

## New World Order

# Conflict And Co-operation

There is much talk of a new world order. But **Susan Strange** sees its origins more in the changed economic environment than the end of the cold war

**F**or the past five months since the invasion of Kuwait, I believe we may have been witnessing the slow erosion of American unilateralism in the conduct of international relations. By this I mean that, for all Bush's bombastic rhetoric, especially in the run-up to the November elections, the United States has actually been paying much more attention to other people's opinions than it has ever done before. Baker's peregrinations, Shevardnadze's transatlantic shuttling, the huddles at the United Nations - all these are every different from the go-it-alone behaviour of President Reagan in Panama only recently, or earlier in his invasion of Grenada. And in the past, who else was consulted about Kennedy's venture into the Bay Of Pigs - let alone the escalation of the Vietnam war?

If this is so, a question worth pondering is whether this means that a major change in world politics is on the way. Is a new era, if not a new world order, in the making? I believe it may be, but not because the cold war is over, nor because the United States is a hegemonic power in decline, but because states are reacting to changes in the

world economy.

The evidence that the Americans have abandoned unilateralism, to be sure, is a bit mixed. Washington consulted no one (except the Saudis) about their initial decision to send ships, troops, and weapons to Saudi Arabia. And all their subsequent decisions on the military build-up have still been, effectively, unilateral.

On the other hand, they put considerable diplomatic effort into getting support for the Security Council resolutions condemning Saddam Hussein's invasion and calling for economic sanctions against Iraq. And now, since the vote in the Security Council on November 29, it is clear that the US did not want to attack Iraq without the say-so of the United Nations.

War or no war, what in retrospect has been striking is the unanimity of the supporting consensus of condemnation of Iraq, even though the victim, Kuwait, was no model of a socially progressive liberal democracy. The argument that the real concern is not for the state of Kuwait but for a secure supply of oil is unconvincing. In 1951, when Mossadeq nationalised Anglo-Iranian, the world managed very well without Iranian oil.

**'While competition for market shares has got hotter, governments anxiety to demonstrate their devotion to peaceful co-operation has never been more evident'**



So it did in 1956 when the Suez Canal was blocked. So it did in 1973 when Opec and the market quadrupled the price. We have repeatedly been shown that demand for oil is highly inelastic and that, when prices rise, new supplies can be found.

No, the reason why this particular invasion has been so universally condemned is different. It is that during the 1980s there has been something of a sea-change in international relations in which governments the world over have at last come to realise that they do not particularly need more territory, but that they do want some security for the territory over which they exercise authority. It has taken a while for the penny to drop. But it has at last become obvious that while states are still competing with one another, actual acreage does not help them win. For the conflict is over shares of wealth, and these days wealth is derived not from land, or even from heavy industries (the famous commanding heights of the economy) that are built up on land. Wealth is derived from the value-added in goods and services sold on world markets. So it is world market shares that are the name of the game for national governments. And

as Hong Kong or Singapore or little Taiwan have shown, you do not need more land to be a winner in this new game.

**This may not mean that we can assume** states will never again go to war. For years to come there will be situations in which their leaders feel they have no choice but to do so. There may even be situations like the present Gulf crisis where a regional power in desperation attacks a neighbour and where a great power concludes it has no choice but to intervene lest a strategically important region becomes even more unstable. Even more likely, there will still be situations in which states go to war, but over people, not over territory. There will be conflicts over the security and autonomy of people for whom a state feels responsible, or is held to be responsible - as in the Falklands war. Or there will be conflicts started by people who want to defect from the state because they feel their security or their autonomy is no longer safe within it. Such would be the case if, in the end, India and Pakistan go to war over Kashmir. Yet even here, the contrast with the past is striking. Despite a degree of popular tension at least as high as before when war did result, this time both governments have shown unprecedented restraint. Both are acutely aware of the high cost that a war would bring to their social cohesion as well as to their economic development. Both seem to be convinced that the new market game is more important to them than the old war games. Even so, there may still be other cases where such restraint is lacking and where religion will fan the flames of nationalism, and mediation and conciliation will fail to prevent the outbreak of war. But for the industrialised and semi-developed countries, I believe we may have passed a significant milestone in world politics.

**S**o for reasons which, in my view, have more to do with technology and global finance than with class conflicts, we can now see that both Lenin and Kautsky were right - and both were also wrong. Kautsky was castigated for arguing back in 1915 that capitalism would lead to 'ultra-imperialism' in which the major capitalist countries would join together to counter the falling rate of profit at home by collectively repressing and exploiting the colonial peoples. Against this, Lenin insisted that national capitals in competition with each other would finally be led into imperialist wars with each other over control of territory.

What do we see today? Lenin was right in so far as some governments of capitalist countries behave as if they were playing a zero-sum game, protecting their own markets against foreign imports while trying to penetrate the markets of others. The Americans' use of the Strategic Impediments Initiative against Japan and the newly industrialised countries is a prime example. But

he was wrong to conclude that this sort of economic aggressiveness necessarily leads on to imperialist wars. On the contrary, while the competition for market shares has got hotter, the anxiety of governments these days to demonstrate their devotion to peaceful co-operation, to negotiation and mutual understanding, has never been more evident. A year or two ago you could have argued that Japan's patient submission to American bullying over trade was due to its strategic dependence on American protection against a Soviet threat. But now there is no threat and Japanese ministers still protest that they are indeed doing their best to concede to American demands.

Together with the protestations of goodwill at successive summit meetings, this suggests that there was some basis for Kautsky's notion of the coincidence of interest felt by capitalist governments in the avoidance of damaging conflict and the resolution of differences. Yet the competition, with undertones of conflict, remains. So it is not *either* conflict *or* co-operation but *both* conflict *and* co-operation.

**There are good reasons for thinking, then,** that the increase both in the intensity of conflict and the concern for co-operation are structural and permanent. In the responses to a localised crisis, what we have witnessed these past six months are also the signs of a deeper, more lasting secular change in international relations.

The first reason for this has to do with technology - and therefore tends to be overlooked by most economists and political scientists. It is the accelerating rate of technological change, and the escalating costs of these changes. Together, these have had a major effect on the behaviour both of governments and of enterprises. Why this has happened is really only commonsense. As each technological innovation, whether in the form of new products or of new processes, becomes known, it adds to the demand for capital. The new process is more capital-intensive than the old process it replaces and makes obsolete. The new version of an old product - a car, for instance - is more sophisticated and has much more costly research - into computerisation, for example - built into it than the older model it replaces. But the accelerating rate of change in the technology of products and processes has another effect. It means that the capital invested in developing and marketing the product has to be amortised - written off - faster than the last time a new product or process was introduced. For the enterprise, this means that just selling to a local, national market is too slow. The product has to be sold - if necessary, also made - in other national markets. This is the driving force behind the internationalisation of production; and it is inexorable so long as technological change goes faster and faster.

For the state, this means that strate-

gies of building up national champion enterprises on the basis of a privileged position in the national market will no longer work. The narrow market, and the limited possibilities of profit-within-a-given-time that go with it, mean that even with state aid, protected national industries will fall behind foreign competitors; and when they do try to sell on a world market they will find it too late to catch up.

**T**he spreading recognition by governments of this technological imperative is the second reason why there is such hot competition between capitalist states. The more governments came to abandon development strategies based on producing for the national market, turning from import substitution to export promoting policies, the more players joined in the competition for world market shares. Most of them did not change because the IMF told them to, but because it seemed the only possible way to make the economy rich enough to provide revenues for the state and the state wealthy enough to hold society from falling apart. Socialism (or, more accurately, state planning) failed to produce enough wealth and seemed less and less able to make up for economic failures by being more just and equitable. If the state were to survive, no option was left but to join in the world market economy and its competitive game of market snares.

Note that there were three necessary conditions for the playing of this global game and for the entry of all these new players into it. Barriers to the movement of capital had to go, so that investment was not limited by the supply of local savings. And technology had to be mobile too, so that the latest know-how could be accessible, often through alliance with foreign-owned firms, to the newcomers. Finally, the national markets had to be linked together into one global market by cheaper transport and faster, cheaper communication both of information and of ideas.

To the fulfilment of all these necessary conditions the leading capitalist country, the United States, made important contributions. But of course there were some downside risks to the breaking down of barriers between national markets so that capital could move freely, so that multinationals were free to apply their technology where they wanted and so that trade would not be held back by an inadequate infrastructure of transport and communication. The risk was that sweeping the barriers away also swept away the national systems of regulation and control that bitter experience, from the South Sea Bubble on, had shown were necessary to preserve confidence in the system and in the legal, financial and social conditions under which business could prosper and invest in the future.

Here, perhaps, lies the explanation for all the ritual protestations of mutual goodwill, for all the testimonial speeches about the importance of po-

**'The Americans found it easy to divide and rule because of European resentment of Japanese penetration of European markets and because of Japanese fears of Fortress Europe after 1992'**



