

# Global Shift, the G-20 and Europe's Double-Move

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It is a common truism nowadays to propose that the world as we know it is in turmoil and radically changing. Many of our assumptions about the world are rapidly falling apart. The tectonic forces are changing and reshaping global relations. Not only have the feelings of uncertainty and ambivalence begun to mark the nature of the present, but the center of gravity has also been radically shifting from the West to the East. Although written as early as the 1930s, Antonio Gramsci's famous statement that "the old is dying and the new cannot be born: in this interregnum a great variety of morbid symptoms appear" captures the emerging reality in our international and inter-human relations.<sup>1</sup>

In *The Eighteenth Brumaire of Louis Bonaparte*, Karl Marx suggests that "men (actors) make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given, and transmitted from the past".<sup>2</sup> Marx's suggestion indicates first that even though actors, their decisions and choices matter in the process of making their own history, yet they do so "under circumstances existing already", that is, under a specific historical context in which they are embedded. There is a dialectic relationship between agency and structure in that agency always operates under the conditioning or enabling impacts of structure. Moreover, relying on Marx's insight, it would be possible to suggest that only those actors whose strategies and actions have derived from an adequate reading of the circumstances existing already and transmitted from the past could make history successfully and be able to shape the direction of history.

The current nature of global relations echoes Gramsci's and Marx's statements; in fact, the old

system, based on the unquestioned dominance of the West is dying, and the new cannot be born yet. The globalizing world is in a period of "interregnum", "great transformation", undergoing a severe crisis and "turmoil" with uncertainty and ambivalence. As Charles Kupchan has correctly pointed out, the emerging world is "one in which power is diffusing and politics diversifying, not one in which all countries are converging toward the Western way. Indeed, the world is on the cusp of a global turn. Since the 16<sup>th</sup> century, the West has been both the main 'anchor of a globalized world' and 'the leading edge of history'". But now, "East Asia has been anointed as the candidate most likely to assume the mantle of leadership. It is doubtful, however, that any country, region, or model will dominate the next world. The 21<sup>st</sup> century will not be America's, China's, Asia's, or anyone else's; it will belong to no one. The emergent international system will be populated by numerous power centers as well as multiple versions of modernity. For the first time in history, an interdependent world will be without a center of gravity or global guardian. A global order, if it emerges, will be an amalgam of diverse political cultures and competing conceptions of domestic and international order".<sup>3</sup>

In this paper, on the basis of the insights provided by Gramsci and Marx, we will first analyze briefly the tectonic forces giving rise to increasing uncertainty and ambivalence in global relations, and secondly suggest that it is imperative for the West, especially Europe, to make a serious effort to undertake active global cooperation in order to respond effectively to "no one's world". Today, Europe suffers from an increasingly gridlocked political system with shortsighted political leaders incapable of enacting serious policy decisions. Moreover, it

also faces the risk of losing its relevance. We suggest that rather than becoming more and more introverted and reactive, Europe should focus on its deficient economic and political performance, and attempt to revive itself as a global player capable of contributing to the much needed global democratic and fair governance. This requires a double move: working in unison with a global strategic vision, which includes an effort to renew the European Union and Turkey's full membership in a way to act with Turkey in a coordinated way to help the Arab Spring to strengthen the process of transition to democracy; being active in the G-20 process in order to "strengthen hopes against renewed fears in the world economy".<sup>4</sup> Secondly, Europe should revitalize its economic performance in a way to link it with democracy and human development, and in doing so it should link its own interests with its global responsibilities.

### Historical Context: Tectonic Global Forces Acting Simultaneously

Indeed, tectonic forces are reshaping our globalizing world and bringing it into turmoil. One could discern four intertwined forces, each posing unprecedented challenges: (1) the multiple crisis of globalization; (2) the global shift from the West to the East; (3) the global political awakening<sup>5</sup>; and (4) the enduring power of nationalism and its new forms. The process of globalization that is currently taking effect is not only severe, but also encompasses multiple ongoing crises, including the global economic crisis—which involves serious international financial problems, the global recession and global unemployment crisis simultaneously—and the global security crisis. Moreover, globalization has been confronted by the energy crisis, food crisis, a severe global poverty problem and climate change. The multiple crisis of globalization has been compounded by the global shift, giving rise to the simultaneous processes of the decline of the West and the rise of the rest, and more importantly, as Charles Kupchan suggests correctly, to the "no one's world" in which a global power shift is creating a tendency toward both multipo-

larity and multiple modernities; multipolarity in that "rather than embracing the rules of the current international system, rising powers seek to adjust the prevailing order in ways that advantage their own values and interests," and multiple modernities referring to both the increasing disjuncture between modernization and westernization, and the existence of "a politically diverse landscape in which the Western model will offer only one of many competing conceptions of domestic and international order".<sup>6</sup> In this sense, the global shift also means the end of the West's hegemony over the rest.

In a time when the multiple crisis of globalization has begun to go hand in hand with the global shift, political awakenings and social movements have begun to occur across different parts of the world. The most unexpected and important one of late has been the Arab Spring—a movement toward the transition to democracy in the Middle East and North Africa (MENA). The Arab Spring has given rise to powerful revolutions that have brought down some of the world's most enduring authoritarian regimes. Yet it has also created a power vacuum in these countries. In particular, the lack of experience with democratic governance in this part of the world poses a significant challenge in terms of laying the groundwork of democratization in Arab Spring countries, as in the case with Syria and Libya.

Finally, the multiple crisis of globalization and the global shift have also paved the way for the enduring power of nationalism. It is likely that nationalism in its different forms will be one of the defining elements of global affairs. In countries like China and Russia, it will frame the primacy of economic and security concerns over democracy; in other countries, such as South Africa, it will be manifested as "resource nationalism"; and in Europe, it will shape the xenophobic and exclusionary discourse of the extreme right and its growing political power.

It can be suggested that the future of globalization will likely be marked by the enduring power of na-

tionalism over democracy unless the West—the United States, Europe, Turkey as a full member of the European Union, and Russia with a stronger anchor to Europe—attempts to act as a constructive global player and achieve global cooperation effectively within the G-20.<sup>7</sup>

## Europe's Double Move

Can Europe do it? Can it make itself once again an active and constructive global player? In contrast to the 1990s, today Brussels is rattled by severe global economic crisis and metastasizing sovereign debt problems. The recent attempts to respond to the Greek financial meltdown by major EU actors have demonstrated the constraints on Europe's capacity to mobilize its resources and rally public support to resolve some of the most pressing issues of our time. Although the Greek situation is contained at the moment, a possible spillover—and political aftershocks—still haunts Italy, Spain and Portugal, and reinforces concerns over the future of the EU. As Kemal Derviş and Homi Kharas correctly suggest, although there have been developments in Europe that have strengthened hopes, there continues to be fears about finding a solution to the region's crisis. To fortify the case for renewed fears, Brzezinski has put it rather strongly that “the EU thus faces potential irrelevance as a model for other regions. Too rich to be relevant to the world's poor, it attracts immigration but cannot encourage imitation. Too passive regarding international security, it lacks the influence needed to discourage America from pursuing policies that have intensified global cleavages, especially with the world of Islam. Too self-satisfied, it acts as if its central political goal is to become the world's most comfortable retirement home. Too set in its ways, it fears multicultural diversity. With one half of the geopolitical West thus disengaged from active participation in ensuring global geopolitical stability at a time when the world's new pecking order of power lacks coherence and a shared vision of the future, global turmoil and a rise in political extremism could become the West's unintended legacy.”<sup>8</sup>

For Europe to become a global player again, a serious effort is needed to revive the European Union-Turkey full accession negotiations in a way that these actors can act together in a coordinated fashion to respond effectively to global challenges and contribute to the process of democratic transitions in the Arab Spring countries. Yet, at the same time, Europe should also focus on governing the economic crisis effectively and strengthening its democratic culture.

## Eurozone Economics: Where to Start?

Clearly, in order to play a global role, Europe needs to put its economic house in order. As Derviş and Kharas argue, the economic problems of the eurozone continue to generate fears of a renewed financial crisis, even threatening the euro itself according to some observers. Differences of opinion (and indeed serious conflicts of interest) persist on how to combine growth in the short run (especially for Southern Europe) and fiscal austerity in the medium term, and it seems like the mood in Europe may be moving away from rigid austerity to growth at least in the short term.

The debate over the right dose of austerity versus growth in the short term is of course an important one. However, it is not clear that it really focuses on the root dynamics of the eurozone crisis. We have a picture that is all too familiar for Turks: a very fragile and undercapitalized banking system and its relation to fiscally troubled member states. It was this type of a cozy relationship that resulted in the banking system holding most of the public debt of a state close to bankruptcy, which played a significant role in Turkey's economic crisis of 2000-01. During the crisis, almost half of Turkey's banking system was wiped out. Turkey recovered rather quickly from that devastating crisis because resolving the liquidity and solvency problems of the banking system was a top priority for the government's recovery program. A huge restructuring program was initiated during which insolvent banks were taken over and bad assets were exchanged for government securities, an operation that gave rise to a large increase in the ratio

of public debt to GDP. Very little of the cost of this adjustment fell on depositors thanks to a deposit insurance system. A new and tough regulatory and supervisory framework was established. With a new banking system cleaned from bad assets and under strict orders to recapitalize, the financial system was no longer a threat to growth.

The problem with fragility in the banking system and the existence of bad assets is that it presents a time-bomb for policymakers: early intervention has huge benefits and delays in intervention can generate exponentially larger costs because problems in just a few banks can spread to the whole banking system. Furthermore with a fragile banking system, improvements in other spheres of economic activity may be lost very quickly. Hence the lesson from Turkey is that in any recovery program, cleaning the banking system should come first. Conversely, any program that does not put the banking system center stage risks jeopardizing the benefits that might be generated in other policy areas.

Of course, the problems of the eurozone banking system are not as severe as those of Turkey before the crisis. But the point is that contagion among banks spreads very quickly and weak growth is likely to increase the degree of nervousness in financial markets. For the eurozone countries, intervention needs to be designed at the eurozone level. But as Wolfgang Münchau of the *Financial Times* reports, some sort of consensus is beginning to emerge “among experts about the first necessary step to solve the eurozone crisis: a eurozone-wide system of banking resolution, prudential supervision and deposit insurance.” The problem with this approach is that this means delegating tremendous

decision-making power away from EU member states. If done properly, decisions regarding which banks should be closed and which should be capitalized, and under what conditionality, would be decided by a supranational body. Münchau himself calls the proposal “unpalatable” and argues that “among all crisis resolution choices, the centralization of bank resolution and supervision will be among the least popular.” We are not so sure. Moving regulation to the supranational level has precedence in the EU: witness competition policy, energy, and telecommunications, among others. Delegating policy away from the nation-state to the European Commission, especially in the energy sector has not been easy and nation-states still resist some initiatives of the commission. Delegating some policymaking to supranational entities may be easier in the banking system than say in the case of fiscal policy. And even if limited, member states of the European Union did reach a “fiscal compact” back in March. There is an added incentive for states with troubled banking systems: the cost of cleaning would be socialized. Presumably this would be in exchange for more say in governance in the banking system, making the deal more acceptable to Northern Europe as well. Such an initiative may also enlarge the bargaining space between Northern and Southern Europe.

The irony is that if early action with respect to the banking system is not undertaken, eurozone countries may be pushed to take actions after the economic situation gets much worse. The cost would be much higher. This is just one example underlining the fact that the current economic situation in the eurozone requires bold coordinated action, possibly requiring further delegation of policymaking to central and supranational institutions.

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## Endnotes

- <sup>1</sup> Gramsci (1971).
- <sup>2</sup> Marx (1882).
- <sup>3</sup> Kupchan (2012), p.3.
- <sup>4</sup> K. Dervis and H. Kharas, "*Introduction: New Challenges for the Global Economy, New Uncertainties for the G-20*" in this volume. For a detailed analysis of Turkey's role in the Arab Spring, Keyman (2012).
- <sup>5</sup> Brzezinski (2012).
- <sup>6</sup> Kupchan (2012), p.4.
- <sup>7</sup> For a detailed analysis of these forces, see Keyman (2013).
- <sup>8</sup> Brzezinski (2012), p.36.