

What Kind of Planet Do We Want?

Reflections on a Post-Fukushima World

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Where We Have Come From

The cold war was won primarily by economics, not geopolitics. Following the devastation of the first half of the 20th century, in the second half, systems and institutions were put in place that rapidly reignited economic growth, creating prosperity, and, most remarkably, peace. In the 50 years from 1895 to 1945, Japan was engaged in five wars – the Sino-Japanese war, the Russo-Japanese war, the First World War, the Second China War (Pacific War) and World War II. Since 1945 Japan has been engaged in zero wars. In Europe, which had experienced cross-border wars, civil wars and two world wars, with the tragic exceptions of the wars in former Yugoslavia, there have been no wars. These are not achievements that should be taken for granted: they are, as stated, remarkable.

Following the economic crises and collapse caused by the Great Depression and the economic conflicts, especially trade conflicts, that ensued, the three decades after the end of World War II witnessed unprecedented economic growth, employment and social development. A framework was put in place for international economic governance – with the World Bank, the International Monetary Fund and the General Agreement on Tariffs and Trade – that, in spite of its imperfections, generated an environment conducive to increasingly solid and increasingly internationally integrated economic development. Non-discrimination as a fundamental principle of the GATT was a great achievement in institutional innovation.

Initially led by the US, the post-war decades also saw extraordinary developments in business management innovation. The radical re-conceptualisation of quality initiated by the professor and statistician W. Edwards Deming eventually had a very considerable impact in many parts of the world, and no more so than in Japan. Whereas the “Made in Japan” label had connoted not only cheapness in price but also cheapness in quality, soon companies such as Toyota and Matsushita were pioneers in new methods of high-quality production technology and management.

The leading international economic powers that before the war had seen a variety of different political systems, many of which were oppressive and based on extremist ideologies, after the war all became democracies. Their populations enjoyed an unprecedented and indeed hitherto undreamt-of degree of freedom.

As economies grew and democratic political institutions and values developed, the populations of what was called the “First World” – in contrast with the communist Second World and the Third World of developing and generally poor countries – came to enjoy much higher standards of health, education and general welfare. Life expectancy increased significantly, as child mortality decreased tremendously.

The world in 1965 for Japanese, Europeans and Americans could hardly be more different than the world of 1935. Thirty years is a very short span of time, yet the social, economic and political journey that

was traversed was enormous. As the then-British Prime Minister Harold MacMillan put it to his electorate, “You’ve never had it so good.” Mass tourism developed and the world, especially for the young, became increasingly connected through pop music and cinema. French songs were a great hit in Japan, while the song “Sukiyaki” by the Japanese singer Kyu Sakamoto reached number 1 in the US Billboard Hot 100 in June 1963! The following year, Tokyo hosted the Olympics.

This is not to suggest by any means that life in the First World was nothing but a bed of roses. Fast economic growth caused a number of negative externalities, the worse of which was pollution. This pollution could take on deadly proportions, as was the case in the dreadful degenerative Minamata disease, caused by mercury poisoning. The 1960s witnessed militant student rebellions in all First World countries. With the socio-economic convulsions – rapidly rising unemployment and inflation – caused by the oil crises, in the 1970s terrorist groups erupted – the Baader-Meinhof in Germany, the Brigade Rosse (Red Brigades) in Italy, Action Directe in France, the Symbionese Liberation Army in the US, and the Nihon Sekigun in Japan. Eventually, however, these political, social and economic threats were overcome; by the 1980s the First World was back on the road to prosperity and social peace.

In much of the Second and Third Worlds, however, life was not a bed of roses, but rather a bed of thorns. In the Second World the Soviet regime remained repressive and totalitarian, not only vis-à-vis its own citizens, but also by rapidly suppressing any attempt by countries within its sphere that sought a degree of freedom and political pluralism – as was the case when Soviet tanks invaded Budapest in 1956 and Prague in 1968. National state-driven economic experimentation and import substitution industrialisation in most of the Third World led to failure. The only erstwhile Third World economies that began managing to escape from the low-growth poverty trap were what were subsequently to be referred to as the “NIEs” (Newly Industrialising Economies), Hong Kong, Korea (South), Singapore and Taiwan. They did so by abandoning autarchy and import substitution and by engaging with the global market. Poverty, warfare, rebellion, coup-d’états, and repression were the staple existence of most other Third World countries. China, which straddled both Second and Third Worlds, had suffered tragically as a result of the colossal failures and human costs of Maoist programs: the Great Leap Forward and the Great Proletarian Cultural Revolution.

The 21st-century Globalisation Revolution

By the late 1980s it was clear that the Second and Third Worlds were politically, economically, socially and morally bankrupt. This was made all the more evident as developments in systems of transportation and communication resulted in increased information flows. Within just a few years, most of the countries of the Second



and Third Worlds – there are obviously exceptions, such as North Korea – sought to join the First World camp.

The first stage in this revolution occurred in 1978/79 when Beijing, only shortly after the death of Mao, under the leadership of Deng Xiaoping undertook a dramatically radical economic reform program. In the words of the Chinese economist and reformer Zheng Bijian, the Chinese leadership opted to embrace globalisation, rather than continue rejecting it as it had been doing for the previous 150 years. The second stage came a decade later with, in quick succession, the destruction of the Berlin Wall, the collapse of the Soviet empire, and the market liberalisation reforms instituted by governments of former import substitution industrialisation countries: India under Prime Minister P. V. Narasimha Rao (with his highly able Finance Minister Manmohan Singh), Brazil under Fernando Henrique Cardoso, Mexico under Carlos Salinas de Gortari, Argentina under Carlos Menem, Turkey under Halil Türküt Özal, and many other cases.

Within a matter of less than a decade, for the first time ever in history the vast majority of the world's population was engaged – at least in principle, as many remained too poor to consume – in the global market economy. As economies opened up, goods, capital, services, ideas and people crossed borders on a hitherto unprecedented scale, both in absolute and relative terms. As this process accelerated, hundreds of millions got lifted out of poverty.

In the late 1990s, the future of the emerging economies seemed in doubt as a series of major financial crises spread around the globe: currencies sank and stock markets crashed in Thailand, Indonesia, Korea, Russia, Argentina, Brazil and Turkey. However, recovery, indeed resurgence, came much faster than had been expected: in great part, it has to be said, by the powerful pull of the then highly dynamic US economic locomotive.

The transformations that occurred in the global economy in the course of the first decade of the 21st century were of truly mind-boggling depth and speed. In the period 2002 to 2010 the share of global GDP of the three leading emerging economies, Brazil, China and India, doubled. China surpassed Japan to become the world's second-biggest economy and the world's biggest exporter. When the great financial crisis hit the US and Europe in 2008/2009, the resilience of the emerging economies, China in particular, allowed them to continue to maintain high growth rates.

As the Indian economist Rajiv Kumar pointed out, in thirty years we seem to have gone full-circle: "The Chinese miracle is best summed up by observing that in 1978 Deng said that China could not do without global capitalism; three decades later it is clear that global capitalism cannot do without China!" China has become the economic engine of the world, driving not only many developing economies, especially those engaged in commodity exports, but also financing the US, European and Japanese debts. China's role in relation to developing countries can be illustrated by the fact that in

2009 and 2010 two Chinese banks – the China Development Bank and the Export-Import Bank – provided more loans (\$110 billion) than the World Bank (\$100 billion).

In these profound transformations the world is undergoing, a critical and very powerful driving force has been the exponential developments in information and communication technologies. A new calendar may be suggested: BG (before Google) and AG (after Google). People in their 20s and 30s find it very difficult to imagine how the world could have been before the IT revolution. Imagine trying to explain to someone who for some reason has been absent from the planet and incommunicado for the last quarter-of-a-century the functions of the contemporary telephone – no doubt with new functions being invented as I write. Out of a global population of seven billion, it is estimated that five billion have a mobile phone. Significantly more people have telephones than toilets. The implications are enormous – and as yet not by any means exhaustively estimated.

It is indeed a new world!

Where Are We Now?

First, one must recognise that global developments that have occurred in the last two decades give us very much to celebrate. Barriers to borders – both to enter and exit – have come down, people are freer in every sense than they have ever been; poverty has been dramatically reduced, as has infant mortality. The world is without doubt a better place in 2011 than it was in 1991 just as the Soviet empire imploded.

Nevertheless, while the process of globalisation initially seemed to herald much, a much more prevailing sense at the moment is that it has been seriously derailed. We are not at the destination we expected. A series of recent crises have seriously undermined global confidence: the 2008 great financial crisis; the failure of the ten-year Doha Round; the impasse of climate change negotiations; and most recently the Fukushima crisis in Japan.

The apparent dynamism of the global economy driven by the emerging economies notwithstanding, there is an underlying sense of uncertainty and fragility. The uncertainty arises from the fact that much of the territory we are in is uncharted. We have never been here before. Many forces, societies and instruments play different roles from the ones that in the past seemed to have been ascribed to them. China was poor and mired in Maoist rhetoric. The telephone

was an instrument limited to carrying voice. The First World economies ruled and dominated: the rest was peripheral. As recently as 1985, the highly reputed management consultant Ken'ichi Ohmae published a book entitled *Triad Power: The Coming Shape of Global Competition*, which the triad consisted of Germany, Japan and the United States – everything else was peripheral! This was indeed the world only a quarter-of-a-century ago.

As to the fragility of the planet, it is reflected in every aspect of human existence. These fragilities in turn exacerbate uncertainties. And these indeed are rendered more acute in that while virtually all the problems, challenges and threats the world faces are global, sovereignty remains national. Attempts in the last decade to develop supra-national policies have by and large failed.

Environment: environmental risks have been with the planet as long as it has existed; the new dimension has been the link to climate change. Numerous expert studies notwithstanding, we are still not clear as to what the impact and consequences of climate change may be. And the world certainly disagrees on how to manage these challenges and uncertainties. Whatever one does within one's own borders may be rendered useless if the neighbours – or indeed even remote countries on the other side of the planet – do not comply.

Demographics: we know that by the middle of this century there will be an additional two billion people. That is a relative certainty. Yet we have very little idea of what will be the impact of this addition to the global population. How will the equation between population and resources work out? Water is a key example. Will there be the means to provide education, employment and motivation to the billions of youth that this half-century will see emerge? For all of human history the vast majority of the population has lived in rural areas. As recently as 1950 the share of rural to world population was over 70%. In 2005, for the first time ever, the world's urban population overtook the rural. By 2050 it is estimated that over 70% of the global population of nine billion will be living in cities. The implications are awesome. Not only the numbers, but the composition poses questions. What proportion of the nine billion will be poor as opposed to middle-income-earners? In a recent paper ("Can the Asian middle class come of age?," East Asian Bureau of Economic Research, June 2011), Homi Kharas estimates that within the next twenty years Asia may be adding another 2.5 billion people to the world's middle class. When considering all the implications of these different dimensions and dynamics, the word "awesome" appears as a leitmotiv.

Health: people are healthier than they have ever been. Life expectancy has increased dramatically in the last few decades, as child mortality has equally decreased dramatically, no longer just in the industrialised countries, but also in the global South. There is even hope that there may be a cure for HIV/AIDs. Yet the world has also seen a succession of contagions erupting that have caused concern and heightened uncertainty: SARS, the avian flu and more recently, even if also more localised, the e-coli scare in Germany. At a closed-door meeting last year a World Health Organisation (WHO) official commented: "what we know is that there will be a global pandemic; what we don't know is when and where."

Society: There has been unprecedented lifting of hundreds of millions out of poverty, the global population of middle-income-earners has grown by perhaps as many as two billion, and new technologies have

provided means for connectivity and opportunities for entrepreneurship, all of this amounting to considerable social mobility. Yet there has also been a global proliferation of social and political unrest. This has been mainly the case in the emerging and developing countries: whether fast-growing, as in China and India, or slow-growing, as in the Middle East and North Africa (MENA). Social distress and unrest have also deepened in the advanced economies of the EU, Japan and the US, as increasing inequalities and unemployment, especially youth unemployment, have led to great swathes of society being alienated. The world is not one big happy family, nor are most individual countries composed of happy families.

Technology: ICT and mobile telephony in particular is said to be the most "democratic" technology ever. The penetration rate of the mobile phone has greatly outdistanced that of the radio and television. The mobile phone is something that neither the dressed-in-rags street vendor nor the multi-billionaire Armani-suited CEO could do without. Social media such as Facebook and Twitter have become something close to a basic necessity of life. The benefits are clearly enormous. Yet the uncertainties also loom large. The huge financial and prestige loss suffered by Sony due to hacking is a vivid illustration. Geopolitics has a new branch: cyber-warfare.

Finance: The fact that the collapse of the Lehman Brothers took the world by surprise says it all. If ever we needed to have evidence that the world is characterised by uncertainty and fragility, surely the great financial crisis (GFC) of 2008/09 provides definitive proof. The havoc caused to erstwhile seemingly robust economies, not least the US, has been quite devastating. A key cause of this condition has been the fact that, whereas the proper functioning of a society is one where the real economy is on top and finance is on tap, this pattern has now been reversed. Finance is on top, everything else is on tap. As the syndrome persists it appears that the lessons of 2008 have not been learnt. The Greek financial crisis looms ever larger as I write.

Energy: Options spanning fossil fuels, oil and gas, bio-fuels, renewable energies and nuclear have produced a complex policy patchwork driven by demographics, economics, geopolitics, science and social forces. Fukushima has made the picture far more confused. The decision of Germany and Switzerland to abandon nuclear energy represents something of a seism. Indeed energy policy is perhaps the area where there are some of the greatest levels of fragility and uncertainty.

Global Governance: A former UK prime minister famously said that global problems require global solutions. But global solutions can only emanate from properly functioning global governance institutions. Today the fact is that most of these institutions are dysfunctional. The failure of the WTO to conclude the Doha Round is perhaps the most vivid evidence. Compared to many other problems the world faces – health, poverty, immigration, climate change, water, food, energy, nuclear proliferation, security – the trade agenda is relatively simple and straightforward. Yet the spectacle of tawdry, long and drawn-out, seemingly endless negotiations driven by myopic mercantilist interests has been most unedifying. The post-Dominique Strauss-Khan succession battle with the Europeans seeking to maintain their obsolete colonial monopolistic position of leadership of the IMF also falls in the most unedifying category. The jury may still be out on the G 20 but perhaps not for long as the forthcoming Cannes summit looks like it may well be serving a dog's breakfast. And one could go on. Global

governance has been badly infected and in turn this causes heightened uncertainty and fragility.

Where Are We Going?

At the moment the signs in respect to global destination are not terribly reassuring. We are certainly not where we might justifiably have expected to have been. In many parts of the world, current trends seem to be reversing advances made in previous decades. The European Union perhaps exemplifies this malaise. Two of the greatest advances of the European Union – the Schengen border accords and the Euro – may both be unravelling.

The EU is not the center of the universe – at least not any more. Yet the picture in many other parts of the world is not more encouraging. The triple tragedies – the earthquake, the tsunami and the nuclear fall-out – in Japan have further revealed the ineptitude of government and, in the case of TEPCO, corporate governance. The US is saddled with monumental debt, and sees great difficulty in extracting itself from the wars it waged under President Obama's predecessor, George Bush, Jr., in Afghanistan and Iraq, while Libya has put NATO in a state of disarray. The drug wars in the Andean region and Central America are exacting a very heavy human, social and political toll. The recent election victory of Ollanta Humala as President of Peru shows the degree to which Hugo Chavez-style populism remains powerful in Latin America. In South Asia, the political and military perspectives for nuclear-armed Pakistan are somewhat alarming. While India is threatened by its neighbour, on the domestic front the considerable gains made by the Maoist Naxalite forces may heighten national political insecurity. In East Asia, China is seen as a wild card. All of its neighbours, from ultra-rich Japan to ultra-poor Cambodia, greatly depend on the Chinese economic agenda. Yet they also all fear and increasingly find themselves having tension with Beijing. Japan experienced the fishing-boat incident, while Vietnam has expressed deep concern over China's moves in the South China Sea. In the MENA region there is justified apprehension that the "Arab spring" may turn into winter, rather than summer.

In the World Economic Forum (WEF) 2011 global risk assessments, the risk that stood out prominently is that of "de-globalisation". While the term hardly existed five years ago, it has become common currency. The pious view (wish?) that the world has become far too interconnected and consequently interdependent to reverse course is dangerous complacency. History shows over and over that acts that may appear highly irrational are nevertheless acted upon. In 1910 the influential thought leader Sir Norman Angell wrote: "international finance is now so interdependent and tied to trade and industry, that political and military power can in reality do nothing." Famous last words!

Where we should be heading is for greater peace and prosperity.



This coastal area of Ishinomaki was devastated by the tsunami.

We may still be doing OK on the prosperity scorecard, but we are emphatically not in respect to peace. The world is not at peace with itself in great part because individual nations and societies are not at peace with themselves.

A dynamic, sustainable, equitable, robust, peaceful, open global market economy based on the rule of law should be the ultimate destination. To reach that destination, economic growth will be essential, but so will social development and environmental custodianship.

It is often pointed out that a major obstacle for the world to achieve these goals is the poor quality of leadership. And indeed the leadership deficit is a major issue in the early 21st century. But arguably an even greater issue, that is far more rarely mentioned, is the fact that virtually everywhere in the world it seems that trust has broken down. Fukushima illustrates this syndrome. While the degree of trust the people of Japan have had in their political, administrative and corporate institutions may not have been high, Fukushima destroyed what little there was left. In that sense Fukushima is a microcosm of global society.

When the poet Rudyard Kipling's only son died in the trenches of World War I, he had inscribed on his son's tombstone: "If any question why we died, tell them, because our fathers lied." If the world continues down the current path, the costs for future generations will be enormous. To return to the metaphor of the globalisation train having been derailed, it is now urgent to get it back on track. The only viable way to do so is to seek to develop both within and between societies that elusive element of trust. It will be very hard, but we have no option. For the world to survive, truth will have to prevail. **JS**

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