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To cite this version:

Jacques Fontanel. Globalisation and Peace. Fifth World Peace Science Congress, Tinbergen Institute, Jun 1996, Amsterdam, Netherlands. hal-02194201

HAL Id: hal-02194201

https://hal.univ-grenoble-alpes.fr/hal-02194201

Submitted on 25 Jul 2019

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Globalization and Peace

Jacques Fontanel

Globalisation and Peace
Fifth World Peace Science Congress
Tiinbergen Institute
Amsterdam, June 3, 1996.

Summary : Is market and economic globalization factors of peace ? What kind of peace? What are the links between market and democracy? What are the sector of competence of States or international organisations? Is globalization a process for the long run? Conflicts are not confined to arms production, but also find expression in economic, political and cultural domination. In an increasingly interdependent world, geopolitical considerations involve a definition of security that is both economic and military. Underdevelopment is a threat to world peace. And despite the internationalization of financial markets and the increasing importance of international trade, it is not still true that national economies are completely dominated by a global economy governed by world market forces.

Words : Globalisation, Peace, War, economic arms, market system, armaments

During the 1960s, with the application of Keynesian and socialist theories, States appeared to be the dominant social entity. The ideological, strategic and economic conflict between Capitalist and Socialists countries reinforced the need for States. With the arms race situation of the Cold War, the weapons of mass destruction developed, therefore presenting a danger for the whole planet. The late 1980s witnessed the symbolic as well as actual destruction of the Berlin Wall, accompanied by successful and significant arms reduction agreements, both a nuclear and conventional. Disarmament has been a great hope since the Berlin war. The U.S.A. and the USSR then began to show interest in a transition towards a multipolar world with seven or eight global powers, as shown during the so-called 'Post-Yalta' meetings in Paris in December 1990. The Soviet government went into default in late 1991, just as Soviet Union itself collapsed. Very quickly, all countries undertook extensive commercial and financial liberalization. The international exchanges of 1995 were 70 times higher than in 1947, with a main domination of the North (70% of the world commerce) and a collapse for the transition economies of the East Europe. The generalisation of markets concern all sectors, military equipment included[1].

Globalization is not a new phenomenon. The question is to know if former national policies have become useless, if the international economy is already global or only in process of globalization, what is the actual importance of the

[1] Smoth, R. ,Humm, A., Fontanel, J. (1985) , he Economics of Exporting Arms, Journal of Peace Research, Universitetsforlaget, Vol.22, n°3.
Smith, R., Fontanel, J. (1987), Capital-Labour substitution in defence provision", in "Defence, Security and Development", (Deger & West, Ed.), Francis Pinter, London, June 1987, 17 pages.

States' role in the international economy. Now, the dominant economic thought is convinced that the market globalization announces an era of lasting peace (section 1). But, as it is explained by some neo-mercantilists, Marxists, Keynesians and others, the process of international marketization may not be a peace process and that conflicts and superpowers' economic policies will last (Section 2).

I. Market globalization as a peace factor

In the Classical theory, the economic development with the " laissez-faire " is a peaceful process. Some modern analyses confirm this conception.

I.1. The peace of markets

For the classical British economists[2], individuals have complementary interests in generalized freedom of trade. Then, State economic intervention should be minimum. For Adam Smith and David Ricardo, war and preparation for war does the monopoly spirit determine political phenomena; they condemn the mercantilist thought dominated by the hegemonic drive of the ruler. But for Smith, the art of war is the noblest of arts, and he approves tariffs that would keep defence-related industries strong. Defence is of much more importance than opulence; the Act of Navigation is, perhaps, the wisest of all the commercial regulations of England. Ricardo calls for a negotiated disarmament, since he considers that the uninterrupted growth of military expenditure should inevitably lead to war. Nevertheless, armed forces must be established to ensure the States' sovereignty, threatened by less developed economies. The disarmament process of rich countries is dangerous, having regard to the covetousness of their neighbours. For the classical British economists, generalized development thanks to industrialization and the diffusion of the market system precedes disarmament. These ideas were to be picked up by Jean-Baptiste Say, who suggested that a policy of free trade is conducive to disarmament and vice versa.

Generally speaking, most economists considered that the military function should be kept to the minimum so as to improve the performance of national economies in the struggle against scarcity. As far as neo-classical analysis is concerned, there is in every society a function of social well being that is maximized under constraints, but expenditure on security contributes to the definition of this optimum. The idea that international economy is ungovernable and that national actions cannot affect economic outputs are closely linked. Local labour must be submitted to international capital and competitive pressures. The arms race is rational only if it can counter socialist imperialism. The theories of models of the arms race such as the model of Richardson demonstrate that budgets preparing for war increase the likelihood of war. Although dissuasion may be conducive to the establishment of a stable

[2] Fontanel, J., Economics of disarmament, in Handbook of Defense Economics, Hartley and Sandler editors, North Holland, Amsterdam, 1995.

equilibrium, it may also lead inexorably towards war. Seymour Melman[3] stresses the harmful effects of military expenditure on the American economy, such as loss of competitiveness, development of the bureaucracy, reduction of productive investment, and the appearance of military-industrial complexes.

I.2. The modern expression of the globalization theory

The development of international market forces, the limitation of the economic role of States and the inevitable relation between development, market and democracy are the most positive expression of the globalization process.

a) The development of international market forces

For Ohmae[4], there is two main forces in the world economy governed the market and the trans-national companies. Since 1970, a truly global economy has emerged and the world market forces seem stronger than the most powerful States. International financial markets and transnational companies dominate, with the mobility of capital and the delocalization procedures, the process of equalization of the labour cost, the progressive obsolescence of social security and labour rights, the limitation of the macroeconomic power of the States, with the " marketization " of a lot of public services[5]. The national-level governance now seems ineffective. For Ohmae, " in this interlinked economy, there is no such thing as absolute winners and losers. A loser becomes relatively attractive as its currency gets weaker and an unemployed work forces emerges that is at reasonable cost "[6]. In this way, while competitiveness has a clear meaning when applied to a firm, it is of limited usefulness when applied to a country's overall economic performance. Countries do not compete economically, they trade for their common benefice; consequently, the trade balance is not a measure of competitiveness. The idea that the US are engaged in an economic growth race with other nations is false, because expanding the level of trade will likely generate mutual gains for all trading nations. Even with falling " terms of trade " the nation is still better off with than without trade. Trade is a positive sum game, and the national standard of living is not threatened by other countries' successes.

The thesis of globalization is based on four main arguments:

- The reduction of the sovereignty and nationality of States is mainly expressed by the development of the no State intervention ideology. During the late 1970s, with communist countries and State-led industrialization protecting the so-called infant industries, only one-forth of the world operated according to the capitalist rules. The economic problems of State-led and autarkic development proceeded according to a common pattern, after three

[3] Melman, S. (1974), The permanent war economy, American capitalism in decline, Simon and Schuster, New York.
[4] Ohmae, K. (1995), Putting global logic first, Harvard Business Review, Jan/Feb, 119-125.
[5] Reich R. (1992), The Work of Nations, Vintage Books, New York.
[6] Ohmae K. (1990), The Borderless World, Collins, New York, London, p. xii.

steps. For Jeffrey Sachs[7], the first stage worked reasonably well, with heavy industries, standardization and bureaucracy, because the poorer countries could draw on reserves of low-productivity agricultural workers for low-employment in the new factories. Then, economic stagnation operated, because the labour of low skilled agricultural diminished and the consumer goods did not work. Countries were mainly protectionist, producing the crisis of the " second-stage of import-substitution ". The pattern of stagnation led to foreign borrowing, a lax policy and an important government waste, inefficiency and corruption. Third World national revolutions as projects of economic and social modernization have proved failure, with the withdrawal from world markets, the socialization of agriculture and the forced-march industrialization. Not only the communism has collapsed; but also other ideologies of State-led development that were prevalent in the Third World for decades have fallen into disrepute[8]. Nowadays, the mobility of enterprises is reducing the power of government. Public-sector decision makers now insist on international competitiveness, the State playing the role of a supporting player and a facilitator. The reorganization of the nations produced some wars, but States reduced their political will to organize the national production.

- For the " globalization economists ", world economy is ungovernable by States, because of divergent interests and volatile markets; a coherent system of institution is therefore unnecessary[9]. The market is a satisfactory mode of governance and it produces optimal outcomes. Many multinational companies are now transnational organizations, sometimes without any single powerful centre of corporate control and decision-making. Transnational companies and world capital markets dictate their rules, for the main advantage of the world consumers, with the cheapest and most efficient products. There is a globalization of the industry. For some transnational companies, profits and sales from abroad surpass those in the home country, and their business lose its national identity. Tension between business and government is not new but it is exacerbated by the rapid rate of social, economic and technological changes.

- The development of the international flows of goods, services and capital is the main novelty of these last two decades. The citizen consumer is now the main referee. States have only one task, the protection of the world free trading system. In this context, Western industrialized economies must fight to not remain competitive and to maintain the labour rights and social welfare, with the competition of low-cost countries.

- The development of communications and infrastructure reduces space and time, and create a new world, the global village. For Ohmae, it is not really a globalization process, but the development of the " Triad " (USA, Japan, Europe). It is more a regionalization process than a United Nations vision.

States become the regional authorities of the global system that decide the choices of the international mobile capital. Imports could be made at the expense of domestic jobs, but the national deficit has not been at the expense

[7] Sachs J.D. (1995), Consolidating capitalism, Foreign Policy, Spring.
[8] Sachs, Ibid., p. 50.
[9] Reich, R. (1992), The Work of Nations, Vintage Books, New York.

of jobs in the country. The deficit is the means by which the USA has pushed current consumption beyond current production. For Krugman[10], at least 70% of each economy is still effectively insulated from foreign markets. The US remains very much a domestic economy. But protectionism imposes a tax on consumers and on the workers who otherwise would have worked in an expanded export sector. Protectionism is grossly inefficient in transferring income and it contributes to a system of incentives that promotes the social importance of lobbies. Markets decide where investments should flow. Krugman and Lawrence assume that the trade deficit did come at the expense of the domestic manufacturing sector[11]. For them the deterioration in the manufactures trade balance is not large enough to explain the decline in manufacturing jobs and wages, and the best reason for the lack of growth in real wages since the early 1970s has been the collapse of overall productivity. Trade may alter the composition of employment, but it does not affect the level of employment. For Krugman[12], globalization by the markets is only a " Second Best " solution, but it seems to be one possible issue of the economic crisis.

b) The limitation of the role of the States

For Bhagwati[13], the globalization process means the disappearing of the economic role of the States. There is a new international industrial economy, based on free trade and laissez-faire. The national defence is not presumed to have economic interests. World trade is not a battle, but an individual experience. The international trade, which is developed by the capitalist system, is good for all countries, with the comparative advantages. There is a horizontal relationship among countries, and not a hierarchical one. There is no national interest beyond the welfare of the individual consumers. Everyone can prosper. If a country does not respect the rules of the capitalist system, it is a cheat.

States acquired the monopoly of violence in order to mobilize national resources for external conflict or threat. With the nuclear power, States had to deal with a new level of interference in their internal affairs in order to make peace possible. Nuclear arsenal reduces the possibility of conventional war between nuclear States. These ones can no longer compete militarily for world hegemony and imperialist expansion in its primitive forms is over. With the pre-eminence of markets, the development of the role of G7 and OECD, and the reduction of the threat of wars, States become irrelevant and less significant to the citizens. The legitimization of national military industries, social solidarity and national efficiency is reduced. The weakening of the process of central rationale for the State, the development of new ideas with

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[10] Krugman, P. (1994), Competitiveness : A dangerous obsession, Foreign Affairs, v. 73, n°2, p. 28-44.

[11] Krugman, P. & R. LAWRENCE, (1993), Trade, jobs and wages, NBER, Working Papers, n° 4478, September.

[12] Krugman, P. (1994), Le libre-échange, solution de second rang, Problèmes Economiques, n°2366.

[13] Bhagwati, J. (1992), Regionalism and Multilateralism : an overview, in J. De Melo and A. Panagariya, New Dimensions in Regional Integration, The World Bank, Washington.

the new communications and information technologies, the reduction of cultural control and the homogenization process develop a cosmopolitan culture which interact with the national one.

For Krol and Svorny[14], the States that have the greater restrictions on bank activity experienced inferior economic performance. For them, eliminating restrictions on banking activity would improve the economic climate. States may find that a relatively high minimum wages works against economic growth, the law of demand being just as applicable to the labour market as it is to the product market. "Allowing interstate and intrastate branch banking, deregulating intrastate trucking, allowing States to choose low cost strategies for pollution abatement, ending distortion in the labour markets caused by the minimum wage and occupational licensing, and limiting mandated benefits and wrongful termination protection, are among the policies that can contribute to improved State economic performance"[15]. Many of today's big firms will tend to have more customers and employees in poor countries than in rich ones, and there will be a universal trend in the wealthy countries away from manufacturing and into services industries.

Actual manufacturing jobs have higher productivity, higher wages, higher export propensity and higher externalities; but manufacturing will lose its past pre-eminence in foreign exchange, with the deregulation, the shifting trends in demand and increased international direct investment. But the idea to subsidize or protect threatened manufacturing sector, would reveal to be costly and ultimately fruitless. In the future, markets will play a much greater role in redirecting job training, shifting patterns of employment across industries and regions and changing decisions about schooling. All this should increase the disillusion of the developing world, increasing their political instability and migratory pressures.

Japan is often held up as an example of an economy where government support for select industries has been successful for national economic growth. Its ability to play technological " catch up " in the post war period has allowed a faster growth. But it is not clear that Japan's government has been successful in picking industrial winners. For Beason and Weinstein[16], the Japan's programs did not pick winners and support was highly correlated with slow-growth industries such as textiles, mining or steel. Japan's economic success has been in spite of its " industrial policy " not because of it. The pursuit of competitiveness may imply wasteful government expenditure and a costly protectionism.

c) A link between markets and democracy

For the globalization economists, war, caused by irrational forces, such as religion or ethnic homogeneity, has to cease in front of economic rationality. Ant capitalist policies left the countries in poverty and often in financial bankruptcy. Economic weakness has often led in the past to extreme

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[14] Krol R. and S. Svorny (1994), Regulation and Economic performance lessons from the States, Cato Journal, 14.1, Summer/spring, p. 62.

[15] Ibid.

[16] Beason R. and D. Weinstein (1992), Growth, Economies of scale and targeting in Japan (1950-90), Discussion Paper, Harvard Institute of Economic Research.

militarism. The main problem now is the market reforms in eastern countries. For this point of view, a global capitalism should produce profound benefits for both the rich and the poor countries, but a weak US leadership and fractious relations among the industrial democracies may impede them. However, many countries undertake radical reforms to adopt the capitalist system institutions, characterized by the private ownership as the dominant organizational form, open international trade and foreign investment, the currency convertibility, and the membership in key international economic institutions (IMF, WTO, World Bank).

The idea is widely spread, that democratization has accompanied the " marketization " and the " globalization " of a more and more peaceful society. For Jeffrey Sachs[17], globalization is no more a challenge, though there remain strong attacks against free trade and foreign aid, particularly in Europe. Finally, the international law system should be improved to better govern the emerging global economy. Since 1991, Russia has been within reach of successful market reform. Delay in economic stabilization has deeply undermined public support for reforms and added great strength to military forces and extremists. The main reformers are now gone from the government and Russian democracy has been put imprudently at risk by Western neglect. The West failed, because there has been no intellectual understanding of what to do (a political assistance such as the Marshall Plan), only a very small international aid (mainly in the form of exports credits to Russian enterprises, with short periods for repayment and not in the form of grants and long-terms loans) and an absence of coordination.

Now the IMF and World Bank are the only real partners of this country, and it is insufficient. The foreign public support is surely at its lowest level since the war. Foreign assistance cannot substitute for market reforms in producing economic prosperity, but the fragile regimes will collapse before the reforms if aid is not present as a temporary support. Economic assistance should be guided by five main principles:

- The mobilization of all the democracies,
- The pursuit of the market reforms,
- The democratization process,
- An aid limited in time (based on a support for fragile government and not for the funding of the economic development), and a
- An enthusiast membership to the international organizations.

The cement for the world system is not market per se, but the international rule of law. The States want to keep their sovereignty into a surge of mercantilism and trade conflict, but an ordered liberty and a new generosity are useful in order to usher in a new unprecedented epoch of peace and prosperity.

The main theorem of the economist of globalization can be sum up by the three main following relations:

- With more democracy, war is over.
- With more globalization, economic development and democracy are the winners.

[17] Sachs (1995), Op. Cit. p. 51.

- " As Cordell Full, President Roosevelt's secretary of State, once observed, when goods move, soldiers don't "[18].

II. Market globalization as a domination factor

The market globalization is not a panacea. There are a lot of critics:

- The peace of markets is an illusion,
- Globalization is a window-dressing theory,
- It is an unachieved and unachievable process,
- Perhaps, it is a regionalization process.

II.1. The illusion of the peace of markets

For mercantilists[19], the might of the Prince is the basic objective of any national economy. A cosmopolitan economy has no sense, because the State's power is the main issue, and not the consumer's welfare. It is then always preferable for a nation to be less rich if the others are proportionally even poorer. War encourages national feeling and, if victorious, it enriches the State. These ideas were to be taken up again partially by List, an advocate of the national system of political economy, who suggests that liberal laissez-faire leads to the domination of the strongest and that nations must protect themselves against foreign domination. The German school is concerned by the market failures. Some exchanges are zero-sum games, or negative-sum games. Economic power often led to political power. Nations have always been organized vertically in a hierarchical division of labour, with a pyramid. England is analyzed as a highly efficient political and social institutions system, with powerful machines, great capital resources and a complete network of internal transport facilities. It was able to inflict great injuries upon nations with relatively backward economies. Economics is not a matter of good or wrong, it is a matter of strong or weak, there is no code of honour, and protectionism is not a sin. Most current thought on economic warfare can be traced back to these lines of thought.

In modern analyses of game theory applied to international relations, the thesis of unequal exchange, the theory of underdevelopment as a product of the development of the great powers, and concepts of economic warfare are all examples of reasoning that perpetuate this economic analysis in terms of power[20]. The market society is not moral, because the motivational fuel of self-interest concerns it. Conflicts or threats of war eliminate unemployment by creating an artificial shortage and they accelerate technical progress. More, for some American experts, disarmament accompanied by a reduction of international tension would be liable to have adverse effects on the economy, the threat of war being essential in keeping social discord and antisocial trends

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[18] Crowe, W. (1994), Address to American Chamber of Commerce, Notes on Economic Affairs, United States Information Service, September 29, p. 2-6.

[19] Fontanel, J. (1993), Economistes de la Paix, ECO+, Presses Universitaires de Grenoble, Grenoble.

[20] Fontanel, J. (1995), Les dépenses militaires et le désarmement, Publisud, Paris.

under control. Jacques Attali[21] even regards war as an extreme manifestation of industrial competition, the creation of demand and the employment of the factors of production. Conflict provides a stimulus to production and transforms the patterns of consumption and social habits. Thinking along the same lines, Marc Guillaume[22] distinguishes the code of capital and the code of power; the former demonstrates the social significance of commodities as the basis of their value; the inequalities that this occasions lead to a continuous struggle against scarcity and have the inevitable result of maintaining class demarcations in a highly oppressive capitalist system. The code of power, on the other hand, is built up from the bureaucratic hierarchy and the monopoly of knowledge, and is the will for power. If civil war is inherent in the code of capital, international war is written into the code of power. Military force is an important instrument in the redistribution of consumer rights between countries

For Marx and Engels, peace and market have no intrinsic moral virtue. War and conflicts relate to the superstructure and are conditioned by antagonistic social relations. Disarmament is desirable only if capable of producing the radical break with capitalism and the emergence of socialism. These analyses were continued by, in particular, Rosa Luxembourg and Lenin. The former considered military investment to be very useful for the development of capitalist economies, in the first instance as a catalyst of primitive accumulation; then as an instrument of colonial domination; and lastly as a hegemonic factor of the struggle between the capitalist countries to divide up the world. Lenin also thought that imperialism, the highest stage of capitalism, necessarily stigmatized by total wars and the capitalist exploitation of the world, ruled out any non-economic disarmament process without the advent of socialism. Contemporary authors have taken up these theses.

Baran and Sweezy[23] argued that military expenditure serves to absorb the economic surplus that monopoly capitalism secretes; on that view the arms race matches the logic of capitalism, which seeks to maintain a constant ratio between production and solvent demand through unproductive expenditure. Disarmament is incompatible with capitalism, which constantly generates international tensions that find expression notably in armed conflicts or in the increased squandering of resources constituted by arms expenditure. The thesis of the economy of continuous arms[24] takes the view that military expenditure exerts a positive influence on profits, on capitalist technology and on the demand for labour. For Gerbier[25], the globalization concerns mainly the financial and exchange flows, but not the production ones, which are more characterised by the regionalization process. The multinational regionalization seems to be dominant, as foreign direct investments are mainly concentrated inside the three poles of the Triad (American, Japanese and European zones). Transnational companies benefit from the regionalization process, which

[21] Attali, J. (1978), La nouvelle économie française, Flammarion, Paris.
[22] Guillaume, M. (1976), Le capital et son double, Economie en Liberté, PUF, Paris.
[23] Baran, P. and P.M. Sweezy (1966), Monopoly Capital, Penguin Books, London.
[24] Kidron, M. (1970), Western capitalism since the war, Penguin Press, London.
[25] Gerbier, B. (1995), Globalisation ou régionalisation ?, Economies et Sociétés, H.S. n°33, 11/1995, p. 29-55.

reduces uncertainty and offers a clear and stable legislation. The regional solution (such as NAFTA and European Union) supposes a constant dialogue between the oligopolies, States and multinational regions. The regionalisation process seems to dominate the international economy. European Union is directly concerned by common political and defence interests, but the States, with the reduction of their economic policy independence, are not convinced by the opportunity of the acceleration of the political integration process. Common economic targets mainly interest NAFTA and Asia. For Asia, the development of mutual commerce is very important, but their neighbours perceive Japan and China as military threats. This regionalisation may lead to a fragmentation of the world, with the adoption of the protectionist scenario. At the same time, within the States, there is a new process of regionalization, with sometimes, calls for independence.

II.2. Globalization, as a window-dressing theory

Mainstream economic thought has always presented free trade rules as the only legitimate ones. If each individual does what is the best for him, it will increase the whole nation's welfare. But this theory emphasizes how the game is played, not who wins or loses. If the game is fair, the best candidate will win. The market is supposed to automatically assign each prospect the right price, a nation developing automatically the right branches of manufacture that are the best solution for it. The government is a referee, a guard of the system for the financial market; it furnishes information, establishes anti-trust laws, and controls pension-funds.

Today's fastest growing economies are using a very different set of rules[26]. Historically, the industrial growth has been favoured by State's economic intervention. In England, Edward III created the manufacture of woollen cloth and Elizabeth founded the mercantile marine and foreign trade. At the time of Adam Smith, England was dominant in manufacturing and it did not respect the rule of free trade. It protected its colonial relations, its trade routes (with the Navigation Act); it subsidized factories and took political measures to prevent other countries to compete on textile industries. British liberal economists came once their country already had the dominant commercial, political and strategic position in the world.

Colonization have historically been analyzed as one, also not exclusive, causes of underdevelopment, with the promotion of export crops to the detriment of the crops providing food for the population, and the one of the mining industry to the detriment of local craft industries. These relationships of strength have still not really been challenged, as is shown by the relative stability prevailing in the most underprivileged regions that are largely dependent on spheres of influence inherited from the antagonisms of the great powers and from colonization. The economy has become an instrument of power often applied to relations of conflict between States.

[26] Fallows, J. (1993), How the world works, The Atlantic Monthly (61-87), December, p. 61.

The development pattern of the American economy is in some way similar to the British one. In the first stage of industrialization, the country had no place for laissez-faire. "We lead all nations in agriculture; we lead all nations in mining; we lead all nations in manufacturing. There are trophies which we bring after twenty-nine years of a protective tariffs"[27]. The principles of protectionism have been dominant in this country until the end of World War II, with tariffs and subsidies. The principles of Hamilton were preferred to the ones of Jefferson. Today, debates have only little changed. For Lincoln, "when we buy manufactured goods abroad we get the goods and the foreigners get the money. When we buy the manufactured goods at home we get the goods and the money"[28]. The military has often been an excuse to rebuild infrastructure, promote research, subsidize companies and coordinate industrial growth. Whitney produced in 1798 10,000 muskets in 28 months, the first mass-production equipment of USA. Others sectors have also been protected, notably agriculture, aircraft, medical research, shipbuilding programs, machine tools, etc. For Clinton, "a country now is like a big company in the global economy"[29]. This idea does not ring true to most economists, who consider that economic problems of developed *countries are not rooted in "a lack of competitiveness"*[30]. The performance criteria for a competitive nation are markedly different than for a corporation. However, leaving aside monetary policies, the State's action affects economy through taxation, anti-trust legislation, regulations on labour; environment, safety, consumer protection.

For some economists, such as Seymour Melman, the defence of the industrial base undertaken by the Pentagon has proved to be extremely costly and has for a time eroded the competitiveness of the American economy. This policy was followed so that the United States should therefore be able to control advanced technology; the exports concerned being not overly important for the American economy, the cost of such controls would be relatively slight. Moreover, dual-purpose technologies are relatively few in number and can readily be isolated. These hypotheses no longer hold, all the more so because the Exports Control System had become increasingly strict. Now it is delete. This pattern is the norm for every developed country. The underlying economic strategy was very much the same. Protectionist measures have not completely disappeared. Some R&D must be manufactured in USA and the government must permit their diffusion[31]. US petroleum producers (Independent Petroleum Association of America) have sought protection against oil imports, according to the 1962 Trade Expansion Act, as these imports threatened 100,000 oil industry jobs on top of the 450,000 jobs lost in the last decade. The IPAA recommends measures to prevent oil imports

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[27] McKinley, W. (1890) in FALLOWS, Op. Cit. p. 82.
[28] Lincoln, A., in FALLOWS, Op. Cit. p. 82.
[29] Remarks by the President to Employees of Boeing, The White House, Executive Office of the President, Fabruary, 22, 1993.
[30] Krugman P. (1994), Competitiveness: A dangerous obsession, Foreign Affairs, v. 73, n°2, p. 28-44.
[31] Florida, R. (1995), Technology policy for a global economy, Issues in Science and Technology, Spring, p. 51.

through discouraging domestic output, as targeted investment tax credits to expand domestic drilling and preserve marginal well production, the establishment of an agency regulatory process, some encouragement of the exploration and production on federal onshore and offshore lands, etc. The concept of consumer welfare, comparative advantage and free trade therefore appears detached from historical experience. There is a myth of the market economy.

II.3. The globalization, an unachieved process

The famous " globalization " is not so important:

- The current detente is the result of the conjuncture of a military and political situation that may be transitory, not the result of a voluntarily chosen policy. In a sense, the world forced detente on the Soviet Union and the United States, in part by economically circumventing their economic superiority and eroding their political leadership. That is to say that the current detente is reversible. Old and new antagonisms are not far submerged below the surface. Economic crises around the world have the potential of (re) generating considerable international conflict.
- The opening up of economic frontiers is not the panacea for generalized economic development since, in the absence of a real international organization laying down rules to protect vulnerable economies, such a policy inevitably leads to power balances and hence to international conflicts[32].
- The trans-nationalisation is not developed, because the national economic bases contribute to the economic efficiency (market, infrastructure, security). The number of genuine transnational companies TNC is small. The major companies, which emphasizes competition and the autonomy of individual corporation, continue to have a rather strong national identity, even through they trade in world markets and locate a significant part of their operations abroad. Non-economic association mainly achieves the trans-nationality.
- There is a rapid growth in inter-firms partnership and joint ventures on international operations, but they lack unity and homogeneity. Foreign trade flows and foreign direct investment are highly concentrated in the developed industrial countries and a small number of new industrialized-countries (NICs). If companies want free trade, with a common international regulation, the available statistics do not confirm the globalization thesis on the inexorable movement from high-wages advanced countries to low-wages developing countries.
- The deregulation of financial markets is not clearly established, with the new international agreements on speculations and fixed exchange rates, within broad bands. There is no clear reason to believe market forces will prevail on regulatory system, because most players on the international economy have an interest in financial stability.
- Some authoritarian governments of developing countries obtain good markets results. Markets and companies cannot exist without the protection of

[32] Elwell Craig (1994), Competitiveness : Economic issue or illusion ?, CRS Report for Congress, The Library of Congress, May 5.

the public power, which is not confined to the national level (Gulf war, for instance). Without any public control, uncertainty grows and with it the volatility of financial and monetary markets, the investment decision and then the economic development.

- The economic powers have a central role to play in creating and sustaining such governance. "The central function of the nation State is that of distributing and rendering accountable powers of governance, upwards towards international agencies and trade blocs like European Union, and downwards towards regional and other sub-national agencies of economic co-ordination and regulation"[33]. The State may accept a kind of delegation to supra-States agencies, but it keeps the legitimacy of the power, because of its relationship to territory and population. It is the main relay between the international levels of governance and the public needs of the developed world.

II.4. The globalization, an unachievable process in the short run

For neo-classical thought, the measure of a society's welfare is its level of consumption. The consumer is the main actor of the economy. This logic is not always true and it leads to false conclusions. A society's well being is determined not by what the society can buy but by what it can make. It is the main argument of foreign aid; if you give a man a fish, you feed him for a day, if you teach him how to fish, you feed him for his life. For the strategic economists, nations economic independence is a condition of society's wealth in the long-term. Emphasizing consumption would be wrong, because first it is useful to develop its own productive power.

The national security may be threatened by an arms race, by international military and economic domination, but also by indirect strategies of dissuasion and economic forms of retaliation, like embargoes and boycotts. Economic factors become weapons in constant use that cannot be constantly deflected from their essential functions for purposes of regeneration[34]. The economy has become an instrument of power often applied to interstate conflicts. All the dimensions of social life, and notably the economic one, must be included in the international strategy. An aspect of the economic war is to sell only those products that would not improve the economic growth of the country receiving them, more than it would do for the one of the country selling them. In other words, unequal exchange is something desirable[35].

The use of the economic weapon may generate a lot of strategies.

- Impoverishment resulting from the strain of preparing for war, a favourite strategy for the mercantilists, is often presented as one of the basic reasons for the collapse of the Soviet economy. An arms race reduces the development potential of States, but the poorest are the most rapidly impoverished, with the result that the might of the richest countries is increased. Under these

[33] Hirst P. and Thompson G. (1995), Globalization and the future of the nation State, Economy and Society, Vol. 24, number 3, August : 408-442.

[34] Baldwin D.A. (1985), Economic statescraft, Princeton University, Princeton.

[35] Fontanel, J., Bensahel, L. (1991), La guerre économique, ARES, Economie de la défense, Vol.13/4, Grenoble.

conditions, a State seeks supremacy by roundabout means, not so as to gain short-term military supremacy, but so as to weaken the enemy to the point of social destabilization.

- The strategy for a strong break is Manichaean. The aim is to create economic problems in the rival country so as to increase its political and social difficulties. Flows of trade and finance are broken off in the attempt to destabilize a country unilaterally exposed to such a decision. An embargo is an instrument of reprisal or dissuasion capable of changing the behaviour of a potential enemy, but it is a weapon that is dangerous to the user. All in all, it is not clear from recent experience that the first victims are those who were intended. Prolonged interruption of trade flows may lead to a permanent loss of outlets (notably for the importer, through the introduction of new, local products, through the search for national substitute products, and through approaches to new importers).

- The aim of the containment strategy is to develop ties of economic interdependence capable of ensuring peace. The dissuasion of aggression stems from the new economic interdependence thus created. In particular, the Ostpolitik considered that commercial ties had a moderating role on ideologies. This strategy is easier to carry out, but has perverse effects. It lacks all effect as an offensive weapon, and its impact cannot really be measured in the abstract.

- The aim of the strategy of political violence is to take economic power when it is hostile and progressively to weaken the dominant social groupings. The political forces of the machinery of State and the trade unions must be brought under control to that end. Those who hold the economic power in a country can be legally and officially divested of it, notably by nationalization or through control of the trade unions.

- The strategy of domination leads the dominant countries to influence the military and strategic decisions of the countries that they dominate. The economic weapon enables a country or a group of countries to dominate another country through exercise of the power conferred by exercise of a monopoly over the supply of goods and services vital to the country's survival. The United States often uses food as a weapon against developing countries.

- This permits both to create dependence and then to have a political influence and to improve their terms of trade and their global strategic situation. In that case, the economy is no longer the quest for material well-being, but one of the means of ensuring social domination. The use of economic weapons is, however, effective only if backed by impeccable military and political forces. Furthermore, foreign aid is often part of a package with military aid. J. Lebovic[36] demonstrated that political and military considerations were just as uppermost in American foreign aid during the presidency of Carter, with its heavy emphasis on defence of human rights, as during that of Reagan, when the pursuit of the military might essential to American security was a strong aim.

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[36] Lebovic, J.H. (1988), National interests and United States foreign aid, Journal of Peace Research 25, p. 115-136.

- If one accepts the idea that military expenditure weakens the national economy, one must determine the best path between the current threat and tomorrow's needs. The Charter of the United Nations demilitarization implies respect for the sovereign equality of its Member States, prohibition of the use of force or the threat of its use against the territorial integrity of States, recognition of the inviolability of frontiers, renunciation of any action against independence and national unity, non-intervention in the internal affairs of other States and not giving assistance to terrorism. The international economy does not look like to an autonomy supra-national economic system, and States still have a significant role in economic governance. The emerging powers of international markets, which reduce the State exclusive control of territory, do not neglect the national government, but they modify their functions, with much less sovereign entities and much more components, giving it a legitimacy role, of the international body. Because people are less mobile than money, goods or ideas, the territorial control, with the monopoly of the means of violence, is still dominated by States. States guarantee national security to citizens from external and external conflicts. Then, international relations are limited by mutual recognition and the non-intervention in the internal affairs of other States. There exist an anarchical society of external interactions between States.

II.5. Globalization or regionalisation?

The internationalization process prepares the globalization process. Internationalization is characterized by the openness of the national economy, the growth of foreign direct investment and the importance of multinational companies. The globalization supposes the elimination of tariffs, contingencies or non-tariff barriers, and the emergence of commercial and economic world rules. There is then a “globalization” of the companies, with world strategies, new production and commercial opportunities, development of worldwide products and the emergence of new arbitration (with the possibility of delocalisation, decided on the basis of labour costs, competitiveness and market opportunities).

But in some way there is also today a resurgence of protectionism and one must distinguish between “fair trade” (with an anti-dumping Chart, aid policies, contingencies, actions on foreign direct investments, concurrence policies) and “free trade” (developed by the new World Trade Organization). The question is now raised, whether the regionalization process favours or impedes the globalization one. The regionalization procedure is a decision of some of States, which decide to organize, on a free trade process, their national economies on the same rules basis, therefore a new zone of interests, a federation of States having a greater influence in international negotiations and in international trade.

The Clinton administration has often expressed the wish to develop a worldwide economic action plan. Washington will pursue agreements to facilitate more open markets and to impede unfair practices such as dumping or illegal subsidies. Economic considerations are now a major focus of the US foreign policy, with the end of the Cold War, although security issues remain

important. The main goal pursued is to open markets around the world, working at all three levels, global, regional and bilateral. But there is also a need to help poor countries to build a solid economic foundation to support the world's new democracies, as there is close linkage between the goal of a stable and durable peace and the economic success. NAFTA is a regional agreement, with a lot of benefits, which supports the essence of the US export and free trade philosophy and which may constitute an example for other regions in the world. The European Union cannot play this role, as this trade bloc is dependent upon the agreement of its member States. The crisis for the ratification of the Maastricht treaty shows the difficulty for greater integration, and States continue to be the only institution providing a legitimacy. The Commission and European Parliament are not very popular and the too weak European governance of the Union leads to struggles between national economies.

The regionalization process may be an important step for the globalization process. But this hypothesis is not clearly proved, because the end of the Cold War does not mean the end of the competition between the Superpowers. Peace and harmony are not given, in a global politics based on dominant powers competing for influence and pursuing their national interest. For McNamara[37], the main goals in international relations for the future should be:

- Provide all States guarantees against external aggression,
- Codify the rights of minorities,
- Establish a mechanism for resolving regional conflicts,
- Increase the flow of technical and financial assistance to developing nations,
- Assure preservation of the global environment as a basis of sustainable development for all.

It is useful to add the necessity of a more equal distribution of wealth in the world and to reduce the financial instability. The Tobin tax, originally proposed by Tobin to dampen and eliminate speculative runs on the key world currencies, which in part caused the collapse of the Bretton Woods system, is a small uniform tax on foreign exchange transactions, in order to discourage short-term speculations and to reduce the volatility of exchange rates. This tax should allow national authorities to pursue long-run socially desirable policies without confronting the possibility of upsetting reactions from the financial markets. It could permit to obtain $120 billion each year, which can be used for a U.N. force. Then, it should be possible to reduce instability and to develop some economic aid. A general reduction of military expenditure could be a signal for the priority given to economic development worldwide[38].

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[37] McNamara, R. (1991), The Post Cold-War World and Its Implications for Military Expenditures in the Developing Countries, World Bank Conference on Development Economics, Washington D.C., April 25, p. 33.

[38] Fontanel (1993), The economics of disarmament, in Handbook of Defense Economics, Vol.1. (Hartley and Sandler eds), North Holland, Elsevier Sciences, Amsterdam.

However, it will be more secure to control the private enterprises on military equipment activities, in order to reduce the market system interest about the organisation and the production of armament equipment[39].

Conclusions

Advocates of the New Economic Order see disarmament more as a consequence of economic development than a purely political event. Conflicts are not confined to arms production, but also find expression in economic, political and cultural domination. In an increasingly interdependent world, geopolitical considerations involve a definition of security that is both economic and military. Underdevelopment is a threat to world peace. And despite the internationalization of financial markets and the increasing importance of international trade, it is not true that national economies are completely dominated by a global economy governed by world market forces. International agreements between States, which weaken the capacity of governance of States, but they only little interfere in internal affairs. The world economic system is not ungovernable, because international organizations define rules and laws, which are more and more independent of the agreement of the States, excepted for United States.

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