

2/2001

DIALOGUE COOPERATION

occasional
papers

Southeast Asia
Europe

Living in the Shadow
of 11 September

-Farish A. Noor

11 September 2001:
Attacks on Which
Civilization?

-Michael Ehrke

World in Autumn: New
Risks and New Front Lines
After 11 September

-Michael Dauderstädt

What do the Opponents
of Globalization Want?

-Michael Ehrke

Decent Work:
The ILO Agenda

-Werner Sengenberger

Globalizing Social Justice

-Erwin Schweissheim

Bringing About Change
in Burma

-Harn Yawngkhwe



**FRIEDRICH
EBERT
STIFTUNG**

Contents

- v *The Friedrich Ebert Stiftung in Southeast Asia*
- vii *Editorial*
- 1 Living in the Shadow of 11 September: How External Variable
 Factors Have Shaped the Domestic Politics of Malaysia
 Farish A. Noor
- 21 11 September 2001: Attacks on Which Civilization?
 Michael Ehrke
- 27 World in Autumn: New Risks and New Front Lines after 11
 September
 Michael Dauderstädt
- 33 What Do the Opponents of Globalization Want?
 Michael Ehrke
- 39 Decent Work: The International Labour Organization Agenda
 Werner Sengenberger
- 57 Globalizing Social Justice: Positions of the International Trade
 Union Organizations on the Reform of World Trade and
 Financial Systems
 Erwin Schweissheim
- 65 Sustainable Development and Social Justice Must Be Part of
 the Political Agenda in the Next WTO Round
 German Trade Union Confederation (DGB)
- 69 International Confederation of Free Trade Unions Statement
 on the Agenda for the Fourth Ministerial Conference of the
 World Trade Organization
 International Confederation of Free Trade Unions
- 73 The Liberalization of World Trade in Services Must Not
 Disregard Human Needs: DGB Demands in Connection with
 the General Agreement on Trade in Services (GATS)
 German Trade Union Confederation (DGB)
- 77 Bringing About Change in Burma
 Harn Yawngghwe
- 95 List of Authors

World in Autumn: New Risks and New Front Lines after 11 September

Michael Dauderstädt

The direct cost of the terror attack on 11 September 2001 in terms of fixed assets is considerable. However, this pales before the damages it has wrought indirectly through changes in mindsets. 'The world is no

longer what it was' is a platitude that always applies. It justifies itself in that those who see it that way perceive a change in the world for the worse, although this is not necessarily a permanent change.

The Worst of All Possible Worlds

The most important effect of the terror attack is the changed perception of the risks of a large number of conditions and activities (dimensions of human hatred and human readiness for destruction, aeroplane travel, life and work in high-rise buildings, etc.). Having seen the attack on the World Trade Center, many people now regard any danger as realistic.

Changed perceptions of risk have had an immediate effect on economic activities that manage risk, e.g. insurance companies have increased their premiums for airlines. But there is also likely to be an effect on the level of household savings as people try to be better prepared for an emergency that cannot rationally be foreseen. 'Rational' was a world in which the probability that four aeroplanes, hijacked and piloted by teams of suicide terrorists, would plunge simultaneously into the symbolic centres of American power was nil. The standard probability distribution of all possible events and worlds has been massively changed by this extreme value.

Every future-related decision, every investment, has to be re-evaluated on the basis of these new assumptions. New fears will determine actions until such time as a

prolonged period of renewed normality in the former sense of the word returns the status quo ante.

The first dimension of this change is economic. The direct cost of the damage of the attack (US\$20-50 billion) seems modest when compared to the US\$11 trillion loss that stock markets world-wide have suffered since their highest levels last year. Even though only a fraction of the overall loss in value occurred after 11 September, the already recession-minded world of stock markets for the time being accelerated its downtrend.

As valuations in the financial markets are based on expectations, they are just as likely to cave in the face of negative expectations as they are to soar at the prospect of better times. In his analysis of the Asian crisis, Paul Krugman speaks of the 'Pangloss Value' – that unrealistic optimum value of investments that is the result of the assumption of the best of all possible worlds (i.e. high growth prospects and negligible risks). Now the values seem to aim at a pessimistic 'Cassandra Value' – but is this realistic?

Indeed, the real economy changes with the

expectations, e.g. through the known mechanisms of lower consumer spending in the case of a loss of assets (even if they are only book losses). Still, some of the measures announced (e.g. retrenchments

and closings) also seem to be wave-riding effects; they were due anyway for reasons of previous over-investment, excessive expectations, or the tendency towards a recession.

The Globalization Break

One of the first victims of a pessimistic perception of risks is globalization in terms of an expanding liberalization of border-crossing activities. It starts with air travel. The cost of time and money has increased perceptibly. But can the controls be limited to passenger flights? And air travel? Shortly after the attack, the US coast guard closed the ports of New York and Washington. Basically, those controls which had started to seem less necessary with decreasing custom tariffs, now seem to be advisable once more. Now the concern at the borders (as well as within) is no longer biological controls or brand name piracy but nuclear warheads, poison gas and biological weapons.

The arriving foreigner may no longer be just an undesirable competitor for a job, or an asylum seeker, not to mention a sought-after IT expert, but a terrorist, who is being smuggled into the host country as a 'sleeper'.

The global financial markets have shown themselves to be ideal channels for the financing of terrorist networks. Their uncontrolled growth now not only endangers the financial stability of some badly managed economies, but also allows mass murderers to profit, enabling them

to fund the next terror attack.

The control of the Internet and world-wide communication networks, the relative anarchy and freedom of which, especially with regard to child pornography and extreme right-wing politics, has long been a thorn in the side for many, could now concern life and death in a much more literal meaning of the phrase and take on completely different dimensions.

The control of all these risks – the actual existence of which cannot be exactly assessed anyway – will drive up the cost of the activities involved, partly directly and partly in the form of increased insurance premiums or taxes (because many of the necessary measures will have to be taken by the state). The increased cost will lower productivity and thus the achievable growth in real income. However, increased state spending might also initiate Keynesian deflation.

A risk premium on international economic relations will be like a 'Tobin Tax',¹ only it will not be limited to speculative foreign exchange transactions. If the attack on the World Trade Center was aimed at undermining globalization, the goal has been partially achieved.

The Grey War

The USA and its allies have declared war on international terrorism. If the

announcements made in the aftermath of 11 September are carried through, then this

¹ Tax on multilateral financial transfers in order to reduce currency speculation, named after the economist James Tobin.

does not mean a few quick military operations, but a long-term, world-wide campaign, a grey war, that is comparable to Truman's containment strategy against Soviet Communism, which started the Cold War.

The Cold War brought about a new order of priorities and a number of far-sighted policies: not only were the old enemies, Germany and Japan, stabilized and re-built, but also, through the Marshall Plan, the USA revived the economy of Western Europe and created an attractive society model that was superior to Communism. The welfare state was not least a reaction to system competition. In the international environment this corresponded to development aid.

Not all these policies were successful in the sense of stabilizing pro-Western regimes and systems. Often they involved the destabilization of leftist governments, regardless of their democratic legitimacy.

New Alliances on the Outside

The indicators already exist: Will the USA still be able to view the conflict in the Middle East with the benign neglect shown by the Bush administration? Even a more active policy like that of previous US governments, which amounted to the de facto backing of Israel's policies that had been condemned by the United Nations (UN), may no longer be enough. Because, for a global anti-terrorism campaign, the USA needs the support of Islamic countries and the UN.

Will the superpower take on far-reaching global responsibilities? Will it pay its outstanding UN contributions? How will alliances change? Will the USA waive their old scores with Iran in order to win it over as an allied key power between Iraq and Afghanistan? Will it tolerate Russia's inclinations to dominate Chechnya and its

And some measures had unintended ancillary effects (e.g. the arming of the anti-Soviet Mujahideen and the Taliban). The collapse of the Communist opponent has also undermined some of these policies. Supporters of national and international policies which fight exclusion fear that, with the threat to the system, the resources and political will for such preventive policies have been lost as well.

In retrospect, the period of unlimited trust in markets, which also brought the term 'globalization' into vogue, might just have been a brief interlude between the imperatives of the Cold War and those of the Grey War.

This new Grey War will give birth to its own priorities and policies. The attack on the World Trade Center, should it become the defining moment of the only-just-started twenty-first century, polarizes anew global and local front lines and alliances.

near abroad, in order to be able to use the fields of deployment in Central Asia? Will it push even harder for the integration of Turkey into the EU, because of its enormous strategic importance, in order to be able to present an Islamic modernization model (despite the urgent necessity of its economic reorganization)? Will they try to stabilize Pakistan economically and socially, in order to pull the rug from under the internal Islamic opposition? And how many other front-line states (Egypt, Algeria, Sudan, Jordan) require basically massive development efforts in order to be able to support the connection of Islam and modern times with real political credibility?

The changed geopolitics may not even be the most important element in this new

world of the Grey War, because the frontlines no longer run between states. Even during the Cold War there were civil wars and internally extended frontlines between Communists and the representatives of pro-Western, capitalist circumstances. However, in the Grey War against terrorism, even more depends on the stabilization of internal situations.

Nevertheless, even in rich societies there exist various forms of terrorism. Even in well-developed Spain with its extremely progressive and liberal decentralization policies, the terrorists of ETA are able to survive. However, in spite of this, the central reason for the emergence of a brutal

terrorist opposition is probably a lack of prospects and despair in the slums and refugee camps of this world. Maybe only a few terrorists are recruited there and maybe others come from the better-off, educated circles of the Islamic world, but their hatred is the result of their awareness of that misery.

This awareness also has to be fought through a change in the patterns of perception, particularly in Islamic countries, through dialogue, education, active information, other school books, etc. – an effort that only makes sense if it is supported by a change in the political reality.

New Frontline on the Inside

These frontlines also run inside the societies that are threatened by terrorism. During the Cold War, the freedom that was to be defended against Communism almost became its first victim, e.g. in the Communist witch-hunts of the McCarthy era in the USA. Now the threat seems almost greater and fighting it seems to justify any means.

Not only do global markets and border-crossing activities have to be controlled, but also internal communication, transport routes and the flow of money, which can all be used by the terrorists. An old hierarchy of values, that places the social goals of the *res publica* above the wild growth of market opportunities, could gain new importance and force. The political control of the private economy, behind which any interests could hide, would thus gain in importance.

Politics with regard to technology would also have to be viewed differently. The indiscriminate multiplication of technical possibilities, which, seemingly neutral, also has the potential to be used by terrorists, has to give cause for concern.

Nuclear power stations are no longer only a threat because of possible accidents, but also because, as a source of nuclear material, they are targets for attacks. Wherever huge amounts of energy are used for civil purposes (e.g. large conventional power stations, aeroplanes, high-speed trains and certain industrial installations), the risk of terror attacks now has to be taken into consideration.

Almost the same applies to biological and chemical technologies that are easily accessible. Even data networks can become instruments of terrorism if used to destroy or interrupt important communication and data processing systems (e.g. payment transactions). Green dreams of doing without certain technologies because of their inherent risks are receiving a boost.

Other internal political frontlines may come to be seen as outdated encumbrances. Why not abandon the war against drugs, which has been lost anyway and is becoming increasingly pointless? Liberalization would have immense advantages:

- The legalisation would dry up and emasculate the criminal and terrorist structures that finance themselves through the control of the drug production and the drug trade.
- It would free immense resources of personnel and material in the security apparatus that are presently being used for fighting the producers and dealers as well as for prosecuting the users.
- If taxed reasonably it would yield significant income for the state that is urgently needed for the fight against terrorism and the protection against new risks.
- In many producing countries (e.g. Afghanistan, Morocco) this would create legal possibilities for economic development, creation of income and export production, from which poor regions and sections of society in particular could profit.

As yet, it is not certain by a long shot whether a global polarization will really be the result of 11 September 2001. If there are some quick spectacular successes against the terrorists and if there are no further terror attacks, calm may return. The reorganization of priorities will then follow the rhythm of the media democracy, according to what constitutes the greatest threat to society and its security and freedom, be it the right-wing extremists of the day before yesterday, the mad cow disease of yesterday, the terrorists of today or perhaps the threat of an African virus tomorrow.

However, if there is a Grey War, a fight, the frontlines of which re-define all old interests and conflicts, then international relations and domestic politics will be facing tremendous challenges.