

GLOBALISATION AND THE INSTITUTIONAL DEFICIT

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ABSTRACT

Globalisation involves the creation of one global market economy with the promise of higher output and larger income. But it also puts immense pressure upon the environment of the earth with the risk of severe degradation of nature. Finally, globalization creates dependencies among the roughly 200 states of the world. Thus, the problem emerges: How to create coordination, i.e. find Pareto optimal outcomes? The article suggests the following answer: Institutionalisation, i.e. clarify and enforce the rules of the global game. Globalisation calls for more of institutionalization of economic, environmental and state rules as well as stronger judicialisation of these rules.

INTRODUCTION

Globalisation is the most conspicuous force in the development of modern societies, as it affects them profoundly economically, politically and culturally. Thus far, globalisation has accomplished to put in place several connections in a future global market economy. It has also increased political contacts between states, as the leaders of key countries meet more often and international organisations multiply. Finally, there is growing consensus upon the principles of a world community, especially when it comes to such matters as basic human rights and the protection of minorities. However, the institutions of the global society need to become more transparent and in particular better enforced.

The paradox is that rules exist in many areas that globalisation impacts upon, but the rules are not enforced, either not properly or not at all. What needs to be addressed is not first and foremost the enactment of new treaties introducing new rules. It must be admitted that this is in some areas an important task. But the main problem of globalisation is that many of the already existing rules that are reasonable are neglected or explicitly not complied with. How can the enforcement problem be addressed when it come to the implementation of global rules?

WHAT IS GLOBALISATION?

You often meet the argument that globalisation is nothing new. There has been a steady process of internationalisation going on during the entire 20th century despite the two world wars. And it is emphasised that the world before 1914 was in many respects of global world with international trade, a common gold standard and an international system of states. Another argument about globalisation is that it is very difficult to pin down what it really is. The key concepts such as networks, interconnectedness, interdependency, etc are vague meaning that it is difficult to tell whether the world is more or when measured by them.

The counter-argument is that globalisation is such a massive economic and social transformation that it is bound to show up in multiple and often diffuse ways. As a socio-economic force it is similar to industrialisation and urbanization (Howells, and Wood, 1993). Globalisation, fuelled by the Internet revolution and similar technological breakthroughs on the information highway, started out as an economic trend, but it has spilled over into other areas such the environment (global warming), social affairs (migration) and human rights, while at the same time deepening economically.

Globalisation implies interdependency, between economies and governments. When the peoples and the cultures of the world become interdependent in economic and political respects, then only institutions can serve as the medium of co-ordination. The differences between the nations and civilisations of the world are often so profound that only a consensus upon rules is possible. However, such a minimal consensus, which falls far short of a common understanding of values, must be attended by the full enforcement of the rules constituting this consensus.

Globalisation entails co-ordination. The governments of the world can only handle the interdependencies by co-ordinating their actions, finding and implementing solutions that are mutually beneficial. However, there are several problems of co-ordination, as co-operation is not forthcoming simply because one can point at solutions that are in the best interest of all, or Pareto optimal solutions. Co-ordination will be the outcome of a variety of strategies including free riding, reneging, threats and slow and tiresome bargaining. There is always the risk of disco-ordination or even co-ordination failures.

In co-ordination one basic tool to stabilise the chaotic interaction between players is to develop a consensus about institutions that define the rules of the game. This solution is only feasible if these common rules are enforced. And that is the crux of the matter: How is enforcement to be done so that it is credible?

The institutional solution to the globalisation equation:

Globalisation = f (interdependency, co-ordination),

becomes the more plausible when one considers the diversity in ethnicity and religion among the countries of the world. Rules are easier to agree upon than values, especially when people adhere to different cultures.

Let us first examine what globalisation would look like if institutions were lacking or completely neglected. Then we will examine examples of weak enforcement mechanisms, e.g. the environment, but we will also look at an examples of successful institutionalisation, namely contract disputes settlement. Finally, we examine the various techniques of co-ordination that may be employed in order to enforce global institutions.

GLOBALISATION WITHOUT INSTITUTIONALISATION

Globalisation is first and foremost the economic interaction in the form of a global market economy (Richardson, 2000). World trade has kept increasing since the end of the Second World War and global economic interdependency has swung over from the real economy to the financial economy. Globalisation is also the consensus upon a set of basic values of

mankind such as certain human rights. Thus, there is a world community, which though loosely organised tries to uphold values such as peace and the rights of minorities and individuals.

Globalisation is a challenge to the political organisation of the globe, which still rests upon the principle of state sovereignty as laid down in international treaties forming public international law (Glahn, 1995). In order to meet these challenges of growing interdependence among countries economically, in the environment and in relation to the values of mankind, governments must co-ordinate their policies more and more, meaning finding mechanisms of co-operation. States must accept so-called auto-limitation, i.e. binding them more and more upon reasonable rules and universal values. If this fails, then the following outcomes are highly probable.

First, the global market economy will be invaded by the crime economy. Economic crime has not only grown rapidly during the latest decades, but it has also become more and more international. Crossing borders is a technique for successful crime. One strikes at one place and retires to another using the border crossing as a protection mechanism, as in theft of luxury cars. Or the crime consists of moving something across borders as with smuggling or money laundering (Findlay, 1999).

The size of the crime economy is impossible to estimate, but its scale is such that whole countries have been drawn into it and currency markets are deeply affected. The crime economy seems to make more and more people its victims. It used to be drug trafficking that created immense problems for the country police. Now international crime has added the trafficking in people to its list of activities, including children and modern slavery. The Internet and international e-mail is often used as a vehicle of crime. Crime threatens the principle of contractual validity, which is basic to international commerce. If it is easier to make money illegally, then why respect the market economy?

Second, environmental degradation will continue. The environment is a free resource, which all wants to use and no one will pay for to protect as long as there is no commitment from all countries to protect it and assume the costs involved. As the world economy expands, the use of the environment increases in all aspects. Thus, the major environmental problems become more and graver, including:

- global warming
- acid rains
- more endangered species
- more air and sea pollution
- less drinkable water.

Global warming is only the most alarming aspect of a steady and continuous environmental degradation that has been going on since industrialisation started. The other aspects should be of equal concern, especially as they get worse at an accelerating pace. Several of these environmental problems have the same cause, viz. the heavy reliance upon combustible fuels.

A major problem in the future will be access to drinkable water. Although the earth comprises immense amounts of water, less than 1 per cent of it is available for human consumption. Despite this, the consumption of water has increased fourfold since 1960, putting immense pressure on available sources. Most of it is used for agricultural purposes,

which implies that a future shortage could have negative consequences for the capacity of mankind to feed itself. Supplying more water is not merely a technical question about building dams, or manages water resources more efficiently. It raises governance problems between states, as water resources are distributed in a highly skewed manner. As the population of the increases and as industrialisation and urbanisation in the Third World proceeds, there arise co-ordination problems between countries that are hardly solvable by market co-ordination only. Take the examples of the river Jordan or the rivers Euphrates and Tigris and one sees immediately the implications of access to water for international relations.

Third, rule of law will not be extended to the large set of countries, which are not included in the set of consolidated democracies. Globalisation is fuelled considerably by immense migration of people from regions where life prospects are grim to the advanced countries of the world. The reason of migration is not only economical, or the pursuit of better life opportunities elsewhere. A strong component in the migratory waves is the search for human rights. If Third World countries do not respect and enforce civil and political rights, then the world will become divided into two spheres, one where rule of law is obeyed and another where people will live under authoritarian forms of rule. This is not a balanced outcome of globalisation.

The global community of all kinds of men and women may not agree upon all kinds of human rights, but the minimum consensus would be that genocide must be avoided. There are rules against genocide in several treaties, but how is the enforcement to be carried out in an effective way?

GLOBALISATION AND GOVERNANCE

Governance is what governments engage themselves in. No one denies that any domestic economy or domestic environment requires governance. What the debate about the role of the market and the state is all about is how much governments should plan and co-ordinate markets as well as control the use of the environment. Extending this basic insight into the global period when markets and environments are intertwined, then one searches for the government that fulfils the governance tasks.

Global governance cannot be done by means a world government. This is impossible not only because of all the cultural differences between countries. It would also pose a threat of authoritarianism as all empires end up using force excessively. What one must try to achieve is a pattern of mechanisms of international governance that includes several kinds of organisations without any having a dominant position. This carpet of organisations must at the end of the day be accepted by the states of the world and their governments, as the system of state interaction remains based upon the premises of the Westphalia system, meaning the sovereignty of nation-states.

Up to now global governance has been in the hands of the following organisations: (1) International organisations; (2) Non-governmental organisations; (3) Voluntary co-ordination or arbitration. From a strict legal point of view all these forms of governance must be classified as private, since they lack the distinctive feature of public governance, which is the sanction. Only the Security Council of the United Nations can impose sanctions upon states

that do not follow its decisions. And these sanctions can be severe, to say the least, either for an entire country like Iraq or single individuals as the Serbian leaders.

Legal scholars have debated the nature of international law for centuries. Basically, there are two opinions. First, one school claims that the principles and decisions by international bodies are merely recommendations and they are not valid in a country until the government puts them into the domestic legal order – the duality position. Second, there is the monist position claiming that international law is implicitly valid for each state, as they have at the end of the day sanctioned them themselves. It appears that the monist position has more adherents today than the dualist one. However, one should not confuse ethics and law. Global governance may well refer to eternal moral obligations of mankind, but as long as they are not enforced they are simply not law. And the typical international organisations lack the capacity to impose sanctions. What to do?

Somehow global governance must be made more effective, which involves the employment of some form of sanction. It must be emphasised that these sanctions need not involve the use of force. Global economic governance is much more effective than global environmental governance, because the FMI and the World Bank can use the threat of withholding economic assistance (Khan, S.R. (1999). The key in global governance is the possible use of some form of sanction when norms are not complied with. How can that be accomplished without promoting arbitrary attacks upon state sovereignty or enhance global imperialism?

As things stand now it is far too easy for governments to play games in international co-ordination. Whole countries may free ride upon others ex ante agreements between their governments. Or governments may simply renege upon treaties after signing them – the ex post kind of free riding. All the three main forms of existing global governance – the IGO:s, the NGO:s and voluntary arbitration – may sometimes contribute to global co-ordination, but in general they are not sufficient as globalisation increases interdependencies.

One step towards strong co-ordination among states is to create new regional co-ordination mechanisms, of which the EU is perhaps the most successful example. The Union has accomplished broad and effective co-ordination, partly because it has an enforcement mechanism at hand, the Commission and the European Court of Justice. Although regional co-ordination mechanisms are conducive to coordination by bringing down the number of state players, it is also true that they are not typically strong enforcers of norms and in any case they could not cover all the countries of the world. When there are several regional co-ordination mechanisms, then how to they co-ordinate in between them? We will suggest that the missing mechanism in global governance is the use of courts.

RULES EXIST BUT THEY ARE NOT ENFORCED

There are three components in the globalisation equation:

- the global market economy
- the global environment
- the world community.

All these three elements already have rules, which are fairly well known. However, these rules are not enforced, or at least not enforced with consistency and determination. Thus, the

countries of the world live an institutional deficit. The predominant approach to the enforcement of rules that apply internationally has been to use the system of states, as it has been laid down in international treaties over a long period. But is this enforcement mechanism enough? Reflecting upon this question forces us to search for alternative enforcement mechanisms.

One cannot argue that all aspects of the global society know firm and transparent rules. There are many controversial issues that remain to be resolved (Basedow, and Kono, 2000). Let us point out a few which will become increasingly relevant:

The global market economy: One pertinent problem is the identification of who the players are. There are several different kinds of firms active in the market economy. Are all forms to be accepted? One does not have to refer to the organised crime in order to find firms that should not be allowed to enter and be active in the global market economy. How about public enterprises? These firms may play a vital role in the domestic economy, but do they a role to play in other countries?

This is not merely the old question about government support to domestic companies, which has been much discussed in relation to various forms of economic nationalism. It is a matter of how state owned enterprises are to operate when the domestic economy becomes integrated into the global economy. Are they to become global players too? This question is most relevant in relation to the European Union and China where state owned enterprises are strong enough from a financial point of view to go international.

In several West-European countries the market philosophy has resulted not only in deregulation and the creation of an internal market for the free circulation of goods, services, labour and capital. It has also seen the emergence of a new form of public enterprise, the joint-stock company owned wholly or partially by government, liberated from its traditional regulatory scheme. Some of these firms are true giants. When they are now to operate like any other firm under common rules, then they know no borders. Since they have lost their monopoly position in the domestic economy and they are told that there is now a level playing field, then they can hardly be stopped from starting expansive and oligopolistic strategies including cross-border alliances, horizontal integration, asset swaps, etc. The most conspicuous example of a huge public enterprise becoming a global player is the French electricity company, the EDF. Perhaps then government should not be an owner of the equity of such a world player?

In China the reform of the SOE:s has meant that they can engage rather freely in joint ventures with Western companies. The combination of advanced Western technology and cheap labour coming in from the Chinese countryside creates a profit machine that can take on world competition. The question that can be raised is whether these joint ventures producing for the Chinese markets are also to be allowed to become global players, given the existing ownership structure. One may reject the criticism against Chinese TV producers conquering the European market on the basis of dumping practices – is this not what Japanese firms have done in the past, at least part of the time? What needs to be discussed more profoundly is whether companies like China Telecom is to become a world player like Deutsche Telecom and French Telecom are striving to be. If it starts showing the same global aspirations as its European counterparts, then its equity should not longer be the sole patrimony of the Chinese government?

The global environment: Can international rules about global fishing be identified? There has been a large debate about zoning and fishing rights, which shows that sometimes such an approach to common pool resources works. At the same time the condition for the world fish resources is only getting worse and worse with some of the major catch areas being completely exhausted. Why not identify and implement a global system of fishing rights and devise a mechanism to enforce it? If there are so many satellites circulating around the globe, then surely some of them can be used for spotting fishing fleets that break the rules?

WEAK PUBLIC ENFORCEMENT

As an example of a weak enforcement mechanism one may mention the International Whaling Commission (IWC). The IWC was set up in 1946. And it has been operating for a good number of years with an international secretariat and various committees. However, it has not been successful in protecting several species of whales which are today endangered ones. Why?

The depletion of whales may be seen as driven by the logic of either a zero sum game or that of a PD game. To some whales compete with human beings for a scarce resource in the oceans of the world and their decimation may proceed all the way to the elimination, because this improves the conditions of global fishing. To other whales have a value as the greatest existing mammals and they should be protected enough so that they do not die out. However, this does not imply that they could not be hunted, as long as this results in a sustainable catch. As long one cannot arrive at a common understanding of what is a sustainable catch, the hunting of whales goes on due to the logic of a PD game, meaning that one country will allow hunting because others do it. Finally, there is the ecological position that the hunting of whales should be forbidden in principle, because these animals have a right to exist and perpetuate themselves independent of their usefulness for human industrial purposes.

Questions of value and questions of fact become hopelessly intertwined in the work of the IWC. Countries which favour the industrial view upon whales simply argue along either of two lines: a) the number of whales is sufficient for allowing hunting; b) the sustainable catch is much higher than countries who take the ecological view claims. Despite scientific expertise the IWC does not succeed in clarifying these two questions in an unambiguous manner, which is conducive to a tragedy of the commons some years ahead when in all probability the blue whale will be extinct. The error is not to be found in the questionable tactics engaged in by countries such as Japan and Norway, but in the rules of the game which permit these strategies to be played out which such ominous consequences.

The IWC votes along a majoritarian scheme, but in reality it practices unanimity. Thus, when a country has lost out in a vote it may nullify the decision in accordance with the so-called Objection Procedure. The argument in favour of having this institution is that otherwise the country losing out would simply leave the IWC and not respect its rulings. Something is wrong here from the institutional point of view. The mechanism devised is just too weak.

What is at stake is not the principle of state sovereignty that is the foundation of the international system of interaction between governments. States may accept a variety of competencies with international organisations, from investigation to decision-making and arbitration. The ICW would be considerably strengthened if its decisions were binding on all

member states with the possibility of conducting a complaint against adverse decisions with some form of court mechanism.

It is often argued that human rights constitute an area where enforcement is weak (Woodiwiss, 1998). It is not the codification of human rights that is at stake, because such codifications exist and many countries have signed up. The problem is the enforcement of these rights, as several governments do not respect the treaties and agreements they or their predecessors have signed. However, a strict enforcement of human rights is an awesome implementation task. It would require a global surveillance that is not feasible given the existing system of states. Intervening in the anarchy of African countries, in the Chinese occupation of Tibet, in the drug related armed conflicts in Colombia and Afghanistan, in the atrocities of Islamic fundamentalism in Algeria, in the treatment of prisoners in Turkey, in the operations of the Russian army in Chechnya, etc – there would not be resources enough to sustain such an enforcement mechanism nor a willingness to take the risks involved in undertaking concrete actions. Or look at the conflict between Israel and its neighbours including the Palestine people – the UN has not been able to prevent no less than four major wars and there is no solution in sight concerning the occupied territories in Gaza and the West Bank.

Sometimes one speaks about the world community or the international society as a body of people adhering to the same values or as constituting a community of likeminded wherever they may live on the globe. However, cultural diversity is so large that it creates a severe restriction upon attempting to implement a core set of values in each and every country. However, one could focus upon a minimum set of humanitarian values, which practically all governments could be interested in promoting, such as the right to life and the security against genocide.

Thus, some things can be done given the existing system of interaction between states. The protection of the environment including endangered species is feasible. A minimum implementation of human rights around the world is feasible. The global environment like the global market economy is different from full set of human rights, as they cannot be confined to the barriers of country borders. Thus, they do not fall under the restriction of non-interference in the domestic affairs of a state, which is a basic principle in the international order. When countries interact globally either economically or environmentally, then the principle of sovereignty has limited range. Here there is ample room for solutions that are in the best interest of all parties – so called Pareto optimal outcomes.

What mechanisms could be devised that helps mankind find and implement solutions to collective action problems? It is in the interest of all states to govern the global economy and the global environment. Yet, governments engage in short-term tactics including free riding or renegeing. How can co-ordination be accomplished through voluntary co-operation based upon the interests of states to accept and implement common solutions to collective action problems such protecting the global environment? Similarly, it is in the best interest of each state to prevent the occurrence of genocide, or the elimination of a portion of its own population. How can rules against environmental degradation and genocide that all would accept be enforced?

Let us examine an example where global co-ordination is effective, although it is accomplished by a private mechanism.

STRONG PRIVATE ENFORCEMENT

It is difficult to find examples of strong enforcement of international rules. One has to go to the International Chamber of Commerce (ICC) and its International Court of Arbitration, seated in Paris. The Court is though not a "court" in the ordinary sense. As the ICC arbitration body, the Court ensures the application of the Rules of Arbitration of the International Chamber of Commerce. Although its members do not decide the matters submitted to ICC arbitration - this is the task of the arbitrators appointed under the ICC Rules - the Court oversees the ICC arbitration process. The Court is responsible for appointing arbitrators; confirming, as the case may be, arbitrators nominated by the parties as well as deciding upon challenges of arbitrators. It also scrutinises and approves all arbitral awards, fixing the arbitrators' fees.

The ICC and its members follow closely business self-regulation, where the ICC is world leader in setting voluntary rules, standards and codes for the conduct of international trade that are accepted by all business sectors and observed in thousands of transactions every day. Member companies and business associations are instrumental in the development of such key international trading instruments as for instance the so-called Incoterms. This is one form of self-regulation. Another form of self-regulation is the dispute resolution practice in international trade. The ICC International Court of Arbitration Bulletin provides exclusive information on arbitration and other dispute resolution mechanisms. Additionally, ICC organises seminars and conferences.

The International Chamber of Commerce early in the 20th century took the lead in securing the world-wide acceptance of arbitration as the most effective way of resolving international commercial disputes. Since its creation, the Court has handled over 10 000 international arbitration cases involving parties and arbitrators from more than 170 countries and territories. The need for arbitration concerning contracts has grown year by year in line with the expansion of international trade and the rapid globalisation of the world economy.

The mechanism involved in the ICC works because the incentives of the players are in agreement with accepting the decisions of the mechanisms. Why accept and pay for arbitration if one does not abide by its results? What makes arbitration acceptable though is the assurance nature of the game, namely that all players involved in the conflict to be arbitrated believe that it will be fair. What renders it fair is the contribution of legal expertise as well as the impartiality of the judges involved. Global governance should employ the impartiality of courts more often.

It should be pointed out that economic co-ordination is more easily accomplished than environmental co-ordination or co-ordination to enforce human rights. The international organisations active in economic co-ordination – the World Bank, the International Monetary Fund and the World Trade Organisation – can get countries to honour agreements and abide by the rules. Two reasons explain this outcome. First, these organisations are basically clubs to which governments apply for membership indicating their willingness to accept certain rules as long as all other members follow them. Second, the benefits from membership outweigh the costs meaning that countries would not want to risk getting excluded from the club (Chossudovsky, 1997). Environmental co-ordination and human rights co-ordination do not possess similar enforcement tools.

COOPERATION AND COORDINATION

The difference between interaction and co-ordination is simply that countries may well profess that they wish to cooperate but they will in reality behave differently, i.e. choose non-cooperative strategies like defection or renegeing. Co-ordination stands for the outcome that countries really have really implemented strategies that result in the best outcome for all parties concerned. Co-ordination failures are often occurring in the interaction between countries such as environmental pollution, the depletion of common pool resources, armament race, international trade, human rights, etc. In some cases there may be no room for co-ordination bringing about a positive outcome for all parties, as when governments collide completely on an issue such as Tibet. In other cases it is not a question of a zero-sum game, but there is a true co-ordination failure.

It is questionable whether the existing mechanisms of governmental collaboration really can achieve much co-ordination or enough co-ordination to meet the challenges of a global world. I would like to suggest that one tries the following mechanism more systematically: judicial co-ordination. It can be traced back to the insight in game theory that players can often improve upon their outcomes if they resort to third parties. This widens the game and permits a more profound co-ordination where an impartial outsider is brought in and helps not only identify but also select new strategies.

Judicial co-ordination is not only in agreement with basic insights in game theory, but more importantly it is also feasible in several different forms. One means is the special international courts like the present ad hoc courts examining genocide in the Balkans and in Rwanda or the International Criminal Court (ICC), which was introduced in 1998 and ratified 2002. Both can accomplish judicial co-ordination. Or judicial co-ordination can be achieved by means of ordinary country courts taking on international issues, as for instance the Rwanda case in the Belgian court in Brussels.

The first road – the creation of international courts with a special competence – seems no longer so promising. Although the costs involved would be minuscule in relation to the benefits conferred upon all, there would probably be resistance to paying for another international organisation, especially if it poses a threat to sovereignty. Another road is to empower already existing courts to rule over international issues, when they can claim legitimately that they are involved somehow. In relation to crimes against humanity the second road seems the most effective one, whereas in relation to the global environment it would probably be necessary to create a new court. Actually, there is already one environmental court in existence: the International Court of Environmental Arbitration and Conciliation. But it has no teeth.

What is absolutely essential when it comes to the international judicialisation of domestic courts is that the legitimacy of the courts can be upheld. The rulings of domestic courts on global matters will only be respected if the rules employed by the courts are transparent and laid down in treaties between the governments of the states of the world. It would strengthen such a system of global judicialisation if complaints against court rulings could be made and examined by another court. Here we have new developments in global governance that only imagination sets a limit to.

THE GLOBAL COORDINATION GAME

Globalisation poses a number of problems to the states of the world. The response must be to engage in institutionalization, i.e. to employ rules that identify coordination possibilities and secure Pareto optimal outcomes when the same rules are enforced.

Consider the following globalisation game, played in two sequential rounds of play with two players. In the first round the players decide about what rules to enact whereas in the second round they decide whether to enforce the rules agreed upon in the first round. The governments of the world can fail to agree upon rules (defection) or they can agree upon rules but neglect to enforce them (reneging). Table 1 gives the non-cooperative outcomes and the cooperative ones when the game has terminated in either successful or failed institutionalisation. Each round gives 2 for cooperation and 0 for mutual defection whereas one-sided defection gives 3.

Table 1. The Global Coordination Game: 2 rounds of play

| | S1* | S2* | S3* |
|----|------|------|------|
| S1 | 4, 4 | 0, 6 | 4, 4 |
| S2 | 6, 0 | 0, 0 | 6, 0 |
| S3 | 4, 4 | 0, 6 | 4, 4 |

Note: S1 (S1*) = Row (Column) player accepts the rules and enforces them. S2 (S2*) = Row (Column) player defects in both the first or second round. S3 (S3*) = Row (Column) player accepts a Third Party which enforces the agreement.. S4 (S4*) = Row player and Column player coordinates completely and shares the benefits.

The Nash equilibrium of the global coordination games is (S2, S2*), but the strategy (S3, S3*) is more promising when this game is repeated with an unlimited time horizon. The strategy (S3, S3*) is exactly the institutionalization – judicialisation response to globalization outlined above. The two players would assure themselves of always receiving the outcome (4, 4) whereas the strategy of reneging at most brings 6 and then nothing, given that the other players also renege, either in tit-for-tat or always afterwards.

The global coordination game is played out daily as the governments of the world confront the needs of coordination in relation to the global market economy, the global environment and the world community. Cooperation is the strategy that will result in the making of rules and their enforcement. It is the bedrock of institutionalization and judicialisation, which – we argue – constitute the optimal response to the problems that globalization are conducive to. Playing the globalisation game in its two rounds – the making of rules and their enforcement – becomes less complicated the fewer the number of players are.

The global market economy is driven by powerful internal forces such as economies of scale, global entrepreneurs, technology transfers, etc. The only restriction is that the size of the market is limited by the size of the law, which is for the state to decide through either statute

law or case law. Without coordination there is the risk that the crime economy becomes global.

Global economic integration puts more and more pressure upon the environment, and it renders more and more precarious the state of Nature. As negative externalities now tend to hurt everyone, the governments of the world must confront the problem: How to overcome the risk of massive environmental degradation.

State coordination becomes urgent due to globalization, but the characteristic feature of a state is its control of a limited territory – the principle of sovereignty. How, then, to coordinate sovereign bodies? How can sovereign bodies cooperate not only in relation to the economy and the environment but also with regard to the requirements of the international community, i.e. mankind?

In public international law, there are two solutions: the principle of auto-limitation (Hobbes) contra the idea of the international community (Grotius). Governments pursue both these two alternatives when makes treaties and creating mechanisms for their enforcement. Without state coordination, there is the risk that governments loose internal control, i.e. political instability, due to globalisation.

CONCLUSION

Globalisation is making us all more interdependent or connected. The economies of the countries of the world are connected in the web of the global market economy (Kleitz, 1996). The world economy puts increasing pressure upon the earth's nature. However, whereas there is one global market economy and one global environment, there is the system of states comprising almost 200 actors. This calls for regulation and coordination to identify common objectives and avoid outcomes that are not in the long run interest of anyone (Prakash and Hart, 2000).

Given cultural diversity and all the differences between ethnic and religious groups one has to search for a minimum mutual understanding. It seems as this kind of minimum convergence between the countries of the world has been evolving since the Second World War in the form of Public International Law, but what is lacking is the enforcement of the common rules that governments say they wish to promote. In reality, governments fail to enforce rules about economic crime, the environment or human rights or some governments even does not care or even show disrespect themselves for the rules that their states are bound by.

We conclude thus that there is a need for reinforcing government coordination. The present system with the UN, the WB + IMF + WTO as well as the NGO:s can be further strengthened by more of institutionalization and judicialisation (Wilkinson, 2001). The general features of global coordination: fragmented pattern, weak enforcement, inconsistent actions, can be improved upon by piecemeal changes towards institutionalization and judicialisation. Thus, we recommend:

- a) Piecemeal reinforcement of present institutions
- b) Reducing the number of state players
- c) Ad hoc increases in IGO:s and reinforcement of NGO:s.
- d) Emphasis upon enforcement through judicialisation.

What to do with the enforcement question? The problem is of course that the world system of states as laid down in public international law includes the strong principle of non-interference in domestic affairs, which entails that global co-ordination must be based upon the assent of governments and their willingness to comply. How to accomplish this? Use the judicial branch of government, we suggest.

The judicialisation of politics has been a strong trend in many countries. It has enhanced the protection of minorities and their rights. And it has increased the respect for human beings and promoted fairness and equality. It could be employed in global governance, as the governments in various countries would be interested in hearing what the voice of impartiality has to say. And the judiciary is used to employ sanctions in order to have its rulings respected. Thus, justice and enforcement could go hand in hand. This is already occurring in contract governance in the form of voluntary arbitration, but it could be used more frequently in environmental governance as well as in enhancing respect for basic human rights such as the right to live. When institutionalized globalisation is more of a promise than a threat, more of a variable sum game than a zero sum game (Streeten, 2001) .

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