

Globalization's First War?

In the immediate aftermath of the devastating terrorist assault on the U.S. homeland, President George W. Bush told U.S. citizens that the country faced “the first war of the twenty-first century.” A few days later, Vice President Dick Cheney vowed that the coming conflict would be “global in scope.” Defense Secretary Donald Rumsfeld indicated that the international campaign would be waged on many fronts—from military strikes, better intelligence, and stronger banking regulations to more effective international cooperation in policing against terrorists. National security adviser Condoleezza Rice made a clear distinction between Islam and “the terrorists who distort its peaceful message.” Perhaps more significant than Bush’s statement but less well understood: the first war of the twenty-first century is also the first major war in the age of globalization.

Just as the Persian Gulf War came to be known as the “CNN war” because of cable television viewers’ newly acquired capability to assess bomb damage, the United States is on the verge of conducting a “globalized war” under dramatically new international conditions. Just as the Gulf War was not against CNN, this war is not against globalization. Yet just as CNN changed the way the Gulf War was fought, globalization will change the way this war will be fought. Individuals can now use Internet sites and cable stations to assess the war’s effects on diversified financial portfolios 24 hours a day across the world’s many stock markets and currency trading desks. Globalization has created complex interdependence. The market tremors that the terrorist attacks first set off, and that protracted military action subsequently amplified, have rapidly reverberated along the circuits that globalization produced.

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Some commentators have suggested that the terrorists conceived the attacks as a direct assault on the forces of globalization, but this notion does not withstand scrutiny. The United States was the clear target of these attacks, even if the “root causes” of such terrorism are a source of considerable debate. On display is not globalization under siege, but rather the clash between modernization and tradition. Debates within Saudi Arabia, Egypt, Algeria, Pakistan, and Iran center only in the most trivial way on Western “contamination,” such as by pop music and video games, of their cultures. The struggles within these societies concern economic inequalities, who should wield power, and the complex relationship between political and religious authorities. To view the events of September 11 primarily through the prism of globalization and its discontents is not particularly enlightening. Rather, the reverse poses a very relevant line of inquiry indeed: how will September 11 and, more importantly, the subsequent campaign in retaliation against the perpetrators of these attacks impact the course of globalization?

Much has been written about how the forces of globalization—the unremitting expansion of market forces, the breakneck speed with which capital moves around the globe, and the constant search for realizing greater economic efficiencies—influences everything from indigenous cultures and environmental regulations to labor standards and patterns of productivity. Yet remarkably little attention has been given to globalization’s potential impact on global conflict, and vice versa. Perhaps we have unintentionally subscribed to the persistent optimism of the prophets of globalization who either inferred or explicitly stated that conditions of globalization made a major, sustained conflict most unlikely. The terrorist attacks, however, have altered those comfortably held assumptions. We have come to understand globalization as an inexorable economic force, comparable to an inescapable approaching wave that alters everything in its path. If this portrayal is true, what will happen when the logic of globalization collides with the consuming passions of a global conflict? Is the relentless march of market liberalization and global optimism over? Can continuing globalization and a lengthy and expensive campaign against global terrorism coexist?

The Terror Attacks and the Damage Done

Before considering the potential implications for globalization of the ongoing military campaign against international terrorism, first appreciating the impact on, and the damage done, to the U.S. economy from the September 11 attacks is important. Although the attacks have left an incalculably negative impression on the U.S. psyche, the immediate, direct consequences for the U.S. economy in terms of the destruction of capital at the World Trade Center

and at the Pentagon are probably less than \$50 billion. These damages are roughly commensurate with the costs associated with major humanitarian emergencies and earthquakes, somewhat less than what the Kobe earthquake unleashed on Tokyo but more than what Hurricane Hugo inflicted on the Caribbean and southern Florida. The immediate reduction of capital stock associated with the collapse of major buildings does not reduce the flow of income. In actuality, reconstruction payments increase income flows during the rebuilding phase.

These attacks did, however, strike a deep blow against consumer confidence, the effects of which are likely to linger for many months, perhaps years. Before the September 11 blasts, economic data increasingly indicated that consumer confidence was ebbing sharply; the terrorist attacks only added to prevailing trends. The attacks have also done enormous secondary damage to specific sectors of the economy: airline companies, the travel and tourism industry, and insurance companies have all been hit hard by slumping demand and due bills. These sectors taken together, by some measurements, represent more than 25 percent of overall U.S. gross domestic product (GDP). Each of these sectors is notoriously cyclical, however, and some signs of their overcapacity and the softening in their respective marketplaces existed prior to September 11.

Much of the damage to the U.S. economy as a result of the attacks, in a strictly economic sense, is manageable. Barring another terrorist attack of major proportions (a big caveat), the economy should recover in due course. Secondary implications, in terms of a depressed U.S. capacity to absorb imports, particularly from Latin America and East Asia, are likely to be substantial, but these indicators could be expected to recover considerably in time as well. Thus, although devastating to those personally involved and to the nation as a whole, the terrorist attacks have inflicted only a glancing blow on the U.S. economy and, by association, against the process of globalization. How well either the process of globalization or the foundations of the U.S. economy will fare during the long twilight campaign against the forces of international terrorism remains to be seen. Indeed, the fundamental question is, Will the cures for international terrorism—travel restrictions, border searches, new immigration procedures, and new constraints limiting business efficiency—be more debilitating for the economy than the disease of international terrorism itself?

This war is not against globalization, but it will change the way the war is fought.

Terrorism and Globalization: So Different and Yet...

International terrorism has been described as the next “ism” to pose a significant challenge to the United States. In discussions this fall, considerable commentary has been made on the similarities between the national campaign against terrorism and the one waged against communism. Many, including Rumsfeld, have already likened the probable longevity and intensity of the present U.S. effort against international terrorism to the Cold War confrontation with international communism, but less is understood about the complex connections and comparisons between terrorism and globalization.

How will the campaign affect the course of globalization?

The recent tragedies evinced the interesting parallels and connections between the rise of globalization and the growth of Osama bin Laden’s al Qaeda movement. Both advanced dramatically during the 1990s. The true power and influence of each was first overlooked and later underestimated. Just as globalization came to touch many countries throughout the

world, al Qaeda’s followers and cells are now established in more than 60 countries. Each of these movements functions as a network of complex connections embedded in countries but linked between and across societies. World leaders tended to misunderstand the depth to which the activities associated with globalization, on the one hand, and al Qaeda, on the other, could conceivably disrupt their countries. Neither force accepts the notion or legitimacy of states or the state system in their inexorable quest.

Both gave early warnings, however, of their growing power: globalization through the Asian economic crisis of 1997, and al Qaeda through the embassy bombings in Kenya and Tanzania a year later. Both movements attracted fervent followers and devoted disciples, even though zealots in both camps were prepared to accept innocent “casualties” along the way—workers whom globalization displaced and workers murdered at the hands of al Qaeda. In short, global goals have driven each inexorably. It is too early to tell whether we have overestimated the overall durability and longevity of either—or both.

Releasing his now-infamous recorded statement—which stated clearly that the United States and Israel were the targets of his terror campaign—in the immediate wake of the first allied strikes against the Taliban, bin Laden utilized instruments of globalization, such as advances in communication and technology, to magnify terror and fear. The World Trade Center was a target on U.S. soil, certainly, but it was also a prime symbol of the influences

of globalization, a building with a large contingent of international occupants and around-the-clock operations reaching to every corner of the globe. The communications grid of globalization carried the endless replay of the two planes slamming into the twin towers and of the urban legends that spread on countless Internet sites. The seemingly instantaneous transmission of vivid pictures and rumors pierced the sense of U.S. invulnerability, sending a ripple of terror outward and touching every part of the interconnected system of global communication and commerce.

Risks of Collateral Damage

Many of the things that have left sophisticated Western societies vulnerable to terrorist attacks are the very efficiencies that have come as a consequence of persons', companies', and countries' relentless search for efficiency and maximum productivity. Curbside check-in, e-tickets, streamlined procedures for border crossings, freer immigration policies in industrialized societies, and just-in-time delivery of international packages and shipping were all introduced to help improve productivity and advance competitiveness. Several of these efficiencies have either been temporarily discontinued or curtailed in the name of improving security. The fundamental question is whether all, or just some, of these globalization-era improvements will be among the early casualties of the war on terrorism, sacrificed in order to reduce societal vulnerabilities and to restore domestic tranquility.

Islamic terrorists and demonstrators against globalization, strangely enough, have each come to see the United States as the source of globalization. The United States has characteristically been a "double agent" of sorts, actively promoting the forces of globalization in some cases (such as the unfettered movement of global capital) while resisting them in others (occasionally resorting to trade protectionism). A U.S. crusade against global terrorism is likely to place the U.S. national agenda, featuring homeland defense, major military strikes, and heightened security, more squarely at odds with the powerful forces of globalization. Ultimately, the essential forces of globalization frown on individual societies' indulgences and inefficiencies, such as heightened nationalism, patriotism, and a desire to wage war.

One hears concerns already from the U.S. and foreign business communities about how a sustained national campaign using all necessary means against radical Islamic fundamentalism could have cataclysmic consequences for global growth in the short term and could potentially undermine the very process of globalization. One need only remember that the world experienced another profound period of global integration prior to 1914, only to find the onset of World War I rolling back those advances. Al-

though connectivity before World War I was based more on trade and access to resources than on global communications, the global economic rupture that ensued from that war fundamentally set back the cause of open markets and the free movement of capital for generations.

Shaping Globalization's Future

What is the likely result of this collision between U.S. hard power, out to destroy international terrorism, and globalization's quest for greater efficiency and fewer societal barriers? In this titanic struggle against international terrorism, the forces of globalization have essentially three possible fates.

SCENARIO ONE: THE BEST REVENGE IS LIVING WELL

The first possibility is that domestic and international forces favoring the continuation of unfettered globalization, after initial setbacks, will ultimately prevail. Indications that this outcome is likely would include a short military campaign; a discernible shift in the current pitch of political rhetoric to a philosophy that says that "the best revenge is living well"; and the return of former governor Tom Ridge (R) to Pennsylvania after an unsatisfying stint in Washington that concludes with no significantly tighter border controls, better intelligence collaboration, or serious business support for heightened homeland security. Strict, initial security measures would prove too intrusive and inefficient, heightened by concern that international competition is taking advantage of more stringent U.S. safety steps. U.S. citizens are already expressing a powerful desire to return to the familiar patterns of domestic life associated with life prior to September 11. Indeed, a global desire to return to "business as usual" is amply evident.

The terrorists may have other plans. Another cataclysmic act of international terrorism perpetrated against the U.S. homeland would make a return to a world of unfettered freedoms impossible. A handy shorthand formula here is that U.S. impatience with inefficiencies that result from enhanced security measures will vary in direct proportion to the elapsed time between terrorist episodes. The longer the lapse, the greater will be the pressure to streamline procedures and to improve efficiency once again.

SCENARIO TWO: ADAPTATION AND GLOBALIZATION CAN COEXIST

The second possibility is that the United States and the international agents and institutions of globalization will adapt to heightened security measures and the inevitable disruptions that war brings. The process of greater inte-

gration, trade, and communication will continue with some modifications. Whole new lines of business innovation will spring up around security services and technologies. Pharmaceutical companies working to develop vaccines against biological and chemical warfare agents will see their stocks skyrocket. Televideo services and remote-conferencing capabilities will take the place of frequent business trips. In short, business will adapt.

This process would be similar in many ways to the fundamental structural adjustments in the U.S. economy that the 1973 oil shocks spurred, such as the rapid move toward greater fuel efficiencies, the development of alternate sources of supply, and the introduction of the 55 MPH speed limit. Ultimately, these steps to heighten security can only be effective and competitive if they are adapted relatively uniformly throughout the Group of Eight countries and the other industrialized democracies. U.S. competitiveness would be sorely tested if other major countries in the international economy did not match U.S. reforms and the United States was forced to carry the burden alone.

Balance between enhanced security and greater prosperity must be sought.

SCENARIO THREE: GLOBALIZATION IS A CASUALTY OF THE WAR

The third possibility is that the 1990s era of go-go globalization will be one of the first casualties in this sustained campaign against global terrorism. Global prospects would remain gloomy, trade barriers would rise along with subsidies, and new investments in technologies would lag. A tragic lesson of 1914 is that the advances of globalization—free and unfettered trade, rising productivity, open and optimistic mind-sets, ease of travel, and global trust and confidence—are extraordinarily difficult to regain once lost.

Influencing the Outcome

No one is now able to predict which result will most likely occur in this process of struggle and reconciliation, but it is not too early to try to create a consensus on, and an intellectual framework for, the need to pursue the second option aggressively—to adapt to new security challenges and to sustain the process of globalization. Balance between the competing demands of enhanced security and greater prosperity (where they exist) must be sought. Furthermore, just as certain characteristics of globalization may have to be curtailed somewhat in the interests of safety, others may be intensified. For

instance, international borders need to move from long lines of people and items on the ground toward a more efficient tracking process for goods and services. Greater transparency for movements of money, people, and products could well advance the cause of globalization. If we have learned anything since September 11, it is that al Qaeda and its shadowy cohort operate best in opaque conditions.

This realization suggests that the economic dimension of the campaign is ultimately as important as either the military or diplomatic elements. It would indeed be tragic if, in taking steps to reestablish domestic tranquility and protect against subsequent terrorist attacks, we inhibit or even undermine the process of globalization that has helped deliver U.S. prosperity to unprecedented levels. We must ensure that whatever cure we find for international terrorism is in the end not worse than the disease itself.