

CURRENT HISTORY

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The Governance Gap

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Barack Obama won reelection in 2012 with the slogan that America needs to move “forward, not back.” A sluggish recovery from economic crisis, the president argued, justified no return to failed policies that helped provoke the crisis. The same can be said for the world in 2013.

A primary cause of the 2008 global downturn, from which nations still are slowly recuperating, was an excessive gap between globalization and governance. That gap persists today. To be sure, economic integration has slowed a bit. The World Trade Organization estimates that global trade rose by just 3.7 percent in 2012, and will expand by 4.5 percent in 2013.

Yet global integration continues to far outpace advances in the international stewardship needed to manage globalization’s less benign byproducts. These include not only risks to complex financial networks of the sort that crashed markets five years ago, but also jobs displacement, transnational threats such as terrorism and nuclear proliferation, and environmental damage.

Fueled by innovations in technology and communications, globalization has proved an astonishing vehicle for progress. It has raised incomes and delivered millions from poverty. It has also circulated liberal norms of self-government, free markets, and collective security. Now, to accelerate the trend and broaden its benefits, leaders must address governance deficiencies, both within and among nations.

More than just sensible financial rules, this means, within countries, encouraging deep democratization, and requiring elites to share more widely the fruits of trade. It also means building international capacity, whether formal or ad hoc, to address shared challenges such as climate change.

Progress is work. Not without resistance and hard transitions will freedom, prosperity, and peace continue to spread. Indeed, the globalization-

governance gap could narrow in a dangerous way: with a slowing of globalization. Rising inequality and stagnant incomes could tempt some leaders to stoke nationalist rivalries.

This is why nations, with the United States taking the lead, need to embrace the hard task of improving decision-making and coordination while also making institutions more representative and legitimate. Governance to an extent will always lag globalization. But cooperative effort can reduce the gap and widen the circle of success. The catchphrase should be: no going back.

POLITICS

Universal values

For decades, the Middle East epitomized the limits of democratization. At the start of 2013, two years after the Arab Spring arrived, the region remains the epicenter of popular demand for individual dignity and public accountability. Tunisians, Egyptians, and Libyans have toppled tyrants and voted in competitive elections. Monarchs in Jordan, Kuwait, and Saudi Arabia face growing pressures to allow reforms. Unrest has swelled in other undemocratic nations, in Syria devolving into bloody conflict.

Granted, rights and the rule of law rarely evolve in lockstep with electoral procedures. Elections often represent the simplest reform and are more easily manipulated by ruling elites, while civil society and accountable institutions take time to develop. Democratic transitions historically have been fraught with risk of setbacks and instability, and this is certainly the case in the Middle East. Even so, notwithstanding the seeming chaos in Egypt and elsewhere, the wind’s direction—regimes increasingly subject to popular will—is unmistakable.

The rise of political Islam does warrant worry. The best cure, however, is for office-holding Islamists to have to compromise and make governing decisions in the face of electorates empowered to turn them out.

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Western institutions of late have hardly draped themselves in glory. The United States struggles to underwrite its debts and needed investments in education, research and development, and infrastructure. Mismanagement of the euro zone threatens the European Union. Then again, Americans did give Obama a fresh mandate. And German Chancellor Angela Merkel, assuming she wins reelection in the fall, might ease demands for European austerity while encouraging closer fiscal and political integration.

And remember a few years ago, when observers fretted that the China model might pose a competitive alternative to liberal governance? Now economic growth, the basis for the Chinese regime's legitimacy, has slowed. Social media reveal growing disgruntlement over corruption. And the opaque 2012 leadership transition introduced a new team much like the old one, offering few signals of transformative reforms anytime

soon. Russia's Vladimir Putin, likewise, appears a weaker figure today. As in China, autocracy is not well positioned to build a modern, knowledge-based economy.

Meanwhile, no Latin American countries are deserting democracy. Malawi and Senegal in the past year underwent peaceful political transitions. Myanmar's government has launched reforms and released political prisoners. Regardless of the actual extent of respect for democratic institutions, which in some nations is deteriorating, virtually every regime the world over at least pays lip service now to liberal values, confirming their universal sway.

ECONOMY

Muddling through

The global economy in 2013 looks poised to continue muddling through. Assuming America's

How Is the World Doing?

Current History's report card on global trends at the start of 2013.

B-

Politics:

In the Middle East morass, liberal institutions will take time to develop. Yet passions there refute the notion that civil liberties and public accountability are less than universal values. Meanwhile, the EU still coheres, and Barack Obama is still president.

C

Economy:

America continues to experience middling growth; a debt crisis hangs still over Europe. Growth is stronger in the developing world, but China and India both need reform. Inequality, within nations and across the global population, is a growing concern.

C+

Security:

Civil war in Syria, provoked by the regime's slaughter of civilians, could spread instability. Violence persists in parts of Africa. War with Iran remains a possibility. Nevertheless, armed conflict in most places continues to decline and disappear.

B

Development:

The world has taken major strides in reducing poverty. Parity in primary school enrollment for girls is an important milestone. More attention now should be devoted to poverty prevention: in particular, by expanding access to health care.

D

Resources:

International cooperation against climate change has made little progress, even as global warming's costs and consequences grow. Technological advances are making oil and gas more accessible, but this could reduce incentives to develop alternatives.

leaders can manage a deal to raise taxes on the wealthy and trim health care spending, the country should maintain slow but steady growth. Apple's December announcement that it plans to invest in resuming some domestic manufacturing may be a harbinger of an encouraging long-term trend: an industrial renaissance in advanced technologies.

Europe is still plagued by its sovereign debt crisis. Yet the European Central Bank's intervention in September stabilized bond markets, at least temporarily. Drained yet perhaps more competitive after enduring brutal austerity, Europe just might make a surprising comeback.

In October, the International Monetary Fund projected that global GDP growth would rise to 3.6 percent in 2013, from an expected 3.3 percent in 2012. In advanced economies, the IMF expects growth to edge up to a still-paltry 1.5 percent, held back by the euro zone. In the emerging and developing world, a more robust growth rate of 5.6 percent is forecast.

While China is projected to maintain strong growth in 2013, its hybrid economic model of state-led capitalism appears increasingly unsustainable. The Communist Party's legitimacy has been sapped by revelations of fortunes amassed in insider deals by members of the ruling elite. Without fundamental political reform, China's economic prospects will darken. India's economy, though also weighed down by corruption and red tape, enjoys the democratic advantage. Even so, if India is to open up markets and lure back foreign investors, it too will need better political leadership.

Rising inequality is a worldwide concern. Once it reaches excessive levels, it not only troubles the conscience but imperils growth. It also can spawn violence and instability. As the World Bank economist Branko Milanovic has shown, inequality is most severe as a global phenomenon: Even the poorest in advanced nations are better off than most people in the developing world. Giving every country a stake in the world economy through a genuine commitment to free trade would be a good step toward redress. Deepening democracy, by extending economic gains further beyond entrenched elites, is essential.

SECURITY

War and peace

Developments in the security realm over the past year have included a worsening of Syria's civil war, resurgent violence in Congo, aggressive ac-

tions by China in neighboring waters, and a rising threat of military strikes against Iran.

The slaughter in Syria has claimed more than 40,000 lives. It risks spreading instability and sectarian strife across the region. It also is empowering jihadists who, if they gained power, could prove worse even than the murderous Bashar al-Assad. Notwithstanding recent peace talks, Congo's conflict, which primarily concerns the plunder of resources, is almost certain to resume absent more effective involvement by international actors other than the states in the region that have had a hand in Congo's destabilization.

Maritime disputes in 2013 could provoke more skirmishes between China and neighboring countries. Yet Beijing retains a vital stake in keeping sea-lanes open. It hardly wants to endanger the trade system on which its prosperity and the regime's legitimacy depend. In Asia as across the world, the possibility of instability continues to pose greater dangers than that of military aggression.

Some dismiss the notion that deterrence, which prevailed against the Soviet Union, could work against a nuclear Iran. Certainly the West should continue efforts to block Tehran's religious fanatics from acquiring a nuclear capability. But an Israeli military strike, with or without US help, would likely prove disastrously counterproductive. It remains a possibility nonetheless, but so does a diplomatic breakthrough.

Generally speaking, the years since the cold war's end have witnessed impressive progress toward peace, as armed conflict in most places continues to decline and disappear. Indeed, security today is imperiled less by the prowess than by the failure of states. Thanks to the growth of democracy, economic interdependence, and international institutions, the world is far less violent than it used to be. There is no reason to believe the pacific trend won't continue.

DEVELOPMENT

Don't stop the carnival

Sustainable development is a grand yet vague ideal. In June, the United Nations convened a Conference on Sustainable Development in Rio de Janeiro, 20 years after the first such summit was held there. This time, strenuous intergovernmental negotiations yielded a limp communiqué, disappointing the 50,000 people who had gathered for the policy carnival. It was unrealistic to hope that somehow huge issues of poverty and the envi-

ronment, and the sometimes conflicting interests of the advanced and developing world, could be disposed of in a single treaty. Still, governments, businesses, and nongovernmental organizations did make pledges and strike side deals, showing that incremental progress can be made when official channels bog down.

In July, the UN issued its latest report on progress toward its Millennium Development Goals for 2015. Most notably, it announced that the international community had already exceeded the goal of halving the rate of extreme poverty, or those living on less than \$1.25 a day, between 1990 and 2010. However, as Duke University's Anirudh Krishna notes elsewhere in these pages, sustained poverty reduction is more difficult than such headlines might suggest: Few rise very far out of extreme poverty, and many on the margins remain at risk of falling back.

The UN also said it had achieved the millennium goals for expanding access to safe drinking water, improving slum conditions, and, perhaps most impressively, achieving parity in primary school enrollment between girls and boys. If this last gain can be consolidated and extended beyond primary education, it may make all the difference for developing nations that handicap themselves by allowing sexism to disqualify women from the paid workforce.

MIT economist Daron Acemoglu and Harvard political scientist James A. Robinson made an important contribution to the development debate in 2012 with their book *Why Nations Fail*, arguing that inclusive political institutions, exemplified by Western-style democracy and property rights, are the basic prerequisite for sustainable economic growth. The authors point to “extractive” regimes—those focused on looting their countries' resources—as the primary impediment to developing economies. For that matter, even developed nations like the United States must beware the capture of political institutions by private interests with big wallets.

RESOURCES

Pocket change

To nobody's great surprise, the annual UN conference on climate change, held this time in

Doha, ended in December without much progress. Advanced nations, battered by financial and fiscal crises, are reluctant to make good on previous pledges to provide \$100 billion in funding, meant to help developing nations adapt to climate change and reduce their carbon emissions. Of course, that may come to seem like pocket change in the long run if dire predictions are borne out.

In November, the World Bank issued a report warning that the global temperature would rise by 4 degrees Celsius by 2100, barring significant policy changes. That would bring unpleasant consequences including “the inundation of coastal cities,” “risks for food production,” “unprecedented heat waves,” and “water scarcity in many regions.”

Two recent events may have increased the odds of a more proactive US role in dealing with climate change. At the end of October, New York City and the surrounding area were swamped by Hurricane Sandy, a storm that brought home the rising risk of extreme weather events to one of the world's wealthiest regions. Soon thereafter, Mitt Romney lost the US presidential election after campaigning with a breezy disregard for global warming and a cynical touch of coal boosterism.

However, fossil fuels aren't going anywhere fast. A report released in November by the International Energy Agency prompted hasty recalculation of the geopolitics of energy, projecting that the United States would surpass Saudi Arabia as the world's leading oil producer by 2020—for a few years, at any rate.

The booming extraction of oil and gas from shale rock has thrust on Washington a seemingly delightful dilemma: What to do with the new glut of energy supplies? America might kick its foreign oil addiction; it could even become a leading energy exporter.

The glut could also prove a poisoned chalice. Other nations have experienced a “resource curse” when underground treasures corrupt the state and ossify the economy. This seems unlikely to happen in the United States. But easy availability of oil and gas might discourage the development of alternative fuels that could mitigate climate change. And there is no more insidious curse than complacency. ■