



New World Order or recipe for disorder?

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The press have made much of President Bush's rhetorical claim for a new world order in the aftermath of the UN-sanctioned and US-led war against Iraq. The reality of a new world order is likely to be quite different to the popular view of a resurgent UN wielding the sword of the US military and triumphing over evil.

In reality the central issue in the new world order is about how to fill the power vacuum left by the collapse of the USSR. It is clear that the US will be unable and unwilling to fill that vacuum by itself. Nor is the current UN capable of doing so.

The Iraq war has not brought about a major change in international power relationships. Instead it is an example of some of the opportunities and limitations inherent in the power vacuum resulting from the economic and political failures in the USSR.

Without the major withdrawal of Soviet international influence, the events in the Middle East would have been quite different. It is likely that the USSR would have stopped Iraq's military annexation of Kuwait before it even started. Certainly the aftermath would have been different. In the days of a strong and influential USSR there would have been vigorous support for its client state both in the UN and outside which would have stymied the US progress towards war with Iraq. As an oil exporter the USSR had a common economic interest with Iraq in limiting Kuwait's price depressing over production of oil.

The limitations of the new world order as demonstrated by the Iraq war are principally economic. The US was unable to pay for the war and required very high levels of economic and military support from its allies. The success in Iraq was crucially dependent on \$US 50 billion of Arab, German and Japanese money.

It is likely that in a future conflict the US would find it far more difficult to obtain such enormous financial underwriting from abroad. The political cost of this dependency will become apparent in future US relations with these countries. The US economy is simply unable to support the gigantic cost of war. The cost of weapons in peace has already bankrupted the US budget. The cost in war is far greater. Economics precludes the US from expanding into the vacuum left by the USSR in the way it was able to do immediately after the Second World War. Kennedy (1989) provides an excellent exposition of the importance of economic strength in determining which nations became great powers.

The economic failure of the UK after the Second World War is a good example of the process. The UK went from being a central part of the Big Three summits which began at Tehran in 1941 to its exclusion from the Soviet-US summit at Vienna in 1961. This is despite the retention of a very powerful military. The UK

was able to handle the Kuwait crisis of 1990 using only their military and kept Iraq on its side of the border. But that military power was not backed by economic power.

Even more dramatically, economic failure has eaten away at the material basis of the USSR's great power status. The economic cost of the USSR's troops, stock of weapons and military research has crippled its ability to meet its citizens' expectations for improvements in their standard of living. The weakness of the USSR's economic base also shows up in the quality of their weapons which appeared out classed in the Iraq war.

The fundamental weakness of the USSR economy and the inability of the US economy to sustain a military expansion into the resulting vacuum leaves a space for other countries exert their own interests. The lessening of the Soviet threat will most strongly impact on Germany and Japan. Both these countries have been crucially dependent on US military power for protection against possible USSR attack. This has limited their ability to aggressively pursue their own interests where they conflict with the US. In the past, the main area of such conflict has been over trade issues and this can be expected to intensify.

Germany has already reacted to the power vacuum by absorbing East Germany. This has caused some immediate financial and employment problems but will greatly increase Germany's economic strength over the next few years. Germany is likely to continue with a strategy of expanding its European economic dominance both through the strengthening of the EEC and bilaterally in Eastern Europe.

The construction of a single European market which is far larger than the US will exacerbate tensions about trade access for US exporters. The unwillingness of the Europeans to compromise on agricultural protectionism in the GATT negotiations is an example of the growing European independence from the US.

In the past the US has allowed the Japanese significant economic concessions in order to build it up as a bastion against communism. When he was Prime Minister, Yasuhiro Nakasone called Japan an "unsinkable aircraft carrier". This aircraft carrier is no longer as useful to the US. The reduced Soviet threat has encouraged the US to be more demanding of economic concessions from Japan.

Japan, with its relatively modest military budget, is heavily dependent on US military protection. The trade conflicts between Japan and the US are running hot. The US is using its political muscle to force Japanese trade and domestic economic concessions: concessions which the US believes will bolster its poor economic performance. The weakening of the Soviet threat reduces Japan's military dependence and will strengthen its ability to resist these US demands.

In this way the withdrawal of the USSR has encouraged both Japan and the US to be more demanding of their economic relationship. This is exacerbating the existing economic conflict over closed Japanese markets and Japan's desire to play a larger international role. Most recently Japan has clashed with the US over US initiatives to forgive Polish and Egyptian debts and over the Japanese proposal for the International Monetary Fund to create more international money. These are both

areas where Japan traditionally follows the US line and certainly not areas of public disagreement.

The USSR's power vacuum is likely to be filled by an unstable triumvirate of economically strong Europe and Japan and a militarily strong US. Trade conflicts can be expected to grow between the three groups particularly as the North American and European trade blocs expand. Such conflicts will stop well short of military options due to the willingness of the public to accept the enormous economic costs involved.

The limitations of a new world order are also apparent in the developing world. The cost of the Iraq war makes it unlikely that the US or the allies together would contemplate another military adventure in a large developing country. However the military option may still be affordable in small poor countries like Grenada and Panama. But, even small countries like Afghanistan and Nicaragua have shown that with the will to resist military adventures by the major powers can be made prohibitively expensive.

Direct military intervention in developing countries by the great powers has gradually become less and less common and the new world order will not alter that. However, the new world order will remove much of the cold war rivalry from the developing countries' internal and external conflicts. Such conflicts should be less well-funded, less ideological, hopefully less violent and more transparently tied to local interests. After years of being propped up alternatively by the US and USSR, long time dictators in Ethiopia and Somalia have fled their countries. Unfortunately the damage they caused will take many years to repair. Elsewhere dictators and single party states are finding it opportune to encourage more democratic government if they wish to retain the external support they enjoyed as cold war surrogates.

The limitations of the power vacuum brought about by the economic failure of the USSR will quicken the rise of Europe, Japan and to a lesser extent the developing world as a counterweight to a faltering US power in international relations. There is likely to be considerable instability as this largely tripartite great power relationship develops. Even when the relationship matures it is likely to be inherently unstable as there is a tendency for two of the powers to combine against the third. The declining nature of US power will also introduce instability, as its objective will overreach its abilities. However, the conflict should be confined to economic warfare because military warfare could not be afforded.

There are opportunities in the decline of Soviet international influence. These lie most particularly in a reduction in the cold war tensions. Opportunities include a transfer of resources away from the military towards more productive uses, a more rational system of bilateral international relations built on common interest rather than ideology and the better operation of multilateral relations, particularly in the United Nations.

The 'peace dividend' from the end of the cold war and accelerated disarmament talks have been overrated. Both the Soviet and US government budgets are in a poor state and any savings in military expenditure will be absorbed in reducing budget

deficits before they are applied to expanding foreign assistance. However a longer term reduction in military spending and strengthening of

government budgets may encourage economic growth and make more resources available for socially useful purposes such as aid flows.

Bilateral relations have been disrupted by the fall in Soviet power. The Soviet client states in Eastern Europe have broken free from the most odious aspects of Soviet domination but have also lost Soviet support such as cheap oil and guaranteed export markets. Their search for new bilateral partners is already strongly directed at Western Europe. Market access, financial assistance and refugees will strain the relationship between Eastern and Western European countries for some time.

However the multilateral institution of the EEC makes it possible to share the burdens of support and can over time integrate Eastern Europe into the European economy.

In the developing world, Soviet client states are experiencing large reductions in support from the USSR and Eastern Europe without offsetting increases in other aid. This is a growing problem in Indo-china, Cuba and Southern African. The gradual winding down of the cold war has also seen a fall in America aid to the developing world, as competition for developing country allegiances wains. To an extent this has been offset by expanded aid from the economic power-houses of Japan and Europe.

The freeing of bilateral relations from their cold war straightjacket has opened up possibilities for more rational bilateral cooperation. This can be along issue lines such as the Cairns Group which is promoting freer trade in agricultural products and crosses the old ideological bounds by including North/South and East/West members such as Australia and Argentina, and Canada and Hungary.

More rational bilateral cooperation can also be along regional lines. An example is the People's Republic of China which formerly found that balancing the Soviet and American superpowers off against one another was in China's security interests. With that balance removed, China is undertaking a diplomatic offensive to strengthen its regional ties. Bilateral problems with the US such as the current determination in the US Congress to exclude China from trade concessions must now be fought on their merits rather than in a cold war context. In this new contest, China needs all the support from its neighbours that it can get.

Through out the developing world regional trade initiatives are multiplying and strengthening. Examples are the Eastern and Southern African Preferential Trade Area, the Asia Pacific Economic Cooperation initiative, the Arab Maghreb Union, the African Common Market initiative, the Argentina, Brazil, Paraguay and Uruguay free trade initiative, and the Andean Pact, among others. This impetuous toward regional cooperation is not new but without the constrictions of the cold war should be more successful than in previous periods.

Multilateral organisations such as the UN were fundamentally weakened by their use as an ideological battle ground during the cold war period. In contrast, the World Bank and the International Monetary Fund, which avoided cold war tensions by

excluding the USSR and most other communist countries, prospered and now dominate multilateral development assistance.

In the UN, the dramatic reduction in cold war tensions and the expansion of cooperation which was demonstrated during the Iraq war, have opened up a real opportunity for the UN to take up a much more substantial role in international relations. This can be seen as a return to the UN's early days when US dominance used the UN as legitimating agency for decisions that were made outside the UN. The parallel here between the US led and UN sanctioned wars in Korea and Iraq are very strong. However, the caricature of the UN as a US puppet is too simplistic.

The US success in Iraq depended crucially on the support of a disparate group of allies. Keeping them together require and important place for the UN. Popular opinion in the allied countries also depended on the war being painted as a just UN-sanctioned war. In future if the US wishes to obtain international support for its military adventures it will need to go back to the UN. This is an impetuous to the US to play a more supportive role in the UN than has been the case in the 1980s. This will be made easier because many of the 1980s objectives of the US have been achieved such as reduced use of majority voting and UN staff and budget cuts.

Unfortunately during the period of its irrelevancy, the UN has evolved into a wasteful and complex talk shop. It is organisationally ill-suited to the role it is now being expected to take up. Reform of the UN will be a precondition for a more substantive role. Fortunately the UN and others have made practical suggestions to improve the working of the UN (Urquhart and Childers, 1990: ODI, 1987: Nordic UNProject, Schrijver, 1988). The major issues include strengthening the role of the Secretary-General, reducing overlap and improved coordination between agencies, amalgamating agencies, simplifying unwieldy governing bodies and a more focused agenda. While reforms are difficult in such a comprehensive forum, with improved relations they are possible.

The Iraq war has not brought about a new world order. This is due to the collapse of the USSR as a world power. The new world order will be about how we adapt as a global economy and polity to fill the vacuum this has created. This adaption can be handled badly. The civil strife in Somalia and the growing conflict in Yugoslavia are pointers to what will happen if we handle the politics of this vacuum badly. In the economic sphere the exacerbation of trade tensions and the growth of trading blocs point to the destructive trade wars of the 1930s.

No single country, not even the US, can fill the vacuum on its own. The unstable triumvirate of America, Japan and Germany is a worrying reversal of the 1930s where an economically strong but militarily weak US faced militarily strong but economically flawed Japan and Germany. The current triangular relationship seems destined to exacerbate conflicts.

On the positive side, the rest of the global polity and economy can have a stabilising influence on these major powers. The UN provides a forum which can be strengthened and reformed to fill the vacuum which has been left by the end of the cold war. It is very much in the interests of middle powers like Australia to play a prominent role in the revitalisation of the UN.

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