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US ARMY WAR COLLEGE
Carlisle Barracks, Pennsylvania

FORECASTING INTERNATIONAL
INTERDEPENDENCE AND CONFLICT

by

John F. Scott

30 June 1980

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Composition of this memorandum was accomplished by Mrs. Janet C. Smith.

FOREWORD

This memorandum considers interdependence as a concept for trying to understand the connections between economic activity and national security. The author believes that interdependence can be a force for peace or conflict. He views the most critical issue associated with interdependence as whether it will change to a world of economies organized for economic conflict and controlled by national security anxieties. He concludes that this negative movement is already underway as seen in tendencies toward protectionism and economic nationalism. --

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DeWITT C. SMITH, JR.
Major General, USA
Commandant

BIOGRAPHICAL SKETCH OF THE AUTHOR

MR. JOHN F. SCOTT came to the Strategic Studies Institute in 1963. He holds a bachelor's degree in commerce and finance from Wilkes College and a master's degree in social science from Shippensburg State College. Mr. Scott has contributed to several Army studies on deterrence and strategy. He has written several articles on the application of social science to national security problems in professional journals.

FORECASTING INTERNATIONAL INTERDEPENDENCE AND CONFLICT

In *The Communist Manifesto*, Marx and Engels announced, with apparent satisfaction, the arrival of interdependence.

In place of the old wants, satisfied by the productions of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations.¹

This remarkably bland passage in an essay spiced with fiery metaphors states correctly enough one aspect of 19th century international relations—that contact, exchange, awareness, and sensitivity to the outside world were growing in many nations. But to see the development as “universal” was prediction, not description. We have then not only one of the first labellings of interdependence placed on the relations of states, but also one of the first of the exaggerations of those relations.

Leaders in the developing economies, both in the 19th century and now, probably would not agree with Marx.² To them, interdependence is a culture-bound term—one is tempted to say a euphemism—used by the more prosperous economies for describing their relations with each other and with the less

prosperous nations of the world. To say that the *world* of nations is interdependent implies that we are all in this together, that we share the same problems, hopes, and fears. The reasons for this semantic opposition come later. For now it is enough to say that one's view of interdependence rests on where one sits on a dependence-independence scale, on the stage of the viewing nation's economic development, on its aspirations about what kind of economy it wants compared to what it gets from outside influence, and similar reflections of national values.

In its simplest and most useful meaning, interdependence means mutual sensitivity.¹ The actions and decisions of one actor in a relationship affects others and he is in turn affected by them. The psychological concept from which the term may derive or at least to which it is analogous is a love-marriage relationship. A mature love-marriage produces mutual trust and a letting down of barriers—those psychological defense mechanisms we all to some extent put up to protect ourselves from emotional harm. Lowering the barriers allows the most deep and fulfilling kind of relationship, but it also permits the most exposure to harm—allows the greatest vulnerability to the loved one. “You always hurt the one you love” was written by someone who beat Erich Fromm to the punch on insights. Indeed, because a mature relationship is so close, with keen mutual vulnerability, harm is done even unintentionally by any lapse of consideration for the other.

The economic interdependence of nations reaches nothing like this psychological extreme. Complete mutual dependence is a model at best which dramatizes the mixed dependencies, interdependencies, and vulnerabilities of various degrees felt by all nations about their relations with others. For the most part, analysts and economic historians seem to agree, however, that interdependence as a cover-all term characterizes the most pervasive form of relationship of the modern international economy.

What it is, then, is a hodge podge of varying degrees of dependence, the general situation being international interdependence. *Why* it is more important for forecasting because we shall want to know if the necessary and sufficient conditions of interdependence can continue into the long-range future. *What* it means, if it continues or not, for national security is, finally, the reason for asking about it.

The important issue of the relationship of economic interdependence and

national security is an old one and has engaged the attention of many thinkers and conflicting schools of thought over the past three centuries.⁴

Looking back a century or two has distinct advantages for understanding interdependence. Today we are, as the man who discovered he had long been writing prose, so accustomed to it that we can overlook what is different about interdependence compared to other possible forms of economic relations. Perhaps the most surprisingly obvious aspect of it is that "economic interdependence is a consequence of one of the most distinctive features of modern history, namely, the emergence of a market exchange system for organizing economic relations."⁵

But markets have two qualities which are relative—their openness and competition. The more pronounced each of these, the greater the degree of interdependence. Currently, the nature of economic interdependence is changing toward less openness and less competition and more government intervention. Most likely this is because one major determinant of openness is disappearing—a dominant world power, a role played by Great Britain in the 19th century and by the United States after World War II. That is to say, cooperation in an open market exchange system could be enforced by a dominant power inclined to do so. The United States today may lack the power and the inclination. The American "style" has not been heavy handed; it has instead led the world economy through international institutions such as the International Monetary Fund and the General Agreement on Tariffs and Trade (GATT).

As economies (or economic blocs) come closer to being equal in their abilities to influence international commerce and finance, the continuation of an open market system depends more on each seeing its self-interests best served by openness. But it may not be "natural" for nations to see their self-interests in this way.

Other than in a few . . . exceptional circumstances, societies throughout history have placed much greater emphasis on security values such as social stability or self-sufficiency than on income gains from the free operation of markets. For these reasons, it should be apparent that societies freely enter into extensive market relations only when the perceived gains are much greater than the perceived costs or when market relations are forced upon them by a superior society The champions of an interdependent world market economy have been politically the most powerful and economically the most efficient nations. Both elements, hegemony and efficiency, are necessary The two great champions of market systems in the modern

world have been Great Britain in the nineteenth century and the United States in the twentieth.⁸

The remaining historically explanatory conditions of interdependence are also changing. The modern nation-state system is, of course, intact but more complicated, in economic terms, by the development of blocs such as the European Economic Community (EEC). In terms of relative openness versus protectionism, a bloc can be seen as a large nation-economy which will adopt policies toward the outside world that protect its member states from unwanted competition.⁷

The "political supremacy" of the middle class initially was a strong force for openness and competition. This influence is now changing in favor of what are commonly called interest groups—labor, farmers, producers, consumers, and the like—who, unlike the middle class entrepreneurs of the 19th century, do not necessarily see their best interests served by open competition in world markets.⁸

The technological revolution in communications, transportation, and mass production continues to stimulate world commerce. The new wrinkle is an energy-hungry advanced industrial world whose raw material needs, especially oil, place it in a vulnerable position to traditionally weaker oil-rich economies.

This, briefly, and too simply, is the face of economic interdependence in terms of explanatory conditions. The conditions are manifested in an open market exchange system which, if it is very open and very competitive, is synonymous with interdependence.

Currently, the latest harbinger of more or less openness will be the results of recent GATT negotiations. Reportedly, this latest round of negotiations was a move against increasing trade restrictions taken by several major economies over the last few years.⁹ Governments had introduced a number of nontariff restrictions, some of which are quite subtle, to restrict imports. These restrictions include quotas, government subsidies to private firms, and government purchasing practices ("buy American"). However, there is some sense of walking against the tide in fighting this new protectionism.

There is simply no doubt that the recent protectionist trend is closely related to interventionist policies of the modern industrial state and will not entirely disappear with more satisfactory [economic] conditions.¹⁰

Robert Bowie has given a rundown of the forces which impel the state toward protectionism. As the result of industrialization, urbanization, and rapid change, states have become more responsible for the welfare of their citizens. But the capacity for national governments to fill these responsibilities is eroded by interdependence which makes economies and societies vulnerable to external forces. "Thus, foreign affairs become deeply enmeshed in domestic politics and affect the ability of leaders to meet the expectations of the electorate." Almost all societies are experiencing popular discontent or disillusion; the strains of mobility and urban life, and the bigness of business, unions, and government make for anonymity, resentment, and feelings of no influence on one's own life. These feelings, says Bowie, run counter to demands for interdependence and its alleged benefits.¹¹

The debate about interdependence is about emphasis, importance, perspective, and meaning. For example:

The most pervasive feature in shaping international relations in the coming decades will be growing interdependence of societies and nations and their reactions to that interdependence.¹²

This is the conclusion of one Commission study that is rejected by other students of international relations presumably because it "unrealistically" raises economic relations to a deterministic status while playing down the traditional nation-state model of international relations. This is to say that many of the features and implications of interdependence are as well explained by the state-centric model. If this seems like six of one and a half dozen of the other, it is, but the detractors have a key point. This is that the economic interdependence or transnational relations model of the world misleads by encouraging inferences that the state is becoming less important and less influential in international affairs compared to economic factors manipulated in the open market by the likes of multinational corporations, and, in some cases, by the state itself. This opposing school would argue that while the importance of economics is undeniable, the state still has the last word. This view pervades one set of interpretations of the key subissues of interdependence.

Interdependence is not seen as a reflection of state policies and state choices (the perspective of balance of power theory), but as the result of elements beyond the control of any state or a system created by states.

This perspective is profoundly misleading. It may explain developments within a particular economic structure, but it cannot explain the structure itself.¹³

In addition to the objections of the state-centric school, economic interdependence is debated, even called a "myth," because the statistical evidence for it is unconvincing. Changes in measures of trade flows, ratio of trade to GNP's, and price sensitivity do not offer the dramatic differences from one decade to another to allow a clear conclusion of interdependence.¹⁴

But the objections on grounds of both political and economic models seem more a quibbling about methodology than convincing argument that interdependence is a nonevent. Moderate proponents of the interdependence school suggest not that balance of power models should be discarded but only supplemented by concepts which balance of power would otherwise poorly explain. Proponents would also argue that interdependence clearly is a concept which transcends economics and cannot be proved or disproved by economic statistics. Indeed, most standard measures of a country's involvement in external trade can only begin to help to explain its degree of dependence; nations such as the United States can be profoundly affected by dramatic change in the price of a commodity (oil) which is a tiny portion of its total economic product.

THE ROLE OF FORCE

The first major subissue of interdependence, and the one most pertinent to the military, is the role of force in an interdependent world. The theoretical presumption behind this issue is that interdependence as a prevalent characteristic of interstate relations is an indicator of the possibility of conflicts, some of which could be violent.

The classic conception of interdependence was that of the Manchester School of Economists who believed that economic intercourse is a force for peace. The logic of their argument is no different now than in the 19th century. An international division of labor, with each nation or territory producing what it does most efficiently, and trading with others for what they produced most efficiently, left everyone better off than were each nation to try to satisfy all of its own wants. The stake each nation had in this

system was self-evidently important enough to deter interference with it by wars between nations.

The obvious criticism of this conception is that it assumes a symmetry which did not and cannot exist. All nations in the system do not benefit equally. They are at various stages of industrial development; some are more efficient than others. And, "theorists of interdependence have insufficiently analyzed its negative consequences for the core values and interests of nation-states and their constituent members."¹⁵ In a word, economic efficiency is not always valued higher than other national values, the realization of which has costs in terms of efficiency.

These arguments seem to avoid the issue, necessary as they are as theoretical foundations for ideas about interdependence and conflict. So what if the system is less than perfectly symmetrical and if other interests and values clash with economic efficiency? It does not necessarily follow that interdependence—even to an imperfect degree—is not a force for peace. Nations do have a stake in continued peaceful relations with other states which they depend on as suppliers and consumers.

The critical distinction most often missed in the theoretical relation between economic interdependence, national security, and war or peace is the distinction between deterministic and normative meanings. Nothing about interdependence prevents conflict; it is not analogous to the absence of arms necessary to make war. But much about interdependence leads to inferences that nations "ought not" go to war. Interdependence breeds no iron laws; it appeals to common sense, an appeal with rather limited success in the past.

The views opposed to the Manchester School kind of optimism range from seeing interdependence as an explanation (a cause) of conflict to a benign or incidental characteristic overridden by the more traditional politics of states. Referring to two essays about interdependence and security, Allan Goodman concludes that:

Given the increasing sensitivity (i.e., interdependence) of states to the economic actions of allies as well as adversaries, governments will be beset by mounting domestic pressures which will inevitably require exploiting the vulnerabilities of others. The principal implication of this finding for national security is that such sensitivities will tend to promote conflict rather than cooperation, especially among allies.¹⁶

A similar view, less entranced with hostile motives, holds that

modern governments do and are expected to look after the welfare of their citizens, probably more than ever. (The similarity with Bowie's earlier comments should not be missed—here, of course, the implication is conflict.)

Governments attending to welfare goals tend to look upon other actors in the international system as possible partners of benefactors, or as possible threats to their attainment of domestic ends. But in contrast to traditional international politics, partnership, beneficence, and threat are more likely to be conceived, perceived, and evaluated *economically* rather than *militarily*. Therefore, a more salient, more vital politics of international economics seems a major dimension of the substance of international politics in the 1970's. The issues in this new politics [are] employment, stability, and food, rather than . . . territory, power, and glory.¹⁷

These assertions are impressive but, in interdependence, scholars find cause for expecting provocation and reason for cooperation, but no *predictive* cause-effect propositions directly linking economic interdependence with the probability of war. Governments must and will decide on the basis of the sum of their interests whether organized violence is necessary—a political act—and those decisions can be at best informed, not determined, by economic interests.

Looking for meaning for policy issues in this inconclusive review still is a worthwhile undertaking. Economic interdependence may or may not intensify in the coming decades, but the evidence, however sparse, also gives little reason to expect any dramatic reversion from reasonably open markets to economic nationalism, where the reasons for conflict might be clearer. So, assuming a continuation of interdependence as the most descriptive label for international economic relations in the next two decades, the following inferences about the role of force are offered:

- Nations which continue to cooperate with and in an interdependent system will be vulnerable to political and economic instability in other nations and in the system. They will also be vulnerable to deliberate coercive economic policies in some areas of trade and finance, depending on the structure of the vulnerable nation's economy.
- The economic power to do harm is unevenly distributed throughout the world's economies. The United States is the only country whose power in production, consumption, and finance is great enough to threaten the entire system's stability.

- The potential to do harm is then likely to continue to exist both because of vulnerability and specific advantages coincident in an international, interdependent system. The role of force could well be dependent on whether other choices are available to a victimized nation when economic power is used coercively against it. Economic retaliation is unlikely to be a means available to most nations because of asymmetries in the world economy.

- However (although not covered in this analysis) the post-World War II record of international violence does not include major aggressions stimulated by economic coercion. Nations have chosen means other than military force to react to hostile economic policies such as the 1973 OPEC actions. If this propensity for nonviolent reactions continues in the future, a plausible expectation is that victimized nations will choose to reduce their vulnerability to interdependence with protectionist policies and, to the degree they are able, by organizing insular, self-independent economies.

HUMAN RIGHTS

In the context of interdependence, the policy—human rights—and the phenomenon—interdependence, are related. The openness of interdependent nations to communications and many other transmitters of culture, as well as trade, tends to make domestic concerns matters of everybody's knowledge, if not everybody's business. The exemplary influence of automobiles, televisions, and other modern conveniences has its analogy in how people get along with their governments. Rising expectations include intangibles such as civil rights as well as consumer goods purchasable at the local retail outlet of a multinational firm. "The open society in America forces the rest of the Western World to increase its own openness."¹⁸ By exposing the Lockheed scandal and Watergate, "the fall of Richard Nixon was structurally related to the fall of Prince Bernhard of the Netherlands and to the disgrace of former Premier Tanaka of Japan."¹⁹ Rather melodramatic, but the point is clear. One could say that the modern system of interdependence related to human rights might have begun with Captain Cook and the missionaries who followed him to "civilize" natives and introduce venereal disease. Even today, such contact is probably seen as a mixed blessing.

What this means is that when the currently popular human rights issue is stripped of its moral versus pragmatic tones, it is reasonably certain that nations do affect one another, sometimes dramatically. The issue is not whether nations must choose to affect others. When the United States and other advanced nations make loans, grant aid, and give economic assistance in any manner to developing nations, they are, wittingly or not, participating in the transformation of cultures (or assisting in retarding such transformations). The American human rights policy issue is about whether or to what extent we should explicitly tie economic, political, and security assistance to human rights standards to try to affect other nations which are being affected by those relations anyway.

As American human rights policy has developed since the beginnings of the Carter Administration, national security takes priority when it conflicts with human rights demands.²⁰ But the evidence is scanty that consequences good and bad for national security have devolved from US human rights policies. The Latin American nations which recoiled in indignation at the American suggestion that they were honoring civil and political rights only in their breach are balanced by suggestions that a nonpolicy on rights in the Colonel's Greece and the Shah's Iran left a residue of anti-American feeling about what seemed to those two countries as the condoning by the United States of the practices of the deposed regimes.²¹ In other words, indifference about human rights has no better record for national security in those cases than an activist human rights policy might have in other cases. To be sure, this observation is tentative; case studies will undoubtedly appear in academic journals and some cause-effect points may come clear.

One instance of special interest is the Union of South Africa and the efforts of US Government and private firms to improve the economic and, indirectly, the political conditions of Blacks. Not surprisingly, opposing arguments are made with equal fervor that a US firm staying in South Africa, or leaving South Africa, helps Black citizens.²²

Do human rights policies, in the context of interdependence, have implications for national security and the missions of the US military in the future? Judging by today's commitments it would seem to be the case that they do. With exceptions, the strongest US security commitments are to allies with populations who have

personal, economic, and political rights closest to our own—the countries of Western Europe, Japan, Israel, Australia, and New Zealand. An exception, because of its geopolitical position in the security of Northeast Asia, is the Republic of Korea. This is not a moral judgment. It is a search for a predictive base. Is the human rights character of any given country an indication of (1) whether the United States would intervene militarily to protect it from external aggression or intervene to support its government in civil war? (2) whether such an intervention policy, and an actual intervention, would be supported by the American public? Before the Vietnam years we might not have asked those questions; now, we would be foolish not to ask.

A contrary expectation is that the human rights emphasis will wane, that it can be linked to a specific US administration whose passing will be sufficient reason to adopt a policy of benign neglect, and that the human rights years were an exodus, of sorts, into the peculiar American penchant for moralizing in foreign affairs. Realpolitik will win out again as the guiding force in American foreign policy.

But until the human rights emphasis runs its course, American interventions might seem more probable when the troubled ally has, or is making progress towards, civil and political freedoms familiar in the West. Interdependence clouds this expectation with complications that come down from other interests the United States could have in a threatened nation whose human rights record is poor. What might be concluded is that, other things equal, US willingness to intervene would be stronger the better the record of human rights in the nation that needs our help.

MATERIALS

The issue of raw materials availability centers on the vulnerability of industrialized nations to withheld or blocked imports of selected materials from exporters in the Third World. Various views on the issue are well covered in recent literature. The bald US quantity demanded of external supplies, some of which must come entirely from other nations, suggests vulnerability. The opposing position is that a closer look at each item in detail and at alternatives to its denial suggests no notable vulnerability.

But, as Geoffrey Kemp argues,

Regardless of whose predictions turn out to be more accurate . . . the emerging environment will change some of our basic perceptions relating to the role of force.²³

Three issues are most pertinent when focusing on the strategic elements of resources.

First, to what extent may competition for oil, food, and minerals add to the potential for violent conflict in the world? Second, what is the likely impact of resource scarcity . . . on the military requirements and operational effectiveness of the major military powers? And third, what are the long-term strategic implications of likely efforts by nations to develop alternative resources and technologies to complement and reduce their current set of dependencies?²⁴

The first question directs attention to specific potential reasons for the use of force in an interdependent world, graphically illustrating the general questions raised earlier. Kemp suggests something of a predictive base.

In judging . . . potential for escalation into military conflict, the state of political relations between competitors for all resources is all-important [in referring to oil-related disputes]: where they are good (e.g., Britain, Norway, France), disputes have been resolved; where the competitors will not even speak to each other for other reasons (e.g., Taiwan and China, Greece and Turkey), oil as a catalyst for war becomes more likely.²⁵

This commonsensical insight places interdependence and conflict over materials in a different light than a deterministic perception of economic relations as a precondition for conflict or cooperation. The perception is a marriage of the new transnational relations model and the state-centric model of international politics and conflict. In an interdependent world economic resources probably can and will provide ample reason for violent conflict but will not be a sufficient cause.²⁶ To see something closer to a fuller consideration of conflict potential over resources (and encompassing Kemp's first *and* second questions), we can paraphrase a deterrence litany used by Herman Kahn and others: *which* resources can be denied, by *what means*, against *which* possible counteractions, by *whom* would they be denied, and *what* are his objectives?

Political, military, economic, and scenario-specific questions such as these are necessary to analyze the need for force in relation to the possible denied supply of critical resources, rather than broad generalizations about interdependence and conflict.

Finally, Kemp's last question bears on an earlier question about the degree to which nations will choose to participate in open markets. As suggested earlier, trends are in the direction of protectionism but hardly represent movements which would transform the international economy soon to something other than interdependence. "Reducing current dependencies" is then a process most likely to involve only selected material dependencies and such policies could have interesting political implications when the alternative chosen is another source of supply of the same commodity. For example, it could mean even closer political alignments among the developed nations and a corresponding clearer division between rich and poor nations.

A countervailing position on the issue of resources and conflict would stress the increasing demand for oil and other scarce resources in the West and the increasing vulnerability of supplies to interruption or denial at the source. But, to expect resource conflicts, it is not enough to point to the dependencies of the American economy which is, unlike most other countries, able to weather most short-term disturbances in access to resources. Also impinging on US interests are threats to suppliers from third parties when US forces might be directed to intervene to defend the threatened trading partner. Consequently, this opposing view, while giving more weight to US materials vulnerabilities, still does not propose direct retaliation against a source country, but it can propose that acts of war—third party denial—are cause for US military intervention.

In the first position, then, resources can be a catalyst for violent conflict when political relations between resource competitors are bad, and in the second position, resource dependencies are *prima facie* causes of war but with emphasis on indirect threats to US interests. Either position suggests a continuing need for US intervention forces in the coming decades. Coercive countermeasures other than military force may at times be appropriate but would not at all times have the flexibility of military force. For example, the offending nation(s) might have little economic dependence on the United States; the US-imposed sanction might take too long to have its intended effect; or, the interests of close allies might be harmed by US economic warfare actions. Military intervention is not a suggested course of action, but it will be a choice worth having when "in-kind" responses won't work.

NORTH-SOUTH, RICH-POOR

Negotiations in Paris, Nairobi, and New York have wavered between confrontation and compromise and appear to be making only very slow progress. While the North will consider only marginal adjustments, the South insists on far-reaching modifications of present international economic arrangements The South speaks of *The New International Economic Order*; the North refers to it, typically, as *A New International Economic Order*.²⁷

For the South—the “Third World”—the new order is to be the “transformation of the international division of labor and the terms of trade and investment in a manner which will bring about a massive redistribution of world wealth.”²⁸ The nations of the South prefer, or are accused of preferring, Socialist economies and a global redistributive economy to open markets and competition. And they can, with no little justification, accuse the developed nations of practicing some of the same protectionist, nonmarket policies.²⁹

An important development about which there is no argument is that the poorer nations are dissatisfied with the current international economic system of relatively open market interdependence. The Rich-Poor issue in the context of interdependence is about the course this dissatisfaction could take—either compromise and reluctant cooperation, or confrontation and alienation.

Their [the poor nations'] demands include less of the protectionism by which rich nations block them from selling their relatively cheap manufactured goods; an international “common fund” for commodities to protect the prices of their raw materials from erratic fluctuations; more financial assistance for their development and fewer obligations for paying it back . . .

³⁰

The developed nations, on the other hand, have a “sense of the obligations in justice that rich people owe to poor people.”³¹ Yet the poor countries were left out of the recently concluded Tokyo round of trade negotiations and the participants were accused of having reached “an agreement among themselves that hurt more than it helps the poor.”³²

The poor countries' disillusion could lead, as one argument would have it, to a North-South conflict. The South's weapons would be its raw materials in demand in the industrialized North,

the formation of commodity cartels, trading blocs, and, generally, strength in numbers to contest the strength in wealth of the North. The South's preferred goal is not, however, two economic worlds in constant conflict, but rather an economic order suited to their aspirations. "The essence of their demands is a global redistributive economy to replace the present market exchange system."³³

But if this increasing "politicization of international economic relations" comes about, carried to its "logical extreme," it would mean the transformation of all economies into mobilization economies "organized for economic conflict."³⁴ In effect, the poor would not get the new cooperative order they desire but a system of constant conflict and a reversion to Merchantilism at best or an economic war of all against all at worst.

Against this view is another. "The notion that a new international class conflict could determine developments in the international political economy during the years ahead is based on two questionable political assumptions."³⁵ The first is that "bloc" conflict presumes a degree of international order and an ability to organize for cooperative coercion which is lacking today. The "success" of OPEC in 1973 is an illusion which cannot be repeated by other nations with other materials. They have different balance of payments objectives, growth potentials, export dependencies, and the like. The image of bloc politics is "deceptively simple and misleading."³⁶

The second questionable presumption is about how the current disorder in the world economy originated. It did not start with the oil embargo of 1973 but dates back to the mid-sixties and the growing strains in the international monetary system. These strains were, in turn, the product of the redistribution of economic power after World War II, with the growth of the United States, the European economies, and Japan in particular.³⁷

So we have in this contrary view not so much a rebuttal to the idea that the world economy may be closing fast on crisis as it is an argument against how serious the crisis could become *because of* the manipulations of the dissatisfied nations. As most wars are limited because of the belligerents' limited means, economic conflict might also be limited in scope and depth unless the alienated nations find a formula for concerted action.

INTERDEPENDENCE AND ITS DISCONTENTS

This essay was by no means intended to cover all the ramifications of interdependence. For example, the COMECON (USSR and Eastern European nations) exist largely in their own economic world (Second World), outside of the First World economy. They might elect to become more open to international commerce, but like the United States, as the USSR's allies gain economic strength, the control over these allies diminishes. If political motives and objectives are assumed, exploitation by the Soviet Union of discontent with the open market system might be essayed at some length. But how, other than by acts of war, the Soviets could upset the system is an open question. A presumption of being able to disrupt an interdependent system is first that the disruptor is part of it, and, when part of it to any significant degree, a nation also shares the vulnerabilities that go with participation.

Also ignored are multinational corporations and their effects on home and host country economies, international economic agencies, fishing in international waters, and, indeed, many other activities which bring the peoples and the interests of nations together and constitute much of the substance of interdependence. Interdependence is a psychological and cultural concept perhaps even more than it is an economic phenomenon precisely defined. What is important to a nation in its dealings with others is what *it* sees as important, whether it is a commodity or an ideology. The Cod War could not have been the Cod War if the people of Iceland and Britain did not have longstanding, culturally unassailable tastes for fish.¹⁸

The most critical issue associated with interdependence is whether it will change into a world of economies organized for economic conflict and controlled by national security anxieties. The observation of this study is that this "negative" movement is underway, gaining momentum, but unlikely to be fulfilled to such drastic lengths in this century. There is still time to try to reverse the trend; try to modify its more adverse effects through compromise and cooperation; and, prepare for those adverse effects that cannot be avoided.

The latter parts of this observation imply a value judgment; that is, that interdependence is "good" and economic nationalism is

bad. This judgment is a reflection of US national policy as it has been since World War II. Indeed, the United States is the principal proponent of interdependence in the sense of an open market system. We must allow, however, for the possibility that the United States might also wish a change away from economic liberalism, and allow for the possibility that change will come even if it is against the desires of the United States.

These observations do not mean that interdependence is ending. It does mean that its nature is changing. It is becoming less characterized by liberalism and more by state interests. This is another way of saying that international economic relations are becoming more political, that the market system which accounts for today's brand of interdependence is giving way more and more to governmental manipulation.

The change is not universally lamented. The beautiful balance and symmetry of the classical vision of free trade was never really balanced and symmetrical. The developing nations' call for a new economic order is a call for an end to the dominance of free and open markets and the large, efficient economies served best by those markets. It is quite unnecessary to see their point in Marxism; Hamiltonian America could be their model.

What does interdependence and its trends imply for the potential role of military forces? Essentially, interdependence in its changing character suggests a need for nations to cooperate, an obvious normative reflection of a system that does not work by some invisible hand. This refers to political cooperation—implying a need to choose and to reflect a people's or an elite's values in that choosing, a process that is not at all likely to yield compatibility of economic policies and a smooth running economic system. Conflict and confrontation seem quite likely, but will they require military force for their resolution? Currently, there is no threat to the United States that can be projected other than the apparently constant possibility of the loss of Middle East oil. That is, from the nature of interdependence itself, it does not follow that the United States would have to intervene with military force to secure an economic interest. Such decisions are contextual—in the concerns and circumstances at the time of crisis. Specific case studies of areas, resources, and US dependencies are needed to understand the seriousness of economic disturbances.

CONCLUSIONS

- A future policy issue for the United States is the degree to which it wants to encourage a liberal international economic order and thereby encourage the greatest degree of interdependence. The policy direction taken will have political and economic costs and benefits, but we are interested in the role of force. Interdependence offers no easy, plausible deductions that its presence or absence as an economic system leads to more or less violent conflict among nations. But if the course of interdependence continues in the direction of nationalism, protectionism, and regional and national insularity, economic relations will become more and more politicized and such international economic fluctuations as do occur can be interpreted as threats to a nation's security rather than the expected costs of an open system.

- There is no "natural" foundation for economic interdependence; it was more or less imposed on the world by dominant economic powers whose power today is waning relative to new centers of post-World War II economic influence.

- Interdependence is unlikely to change to some other system short of a trial period of a decade or two of incremental adjustment and change. While it remains, it will be a normative argument for peace rather than a "systemic" obstacle to war. Nations can and may go to war for any number of reasons; interdependence is only one of several reasons not to.

- Even theorists who see conflict growing from economic interdependence see its form as economic rather than military.

- While a high degree of interdependence lasts, nations will be vulnerable to economic coercion. But the power to do harm to others is spreading thinner and few nations have the power to affect others or affect the entire system. Within this standoff are particular asymmetries, primarily in oil production and its demand, which can be exploited by the producing nations.

- In the area of interdependence and human rights, the more successful a human rights policy is in encouraging greater civil and political freedom in many nations of the Third World, the more likely the United States would choose to intervene militarily in their behalf when their political independence is threatened or their economic health is attacked by other nations. This is, of course, an

“other things equal” conclusion sensitive to the many other considerations an intervention decision would include.

- Violent conflict because of raw materials competition will probably depend on the political relations between the disputants. Political antagonists might resort to war. Political friends will find peaceful means to settle the dispute or at least severely limit escalation of a conflict.

- US military interventions because of materials denial are likely to be a reaction to coercion by third parties against friendly nations where the United States has interests to maintain. Consequently, forecasts of this role for military force will rest primarily on expected political alignments and interests rather than on direct US economic vulnerabilities.

- Great differences in the level of economic development, domestic economic objectives, ideology, and culture between the industrialized North and the developing South will continue to explain the latter's dissatisfaction with the world economic order and the South's insistence on dramatic change to a new order. But the poor nations' inability to organize effective blocs and cartels will limit their means of persuasion to peaceful methods.

ENDNOTES

1. Quoted in Robert Gilpin, "Economic Interdependence and National Security in Historical Perspective," *Economic Issues and National Security*, ed. by Klaus Knorr and Frank N. Trager, p. 43. Gilpin notes that Marx and Engels have been misinterpreted as seeing growing interdependence as a negative feature of social relations; rather, they saw it as a welcome, necessary step in the evolution to socialism.
2. For example, in Stephen D. Krasner, "State Power and the Structure of International Trade," *World Politics*, April 1976, pp. 317-347. The major state interests affected by international trade are political power, national income, economic growth, and social stability. "The way each of these goals is affected . . . depends upon the potential economic power of the state as defined by its relative size and level of development." (p. 319)
3. Robert Koehane and Joseph Nye elaborate on this simple definition in "Power and Interdependence," *Survival*, July/August 1973, pp. 158-165.
4. Gilpin, p. 19.
5. *Ibid.*, p. 20.
6. *Ibid.*, p. 22. Krasner makes the same point about the importance of hegemonic powers.
7. See Ernest H. Preeg, "Economic Blocs and US Foreign Policy," *International Organization*, Spring 1974, pp. 233-246.
8. See the essay by Klaus Knorr, "Economic Interdependence and National Security," in Knorr and Trager, and Robert Baldwin, "The New Protectionism: The Welfare State and International Trade," a review of the book by Melvyn B. Krauss, in *Challenge*, March/April 1979, p. 68.
9. Baldwin, p. 67.
10. *Ibid.*, p. 68, explaining Krauss's thesis.
11. Robert R. Bowie, "The Tasks Ahead for US Foreign Policy," in US Commission on the Organization of the Government for the Conduct of Foreign Policy, *Report: Volume I: Appendix A: Foreign Policy for the Future*, Washington: 1975, pp. 28ff. (Cited hereafter as Commission.)
12. Peter L. Szanton, "The Future World Environment: Near-Term Problems of US Foreign Policy," in Commission, p. 8.
13. Krasner, p. 317.
14. Statistical data on the United States in the United Nations' *Handbook on Trade and Development* show no remarkable changes between 1960 and 1970 in US reliance and on manufactures and raw materials imports as a percent of total US consumption. For further argument questioning the validity of interdependence as the most descriptive label for world economic relations, see Kenneth N. Waltz, "The Myth of National Interdependence," in *The International Corporation*, ed. by Charles P. Kindleberger, Cambridge: The M.I.T. Press, 1970, pp. 205-223.
15. Gilpin, p. 20.
16. Allan E. Goodman, "The Threat From the Third World: Mounting Challenge to US and Western Economic Superiority?" in *Proceedings of the National Security Affairs Conference*, July 17-19, 1978, National Defense University, Washington: Ft Leslie McNair, August 1978, p. 180.
17. Donald J. Puchala and Stuart I. Fagan, "International Politics in the 1970s: The Search for a Perspective," *International Organization*, Spring 1974, pp. 262-263.

18. Ali A. Mazrui, "Human Rights and the Three Worlds of Power," *The Round Table*, July 1978, p. 212.
19. *Ibid.*
20. Graham Hovey, "U.S. Lists Guidelines for Linking Rights Concern to Foreign Policy," *The New York Times*, May 3, 1979, p. 2A.
21. For example, see Richard Cottam, "Goodbye to America's Shah," *Foreign Policy*, Spring 1979, p. 12.
22. See E. J. Kahn, Jr., "Annals of International Trade: A Very Emotive Subject," *The New Yorker*, May 14, 1979, pp. 117-153.
23. Geoffrey Kemp, "Scarcity and Strategy," *Foreign Affairs*, January 1978, p. 397.
24. *Ibid.*
25. *Ibid.*, p. 403.
26. *Ibid.*, p. 398.
27. Peter J. Katzenstein, "Introduction: Domestic and International Forces and Strategies of Foreign Economic Policy," *International Organization*, Autumn 1977, p. 589.
28. Gilpin, p. 62.
29. James P. Sterba, "Poor Nations Press Rich to Close Gap," *The New York Times*, May 7, 1979, p. A5.
30. *Ibid.*
31. *Ibid.*
32. *Ibid.*
33. Gilpin, p. 63.
34. *Ibid.*
35. Katzenstein, pp. 589-590.
36. *Ibid.*, p. 590.
37. *Ibid.*, pp. 590-591.
38. The British-Icelandic dispute over fishing rights escalated in January 1976 and ended about June. Iceland temporarily broke diplomatic relations with Britain and threatened to pull out of NATO.

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