle before reaching the ocean.[12] Alaska logically maintains that since it bears some of the costs of maintaining the habitat on these streams, it has a legal right to a portion of the harvest. The "solution" to this problem has been the creation of a Joint Transboundary Technical Committee under the auspices of the Pacific Salmon Commission, who are responsible for tracking data for use in allocating harvest levels, and for jointly implementing enhancement measures.[13]

ECOLOGICAL FACTORS AFFECTING THE NEGOTIATION PROCESS

A variety of ecological factors have significantly affected how salmon are treated in the dispute between Canada and the United State. Perhaps most significant have been the effects of the "Pacific Decadal Oscillation," an ocean phenomenon in which ocean distributions of salmon populations are concentrated in either the north or south, depending on ocean temperatures.[14] In recent years, this oscillation has resulted in a concentration of salmon in Alaskan waters, prompting a distorted Alaskan perception of abundance, and an acute awareness of absence in the southern states and British Columbia. It has also increased the incidence of Alaskan interceptions of salmon from the southern states and British Columbia.

STRUCTURAL IMPEDIMENTS IN THE NEGOTIATION PROCESS

Much of the public's confusion over the negotiation process between Canada and the United States stems from how the negotiations are portrayed in the media and by the negotiating parties. The common nomenclature used to define the situation is the "US/Canada salmon dispute," which implies that the process is a bilateral one. This term is essentially a misnomer, as a variety of governmental agencies are involved, including both federal governments, state governments from Washington, Oregon, and Alaska, the British Columbian provincial government, and several tribal councils, making the process much more multilateral in nature. In reality, the process is a sort of hybrid, as tribal, state, and federal representatives on the US panel of the Pacific Salmon Commission must reach consensus on any decision before negotiating directly with Canada.[15] The negotiations are thus a two-step process, the first being a multilateral process amongst American interests and the second being a bilateral process between the US and Canada.[16]

This has particular significance because it affords the States and tribes greater leverage in that they exercise a *de facto* veto power within the consensus mandate. Consequently, Alaska, in particular, has been able to repeatedly disrupt the negotiating process; its position dictated by the application of abundance-based management which, due to the Pacific decadal oscillation, has been invoked to justify

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[11] Huppert, supra note 2 at 15.
[12] Huppert, supra note 2 at 5.
[13] Pacific Salmon Commission, *Fourteenth Annual Report 1998/99* (Vancouver, BC: Pacific Salmon Commission, 1999), 99.
[14] Bob Francis, *A Science Overview: Bio-Physical Context for Salmon*, lecture at the University of Washington (8 October 1999).
[15] Huppert, supra note 2 at 14.
[16] Kathleen A. Miller, "Salmon Stock Variability and the Political Economy of the Pacific Salmon Treaty," *Contemporary Economic Policy* 14 (July 1996): 124.

greater harvest levels, as Alaska is witnessing high populations of salmon in its own waters. Alaska has thus been able to "pass the buck" to other jurisdictions, steadfastly refusing to have its fishermen bear the costs of rehabilitating salmon from other areas.[17]

In addition, the negotiating stance of each of the parties varies significantly. The United States insists that conservation is its first priority, and that the best way of achieving this is through the use of abundance-based management.[18] Canada, on the other hand, has been primarily motivated by the equity issue, and fights for equal harvest allocations ahead of conservation.[19] Some recent developments suggest that Canada is moving towards a "conservation first" position, marking at least some convergence of rhetoric between the two sides.[20]

As for the states and provinces, Kathleen A. Miller has suggested that Alaska has the least to gain from cooperation, especially since its own stocks are not subject to interceptions, while British Columbia and the southern states have less leverage because they are more prone to interceptions from each other as well as from Alaskan fishermen.[21] The relative bargaining power of each state is also affected by its fishermen's dependence on interceptions, with Washington being the most reliant (and thus more prone to coercion) at ~50% by value, Alaska at ~20%, and BC at ~12%.[22]

From a game theory perspective, all of this plays out in a number of ways. First, because of the consensus mandate governing the US delegation in the Pacific Salmon Commission, any negotiating position for the US must be reached through multilateral negotiations, which Alaska has continually disrupted by insisting on the use of abundance-based management. This has simultaneously constrained the ability of other parties to seek mutually beneficial side agreements with Canada.[23] Lacking any incentive to cooperate, Alaska basically "defects," ensuring that the US delegation as a whole defects, thereby leaving Canada no alternative but to defect as well. The result is what Miller has calculated as the worse possible net outcome, a classical prisoner's dilemma where everyone is worse off than if they had cooperated.[24]

THE HISTORY OF "COOPERATION" IN SALMON MANAGEMENT

The dispute between Canada and the United States over harvest rights of salmon is not a new phenomenon. As early as 1913, the two were forced into a cooperative arrangement when railroad construction in British Columbia blocked salmon migration on the Fraser River, resulting in reduced ocean harvests of pink and sockeye salmon in both nation's fisheries.[25] This resulted in an agreement to equally split the Fraser sockeye harvest in order for Canada to justify the expense of rehabilitating the damage done to the Fraser, for which the United States lent financial assistance. This early cooperation evolved into the creation of the International Pacific Salmon Commission, which facilitated cooperation between the two nations for thirty years.[26]

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[17] Ross Anderson, "Alaska Challenges Salmon Treaty" *Seattle Times,* 26 October 1999.
[18] Huppert, supra note 2 at 15.
[19] Huppert, supra note 2 at 15.
[20] Department of Fisheries and Oceans, Canada, "Canada and the US Reach a Comprehensive Agreement under the Pacific Salmon Treaty." At http://www.dfo-mpo.gc.ca/pst-tsp/main_e.htm [08/20/99].
[21] Miller, supra note 6 at 122.
[22] Huppert, supra note 2 at 11.
[23] Miller, supra note 6 at 124.
[24] Miller, supra note 6 at 123.
[25] Huppert, supra note 2 at 6.
[26] See John F. Roos, *Restoring Fraser River Salmon: A History of the International Pacific Salmon Fisheries Commission, 1937-1985,* (Vancouver, BC: Pacific Salmon Commission, 1993).

In the 1960's, when offshore fishing jurisdictions were expanded beyond three miles, there was a push by both nations to adopt the "nation of origin" principle. Around the same time, the fifty-fifty split of Fraser sockeye was challenged by Canada, which argued that it deserved a greater share since it bore the burden of protecting the resource.[27]

By 1970, both nations recognized the need for greater cooperation, and agreed in principle to negotiate a comprehensive treaty, something that would take years to finalize. During this time, both nations "negotiated" in such a manner as to maximize their own gains, often resulting in each country targeting the other's salmon stocks, thereby depleting the resource to such a level as to harm the sustainability of the species, resulting in a mutually worse-off situation.[28] Around the same time, the famous *Boldt* decision formalized the bargaining power of another type of entity, the Washington Indian tribes, by granting them a right to harvest fifty percent of salmon returning to traditional fishing grounds.[29] These tribes came to play an important role in future negotiations.

After fifteen years of bitter disputes, the Pacific Salmon Treaty was signed in 1985. The treaty was perhaps most significant in that it led to the creation of the Pacific Salmon Commission, which meets annually to review the year's fishery and to make determinations on harvest allocations under the fishery regime.[30] The body consists of eight members (four from each country), with the US delegation composed of one representative each from Alaska, Washington/Oregon, the tribes, and the federal government, and is mandated to reach decisions by consensus.[31] The treaty itself provided for two guiding principles: one, to "prevent over fishing and provide for the optimum production of salmon"; and, two, "to provide for each Party to receive benefits equivalent to the production of salmon originating in its water."[32]

Most analysts attributed the signing of the treaty to the United States' need to maintain stable harvest levels for sockeye, a fishery that includes Fraser River fish. Analysts also often cite the US desire to address the conservation and harvest of salmon produced in transboundary streams as well as the American intention to solicit Canadian cooperation for the conservation of Chinook and Coho originating in Washington and Oregon.[33] For Canada, the overriding concern was to receive equitable harvest levels for Fraser sockeye under the "nation of origin" principle.[34] While the arrangement was successful in a number of areas (particularly in the management of Fraser River sockeye), it failed to achieve its conservation measures for Chinook and Coho. Moreover, it failed to address the equity issue of sharing interceptions of each other's salmon, resulting in yet another round of the "salmon wars."[35]

1993 – THE TREATY BREAKS DOWN

The breakdown in the treaty, which began in 1993, is essentially due to a lingering perception in Canada that Americans take too much Canadian fish, especially sockeye. The Canadian conviction is matched by American perceptions that the Canadians continue to take too much Chinook and Coho, exacerbating the problem of sustainability of the fish stocks from Washington and Oregon, and that Alaska takes too many fish from both Canada and the southern states. These perceptions are anecdotally supported by Huppert's data, which states that the Washington/Oregon fishery takes 50.2% by value of its fish with interceptions from Canada, and that Canada purposefully has targeted

[27] Huppert, supra note 2 at 6.
[28] Huppert, supra note 2 at 7.
[29] Huppert, supra note 2 at 7.
[30] Huppert, supra note 2 at 8.
[31] Huppert, supra note 2 at 14.
[32] Huppert, supra note 2 at 8.
[33] Huppert, supra note 2 at 9.
[34] Huppert, supra note 2 at 9.
[35] Huppert, supra note 2 at 10.

endangered Chinook and Coho from the south as a way of forcing concessions. These long-standing perceptions came to play a significant role in the way the recent conflict developed.

The situation began to deteriorate significantly in 1994, when Canada instituted a $1,100 "licensing fee" on American boats travelling the inside passage en route to Alaska.[36] The next several years yielded few results in the negotiations. The BC government grew so hostile towards the United States that a major dispute arose between BC Premier Glen Clark and Canadian Federal Fisheries Minister David Anderson that resulted in the provincial government being cut out of the bargaining process by the Canadian government.[37] Perhaps the lowest moment came in 1997, when angry BC fishermen blockaded an Alaskan ferry for four days to protest a lack of progress in the treaty negotiations, resulting not in American concessions but in a lawsuit against British Columbia by Alaska.[38]

Perhaps more alarming for the fish themselves was that the parties to the dispute have been willing to heavily harvest fish in mixed-stock areas as a method of forcing the other party to grant concessions. This is particularly true of Canada, whose only leverage is to over-fish in its own waters, taking endangered Chinook and Coho salmon from the south, in order to force the Americans to negotiate, and to prevent American fishermen from intercepting their fish. The result of this tactic has been further strain on Chinook and Coho stocks, and a disastrous over-harvesting of Canada's own Fraser sockeye in 1994.[39]

RESOLUTION?

The situation appeared to improve in 1998 when Canada unilaterally suspended the Coho fishery in its own waters as a response to an alarming deterioration of its own fish stocks, which prompted Washington State to offer the conciliatory measure of cutting back its sockeye harvest.[40] The result was an easing of pressure on both American Coho and Canadian sockeye. It is worth noting that both actions were the result of alarm over the drastic decline of specific runs in both countries, and it would be unlikely that anything short of a crisis situation would have resulted in a reduction of tensions.

With improved relations stemming from the crisis mentality felt in Washington, Oregon and British Columbia, a comprehensive agreement containing four key elements was finally signed on June 3, 1999.[41] First, long-term fishing arrangements were made for a number of species, based upon cooperative abundance based management that replaced unilaterally determined, and bilaterally disputed, harvest quotas. Second, two jointly administered endowment funds of US $70 million were created for the North and the South, both of which were funded by the US Government. Third, institutions within the Pacific Salmon Commission were strengthened, with greater scientific collaboration and a strengthening of the dispute resolution process. Finally, both made a public commitment to restoring and preserving salmon habitat. The signing of the agreement, which had provisions with terms of between ten and twelve years, occasioned significant continental optimism regarding the resolution of the dispute.

Unfortunately, things quickly soured again. Under the leadership of Senator Ted Stevens of Alaska, the US Senate eliminated the fund earmarked to put the treaty into effect, including the money for the Pacific Salmon Treaty Endowments.[42] Furthermore, Stevens attached a rider to the Senate

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[36] Joel Connelly, "U.S., Canada to Unveil Sweeping Salmon Pact," *Seattle Post-Intelligencer,* 3 June 1999.
[37] Connelly, supra note 36.
[38] Anthony DePalma, "On a Menu of Despair, Salmon is Just the Starter," *New York Times,* 6 February 1998.
[39] Huppert, supra note 2 at 18.
[40] Connelly. supra note 36.
[41] Department of Fisheries and Oceans, Canada, supra note 20.
[42] Anderson, supra note 17.

appropriations bill seeking an exemption from the Endangered Species Act prohibition of taking Chinook originating in Washington and Oregon.[43] While the appropriations bill was vetoed by President Clinton, the move created a schism between Alaska and Washington/Oregon, each of whom have a delegate on the Pacific Salmon Commission.[44] If the issues surrounding the appropriation riders and the conflict between Alaska and the southern states are not resolved in a manner that meets the United States' obligations, agreed to in the last round of negotiations, another round in the "salmon wars" will surely ignite to the detriment of already fragile fish populations.

RECOMMENDATIONS

The history of negotiations up until the present does not portend much success for the future. This paper highlights several of the underlying factors for this pessimistic forecast, and suggests that seriously addressing these issues is the only way to bolster the likelihood of success in the future.

THE OPEN ACCESS PROBLEM AND THE NATION OF ORIGIN PRINCIPLE

The most fundamental obstacle involves the notion of property rights for specific salmon stocks. As mentioned previously, salmon are different from most other fisheries in that countries have asserted firm property rights over them, an actuality that stems from certain traditions regarding the relationship between humans and salmon, and has never been a subject of dispute between the various parties. This is a mistake. Other scholars, however, have supported the nation of origin principle on the grounds that it provides nations with control over spawning grounds with "a strong incentive to protect critical salmon habitat only if it receives corresponding rewards."[45] While this is certainly true, it also sets up a system of competing interests over rights to harvest allocations for a resource that essentially possesses characteristics of an open access resource. One must wonder if the positive incentives for protection are not mitigated by the equally strong incentives to compete for each country's share of the resource in mixed stock fisheries.

A better way of addressing this commons problem is to share the resource equally between parties, which – owing largely to the extension of the 200-mile EEX – would certainly be possible without significant interference from third party free riders. The Canadian share of harvest under the US-Canada treaty before the breakdown in the treaty renegotiations stood at 45.4% by weight and 52.8% by value, which essentially already sets up a fifty-fifty split of the resource.[46] By setting up an equal division of the resource, potential conflicts would be avoided. In addition, incentives to cooperatively manage the resource and to ensure the implementation of conservation measures would be created, since relative gains would be replaced by absolute, equal gains. Such a regime would also eliminate the high transaction costs associated with the negotiation process. However, pursuing such a strategy would require a radical transformation in how the resource is conceptualized, necessitating an acknowledgement that the resource is a common, shared property and essentially abandoning over a century's worth of conceptions regarding the relationship between humans and salmon. Therefore, even though this option may be the best for fish, it is not likely to happen without some kind of major crisis that essentially forces a reevaluation of the relationship.

CHANGING HARVEST METHODOLOGY

Because the aforementioned change is unlikely to occur, an alternative way to address the commons problem of interceptions in mixed stock fisheries would be to alter the ways in which such fish are

[43] Anderson, supra note 17.
[44] Michael Paulson, "Rifts Threaten Salmon Treaty," *Seattle Post-Intelligencer, 2*9 October 1999.
[45] Huppert, supra note 2 at 7.
[46] Figures calculated from data in Huppert, supra note 2 at 20.

harvested. Many authors, including Miller, suggest that the simplest way to address the interception issue would be to set "interceptions ceilings," which would be used in calculating overall harvest levels.[47] This suggestion seems naïve, based as it is upon the assumption that information on interception levels is reliable, which it is not—due simply to scientific uncertainty, fluctuations in the proportional mix in mixed stock fisheries, and potential sampling errors. The concept of interceptions ceilings also sets up yet another realm of potential disputes as there is no reason to believe that agreements on acceptable interception levels would be forthcoming.

The only way to adequately address this issue would entail a radical change in the fishery, including an abandonment of the high seas fisheries in favor of harvesting at or near the mouths of streams, a technique used in the mixed stock fishery of Puget Sound.[48] Such a move would have obvious positive impacts on the ability to address the needs of specific stocks through watershed-specific harvest management, and increase the reliability of data used to estimate maximum sustained yields. However, this too may be unlikely due to age-old concerns that excess fish would be taken by natural predation from sea mammals. Such a strategy would also fail in transboundary streams, thus necessitating a separate negotiation, although the Pacific Salmon Commission already oversees a framework for this.

THE PROBLEM OF ABUNDANCE-BASED MANAGEMENT

Yet another difficulty arises from the general acceptance of abundance-based management in determining harvest levels of salmon. Because of a recent scientific discovery regarding the Pacific decadal oscillation, abundance-based management is an increasingly inappropriate and outdated management tool. By taking abundance level data from open access, mixed-stock fisheries focused in areas enjoying an increase in populations potentially overestimates the health of the resource as a whole and ignores the needs of specific stocks. Moreover, such strategies are potentially in violation of the Endangered Species Act, which now lists several endangered or threatened stocks.

Another issue surrounding abundance-based management regards the attempt to estimate maximum sustained yields. The consistency of annual fish stock decline anecdotally suggests that such estimates have been a categorical failure. Therefore, an entirely new method of estimation, or better yet an abandonment of the system entirely, should be pursued in the interest of fish conservation.

CONSERVATION AS FIRST PRIORITY?

Both states' respective stated positions include conservation as a foremost, or at least a very important, priority. As illustrated earlier, ample evidence suggests that this is not the case. Each party has deliberately targeted the other's fish stocks in order to garner greater concessions at the negotiating table. Such tactics are quite obviously in direct violation of stated conservation principles. At the most fundamental level, since the Pacific Salmon Commission is almost entirely engaged in the setting of harvest levels, their work has virtually nothing to do with conservation issues. This suggests that there is incompatibility between maximum sustained harvests and conservation, a sort of "having your fish and eating them too" mentality, which has been a fundamental failure in the management of salmon throughout the history of European settlement on the Pacific Northwest coast. If conservation has indeed been the number one priority of the United States and Canada, significant changes in each of their tactics are absolutely necessary, otherwise such prioritization is empty rhetoric.

[47] Miller, supra note 6 at 123.
[48] Daniel Huppert, pg. 16.

WHAT TO DO WITH ALASKA…

The most recent negotiations have refocused attention on the inordinate power and ability of Alaska to dictate terms of the treaty. Alaska's disproportionate power is a function of the consensus mandate adopted by the US delegation to the Pacific Salmon Commission. By mandating consensus, each party to the US delegation essentially wields a veto power, which Alaska has historically used, particularly in years when it considered conservation unnecessary because abundance-based management data skewed by the Pacific decadal oscillation suggested the acceptability of pursuing high harvest rates. It is clear that such tactics are self-serving and detrimental to stocks of non-Alaskan fish and, at the most elemental level, greatly complicate the entire negotiating process. While it is unclear whether true bilateral negotiations would have yielded a more favorable outcome, they would have certainly mitigated the transaction costs and lethargic pace associated with the current two-tier negotiating process.

These conclusions point to the need to eliminate the consensus mandate, either through congressional mandate or through presidential authority. Huppert, however, implicitly suggests that such action would be very unpopular with the states themselves, making such a move politically risky and very unlikely, particularly in an election year.[49] Short of congressional or executive enterprise, another avenue for dealing with the Alaskan refusal to cut harvest rates would be a more assertive stance from the National Marine Fisheries Service (NMFS), the lead organization for ensuring compliance with the Endangered Species Act. Through a strong ruling on the "takings clause," which prohibits the taking of any endangered species (and it has been proven that endangered stocks from the South are caught in Alaska), including incidental take through fishing, NMFS could essentially regulate the Alaskan fishery. Whether NMFS has the will to do so is unknown, as it has yet to make a strong statement on the takings clause for Washington State fisheries, let alone those in Alaska.

CONCLUSION

It is clear from the history of salmon negotiations between Canada and the United States that the true victims have been the fish. Similarly, science has been the victim of policy, conservation the victim of short-term economic gain, and cooperation the victim of self-serving interests. Now that both countries recognize that the sustainability of many of their stocks are in peril, it is imperative that past disagreements are put aside not only for the good of the fish, but for the long term survivability of the economic sectors that depend upon them.

This necessitates a holistic reexamination of the causal factors surrounding the breakdown of negotiations, and the implementation of several changes necessary to address these factors. This paper has explored a number of potential problems and made suggestions designed to address each of them. Specifically, it recommends that the issue of property rights must be revisited, and that the nation of origin principle be scrapped in favor of a truly equitable division of the resource in conjunction with cooperative management. While politically contentious, this nonetheless closely approximates the *de facto* situation that existed before breakdowns in the talks occurred. In addition, changes in harvest methodology can be made so as to better address the needs of specific stocks, specifically through abandoning harvests on the high seas in favor of harvest at or near the mouths of streams, a practice already in use in Puget Sound. In addition, there should be an abandonment of abundance-based management on scientific grounds, in conjunction with scrapping the policy of setting harvests equal to maximum sustained yields. It is also imperative that each nation live up to its stated conservation

[49] Hubbert, supra note 2 at 14; it is worth remembering that Canada pursued a similar step when dealing with its own maverick political player in the form of the BC provincial government, a move that apparently hasn't resulted in significant political fallout, at least so far.

priorities, something that neither country has done in good faith for a number of years. Finally, it is important that structural barriers in the negotiating process, specifically the intransigence of Alaska, be mitigated either by eliminating the consensus mandate or by wresting the regulation of harvest from the individual states. In suggesting these recommendations, it is hoped that a resolution to the ongoing crisis can be found, to the benefit of the economic sectors that rely upon the fish, to the improvement of relations between the two nations, and ultimately to the benefit of the fish themselves.

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COSMOPOLITICS:
THINKING AND FEELING BEYOND THE NATION

PHENG CHEAH AND BRUCE ROBBINS, EDITORS
(Minneapolis: University of Minnesota Press, 1998)

Cosmopolitanism offers a vision of global life that exists in stark contrast from the state-centric vision embedded in traditional approaches to international affairs. Cosmopolitanism has been understood as a devotion to the interests of humanity as a whole, the cosmopolitan as one who enjoys membership in a global community. This suggests that there is a universal moral code that transcends the boundaries of states, as well as the existence of shared human values. Cosmopolitanism purports to apply to one universe of objects (or subjects), appearing to exist independently, in an aloof attachment, from the affective, political or legal connections understood to be part and parcel of life in a territorial nation-state.

Whether an ideology, outlook or ethic, cosmopolitanism challenges us to reconsider what it means to live in one world, to be part of humankind, and to participate in a community that outstrips the markers of national existence. Living in a world naturally, seemingly, carved up into discrete territorial nation-states as containers of political community, it is difficult to imagine identifying oneself as a member of a global political community. It must truly be, to use Benedict Anderson's phrase, an "imagined" community, one lacking the markers associated with modern communities, such as customs officers, coast guards, and the like.

Although most cosmopolitans today would probably agree that morality, although a universal phenomenon, takes various forms in different cultural contexts, the extent to which cosmopolitans have truly recognised the profound differences that exist between people, and been able to translate those differences into global political action, has been questioned. The universalism inherent in modern variants of cosmopolitanism has come under attack (and rightly so) for its proximity to Western ways of knowing, living and judging. As many feminist theorists have come to recognise, the recognition of difference can be both the greatest strength and weakness of a political theory, ideology or social movement. This is a charge to which cosmopolitanism must respond.

Likewise, modern cosmopolitans (archetypal western travellers) have been taken to task for their positions of privilege and global voyeurism, for their role in the making of global systems of political and economy inequality. This indictment is a serious one, for those who profess to live in one world in pursuit of universal moral or economic goods should remain accountable for how they shape the world to serve those purposes. These considerations necessitate a fresh look at cosmopolitanism that is promised and, for the most part, delivered by the authors in this collection of essays.

Compiling the material for this collection was surely a daunting task for editors Pheng Cheah and Bruce Robbins. That the contributing writers come from a diversity of disciplines and backgrounds, using different levels of analysis to answer a wide variety of questions, is one of the greatest strengths of the book. Fortunately, the collection does not merely set out minor variations of classic debates between established grand narratives, a phenomenon that is sadly familiar to students of international relations. At the same time, the discontinuity posed by the diversity of the authors and their conceptual frameworks makes it difficult to link the contributions together into a coherent whole.

This is not necessarily a serious failing, since the editors make it sufficiently clear that the collection is a preliminary attempt to grapple with new issues associated with cosmopolitanism. Nor is it a bad thing to fail to come up with a definitive definition of cosmopolitanism; nevertheless, some conceptual parameters are necessary in order to engage in a comparative study of contemporary cosmopolitan beliefs and practices. Given the large scope of this object of analysis, necessarily global and inextricably tied up with the differences found between and among groups of people from all cultures, it is profoundly important to develop some criteria to identify those beliefs and practices in the first place.

In his contribution, Richard Rorty grapples with the variant of cosmopolitanism that revolves around "the notion of universal moral obligation created by membership in the species." He ultimately rejects this criterion in favour of a cosmopolitanism founded upon the bonds forged between individuals through human practices and relations that produce mutual trust and, ultimately, loyalty. Morality, he argues (similar to Michael Walzer and Annette Baier), springs from cultural and social relations; a moral law is "a handy abbreviation for a concrete web of social practices." As such, the particularity of each variant of cosmopolitanism must be recognised. But, according to Rorty, such a thing as a cosmopolitan bond (despite disagreement as to its conceptual underpinnings) does exist.

In contrast, Jonathan Rée argues that a true cosmopolitanism does not actually exist in the contemporary world. He remains wedded to Kant's early assertion that cosmopolitanism connotes a universal form of community, the only kind that enables the full development and expression of the human race. What is commonly taken to be cosmopolitanism today, though, is actually internationalism, which implies the institutionalisation of nationalism on a global scale and the existence of nation-states as the sole political and moral actors in the world. Kant himself made this "fateful slippage" in his later works, when he moved towards a project of perpetual peace among nations, freely united under a self-imposed common law of nations. As such, Rée concludes that what is commonly labelled "cosmopolitan" today is actually "internationalism."

Rée's piece contains a subtle warning that becomes particularly salient after reading the articles by Aihwa Ong and Louisa Schein. Ong and Schein both evaluate whether certain global practices merit the term cosmopolitanism. Ong critically examines the crossing of international boundaries by members of the Chinese business elite. These individuals, argues Ong, are apparently cosmopolitan in that they reject the notion of citizenship or belonging in any one state in order to pursue individual gain in the global political economy. This, however, does not mean that they are in favour of a global citizenship; instead, Ong detects a new "flexible citizenship" in which Chinese managers, professionals, and entrepreneurs "seek to both circumvent *and* benefit from different nation-state regimes by selecting different sites for investments, work, and family relocation." In terms of clarifying what cosmopolitanism was, is, or could be, Ong falls short. This is chiefly a result of her assumption that the practices of these transnational elite investors, based on their humanist rhetorical strategies, should be considered cosmopolitan in the first place.

Similarly, in her analysis of a symposium in the United States organised by the Hmong diaspora in the United States, Schein clearly demonstrates how the seemingly transnational Hmong identity lauded at the conference was deeply embedded in the politics of the home and host states. One key question that emerges through a reading of her article, however, is whether the practices of the Hmong should be taken as cosmopolitan at the outset. As in the case of Ong, Schein is responding to those who would find that members of the transnational elite or migrant diaspora are somehow more progressive as a result of their crossing of national boundaries. Accordingly, both authors caution against the tendency to romanticise such movements. At the same time, neither author adequately deals with what it means to be cosmopolitan, although it is clear that these two movements are *not* truly cosmopolitan in some sense.

Running through Ong's piece is a critique of the maintenance of unequal class and gender relations among the transnational Chinese elite, so one might presume that her cosmopolitanism is shot through with an egalitarian streak. In turn, Schein draws attention to the relationship between apparent cosmopolitans and the state, so one might assume that this would serve as a criterion as well. Indeed, the fact that Ong and Schein feel the need to make this argument at all suggests how much slippage has actually occurred in the use of the term cosmopolitanism, and the watering-down of its conceptual parameters.

Another possible criterion in the hunt for cosmopolitanism is offered by Appiah, who begins from a similar starting point as Rée but argues that cosmopolitanism sentiment additionally requires an embrace of cultural and, to some extent, moral diversity. He offers the possibility of existing as a "rooted" cosmopolitan, in his affirmation of cosmopolitan patriotism, which fuses belonging both to the world and to a home community. One can be a cosmopolitan (celebrating the variety of human cultures), rooted (loyal to one local society, or a few, considered as home), liberal (believing in the value of the individual) and patriotic (celebrating the institutions of the state, or states, of residence). Although he seeks to avoid the uniformity and homogeneity of Enlightenment humanism, he argues that cosmopolitan patriotism is enabled by the agreement of people everywhere to live together according to principles of liberalism (chiefly individual autonomy and freedom) within a proper constitutional order. Ultimately, a central characteristic of this cosmopolitanism is the existence of an overarching moral code that ensures some standard of protection for basic human rights by individual states.

In his discussion of cosmopolitanism as an alternative to nationalism and as a new political project, Pheng Cheah comes to the important conclusion that one ought not mistake an "existing global condition" (e.g. the effects of globalization) for the rise of a global political consciousness or an "existing mass-based feeling of belonging to a world community." Instead, the task of scholars is to critically examine "the mutating global field of political, economic, and cultural forces in which nationalism and cosmopolitanism are invoked as practical discourses." This field, according to Cheah, is the realm of *cosmopolitics*. What Cheah considers to be the primary theme of this collection is the question of whether, within that realm, there are stirrings of a consciousness more conducive to progressive political mobilisation on a global scale. In a sense, he is looking for a popular cosmopolitanism. By focusing on *where* this is taking place, rather than *who* is doing and *why*, Cheah provides a more productive approach to teasing out the contemporary meaning(s) of cosmopolitanism. A common thread underlying cosmopolitanism today indeed seems to be that it is a form of politics, but not one constrained by the domestic political sphere.

The topic of cosmopolitanism is a particularly appropriate phenomenon to study in the context of globalization. The rhetoric of globalization forces us to think, in turn, about emerging cosmopolitan discourses. On an intriguing variety of fronts, the economic, political and cultural trends associated with globalization have provoked a resurgence of cosmopolitanism. Global free marketeers argue that the well-being of humanity is at stake in the reduction of barriers in finance, trade and labour, at the same time that their critics cite fair trade on the basis of a meaningful respect for human rights. Wealthy donor states such as Canada incorporate notions like "human

security" into their programming priorities for developing countries, while their critics charge that support for the work of international financial lending institutions facilitate the growing gap between people across the world. It is clear that there is no easy causal relation to draw from the complex interplay of discourses that promote, accommodate or challenge the processes that constitute contemporary globalization. It is thus all the more vital to engage in a rigourous analysis of the relationship between the discourses of globalisation and cosmopolitanism.

The phenomenon of globalisation also warrants closer analysis. A plethora of studies have arisen as people seek to understand what is actually happening across the world. Studies of globalisation are often marked by a sense of perplexity at confronting a world in flux or, alternatively, by a sense of certainty borne of the security that comes from assuring traditional approaches, or values. Studies of globalisation are just as often driven by particular questions. The question of whether the effects of globalisation portend the demise of the nation-state, for example, receives a great deal of press. To examine the reality of globalisation through a conceptual lens borne of inquiries into the emerging reality of cosmopolitanism shifts the lens in what is, I think, a productive manner. The most powerful contribution in this respect is that discussions of globalisation through a lens of cosmopolitanism offer us a new language in which we can articulate a new global reality.

REVIEWED BY CHRISTINA JOHNSON

GLOBALIZATION ON TRIAL: THE HUMAN CONDITION AND INFORMATION CIVILIZATION

FARHANG RAJAEE, AUTHOR
(Ottawa: International Development Research Centre, 2000)

Globalization on Trial: The Human Condition and Information Civilization is an attempt to provide the reader with an overview of the great transition of our time, globalization. The end of the bipolar world system and the dawn of the information revolution are central to this new phenomenon. The main concern of Dr. Farhang Rajaee is that existing paradigms have certain inherent limitations in explaining the present transformation and the challenges they present to humanity.

Consequently, there is a need to think afresh and provide a new and unique perspective that can help us to respond to these new challenges and, at the same time, to take advantage of the opportunities offered by globalization. Dr. Rajaee attempts to give us a vision of the future, as well as a framework for "global governance." This is just one side of the coin, however; he is also concerned for humanity. According to Dr. Rajaee, the nature of humanity has not changed much, nor have its concerns. As such, this work is really a synthesis of globalization and its effects on the human condition.

Dr. Rajaee has done extensive research into the philosophy of the ancient east and uses it to offer a very fresh perspective on globalization. He also frequently refers to ancient Greek philosophy. Dr. Rajaee may be an international relations theorist, but this work is clearly designed for an audience beyond the international relations community, given the broad variety of resources upon which he draws.

The central argument of the work is that mainstream social theories, specifically those in the field of international relations, are not sufficient to analyze the effects of globalization. Mainstream theories often assume that the national interest is supreme and that the state is above all kinds of social groupings. The reason for this insufficiency is that, in the present age where the mode of production is increasingly based on information, innumerable actors have arrived on the world stage.

Dr. Rajaee notes the tendency among mainstream social theories to view the human condition compartmentally. He points out that there are theories that concentrate exclusively on politics, economics, society or culture. He contends that such one-dimensional theories are an inherently inappropriate way to understand the phenomenon of globalization, which, according to him, is "civilizational" in nature. Dr. Rajaee instead takes a holistic or "civilizational approach." He uses an interdisciplinary approach that allows researchers to draw from other disciplines in the social and natural sciences, as well as the humanities. Moreover, this complex approach is not exclusionary like other approaches. Instead, it is an integrative approach where "Truth" is multi-layered. This is contrary to other approaches, which rely on the assumption that there is merely one method of uncovering the truth. Globalization is not just an economic phenomenon; it is social, cultural and political, at the same time, and there is a need for an approach that helps in understanding how the various parts relate to each other.

One of the strongest claims advanced in Dr. Rajaee's work is that globalization and the information mode of production have led to the creation of a single civilization. At the same time, there are many civilizations that are a part of the larger civilization, each with its own set of ideas and symbols. In a certain sense, the author is challenging the basic notion of globalization as a one-way process dominated by the West. Citing the example that the English language has become the medium of communication in this age of globalization, the author is careful to note that this does not mean that the world is necessarily homogenized. He also makes a subtle distinction between global pluralism and homogenization and lends support for the former.

Dr. Rajaee also demonstrates how globalization has challenged the notion of modernity. He points out that the challenge to the Western perspective of the rest of the world and the feminist movement is facilitated to a large extent by globalization. At the same time, he warns against taking these movements to an extreme. Rather, globalization should be seen as an opportunity to look at things afresh. He argues in favour of cultural pluralism and multiculturalism, challenging Samuel Huntington's notion of a "clash of civilizations." He carefully articulates a definition of civilization and states that if there indeed is a civilization, it will work to avoid any clash. His idea is based on the historical assumption that civilizations have always learned from each other while remaining unique.

Nonetheless, Dr. Rajaee recognizes the challenges of globalization—such as the fear of the 'other,' extreme consumerism, and the deconstruction of institutions—by questioning their very foundations. He points out that, in terms of a theoretical perspective, there is a need for a framework that is both universal and local at the same time, so that uniqueness is respected and valued.

Normally, when it comes to prescription, there tends to be a scholarly compromise, but in this piece of work there is hardly a trace. Overall, what is most striking is the author's faith in humanity, which is spelled out very clearly at the start of the volume, and his optimism about the human race and its potential to adapt and evolve.

REVIEWED BY ANURAG SINHA

GLOBALISIERUNG GESTALTEN:
SZENARIEN FUER MARKT, POLITIK UND GESELLSCHAFT

ULRICH STEGER, EDITOR
(Berlin: Springer, 1999)

Globalisierung gestalten - Szenarien fuer Markt, Politik und Gesellschaft (*To Shape Globalization – Scenarios for the Market, Politics and Society*) is the outcome of a project sponsored by the Gottlieb Daimler and Karl Benz Foundation, *Ladenburger Kolleg Globalisierung verstehen und gestalten* (*to understand and design globalization*).

This project was initiated by the observation of the members that, until 1995 (when the participants first met), discussion on the globalization process seemed to be dominated by its economic aspects. The participants, academics and non-academics alike from the economics, social science, and political science experts, intended to arrive at a new quality of analysis that would also allow them to draw new conclusions. They chose to achieve this using an interdisciplinary approach, in contrast to the previously narrow economic focus.

After four years of research and discussion, the findings were published in two volumes. The first contains the analysis of the globalization process while the second, which is reviewed here, puts more focus on the findings concerning "how to shape globalization."

These days, it is probably difficult to write a book about globalization able to present new findings and insights about the actual process, let alone about how to proceed with reshaping such forces. Edited by Ulrich Steger, the book comes as a nice surprise to those interested in this area who might otherwise feel somewhat lost in the jungle of books on this subject—where the discourse tends to be polarized by the globalization pessimists, on one hand, and the globalization optimists, on the other.

Furthermore, Anglo-American literature has tended to dominate research in this field. Apart from intending to present their findings as free from either pessimism or optimism, Steger and his fellow researchers also wished to make Germany, if not necessarily the focus, at least the point of reference for their project. To achieve better academic balance, books written outside of the Anglo-American realm like *To Shape Globalization* deserve a closer look.

The volume is not confined to the neo-liberal approach that has strongly influenced discussion of globalization in Germany; however, the authors do not position themselves in clear opposition to conventional wisdom. Binaries often oversimplify things and the authors, in contrast, try to unveil the claimed causality of many a theory: is it really true that if A, then necessarily B?

The authors themselves are, of course, not free of their own theoretical backgrounds or influences. Perhaps it is better to speak not of different theories but of different 'environments.' Suffice it to say that whereas most authors from the Anglo-American sphere write from a background of 'comparative' capitalism, German authors tend to write from a background of ćooperative' capitalism. Since this book does not take a comparative approach, the difference between these two methods is not explained in length but instead serves as a leitmotif. The contributors, of course, have all mastered the nomenclature of globalization, but it is refreshing to see them make an effort to explain the technical terms, theories and counter-theories, as well as the 'little bit that is left between theory and reality' so that complex concepts are more easily understood.

The book is structured into three parts: the phenomena and characteristics of globalization, as well as their effects on central fields in Western societies like unemployment, pension systems, and the environment; three scenarios of possible developments of the globalization process; and recommendations. The book does rather well in outlining the three scenarios: the purely market-orientated (marktradikal), the statist (etatistisch), and the civil-society scenario. The clear structuring of the chapters makes comparisons between these scenarios easy. Likewise, examples of relevant German and international literature, provided at the end of each chapter, do indeed make orientation and classification much easier for the student who still feels the need for some guidance (and don't we all?!)

The conclusions and recommendations offered by this book are all tailor-made for each respective scenario, which is achieved in a solid fashion with no real surprises; however, the contributors reject any notion of determinism, which is all too often found in other books about globalisation. The 'if A then necessarily B' logic is not followed by the authors, though of course Steger accepts that there are undeniable facts about globalization (e.g. that international trade and foreign direct investment have grown twice and four times as quickly as the world's GDP, respectively).

And the most interesting feature about the book: that there is a choice. This choice does not only exist for the state or for the market; it exists for civil society as well. The world faces structural change, and this arguably applies even more to Germany, which faces an unemployment rate of more than 10% at the same time that its demographic development is leading to concerns about how to finance social welfare benefits. All in all, Germany indeed faces the problem of how to keep up a 'social market economy' in the face of globalization.

It is here where the book might become especially valuable to the interested reader from outside Germany. The book points out that in Germany, for some time, globalization has generally been discussed in the aforementioned pessimistic way. Moreover, the authors state a seemingly obvious, but seldom-mentioned truth: that facts are not the same as perception, but it nevertheless remains the fact that perceptions tend to dominate the discussion about globalization.

The next feature, which is symptomatic of the situation in Europe and Germany, is that through all the various contributions about how to go about 'shaping' globalization, the discussion is premised upon the important question of distribution. This point is linked to the central argument in the book that to design globalization one first has to identify one's values. In this case, responsibility is a term used without hesitation, and normative aspects are clearly admitted and even welcomed.

The book, however, does not prescribe a certain set of values. Instead, it simply wants the participants of the globalization process to be clear about their values and aims (which are more than just 'objectives') before they start any discussion about how to go about shaping globalization. Arguably, such differences in approach contribute to the fact that states—apparently more so than civil society groups—do not seem able to come to an agreement over how to shape globalization to their benefit.

It is precisely these aspects that make this 131-page book so interesting. In large part, it is pretty much a standard work in the area and, in general, is unlikely to be considered an eye-opener. It is an unpretentious work that outlines its findings in a short, precise manner and even allows for a portrayal of more than one interpretation of the same facts. It seems to be refreshingly free of dogma and examines numerous phenomena, considering it is a rather short piece of work.

In sum, this book gives a lot of food for thought and may provide some guidance and orientation, especially to undergraduate and, perhaps, graduate and post-graduate students who wish to learn more about the German approach towards globalization, as well as the globalization debate in general. Thus far, however, the book is only available in German.

REVIEWED BY KATRIN BARTELS