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## **IS GLOBALIZATION A FACTOR OF SECURITY AND PEACE?**

**Jacques Fontanel**

### **Document**

### **Conférence**

Communication à l'Université d'Economie et des Finances de Saint-Pétersbourg, avril 2011, présenté en anglais, publié à FINEC, en russe.

Abstract : The economy is both a cause of war and a means of armed conflict. The "war" has changed in nature. If it is not the main concern of today's societies, it is a recurring threat, with no battalions on a battlefield. It no longer expresses conflict on a particular location; it is diffuse, based on political, military and economic variables. The liberal hypothesis of the pacifying character of the development of international trade has never been decisively confirmed by empirical studies. What priority is globalization or the search for national security? Can we talk about economic war? Does the power of states depend fundamentally on its economic power? What is the effectiveness of economic weapons? Several questions are asked. Should we prioritize chaotic globalization or national security? What are the power conflicts? What analyses for economists working on peace issues?

Words : War, economic power, conflict, competition, globalisation, peace

For the contemporary world, peace is often perceived as the normal state of society. Studies on the war are few. Contemporary economists, for example, have only one or two journals dealing with the issue of war, journals that are not scientifically recognized by CNRS and AERES. The hypothesis constantly retained is that of peace. Conflicts are generally left to the sole account of companies and situations within companies. Yet, unfortunately, the war remains a constant in our societies and the twentieth century was particularly fond of deadly conflicts.

For the mercantilists, the first theoretical economists, the idea of economic globalization had no meaning outside the search for power of the Prince and therefore of the State. It was primarily a power politics. The idea of pacifying international relations through trade has been associated with Anglo-Saxon liberalism.

For Adam Smith, globalization is a means of improving the division of labor, and international trade presents itself as an interesting means of widespread access to wealth. Interdependencies inevitably lead to the gradual disappearance of wars between nations. The old adage "when the products are exchanged between two countries, their soldiers ignore each other", developed by theorists of the Manchester school, but also by Montesquieu,

with the advent of a world pacified by universal cosmopolitanism resulting from increased economic interdependencies.

In partial opposition, Karl Marx considered that the bourgeoisie made the production and consumption of all countries cosmopolitan, thus creating a mutual dependence between nations. With the development of training and information, the bourgeoisie was to drag barbarous nations into the mainstream of civilization. Globalization is, in itself, a "progressive" approach to socialism and communism, within the framework of historical dialectics and materialism and the law of evolution of systems. However, the definitive disappearance of the conflicts will take place only when the inevitable extension of the capitalist mode of production will lead to the victory of the proletariat, synonymous with the advent of classless and stateless society. All international tension has its origin in the fundamental contradictions of the capitalist system. The end of the class war must then mean the end of wars.

At the end of the nineteenth century, with colonization, peace seemed to be promised thanks to economic knowledge, the supposedly stable sharing of the world and the refusal of the human and material costs of a desecrated war. At the time, Friedrich Engels was one of the only economists to condemn this "type of capitalist globalism" which, in its very essence, was to collapse as a result of a major, deadly world war. industrial nations of Europe.

Later, the revolt against colonialism, often militarized, a form of globalization by domination, was a means of liberation of men and, as such, it carries with it a project of economic, social and human development. In this case, the refusal of colonization by armed conflict has probably been more important in liberation than the economic decisions of multinationals and states.

With the antagonism of the capitalist and socialist systems, the return to states and alliances and the emergence of the "cold war" were natural obstacles to the process of globalization. Despite its weak representation in the dominant economic theory, the idea of the "economic war" did not cease to be diffused in non "scientific" economic writings, during the cold war but also since the end of the -this.

Since the beginning of the 1990s, contradictory analyzes have been expressed in the study of the effects of economic globalization. For liberal thought, there are two basic premises: first, peace is the normal situation; secondly, the development of international trade is a factor of peace. Today, for the mainstream school of thought, the first virtue of globalization is its ability to increase economic prosperity, which, in turn, is supposed to foster the expression of peaceful values in the world.

For the neo-mercantilist school, the war has not yet disappeared in a world dominated by the values of the market economy. It does not only produce destruction, it can also enrich (by impoverishing the enemy) or strengthen the power of the state. Today, inter-state solidarities have more and more difficulty of expression. In the context of increased economic interdependence, the economy can be seen as a weapon in the service of state power.

Secondly, the idea of a pacific economic globalization has been challenged by a whole theoretical current, which emphasizes the power games that redraw the international economic structures.

I - Economic variables sometimes appear as weapons at the service of state power

What priority is globalization or the search for national security? Can we talk about economic war? Does the power of states depend fundamentally on its economic power? What is the effectiveness of economic weapons?

A) Liberal globalization or national security. What priorities?

The theory of globalization is a current extension of the liberal theory of international trade. It favors the development of international economic interdependencies that guarantee peace. The idea of the nationality of a company loses its meaning because money, technology, factories cross borders with fewer and fewer restrictions. However, if for Kenichi Ohmae the end of the Nations is inscribed in the peaceful and rather benevolent logic of the market economy, for Robert Reich the inevitable disintegration of national economies risks increasing insecurity, inequality and impoverishment.

However, the US government, which consistently refers to the liberal Jefferson and instead applies the economic strategies of the interventionist Hamilton, considers that an appropriate industrial policy is necessary in order to control international competition on high-value industries. and thus maintain the standard of living of citizens. Robert Reich, former Labor Minister Bill Clinton, advocates a "positive economic nationalism". In France, studies around the alternative globalization have also developed strongly, opposing ideas of happy globalization in a situation of increasing inequalities and economic crisis.

For new mercantilists, the diagnosis of a national economy irrevocably subject to the game of powerful economic interests is not desired. They take up, by modernizing them, certain mercantilist analyses which present the trade like an instrument at the service of the policy of power of the State. They write their analyses in the realism of economic policy and not in the field of "pure" economic theory. They propose an operational approach at the service of the rulers.

In this context, US economic policy has always been based on geo-economic considerations, even as the US government stands as a defender of impartial and apolitical economic free trade. War is likely to take new forms. This is not just a question for military or oil companies, where the link between the market and the conflict can be more easily distinguished. Globalization contributes to the erosion of the real power of states (in the sense of representative of the collective public interest), by putting their coercive power back into the hands of the largest multinationals, and relegating diplomatic channels to the back burner for the benefit of regulatory mechanisms' of the market.

At the same time, the United States has unparalleled military and economic power all over the world. In this context, we must remember the words of King Lear "We obey a dog when he has power." However, the United States government has a certain desire for economic, commercial and cultural domination, under the guise of a world government, with, at its disposal, an oversized military tool.

#### A) Can we talk about economic war?

There is as yet no clear, acceptable or accepted definition of this concept in the economic literature, which sometimes refers to exacerbated international economic competition. In general, it covers the idea that the economy is a place of conflict, whose objectives relate to the distribution of world wealth. It seems nevertheless more satisfying to analyze the economic war based on three indicators that would give this concept an originality that would justify its use. First, it is a declared war, as has been the economic, commercial and financial blockade applied by the United States to Cuba for almost half a century. Then it is based on a specific grievance. Finally, it assumes for the two belligerents significant economic losses that each of them hopes less than those of his opponent.

On the economic front, the idea of economic development at the expense of other nations has often been advanced, especially in analyzes of pauperising export strategies, beggar-thy-neighbor policies, and the concept of economic development. underdevelopment as a factor of development. In addition, sanctions for causing significant economic damage to a country to change its policy (apartheid, violation of minority rights, tyrannies, etc.) are an instrument of economic power.

Several economic warfare strategies coexist, including the control of trade (such as the refusal of the US government to provide cereals to the USSR in retaliation after the invasion of Afghanistan), the impoverishment by the effort of preparation in the war (which was the case for the USSR, which has become impoverished in its arms race before the powerful American economy), the strategy of international punishment (applied against the apartheid policy of South Africa and Rhodesia), the policy of restraint (Ostpolitik), the strategy of economic violence (against Cuba) or the strategy of rupture (exerted against Yugoslavia by the USSR on the basis of economic policies). rivals).

The blockade against Cuba is therefore interesting to study, since it has spread over ten consecutive presidential administrations, with varying degrees of application. For the Cuban government, which estimates its total damage to more than 236 billion dollars, it is an act of war, especially since the sanctions also apply to foreign companies that trade with Cuba. Today, President Obama does not intend to change this policy, despite the efforts of the United Nations to put an end to this conflict.

#### B) Economic power, a major expression of the power of states?

Theories of international relations recognize the role of the economy, which is often of prime importance in representing the power of states, thus referring to the original mercantilist foundations. The "economic strategies" of states have not always been well designed. Hirschman highlights the capacity to use foreign trade (external aid, capital flows or trade negotiations) as an instrument of political pressure. The concentration of trade thus makes it possible to measure the dependence, and therefore the vulnerability, of a country vis-à-vis the outside world. States are proposing to modify trade flows

for their benefit. In a context of increasing economic interdependence, the States must necessarily take the defence of the national interest into account. The state is a key player in the globalization process. It defends fundamentally its own commercial and financial interests, particularly with the World Trade Organization and the International Monetary Fund, institutions to which it is not obliged in itself to belong. The militarization of the United States is the main response to these new threats, to the detriment of possible efforts of solidarity and social justice. Without a strong economic power, the military sector cannot assert its security role. The Soviet example is there to remind that the military forces cannot express themselves effectively without a powerful economy, adapted and able to finance the need of security of the citizens. The state is not a completely abstract entity; it is composed of lobbies that defend their interests. In this context, the state can be hostage to special interests.

### C) International economic sanctions, for what efficiency?

The analysis of international economic sanctions has not really interested economic theorists because they question the initial assumptions of their schemes. Game theory and public choice theory, however, have addressed this issue, without questioning the effectiveness of the actions undertaken. Game theory is also a fundamental instrument for analysing economic sanctions, but this method presents restrictive hypotheses, such as the simultaneity of decisions, the unity and the rationality of the actors.

The use of external economic relations as a means of political pressure is an application of "economic values" as "power resources", notably the supply of goods and services, the opening of markets, the extension of loans, donations financial transfers, technology transfers or the freezing of bank assets. These goods and services make it possible both to initiate a coercive procedure and to develop structural power by supporting or fighting foreign countries through the use of positive or negative sanctions. Economic decisions are not aimed at the well being of the national economy, nor at its development, but rather at the weakening or enslavement of another economy.

Sanctions against the big powers are often ineffective, especially when two countries, with short-term coherent interests, do not wish to participate in a collective action. Since the G-20 Summit of 2009, China has been recognized as the main interlocutor of the United States, within the limited framework of a "partnership with immediate common interests against a background of deaf and distant rivalry" is the birth of "Chinamerica". Faced with its trade and public deficits, the United States is led to offer a privileged partnership to a China whose dollar-denominated sovereign funds represent at least a quarter of the US external federal debt. China has huge foreign exchange reserves, in the order of \$ 2,000 billion. Under these conditions, the two countries must collaborate, because China cannot accept without shuddering a collapse of the dollar and the loss of its main client. However, China, without the effects of military force, has highlighted its youthful strength and ability to surpass its rival in two decades. It remains to be hoped that this rise in power is not accompanied by new tensions are the military expression could have disastrous effects.

The refusal of modern economics to include political hazards tends to make it less and less comprehensible for immediate action. However, several analysts have already asked the question: international competition does not carry in its wake a new form of war.

## II - International economic competition, a new form of war?

Several questions are asked. Should we prioritize chaotic globalization or national security? What are the power conflicts? What analyses for economists working on peace issues?

### A) Power conflicts

For Robert Gilpin, the "structural" theory offers an alternative to the three ideologies of international, liberal, Marxist and nationalist relations. Referring to the mercantilist theory, he calls for a "realistic" interpretation of international relations, insisting on the evolution of the structures of the international system and the contradictory interplay of different national ambitions in interstate monetary, commercial or investment negotiations. International economic context is marked today by unemployment and inequalities of development. The resurgence of protectionism and trade wars between major regional blocs would then be feared.

In the early 1990s, for Lester Thurow, the scenario of regional rivalry is most likely. The restructuring of the world economy would thus be around three dominant poles, which have an extended zone of influence, corresponding to the Triad, i.e. the United States, Japan and the Union. European Union (with Germany as the dominant economy). Multinational firms would participate in this process of economic regionalization because they would remain attached to their country of origin. He envisioned the eventual loss of US leadership, in favour of shared management with Japan and Europe. The excessive military sector would be the clearest manifestation of the loss of competitiveness of a US economy unable to renew itself. However, the thesis of "American decline", widespread in the early 1990s, has not (yet?) been confirmed in practice.

All these analyses, however, feed a certain "obsession with competitiveness", which has been denounced, notably by Paul Krugman. The latter rejects speeches in terms of "economic war", which he considers to be dangerous for international peace. He denounces the danger of driving in the name of economic war policies harmful to the national economic interest, in pursuit of the illusory objective of competitiveness. Calls to national patriotism are not used to make a more competitive economy, "a country not being a society". The power of influence of the state over economic structures remains weak, which contradicts the positions of former President Clinton, for whom "a country is now like a company in the global economy".

Today, despite the liberalization of trade and the rejection of the MAD strategy, we are witnessing a proliferation of conflicts. The war in Afghanistan, Iraq, Lebanon, civil wars and the right to interfere are all warning signs of the reduced link between the process of globalization and peace. The process of globalization finds obstacles, oppositions and disputes as its development is

realized as an objective in itself, without reference to the ethical, moral or economic values that concern the many entities with varied religious or metaphysical beliefs. .

The international economic system is largely dominated and organized by the big powers and the multinational corporations. Under these conditions, the emergence of true equality seems illusory. Liberal peace leads to the exacerbation of the risks of conflict. "Happy globalization" is not for the basic citizen. Today's globalization is accused of developing inequalities and conflict factors, giving power to the actors of international finance and an unscrupulous trading world.

Today, the oil market is a factor of conflict, given its increasing relative scarcity. In the next 25 years, oil consumption is expected to increase by 50%, which implies the search for new strategies and technologies to reduce scarcity. However, the volatility of the oil price is not really controllable. Goldman Sachs predicted a price of a barrel of oil to more than 200 dollars a barrel at the end of 2008, without risk of decline to follow. The American Committee for Economic Development (CED) is more generally concerned with this volatility in oil prices, which raises the question of the budget deficit, the weakening of the dollar, inflationary pressures, the limited flexibility interest rate and global recession, with the financial disorders to follow, to the detriment of the US financial system. The United States Government rejects the three usual explanations given for the causes of this phenomenon. They concern the "peak oil" whose constraints are more political than economic, the speculation of institutional investors and the enrichment of oil companies. For the US government the causes are geopolitical. The stagnant supply coupled with an increase in demand from emerging countries is due to OPEC's desire not to increase their production, considering the market as balanced in view of the insufficient investments of the big oil companies. Finally, global insecurity and wars exert a negative influence on countries seeking political stabilization.

The questions of Iraq or Iran are essential for the sustainability of the well being of American citizens. The US government is proposing the deterrence of its military force to develop security of supply. It intends to exert pressure on oil producers to encourage the development of the exploitation of reserves and to encourage technologies that reduce energy consumption. Finally, the Congress must be challenged to reduce the ability of financial markets to influence the price of oil.

The European Union and Russia have launched an energy dialogue that leads to a significant increase in Russian hydrocarbon imports, creating a form of dependence that is beginning to worry and favour a diversification of supplies to other suppliers not necessarily more reliable. In this case, the market takes into account the interdependence and therefore the political factor.

C) Peace, a controversial debate even among the members of EPS (Economists for Peace and Security), NGO recognized by the UN

The non-governmental organization EPS (Economists for Peace Security) proposes to improve the understanding and implementation of more friendly



relations between peoples and nations by developing the desire for perpetual and universal peace. It proposes to undertake rigorous economic analyses in order to present peaceful political alternatives and better information of economic policies with a view to ensuring the safety of men, an essential condition of human dignity and well being. The members of EPS presented in this way have sometimes changed their conceptions as a result of the internal debates, but the divisions are no less effective.

- For proponents of globalization theory (such as Jeffrey Sachs and Robert Solow), growing economic interdependence tends to reduce government intervention in the economy, and the generalization of market rules is a factor of solidarity and solidarity. Three basic postulates are required. First, the growth of international trade is a factor of peace, which is the normal state of the market economy. Secondly, improved knowledge of economics promotes both economic development and disarmament. Finally, the international economy has undergone irreversible structural transformations, which call into question the economic role of the state, and therefore any manifestation of "economic war" (and even war anyway). The end of the economic role of states is part of the peaceful and rather benevolent logic of capitalism.

- For economists of Marxist inspiration, the class struggle has not disappeared. International tensions are rooted in the fundamental contradictions of the capitalist system. In other words, the conflicts and the war of classes and nations are inscribed in the very heart of capitalism.

- According to Robert Reich, in accordance with Bill Clinton's policy, a country must be led as a company, in its relations of competition and competition. The inevitable disintegration of national economies is likely to increase insecurity and impoverishment. Through an adapted industrial policy, the United States is destined to be the sole arbiter of a now globalized economy, in the framework of a "controlled" international peace based on democracy and freedom.

- Many economists, from Amartya Sen to Stanislav Menschikov highlight the domination of rich countries, to the detriment of poor people and the excluded. The military conflict is replaced by the economic war, which is first and foremost a problem of power expressed in all dimensions of social and cultural life. Under these conditions, the conquest of the markets is substituted, at least partially, for the territorial invasion. It is a permanent war, waged by nations and their companies, for a more favourable sharing of world production in favour of national interests. The resurgence of protectionism and trade wars between major regional blocs is to be feared.

- The war is also economic. The renewal of the institutionalism and historical analysis highlights the fact that there is not one but several types of capitalisms, more or less well adapted to the economic war. These analyses, in their time, defended the thesis of the decline of the Anglo-Saxon model of capitalism, and therefore of the American economy. The question is whether there is a need to develop international public goods, including global security, through the gradual reduction of military expenditures.

Given the importance of the differences between the members of the Association, what is the will of its members. The answer is simple. First, a world war would have appalling consequences for humanity. Second, the arms

race is an anti-economic act. Finally, the search for peace also means refusing domination, excessive inequality and global poverty.

#### D) A "humanitarian" analysis of the economy

The political economy of humanitarianism is a new concept, developed by non-governmental organizations. The search for the satisfaction of needs presupposes collective action, initiated by the State or by non-governmental organizations, with a view to reducing poverty, improving the living conditions of each and ensuring dignity (refusal of slavery) and men's security (fight against threats and violence). It is therefore a question of highlighting collective interests with a view to creating spaces of solidarity between governments.

Malthus' population law even condemns "humanitarian" aid policies by using the famous cake parable to share. For Marxist analysis, humanitarian policy has no meaning in capitalism's system of exploitation of men. For the neo-classical school, the system of market economy that leads both to balance and to the optimum has nothing to do with a humanitarian policy that calls into question the necessary pre-eminence of the individualism and egoism in economic choices. More in line with actions, François Perroux defined the costs of man, namely to feed men, to treat people and free slaves as fundamental objectives of the economy. Amartya Sen analyses "entitlements" (i.e. human rights) as the fundamental indicator of the economic development of a society. Economic inequalities based on domination create the conditions of misery and its companion death. Thus, inevitably, the military and the economic are put in opposition. Underdevelopment is a threat to world peace. For proponents of the New International Economic Order, disarmament appears rather as a consequence of development.

Humanitarian assistance seeks to alleviate the suffering of war victims. However, the support criteria of the United States and Western countries are based first on national interests. Humanitarian disasters affect public opinion, but states practice realistic cynicism. The control of raw materials and energy materials remains an important instrument of major power strategies.

The economy is both a cause of war and a means of armed conflict. The "war" has changed in nature. If it is not the main concern of today's societies, it is a recurring threat, with no battalions on a battlefield. It no longer expresses conflict on a particular field, it is diffuse, based on political, military and economic variables. The liberal hypothesis of the pacifying character of the development of international trade has never been decisively confirmed by empirical studies. According to Amartya Sen, globalization will become a fruitful process only if it is able to resolve the issues of employment, living conditions, precariousness and solidarity. It does not have any moderating mechanisms, thus creating the conditions of violence with regard to the distribution of wealth.

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