

## Beyond Conflicting Powers' Politics

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It was not only the Cold War that ended with the events of September 11th, but also the centuries' old Conflicting Powers' Politics. While the conflict between the United States and the Soviet Union ended in 1989 with the collapse of one of the contenders, international policymakers and analysts continued to behave as if the world remained divided between two conflicting superpowers. After the September 11th tragedy, however, it became apparent that the foreign policies of the remaining superpower, as well as those of other intermediary powers, required substantial revision. The basic premise upon which they were constructed--that conflicts can be resolved through war or the threat of war--no longer made sense. While military power continues to be a relevant factor in international relations, it became clear that the history of diplomatic relations could no longer be reduced to a chronicle of wars or threats of war between empires or nation-states.

September 11th demonstrated that other nation-states are no longer the source of the major threats faced by the U.S. and other major powers. These nation-states are now merely competitors in the global marketplace. The real threat now comes from terrorism, from diverse kinds of religious fundamentalism, from the drug trade, from climate change, from financial instability due to uncontrolled international flows, from situations of extreme poverty coupled with stagnation still existent in some parts of the globe, particularly Africa, and from the feeling of long term economic decadence and exclusion that haunts some regions and ethnic groups, particularly in the Middle East.

The new obvious enemy that emerges from the events of September 11th is international terrorism, although it is unlikely that any country will dare to harbor and support terrorism in the aftermath of the U.S. attack on Afghanistan. Some countries may be quite friendly to U.S. leadership in the world while others may be less so, but there is no one nation that is in a position to become a real threat to the U.S. and other major democratic countries in the world. Conflicting Powers' Politics is over. The question now is what kind of international order will replace it given the changing nature of threats facing the world powers. My guess is that globalization--up to now an economic phenomenon with powerful consequences in the arenas of development and distribution--will require more political guidance than ever. I suggest that under these circumstances, the old idea of international governance, which always seemed excessively utopian to realist theorists and politicians, is now an actual possibility.

The central problem faced by nation-states with respect to foreign affairs is no longer war or the threat of war, but how to take better advantage of the opportunities that international trade and finance have to offer. The issue facing leaders is how to win rather than lose in an international game characterized by win-win scenarios in which some tend to gain much more than others and which in some cases can generate winners and net losers. Thus, instead of diplomacy being defined by political-military conflict, what we will increasingly see is a global diplomacy in which the rules of international trade and finance as well as those for immigration and multicultural life within nation-states are the central issues.

### 1.

International relations have been viewed as actual or virtual clashes of superpowers for centuries: France vs. England, Spain vs. France, Spain vs. England, Germany vs. France, England vs. the Ottoman Empire, the Austro-Hungarian Empire vs. Napoleonic France, the Ottoman Empire vs. the Austro-Hungarian Empire, and so on. The Cold War

was the last chapter of this Conflicting Powers' Diplomacy--a period in which the conflict remained "cold" and did not turn into war. When the Berlin Wall came down and the Soviet Union fell apart, analysts immediately acknowledged that only one superpower remained, but this did not keep them from searching for the new great world power that would become the United States' next contender. China was the most obvious candidate given its size and the dynamism of its economy. Others were also suggested. Yet given China's manifest interest in peaceful trade and the violence implicit in the clash of civilizations hypothesis, international relations analysts had to look for new threats. The category of "rogue nations" was introduced as the new enemy from which the U.S. had to protect itself, and the National Missile Defense strategy was erected to accomplish that.

These analyses made little sense since they applied a Cold War logic to international situations that were quite different. Scholars and policymakers were unable or uninterested in considering the new historical circumstances and insisted on applying traditional intellectual frameworks to understand changing realities. In this case, there was incentive to recognize that current realities were linked to military interests. Yet while dramatic events like those of September 11th may not change interests and dogmatic views, they may have the power to make historical change more unambiguous.

After September 11th it became clear that the U.S. no longer had enemies among nation-states. Today, no country in the world represents a real military, economic or ideological threat to the United States. Some countries are friendlier than others. Certain small countries, like Iraq or North Korea, and Afghanistan before the Taliban's defeat, may be regarded as unfriendly, and while they may be threatened by American power, none of them represents a real danger. These poor countries are ruled by incompetent authoritarian politicians who have clashed with the U.S. In the case of Iraq, territorial ambition was the key factor, and in North Korea we see a military communist regime unable to change. The Taliban was a tribal fundamentalist group that built close relations with the chief para-military terrorist organization in the world, Al-Qaeda. They were used by Al-Qaeda and also profited from the relationship. Following September 11th, the Taliban regime was unable to detach itself from terrorism and was defeated by U.S. military power. But these small nation-states do not represent a real threat. They know very well that if they initiate an attack on the U.S. legitimate retaliation will be immediate and overwhelming. They knew this before the defeat of the Taliban regime. On the day of the terrorist attacks on the Twin Towers and the Pentagon, the first government that declared it had nothing to do with the attacks was Afghanistan's. The enemy now is terrorism, not nation-states, and although war may have been the first response to the terrorism, it will not be the major strategy for fighting and defeating it.

Yet, it would be misleading to conclude that the U.S. has ceased to have real enemies among nation-states because of its military strength. I suggest that there is a more general and relevant reason for the end of the Conflicting Powers' Politics, which is also valid for all the other intermediary powers such as China and Russia, or France, Germany and Britain, or Italy and Spain, or Brazil and Mexico. Among the intermediary powers, only India and Pakistan still see each other as enemies, or potential enemies, due to the Kashmir conflict. As soon as this is solved, they will join the prevailing category of competitors instead of war-threatening countries. Among the small nations, the Israeli-Palestinian conflict remains the most dangerous one. There are other territorial conflicts among small nations, particularly in Africa, but these are regional conflicts that the new emerging diplomacy will have to tackle in the new global world, since they represent an unacceptable threat to economic security.

Today, among the major nations of the world, it is unthinkable to consider war as a way of solving conflicts. This is not so much due to fear of retaliation as it is to other reasons. Firstly, classical imperialism--the strategy of submitting other people by force and colonizing or taxing them--is implausible today. Secondly, following a long and difficult process, territorial conflicts that previously could only be solved through war are now mostly settled. Finally, the common economic interest in participating in global markets

far outweighs any remaining conflicting interests.

War was the standard 'international' behavior among pre-capitalist tribes, city-states, and ancient empires. It was the very way that traditional dominant groups used to appropriate economic surplus. They did that by collecting war booty, by enslaving the defeated, or through the imposition of heavy taxes on colonies. On the domestic front, dominant classes always depended on the control of the state to appropriate economic surplus from peasants and merchants. Religious legitimacy was always an essential part of the process, but the very existence of empires and dominant oligarchies depended on their capacity to hold political power and wage war.

With the Capitalist Revolution, first completed in England with the Industrial Revolution, a new and enormously significant factor emerged. The internal appropriation of economic surplus ceased to depend on the control of the state, as it now took place in the market, through the realization of profits. Markets, wage labor, profits, capital accumulation, technical progress, and innovation became the new key economic elements that a new polity was supposed to assure. The modern state began to emerge in twelfth century Italian republics in order to organize and guarantee long distance trade. The first nation-states materialized three or four centuries later as an outcome of the alliance of the king with the bourgeois class aiming to make markets free and secure within large territories previously divided among feudal lords. State institutions - essentially the legal system - that had already been highly developed in the Roman Empire gained importance in guaranteeing merchants' property rights and contracts.

In this new historical context, military power continued to play an essential role, as it was required to defend the nation against external enemies, and further, as it supported the strategy of the new nation-states to open new markets, and to assure access to strategic inputs. During the nineteenth and the first part of the twentieth centuries, history was essentially the story of how the capitalist countries defined their national territories and developed modern empires to assure market monopoly over large territories. It was also the moment when the first nation-states were able to consolidate their capitalist revolutions, develop liberal institutions, the rule of law, and finally transform their authoritarian regimes into modern democracies. These are today the developed countries. Some of the countries left behind, such as Brazil, Mexico, Argentina, India, China, the Asian tigers, and South Africa, were able to achieve a Capitalist Revolution in the twentieth century, and today are the intermediary developing countries. A third group of countries was not yet able to complete a Capitalist Revolution and remains mostly at the margin of global economic growth.

As countries changed into modern and wealthy democracies, or into intermediary developing economies, their national territories became well defined. Concurrently, their interest in maintaining imperial powers decreased as new independent countries opened their markets to foreign trade. This loss of interest was sped up by the increasing resistance of colonies to foreign rule, and by the new role performed by the United Nations and the democratic institutions within each country in defining and protecting human rights.

Conversely, the moment when a country's territory is well defined and further imperial expansion no longer makes sense as a national strategy, war ceases to be an affirmative way of achieving economic development. It is not by accident that Japan and Germany, the two major countries defeated in World War II, developed extraordinarily in the post-war period without being tempted to rebuild their military power. One may argue that this was a condition imposed by the U.S. in the aftermath of World War II, but what we see presently is just the opposite. It is the U.S. that is pressing these two countries to rebuild their military capacity in order to participate more actively in international security actions.

Thus, in a world in which economic surplus is achieved through profit in markets, and where markets are open all over the world, war or the threat of war has lost most of its

classical appeal in the life of nations. The last 'war' - the Cold War - may be interpreted alternatively as a conflict between statism and capitalism won by the latter, or as some backward country's attempt to speed up industrialization through bureaucratic control, or as the last chapter of resistance from some large countries, particularly Russia and China, to open their economies to global capitalism. It is likely that all three interpretations shed light on some aspects of the Cold War, but here I would like to highlight the last one. The Soviet Union and China's resistance to open their economies did not draw only on the classical protectionist arguments. It also sought legitimacy in distorted socialist ideas. Soviet statism expected to be an economic and ideological alternative to capitalism and liberalism. In fact, it was just a protectionist and statist industrialization strategy that for decades closed a large portion of the globe to international trade. While the Soviet Union still existed, and while China was under Mao Tse Tung's rule, their economies were kept apart from global capitalism.

It is not a mere coincidence that the word 'globalization' gained dominance after the Soviet Union's collapse and China's overture to the world and to capitalism under Lee Chau Ping. The social democratic and Keynesian patterns that had characterized world capitalism since the Great Depression were being undermined by technological and economic factors working toward globalization, but it was only after Russia and China were integrated into world markets that globalization gained its full significance.

## 2.

As soon as all markets were open, classical capitalist wars lost meaning, and the Conflicting Powers' Diplomacy was buried. And while the events of September 11th were followed by a war, it has been an entirely different kind of war that more resembles an extreme form of international policing. The configuration of global capitalism took centuries, and was marked not only by technological change and economic growth, but also by the affirmation of national states as the basic political unit where collective interests and citizenship are warranted. War was extensively used as a tool for national affirmation, but now we have to look for other instruments and different behaviors if we expect to understand the emerging new patterns of international relations.

Several new historical circumstances contributed to the growth of globalization. On the one hand, there was the acceleration of technical progress, the information technology revolution, and the reduction in transportation costs, and on the other hand, the end of the Cold War, the increasing pressure for trade liberalization coming from the dominant U.S. economy, and the increasing acceptance that international trade may be - although not necessarily - a win-win game. Combined, these six factors changed the world in the last quarter of the twentieth century.

Today we see the effective dominance of global markets. Trading with goods, services, technology, money and credit, and making direct investments abroad is not the only game in town, but it is the one that really counts. Markets are protected by all sorts of international rules making them open and increasingly secure. Only labor markets have not yet turned global, although the strong immigration flows toward the rich countries points in this direction.

Priorities in the opening of markets were not established by developing countries, but by the developed ones. Financial opening and full protection of intellectual property rights came to many countries in a moment when they were not yet prepared for them. In the 1970s, while developing countries were involved in a failed international effort to build a New International Order based on trade preferences, private international credit was suddenly made available to them in large amounts. This dangerous abundance led to the 1980s' debt crisis and to the end of the Third World initiative in the international arena.

The developed countries took over the initiative. Since the end of World War II, most developing countries engaged in state-led and internally oriented industrialization. These

economies (with the classical exception of the Asian tigers) expanded too rapidly, generating serious distortions in each national economy involved, which led to a foreign debt crisis as well as a fiscal crisis of the state. The Third World's fragility became manifest. The initiative was now American, the instruments, the World Bank and the IMF. Since the Baker Plan, in 1985, fiscal adjustment and market oriented reforms became the new domestic guiding principles, while, at the international level, the U.S. advanced with the Uruguay round and the creation of the WTO out of GATT, and with its major provisions related to property rights and protection of direct investments.

All these policies were in the right direction. In each country they responded to the demand of badly needed reforms, and internationally they pointed to the establishment of global markets that in principle are in the interest of all. Yet, today it is widely accepted that the Uruguay round agreements benefited rich countries more than their poor counterparts, that financial liberalization happened too soon and too widely provoking repeated financial crises and diminishing economic growth rates, and that property rights agreements were also more beneficial to developed countries than to developing ones.

These facts, which are directly related to U.S. and G-7 policies, were coupled with the de facto incapacity of most developing countries to profit from the opportunities offered by globalization, and led to increasing differences in rates of per capita growth between rich and poor countries. On the other hand, the acceleration of technical progress increased the demand for skilled labor, reducing the demand for unskilled and leading to the further concentration of wealth within each country. The critique that contemporary globalization is excluding large parts of the world from the benefits of growth comes from these three factors. Discontent in relation to globalization originates not only from left-wing groups in the developed countries, but also from considerable social segments in developing countries. The Porto Alegre's Social Forum, which will meet for the second time in January 2002, is a serious expression of these concerns, despite the fact that it may be utilized as a platform by radical and populist actors. The sponsors of globalization are right when they observe that the worst thing that can happen to a country is to be unable to participate in it. The challenge these countries and international politics face is to create the conditions that will allow them to participate and profit from global markets.

Globalization is a historical fact that is here to stay. It is a technological and economic occurrence that is promoting societies' capacity to increase productivity and generate wealth as it allows for the advance of the international division of labor and the working of Ricardo's law of comparative advantages. But markets, when they are uncontrolled, are as efficient in allocating factors of production and promoting economic growth, as they are blind and unjust in distributing income and wealth.

### 3.

Globalization is not precisely an uncontrolled phenomenon, but a set of economic relations, institutions, and ideologies that are rather controlled by the rich countries. Globalization is a fact, but 'globalism' is an ideology that asserts, first, that there is today an international community that would be independent of nation-states, and, second, that nation-states have lost the autonomy to define their national policies and have no other alternative but to follow the rules and restrictions imposed by the global market. Although there is a grain of truth in the second assertion, national states remain powerful and conserve a sizable degree of independence in defining their policies. Contrary to certain naïve perspectives, developed democracies do not follow a single economic model - the American model. There are three additional ones: the Japanese, the Renan (of Germany and France), and the Scandinavian.

For now, the U.S. and the other developed countries are concentrating their efforts on the fight against Muslim terrorism. September 11th was an attack directed at the U.S. and, more broadly, at the secular, liberal and democratic civilization that the capitalist societies built over the last centuries. It required a strong response. The U.S. likes to think of itself as a benevolent superpower, but while no other nation has come closer to

that ideal than the U.S., that ideal is yet to be achieved.

In the new global world that emerges from the end of the Cold War, however, medium-term objectives will be to maintain effective order and security, to warrant freedom, and to reduce inequality between men and woman and between nations. I do not say this only because it is coherent with my personal values, but also because global markets will require it. Global markets will require new international institutions and a Globalization's Politics instead of a Conflicting Powers' Politics to build them.

The new challenge faced by the world as a whole in the twenty first century may be compared to the challenge faced by new nation-states when they rose from the feudal order. The challenge that the king associated with the bourgeoisie, and, later, politicians and rising civil societies first faced, was to establish order within national borders. But soon societies understood that order depends not only on force, but also on the rule of law, and on the gradual affirmation of civil, political, social, and finally republican rights. They had no other alternative but to develop some degree of solidarity and mutual respect between the members of the polity. Civil, political and social rights were the outcome of successful political demands coming from below, but they also responded to intrinsic needs of the new economic and social order that was being founded.

Now, in more or less the same way, global markets will only achieve the security that they require if international political institutions are strengthened, and if a certain degree of international solidarity is achieved. This solidarity is already being sought by the poor and intermediary countries, but it is important to understand that it is crucial to the functioning of the entire global economic and social order that is being created.

Most of the required international institutions have already been built during the twentieth century. This is the case of the United Nations, which remains *the* major political international organization. It is also the case of the IMF, G-7 or G-8, and the WTO. It can be predicted that the role of these organizations will expand extraordinarily over the next years and decades and that new international organizations will emerge while changes in existing ones will make them more representative.

The U.S. will remain the hegemonic country for a long time, but it will have to limit its unilateral policies and play according to the international rules that they are actively helping to build. Before September 11th, the U.S. rejected the Kyoto Protocol, refused support to the World Criminal Court and resisted joint action against tax havens. Now these policies are being reviewed. Two major changes are already evident. U.S. support for the United Nations is much less ambiguous and the U.S. policy of automatic alignment with Israel is being reconsidered. Europe, for its part, has proffered notable concessions in relation to its own protectionism in the Doha WTO meeting, which started a new round of trade liberalization negotiations. Finally, many developing countries have abandoned their negative or protective attitudes and have started to demand more rather than less liberalization. Brazil played a new role in this process by defending the extension of liberalization to agriculture and textiles and by criticizing U.S. antidumping policies as well as the agricultural subsidies in Europe and the U.S. It was also able to limit patent rights in the case of epidemic diseases like AIDS and malaria.

#### 4.

I am calling the new international politics that is emerging Globalization's Politics. Great nations will no longer see each other as enemies but as competitors. And this new game may be turned into a win-win game provided that political institutions temper market actions. Nation-states will remain powerful and more autonomous than globalist ideology suggests, yet in order to achieve security in global markets, they will have to cooperate and accept becoming more interdependent in economic as well as in political terms. The transition from the Conflicting Powers' Politics to a new economic and political global order will require concrete steps towards world governance.

Secure and equitable markets demand political institutions. Markets and politics are the alternative to brute force and war. Markets are the realm of competition; politics, the domain of collective action. Markets are apparently self-regulated, but they require political regulation. Political decisions involve arguing and persuading, as well as compromising and voting. While markets are supposed to be competitive, politics is essentially cooperative. It acknowledges conflicting interests, but it is impossible without some degree of solidarity.

The intrinsic combination of markets and politics, of self interest and cooperation, of the profit motive and the republican responsibility for the common good, of citizen's rights and multicultural respect are at the core of modern, secular, liberal, social and republican democracies. For the first time in the history of mankind, politics instead of force will start to be the major factor in international relations. Military power will continue to play a role, but a diminishing one. Through competition and free markets, mutual benefits may be achieved, but it is only through politics that the necessary values and institutions will be created. It is through politics and diplomacy that international governance will some day emerge. I will probably not see this day, but the historical facts that I have analyzed in this essay make me confident that my sons and daughters, or at least my grandchildren, will. Global governance is not yet a reality, but it has ceased to be a utopia.

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