

# **Beyond Confrontation**

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# **Beyond Confrontation: Globalists, Nationalists and Their Discontents**

BY

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# List of Abbreviations

AI	artificial intelligence
AIIB	Asian Infrastructure Investment Bank
APEC	Asia-Pacific Economic Cooperation
BIS	Bank for International Settlements
CFIUS	Committee on Foreign Investment in the United States
ECB	European Central Bank
ECJ	European Court of Justice
ECSC	European Coal and Steel Community
EMU	Economic and Monetary Union (of the EU)
EU	European Union
FDI	foreign direct investment
FTA	free trade agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GDPR	General Data Protection Regulation
GSC	global supply chain
GTA	Global Trade Alert
GVC	global value chain
ICC	International Criminal Court
ICJ	International Court of Justice
IMF	International Monetary Fund
IP and IPR	intellectual property (rights)
IPCC	Intergovernmental Panel on Climate Change
M&A	mergers and acquisitions
MFN	most favoured nation
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NTB	non-tariff barrier
OECD	Organisation for Economic Co-operation and Development
R&D	research and development
RTA	regional trade agreements
RTP	Responsibility to Protect
TPP	Trans-Pacific Partnership
TRIMs	trade-related investment measures

*x List of Abbreviations*

TRIP	trade-related intellectual property
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

## About the Author

**Phil Mullan** combines business management with research and writing, primarily on economic topics. He is the author of *Creative Destruction: How to Start an Economic Renaissance* (Policy Press, 2017) and *The Imaginary Time Bomb: Why an Ageing Population Is Not a Social Problem* (IB Tauris, 2000).

Having completed eight years in Senior Management roles with Easynet Global Services, an international communications services company, he is now a Business Consultant and a Charity Trustee. Previously, from 1996 until 2003, he was the Chief Executive of Cybercafé Ltd., running the Cyberia franchise, which had opened the world's first internet café in London in 1994.

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# Preface

## History Accelerating?

Covid-19 was a truly global phenomenon. It started in one country and within weeks had spread all around the planet. Long distance air travel that epitomises the connectedness of our “globalised” world hastened the diffusion of the virus. The equally emblematic international communication systems instantly disseminated awareness of how governments and people were responding, encouraging the replication of actions and behaviours. The sense of a global community, “we’re all in this together,” had probably never been stronger.

Such extraordinary human crises, like major wars, are thought to bring people together. Certainly there were many, many uplifting instances all around the world of ordinary people supporting their fellow humans during this pandemic. However, at a political level, conflicts and discord were mostly aggravated, not eased, by the impact of Covid-19. Within governing elites, prior political divisions – in and between nations – intensified.

Illustrating a core premise of this book, the twosome of globalist and insular nationalist politicians found more to attack each other for. For instance, US President Donald Trump’s suspension of financing for the World Health Organization (WHO) followed his long-running script against globalist multilateralism. No doubt there was also a large element of blame shifting by making the funding announcement at that particular time.

The attack on Trump from other Western governments was similarly consistent with their pre-existing globalist playbook. European Union (EU) and other globalist-leaning leaders condemned his act as destructive “economic nationalism”. Their admonishment happened even though the WHO was being widely criticised for its performance by others, including from themselves, far beyond the White House.

This shared censure of the WHO pointed to another feature of the contemporary political climate described in this book. There is often less division between these two political stances than it can appear. Trump’s decision itself was not that much of a break from previous official US attitudes to the UN agency. The indifference to its proceedings from his two preceding Oval Office occupants had been well indicated.<sup>1</sup>

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<sup>1</sup>Powell, P. (2020). How Bush and Obama ceded the World Health Organization to China, increasing risk of pandemics like coronavirus. *Newsweek*, April 14. Retrieved from <https://www.newsweek.com/how-bush-obama-ceded-world-health-organization-china-increasing-risk-pandemics-like-coronavirus-1497667>.

On conceptual grounds too, commentators from both globalist and isolationist outlooks drew on the pandemic. Globalists called attention to the ease with which Covid-19 moved from one country to another as confirmation that national borders are moribund in our “smaller” world. Fighting such a global disease highlighted for them the limitations of the traditional nation state in dealing with it. The mantra was “global problems require global solutions.”

This worldwide scourge was thought to add justification to the case for supranational governance and action. Many globalists adopted the overused Second World War analogy as upholding the need for international institutional collaboration today. The health emergency required something similar to the new international institutions created in the 1940s for today’s even more interdependent and, seemingly, fragile world.

Meanwhile isolationists and others of a mercantilist bent turned the globalist perspective on its head. The rapid spread of the disease, they claimed, starkly illustrated the dangers posed by an open globalised world with porous borders. Globalisation, they asserted with extra conviction, had not only been destroying jobs at home, but had also left disease-hit countries at the mercy of global supply chains. Sudden shortages of medical supplies and equipment appeared to expose the risks of offshoring production to lower-cost countries. The pandemic was turned into an argument endorsing the case for inward-looking national self-sufficiency.

In fact, the pandemic experience justifies neither globalist nor isolationist viewpoints. For instance, the previous failure, or incompleteness, of businesses in diversifying their supply lines is neither a repudiation of an internationalised economy, nor an argument for strengthening global governance.

The ordeal of the pandemic repudiated other globalist assumptions. The actions taken by governments vindicated the validity of national state organisation. Only nation states had the authority to impose lockdowns and then provide or, in some countries, try to provide emergency financial aid to compensate businesses and families from the impact. The state could do all this because it retains a legacy of dominion within developed countries that has not been achieved by any of the international and supranational institutions set up during the past 75 years.

Also, there was no objective reason for national state apparatuses to operate only on their own, even if in practice some acted parochially. National science institutions and nation-based pharmaceutical companies worked together across borders in the search for effective treatments, better testing capabilities and vaccines. Nation states could similarly have better pooled their resources for collaborative progress in achieving solutions to the global challenge.

As the alternative to both globalism and narrow-minded nationalism, a third approach also beckoned through the upheavals of the pandemic: a popular internationalist nation-based path as promoted in this book. Just as diseases travel quicker in a more interconnected world than at the time of the Black Death, it is true that solutions can be found much faster, and without erasing the advantages of country boundaries. For instance, the existence of nation states and of national borders did not prevent the attempts to accelerate the discovery of

treatments and vaccines through harnessing the wisdom and ingenuity of the global commonwealth.

The early pandemic experience did more than vindicate the possibility of an internationalist alternative to globalism and to insular nationalism. It reinforced the urgency of debating it due to the crisis's dangerous geopolitical repercussions. In particular three pre-pandemic features of international relations that are discussed in the book as together fuelling confrontation were amplified and brought to the surface: the changing economic balance in the world; the unravelling of the post-1945 world order; and crisis-enhanced tensions between the advanced industrial nations.

The crisis also saw many stirring examples of people, businesses and other non-governmental institutions working together to beat Covid-19. The hope is that the positive practical solidarities displayed, within nations and between them, can inspire a new popular internationalism to go beyond confrontation. However, we know that hope is not a sufficient strategy ... so please read on.

Phil Mullan, 20 April 2020

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# Introduction: Global Times

“Be convinced that to be happy means to be free and that to be free means to be brave. Therefore do not take lightly the perils of war.”

Thucydides, *The History of the Peloponnesian War*

Blueberry sales have recently surged across Europe. In Britain, they have even overtaken those of the raspberry, the favourite fruit grown domestically. Blueberries’ relatively long shelf life for a soft berry appeals both to retailers and shoppers since neither likes to be stuck with punnets of rotting fruit.

Only a tiny share of blueberries sold in Europe is harvested there. Most are imported from Argentina and Chile where the terrain is better suited to acid-loving plants. The durability of the fruit suits the three-week sea voyage to Europe without losing freshness. And with labour costs in South America about one-tenth of those in Western Europe, prices are competitive with fruits produced in Europe.

Blueberries are one of a thriving group of *global commodities*. And while shoppers in London or Berlin buy their fresh fruit from Argentina, many businesses produce across borders too. The Apple iPhone is sold around the world and also involves one of the most internationalised of production processes. Making the smartphone involves operations in many parts of the world.

Many of us will have seen the sign on the iPhone packaging that it is “designed in California”. Many are also aware that the phones are mostly final assembled by two Taiwanese companies, Foxconn and Pegatron, in their factories in China. Emphasising the global nature of production, Foxconn has already diversified some iPhone assembly into India, while Pegatron has plans to assemble in Indonesia.

Meanwhile, the individual iPhone parts are not just made in China, Taiwan and South Korea but are mostly imported from manufacturers around the world. Apple uses specialist manufacturers from a multitude of geographies to deliver individual items, including the battery, the lenses, the camera, the glass screen, the liquid crystal display, the various digital chips, the gyroscope, the compass and the phone shell. Factories producing these hundreds of individual components are located in more than 30 countries (Costello, 2019).

Apart from fruit sales and hardware production, other global linkages have proliferated. An email communication from Delhi will arrive in Paris instantaneously. The football FIFA World Cup final in 2014 between Germany and Argentina attracted over one billion viewers. A similar number watched the 2015

cricket World Cup match between India and Pakistan. Movies open on the same weekend in cinemas as far apart as New Zealand and the Netherlands. In so many ways, the world's cultural and economic lives are more *interconnected* than ever before.

## **Interconnectedness: Deterrent or Stimulant of Conflict?**

It is often assumed that this increasingly interconnected world is a less conflict-prone world. With greater economic interdependence, surely governments would be foolish to confront each other. Closer connectedness should herald an era of peace, at least between the prosperous advanced countries that have far too much to lose from war. But the history of the twentieth century is not so reassuring.

That same assumption at the start of that century saw many deny that anything like the First World War could happen. The rapid expansion of the world market from the late nineteenth century suggested the prospect of continued peace, progress and prosperity – at least within the most developed countries.

Norman Angell's 1910 book *The Great Illusion* seemed to capture this mood.<sup>2</sup> The "illusion" he sought to dispel was that nations could gain by military confrontation. He argued that because of economic interdependence, war between the major nations would be futile and counterproductive. He also thought nationalist sentiment could no longer motivate the leaders of industry, because

the capitalist has no country, and he knows, if he be of the modern type, that arms and conquests and jugglery with frontiers serve no ends of his, and may very well defeat them.

It seems the "global citizen" is an old idea.

Although Angell himself was anxious that disastrous wars could still happen, many who subscribed to his thesis saw it as an argument that war was now impossible. Of course, they were soon disabused. An uncontrolled escalation of rivalries culminated in not just one but two world wars, interspersed by periods of instability, depression, protectionism, militarism and barbarism.

But despite the bloody realities of the First and then the Second World Wars, the notion that interconnectedness guarantees peace persisted. After the second of these wars, a new world order emerged under US hegemony, regulated by a network of institutions and a legal framework conditioned by the experiences of previous decades. This settlement was powerfully legitimised by two phenomena: the outbreak of the Cold War that pitted a free, liberal West against an authoritarian repressive Soviet bloc, and also by the post-war economic boom in the industrialised capitalist nations.

Carl von Clausewitz famously said that war is a continuation of politics by other means. We can go further by adding that politics is often influenced by economic developments. However, politics, and the possibility of war, is *never*

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<sup>2</sup>The first edition in 1909 had been titled *Europe's Optical Illusion*.

determined solely by economic considerations. In consequence, economic interconnectedness is not a deterrent to conflict. On the contrary, it can become a tense source of friction. Economic troubles and joblessness at home often get blamed on trade and capital flows across borders.

Thus, it is more than coincidental that signs of the crumbling of the post-war world order first become evident from the 1970s alongside the arrival of the West's long economic depression. Slowing productivity, the monstrous expansions in debt and a series of recessions culminating in the 2008 Western financial crash have aroused more aggressive competition between advanced capitalist countries.

Against this rivalrous background, the shift in the balance of economic power from West to East and especially the rise of China has deeply unsettled the old order. In response, the declining powers have clung, pragmatically, to the existing structures and rules that they established and still oversee, though often clashing with each other in the process. Meanwhile, the rising powers, generally excluded from positions of authority in those institutions, have been, selectively, challenging the old framework. This has included setting up international organisations side by side with the existing ones.

As a consequence, conflict between countries is being channelled *through* interdependence, rather than being contained. Closer links provide a means of furthering national interests at the expense of others. For instance, the tool of sanctions uses economic dependence to pressurise targeted nations.

The closer countries become connected, the more weapons are available, ranging today from disrupting global supply chains to controlling international payments systems. Political scientist Abraham Newman has explained that the very networks of globalisation that were supposed to “liberate business and bring peace” have become “a yoke on business and a source of coercion” (Farrell & Newman, 2019).

For instance, alongside the high-profile trade wars launched by the United States against China, in 2019, Japan and South Korea began their own economic war. Japan restricted key chemicals needed by the South Korean information technology industry in retaliation for South Korea's continued demands for Second World War reparations.

Thus, while economics matters a lot to politics, economic integration doesn't make international relations more amicable. Geopolitical confrontation operates alongside and sometimes through, denser economic entanglements. Nevertheless, the old notion that international connectedness is a stabilising influence lives on in today's globalisation thesis. This gives backing to the enormous faith that the globalist leaders who run most Western nations place on the “rules-based international order” as the preserver of peace and prosperity.

Recalling Angell's contention, this book demonstrates that this belief is one of today's “great illusions”. We examine how the approaches adopted by Western leaders in pursuit of international *stability* are ironically an accelerant for *instability*. Clinging to an anachronism can be dangerous. We propose an alternative not just to the dominant outlook and practices of globalism but also to its supposed antithesis, mercantilism – the idea that trade generates wealth and that government protectionism contributes to the accumulation of lucrative trade balances.

Globalist politicians both stress the importance of established institutions and “weaponise” the existing rules and regulations. Their mercantilist opponents, personified by President Donald Trump, openly resort to trade protectionism. In both cases, defensive measures become aggressive by inflaming hostilities between nations and between regional blocs. The democratic alternative we propose here instead incorporates the possibility of enlightening change, as guided by human agency through the institution of the nation state. In particular, we explain how domestic economic transformations initiated by bottom-up democratic forums are vital to reducing the tendencies towards international conflict.

## The Theory of Globalisation

The global developments that impinge on all our lives have fed both the popular and the scholarly belief in *globalisation*. The latter first gained some credibility as a *description* of the more integrated world economy, boosted by technological developments, mass consumption, financialisation and the apparent primacy of market forces. The concept of globalisation expressed the belief that the world – economically, politically, culturally and ecologically – is shrinking fast in its social and physical dimensions (Camilleri & Falk, 1992, p. 1).

Globalisation is a relatively recent term. It was only in 1983 that Theodore Levitt, a prominent marketing professor and émigré from 1930s Germany, popularised this previously little used word. His *Harvard Business Review* article “The Globalization of Markets” triggered a whole new intellectual discourse. Levitt (1983) thought that the latest technologies had brought about a distinct commercial reality: “the emergence of global markets for standardized consumer products on a previously unimagined scale of magnitude”. Today, just about everything is viewed through the prism of globalisation (Held & McGrew, 2003).

Despite its ubiquity, perhaps because of it, the word globalisation is without an agreed definition. According to the prize-winning scholar Or Rosenboim (2017b), the “multifaceted, flexible character of the idea of the global enhanced its appeal but also highlighted its weakness” (p. 6). For most of its users, globalisation refers to some aspect of the enhanced integration of international markets and higher levels of trade and capital flows. However, this is just the start of its perceived overarching significance.

Others draw attention to the increasing flow across borders of ideas, information and people and often mark out three main types of globalisation: economic, political and cultural (Hoffman, 2003). It appears that no area of life is now unaffected by it. We also have the globalisation of disease, of ethics, of technology, of wealth, of geography, of ecology, of gender equality, of terrorism and of religion (Conner, 2004, pp. 2–5).

By the end of the last century, David Held, an influential writer on international relations, warned that the term is “in danger of becoming, if it has not already become, the cliché of our times”. He and his colleagues then proceeded to provide a definition, which has become the standard one cited in academia:

Globalization can usefully be conceived as a process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions, generating transcontinental or interregional flows and networks of activity, interaction and power ... (and) can be thought of as the widening, intensifying, speeding up, and growing impact of world-wide interconnect-edness. (Held, McGrew, Goldblatt, & Perraton, 1999)

A bit of a mouthful. Helpfully, the authors clarified the historical context:

(C)ontemporary patterns of globalization mark a new epoch in human affairs. Just as the industrial revolution and the expansion of the West in the nineteenth century defined a new age in world history so today the microchip and the satellite are icons of a new historical conjuncture. By comparison with previous periods, globalization today combines a remarkable confluence of dense patterns of global interconnectedness, alongside their unprecedented institutionalisation through new global and regional infra-structures of control and communication, from the WTO [World Trade Organization] to APEC [Asia-Pacific Economic Cooperation]. Driven by interrelated political, economic and technological changes, globalization is transforming societies and world order. (Held et al., 1999)

In short, technological and related development has driven the world's evolution into a distinctive and fast-changing era. The particular emphasis on the institutionalised expressions of globalisation points to the political importance of the thesis as *prescriptive* for how our lives should be conducted. Although “globalisation” is sometimes loosely equated to “internationalisation”, this association downplays the crucial political significance of globalisation as an edict of governance.

Far from globalisation being a quantitative, or qualitative, extension of economic internationalisation, politically it is its opposite. While internationalisation relates to links *between* nations, the dominant theories of globalisation *transcend* the framework of nations and nation states. Rosenboim pointed out that the word “international” attributes importance to the nation, or the state, as a “defining, order-creating unit, and explores the relations between nations as sovereign entities”. While the “international” assumes mediation *through* states, “globalisation” in contrast assumes the diminution of the state and privileges the political role of the globe as a whole (Rosenboim, 2017b, pp. 3–4).

In political praxis, the globalisation thesis favours technocracy over democracy and the ascendancy of supranational institutions over nation states. This follows from the blame it heaps on nationalism and democracy for the barbaric catastrophes of the first half of the twentieth century. It is this prescriptive, rather than the descriptive, element of globalisation that unsurprisingly has come to the fore as the post-war order has experienced increasing strain.

## A Less Controllable World?

While increasing interconnectedness is real, it doesn't substantiate the core premise of most globalisation literature: the idea that impersonal, autonomous global forces dominate humanity. The thesis presents the world as more complex, uncertain and out of control. Political scientists Robert Keohane and Joseph Nye (1977) describe this as "complex interdependence".

This notion of global complexity underpins the most critical and far-reaching of the globalist tenets: that *national political activity* has become much less effective and often detrimental. In her seminal book *The Retreat of the State*, the scholar Susan Strange (1996) explained how global economic and financial developments had rendered the nation state obsolete. Nation states have supposedly become "disempowered co-players" embedded in "irreversibly globalized markets" (Habermas, 2015, pp. 87–90; Hardt & Negri, 2000). This idea – that the nation state has become irrelevant as the prime political mover – is erroneous in fact, self-serving in theory and dangerous in practice.

Globalist thinking assumes that national political activity and national sovereignty are supplanted because they are no longer able to meet today's global challenges. The existence of our global problems is thought to require "global", not national solutions (Mouk, 2018, p. 60). Thus, globalisation theory is much more than a description of internationalised production and trade; it embodies the ascendancy of complexity over mastery, of the global over the national and of supranational institutions over nation states.

The most developed representation of supranational organisation is the European Union (EU). Its genesis was in the European Coal and Steel Community (ECSC) established in 1951. Motivated by the French foreign minister Robert Schuman as a way to prevent another war between France and Germany, the aim of strengthening European economic integration was to make war not only "unthinkable but materially impossible". However, the inter-country clashes within its EU successor over, among other matters, the crisis within its common currency zone, migration flows and interpretations of the rule of law, bring to mind the follies of that pre-1914 complacency about the impossibility of conflict.

The fundamental danger of globalist thinking is that the very discounting of national politics does make the world more out of control and less certain. Belief in the undermining of national authority and power by globalisation reinforces the fatalist component within present-day thought. This is counterproductive to solving the world's real problems.

More than ever, we need collective human capabilities to overcome our biggest challenges. We already have the means: the same technological, economic and social developments that inform the globalisation thesis actually provide us with *greater* capacity to influence and mould our world. Not least a more extensive international division of labour expands humanity's productive capabilities and resources.

Yet regarding the nation state as impotent abandons the only effective, and potentially legitimate, vehicle so far developed for executing human agency. By rejecting the institution of the nation state, globalist politicians give up on the

main instrument through which people could take some control of their lives. Collaborative international problem solving is best achieved through *nations acting together*, not by demeaning proven national apparatuses in favour of undemocratic supranational bodies.

## **National Sovereignty Curbed**

The defining political habit of the past three decades is of Western politicians giving away their powers to a multitude of appointed technocratic bodies, both transnational and national ones. National political enfeeblement has thereby become institutionalised. When national politicians outsource their responsibilities to globalist bodies and mechanisms, they make themselves *doubly* ineffectual. They delegate their authority in the first place and then become subordinate to the new globalist arrangements. The rules and boundaries imposed by the international bodies render national governments even less capable of autonomous action.

For instance, at the turn of the millennium, a dozen EU governments accepted the use of the euro in place of their national currencies. They hoped this could bring about improved currency stability, since the new supranational currency would be further removed from the pressures of national economic conditions and policies. Wim Duisenberg, the founding president of the European Central Bank (ECB), stressed this feature by presenting the euro as the first currency to have severed its link not only to antiquated gold but also “its link to the nation state”. This was a prototype globalist currency.

Within a decade, the eurozone crisis shattered the illusions of being able to eclipse the national. In reality, national economic problems and differences still mattered a lot. But by then, national governments, not least in Greece, saw themselves helpless in the face of economic chaos. Because of the euro framework, governments couldn’t resort to currency devaluation or decide how much to borrow to dig themselves out of the mess. The distress of nation state impotence was the self-produced outcome of globalist initiatives.

## **Democracy Degraded**

Giving up on national sovereignty eviscerates democracy. In place of the national arena comes the formal suggestion that democracy needs to be reinterpreted for the new global times. This proposition is usually expressed as a combination of local, community-based voices alongside supranational mechanisms. But in most matters, local democracy has too little weight to make a real difference to folks’ lives, while supranational authority has failed to attain democratic legitimacy.

The same suggested impotence of national politicians is offered as justification for abandoning political accountability. It is “difficult” to see, argued the political scientist Yascha Mounk, what the realistic alternative is to relying to a greater extent on the technical expertise of unaccountable international organisations. We must choose, he argued, between achieving international cooperation on key issues such as climate change and the spread of nuclear weapons “by a troublingly undemocratic path” and “not achieving it at all” (Mounk, 2018, p. 96).

The late German sociologist Ulrich Beck came to the same conclusion. He suggested that the recent scale of social and economic transformation has been so extreme that it amounts to a “metamorphosis of the world”. He deduced that if “one acts nationally ... one is left behind”. Additionally, Beck thought a continued attachment to the nation *gets in the way* of finding solutions. He drew on what he described as the “common sense” insight that no nation state can cope alone with the global risks of climate change and extrapolated that the principle of national sovereignty is “an obstacle to survival of humankind” (Beck, 2016, pp. 4–5, 9–10, 17–18, 35).

But why do states have to act “alone”? Why is inter-nation cooperation not possible anymore to address international challenges? The answers suggested by globalists tend to be vague but imply a loss of faith in ordinary men and women acting with such “common sense”.

The globalist disparaging of national politics takes advantage of popular political disconnection. The failure of the old political parties, particularly since the 1980s, to offer compelling visions to the electorate has led to disillusionment. This loss of legitimacy reinforced declines in traditional party membership levels and falling electoral turnouts. When the political class also belittles national policies on the basis that the global arena is now the relevant one, then domestic politics appears even less consequential. Politics seems instead to revolve around careerists and self-important personalities.

Ordinary citizens living far beyond elite circles became even further disengaged, adding to scepticism about what is politically possible. In an inversion of reality, frustrated individuals are seen as the source of the democratic crisis. Mainstream commentators blame them for being apathetic, when it is the failures and excuses of national and globalist politicians that have discredited modern politics.

The anti-democratic propensity within the globalist perspective has recently become much more evident. Since 2016, globalists have rubbished the actions of the populace who voted in large numbers for Brexit, or for Trump as US president, or for “populists” across Europe. The previous aloofness of politicians became contempt for ordinary people who failed to vote as advised. The electorate was patronised as having been duped or, at best, badly informed. Some were described as “deplorable” and imagined to be motivated by racist, xenophobic thinking.<sup>3</sup> In fact, survey evidence confirmed that most of the contrary voters simply wanted things to change for the better (Economist Intelligence Unit, 2018, p. 4).

There is much that is new about internationalisation today that we need to understand. None of it, though, renders the nation state, sovereignty and collective human action as obsolete. Greater global interconnectedness has no determinate consequence for the potential potency of a nation state’s policies. Moreover, none of what is novel vindicates putting up with the old status quo. And none of

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<sup>3</sup>During the 2016 US presidential election campaign, the Democratic Party candidate Hillary Clinton said half of Donald Trump’s supporters belonged in a “basket of deplorables” characterised by “racist, sexist, homophobic, xenophobic, Islamophobic” views. Retrieved from <http://time.com/4486502/hillary-clinton-basket-of-deplorables-transcript/>.

it excuses the top-down globalist and mercantilist approaches that are exacerbating inter-nation tensions.

## Global Frameworks Under Strain

We have entered another unstable era for the world order. Every four years, the US National Intelligence Council produces its *Global Trends* “map of the future”: a strategic assessment of how the world might look over the next 20 years. Its January 2017 report anticipated increasing tensions between countries and heightening of the risk of interstate conflict during the ensuing five years. It concluded with a picture of increased international tension:

The near-term likelihood of international competition leading to greater global disorder and uncertainty will remain elevated as long as *a la carte* internationalism persists. As dominant states limit cooperation to a subset of global issues while aggressively asserting their interests in regional matters, international norms and institutions are likely to erode and the international system to fragment toward contested regional spheres of influence. (National Intelligence Council, 2017, p. 44)

This is an accurate description of the state of the world: international fragmentation around fluid regional groupings. It is telling that this official American assessment of global fragility was prepared *before* Trump entered the White House. It is, therefore, unhelpful to concentrate, as so many commentators do, on Trump’s impromptu and arbitrary overseas policy initiatives as being the source of international conflict. His mercantilist actions don’t help, but they are not the underlying cause of confrontation.

Instead, today’s impending geopolitical rupture derives from the unusual collision between two epochal developments. This is the distinctive feature of modern international relations. First, the centre of global wealth creation has shifted from West to East, specifically from the United States to China, while the distribution of power within international institutions still reflects the very different economic world of 1945. This incongruity is bound to foment tension.

Some anticipate a Thucydides moment. In his history of the Peloponnesian War 2,500 years ago Thucydides wrote that “What made war inevitable was the growth of Athenian power and the fear which this caused in Sparta”. Today, we appear to be on the same path as old and new powers clash.

Just as Sparta could not expect always to be on top, so America, and the West in general, should not expect always to be the dominant powers. The problem is that a rising China is bringing out the anxieties within declining America and Europe. West-East animosities are heating up over trade, technology, investment and geopolitical influence around the world. The EU and the United States agree in officially describing China as not only an economic competitor but also as a systemic threat.

But a second phenomenon exacerbates this flux. Escalating strains *within* the old Western world add to the disruptive mix. International rivalries reminiscent

of a century earlier are sharpening, aggravated by these advanced industrial countries' collective failure to recover after the crash and recessions of 2008 and 2009. In particular, transatlantic ructions between the United States and EU countries have turned bitter.

Thus, mounting West–East tension is interacting with chronic intra-West tensions. While all the major nations will seek to avoid a frontal military confrontation between each other, this is not the way a world war is likely to begin. An escalation in one, or several, of many hotspots around the globe – including the Middle East, the South China Sea, the Balkans or Sub-Saharan Africa – could see the big powers finding themselves on opposite sides. Actual fighting could break out. If this happens, it might appear the outbreak of global conflict is “accidental”, but the roots will be these two big international trends.

Either one of the two could on their own precipitate confrontation. Their fusion brings even greater danger because each makes it harder to deal with the other. The West's economic decline relative to the East reinforces frictions between the leading industrial economies as each vigorously seeks to reap advantage from world markets. When one Western power sanctions China, this creates competitive opportunities for others (Rosenberg & Saravalle, 2018). For instance, the US threat in 2019 to extend financial sanctions against Chinese companies encouraged Britain's authorities to double down on promoting their service offerings to these same firms (UK Government, 2019).

Meanwhile, the malaise and disunity within exhausted and fearful Western countries makes it more difficult for them to negotiate together a new international set-up with the world's rising nations. Also by providing a convenient foreign scapegoat for the West's economic troubles the rise of China helps Westerners evade that the real roots of economic decay are at home. These problems should be addressed domestically rather than dodged by assigning false blame on other countries.

The combination of these two trends also means the West can no longer confidently impose its geopolitical agenda on the rest of the world. The current international regime as inherited almost unchanged from the end of the Second World War no longer corresponds to the economic realities. The rise of Asia has decisively flipped the location of production and new wealth generation.

At the end of the Second World War, the United States and Western Europe accounted for the lion's share of global production. America was by far the supreme nation. Not only had it led the Allied victories over Germany and Japan, it produced about two-fifths of the world's output.<sup>4</sup> The rest of the advanced Western nations produced another third.

The global economic hierarchy is very different today. For the first time since the industrial revolution, a greater part of world production happens outside the advanced industrial economies than inside. [Fig. 0.1](#) shows that the US national share of world output fell below a quarter by 1970 and has been below a fifth, and falling, since the 2008 crash.<sup>5</sup> Western Europe taken collectively was the biggest

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<sup>4</sup>At market exchange rates.

<sup>5</sup>Measured by purchasing power parity (PPP), a metric that adjusts for the local pricing of services.

region between the mid-nineteenth century and the Second World War. It fell just behind the United States after the war and has since tracked America's steady decline.

On the ascending side, China has now overtaken the United States and Western Europe to become the world's largest economy.<sup>6</sup> India is in third position as a nation. On present trends, until at least the late 2020s, more than two-thirds of global economic growth is expected to come from the non-advanced countries.

These economic shifts should not be surprising to any Western government since balanced development across all countries would be exceptional. Nevertheless, tension derives from the mismatch between where economic power now lies and which national authorities politically dominate international institutions.

Even when international regimes are promoted in the language of universal equality, as was the case after 1945, the reality is an uneven world with inequalities

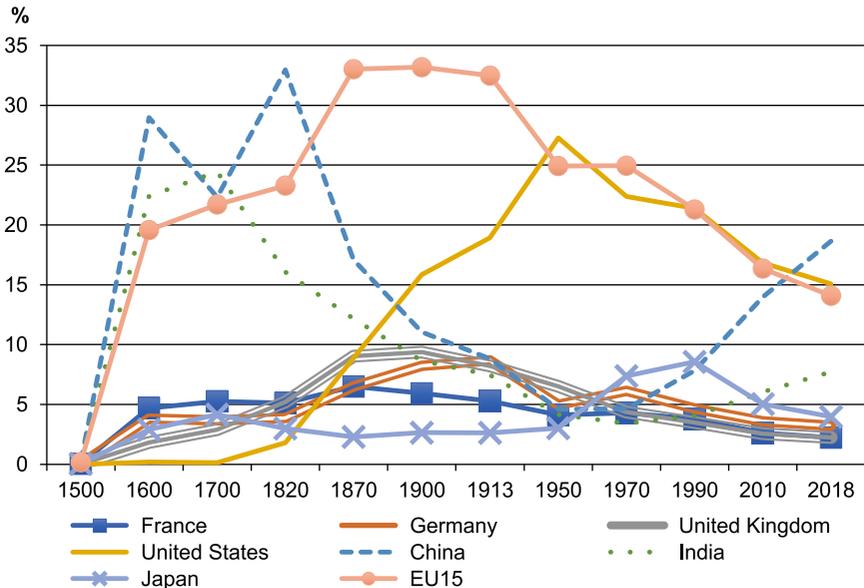


Fig. 0.1. Changing Shares of World Output, 1500–2018 (Years 1500–1990: Maddison, 2003; Years 2010 and 2018: World Bank World Development Indicators, 2020: GDP, PPP (Current International US\$)).<sup>5</sup>

<sup>5</sup>The figures are in PPP terms. EU 15 (pre-2004 members): Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom.

<sup>6</sup>In *nominal* terms, the United States' share is bigger, and it remains the largest economy. Its share has still been falling, to one-third by 1970 and to below a quarter since 2008. China is second in size and is projected to overtake the United States by the end of the 2020s.

of national power. The more powerful countries imposed their wills on the less powerful. Hence, the international arrangements agreed at the end of the Second World War expressed the balance of forces in the world then. Now, the material basis of that order has irretrievably gone.

Those on top will always try to extend their dominion. The Western powers today though seem unusually reluctant to let go. This doggedness to perpetuate the past is significantly reinforced by internal unease within Western elites.

The Enlightenment belief that a better system is worth striving for has lost its appeal. Aspiration to lead change is enfeebled. The idea of progress itself has become tainted through the cumulative impact of the daunting experiences endured since the First World War (Furedi, 2014). This informs today's peculiarly pervasive sense of uncertainty, inducing an impulsive attachment to the status quo.

For the past three decades, "TINA" has increasingly dominated the Western outlook. "There is no alternative" to how things are has become the stock leadership response to the fear of change. It is as if they all want to freeze the world as it was, with them in charge. So, the mercantilist Trump argues for technology wars to preserve America leadership. Meanwhile, the globalist school holds that there is no alternative for maintaining stability to retaining the liberal international order and the pre-eminence of Western values.

## **The Battle Over Rules and Institutions**

It is true that universally agreed multilateral rules and institutions are helpful in some circumstances. They can smooth international working arrangements. For example, when foreign investment regulations provide a common framework it facilitates new cross-border ventures.

However, such benefits are secondary to the question of the legitimacy of the overarching arrangements. For many years, consent to the post-1945 order has been withering, especially among developing countries inspired by a more dynamic China. The tarnishing of Western authority was further reinforced by the 2008 financial crash, specifically the damage done to the reputation of the US economic model from being at the epicentre of the crisis.

The next geopolitical transition will adjust how world order is maintained. When any international hierarchy is no longer materially justified, the process of change is usually protracted and disruptive. But changing a *rules-based institutionalised* system creates particular challenges because it has embedded the authority of the dominant powers at the time of its establishment. This mode of order provides political leverage to the incumbent countries.

Authority that is derived from a depoliticised rules-based order arises precisely because it is not subject to the whims of political contestation. To retain dominion the rules don't even need to be enforced that often, nor does everyone have to fully grasp their specifics. The fact of established rules, especially judicially overseen ones, gives the system an objective validity that discretionary balance-of-power arrangements couldn't possibly match. Appealing to the authority of this type of order is often sufficient for the national governments presiding over its institutions to get their way.

The predicament today is that this formal authority continues even when the original leaders no longer warrant being leaders on the basis of economic strength. The legitimacy of the rules and the institutional structure gives the old order an aspect of permanence that benefits the founding states. The difficulties Britain had in leaving the institutionalised order of the EU illustrates this wider problem. The inertia built into formalised regimes makes them less adaptable, including being unfitted to incorporate rising nations on equal terms.

Nations inheriting authority from earlier times use that very authority to sustain a status quo even when it no longer corresponds to the reality of the world. They are able to use their presiding rank to resist any change that they perceive would disadvantage them.

For instance, although they can't justify it on the basis of economics or international fairness, the United States and Europe have continued to run the two most important international economic agencies. They have been insistent in perpetuating the archaic custom that the United States appoints the head of the World Bank, while Europe, now in the form of the EU, selects the head of the International Monetary Fund (IMF). Similarly, Britain and France jealously protect their permanent positions on the United Nations (UN) Security Council (alongside the United States, the Soviet Union (subsequently Russia) and China), when other countries – from both north and south – exert bigger influences in the world.

As a consequence, the international system itself becomes a source of dissension and rivalry. Rising nations question why shouldn't an Asian or an African lead the IMF or the World Bank? Why does India or Brazil – or Germany or Japan – not qualify to be a permanent member of the Security Council? National differences are expressed and sometimes inflamed through opposing or supporting the existing format of institutions and rules. The rules-based order and its institutions become weapons, used especially by the leadership of those countries who want to hang onto the way things were.

Most countries, ascending or descending, are unlikely to reject the rules-based order wholesale. Few rising nations will want to abandon a system under which they have been able to develop. It is clear that China and other emerging powers have become much stronger economically within the “liberal order” (Stuenkel, 2016, p. 184). Hence, the peculiarity of China criticising the American government for “undermining the rules-based order” that the United States was instrumental in establishing in the first place (Zhong, 2019).

Instead, differences between countries are manifest over the *interpretation* of rules and over *how* institutions apply them. For instance, what is meant by the “rule of law” has become an area of national difference, as seen currently with Germany and France clashing with Poland and Hungary over what it means in practice.

The EU spelt out the significance of *interpretation* when in 2019 it first described China as a “systemic rival”. It pointed out that “China's engagement in favour of multilateralism is sometimes selective and based on a different understanding of the rules-based international order”. Future cooperation with China would be on the EU's terms (European Commission, 2019, p. 2).

Conflicting interpretations of rules are also manifest on the other side of the Atlantic. With bipartisan support, the Trump White House has been highly

critical both of China and of the WTO for the way trade, investment and state aid rules are being implemented. China is attacked for supposedly “cheating” the WTO system, especially the rules that favour developing over developed countries. The United States says China is now a “rich” country and shouldn’t present itself as not being developed. At the same time, the WTO is blamed for interpreting the rules to the disadvantage of the United States.

These differences can quickly escalate because there is no definitive way to defuse disputes over interpretation. The United States claims it is being treated “unfairly” by China and the WTO. But what is “fair” and “unfair” is in the eye of the aggrieved party. Is it fair or unfair to preserve order by stunting the rise of less developed countries? What is a “fair” measure of economic convergence: the absolute size of an economy or relative living standards that remain uneven between mature and emerging countries despite the latter’s much faster growth? Country-by-country answers to these questions will differ.

Challenges to the old order will most likely be indirect. Rising nations will establish *parallel orders* that don’t necessarily involve them leaving or openly confronting the longer established structures (Stuenkel, 2016, p. 11). A prominent example is China’s Belt and Road Initiative that offers countries in Asia, Africa, Eastern Europe and even South America, alternative sources of infrastructure funding to the World Bank and other established Western-led multilateral facilities. Given these entities have usually started on a regional – mostly Asian – basis, one of their consequences is to institutionalise the world’s fragmentation, exacerbating tensions between regional power blocs.

In particular, countries will take different approaches to developing *new* international rules and regulations. This applies especially to emerging technologies. The country that sets the standards in a new technology usually gives its own companies a big advantage. Clashes are already evident over cyber security and digital privacy rules, where China and the West have different priorities and goals.

Countries, or regions, don’t even need to be strong in a technology to try to assert themselves through setting rules. The EU, for example, has been seeking to set standards in car emissions and in data protection, even though its electric car industry and information technology sectors are relatively weak. The expanding international influence of the EU’s General Data Protection Regulation (GDPR) owes more to the EU’s particular expertise in rule-making than it does to European technology companies being world leaders.

Rule setting also becomes a tool for commercial competition. For instance, GDPR rules constrain international businesses from sending customer data collected in Europe into the United States. Data flows are even further restricted into China. This can hold back the development of both American and Chinese headquartered firms. Meanwhile, Chinese companies leading global technology in sectors like electronic payments and bike sharing systems are unable to operate freely in developed countries without falling foul of stricter Western regulations (Beattie, 2019).

The weaponisation of rules and standards leads to specific international organisations becoming battlegrounds between nations. Recently, the United States has been citing “national security” imperatives to exclude Chinese companies from

its technology supply chains in areas from 5G mobile networks to surveillance cameras. In response, China has been working through existing international organisations such as the International Organisation for Standardization and the International Telecommunication Union to extend its influence and challenge United States restrictions on its products and equipment.

Even when countries succeed in getting their national standards agreed as the global norm, nothing is permanently settled in today's febrile climate. Other countries might still go their own way. We can anticipate the *regional segregation* of rules, standards and institutional structures over some newer technologies: not only probably 5G but also possibly the internet-of-things, artificial intelligence (AI), facial recognition, payment systems, drones and driverless cars. The regionalisation of rules through parallel institutional systems is likely to be a significant way that global fragmentation and friction spreads.

## **The Choices: Mercantilism, Globalism or Democracy**

In these strained conditions, how can prosperity be secured and the drift to war averted?

### ***Mercantilism***

Certainly, mercantilist trade protectionism, with import controls and export subsidies, is not the answer. Original mercantilist thinking goes back to the early pre-industrial phase of capitalism. The huge Europe-centred mid-millennium expansion in international trade led thinkers at the time to view exporting as the source of wealth and importing as a waste of resources.

Being successful in trade was associated with the accumulation of wealth often in the form of precious metals. Economic prowess was identified with a positive trade balance. This motivated the use of national protectionist procedures to limit profligate importing and stimulate exporting. Trump's tariff wars echo these mercantilist propositions.

Modern mercantilism lacks much practical support or intellectual backing. Economists from most of the main contemporary schools of thought condemn this style of traditional trade protectionism. They justifiably identify it as an ineffective as well as divisive response to economic problems in the advanced countries.

Today, though, *protectionism* has extended far beyond a way of policing trade with which the word is conventionally associated. More broadly, it operates as an extensive programme that seeks to protect existing economic arrangements. Modern varieties of protectionism, often not even proclaimed as being protectionist, are just as problematic as mercantilism. And these problems hurt the imposing countries to a greater extent than those targeted. All protectionist policies eventually undermine domestic prosperity in the places where they are initiated. This is because they cover up the necessity for economic restructuring and renewal.

In consequence, protectionism should not be understood narrowly as the tool of mercantilists like "Tariff Man" Trump. It is now more about non-tariff

barriers (NTBs) like regulation, subsidies and public procurement policies. Much present-day state intervention acts to sustain domestic businesses and, de facto, discriminates against those located elsewhere.

### ***Globalism***

The historical record is that globalist bodies have used these protectionist policies extensively, especially of the non-tariff variety. A regulationist rather than tariff-led style of protection conforms to the globalist affinity for rules. For instance, a core feature of the EU is its regional customs union and rules-based single market. These protect its producers from the rest of the world by tariffs, and even more, by NTBs. Protectionist support for the economic activities of EU member states reaches far beyond the well-recognised French farmers and German car producers.

The shared attachment to protectionism indicates the error in seeing mercantilism and globalism as opposites. Although their respective advocates often attack the other, they have much in common. Ultimately, globalism and mercantilism are both *status quo doctrines*. In particular, they both seek to hang on to their existing businesses and industries by propping up their domestic economies. They both fear the disruption of economic renewal. Both approaches want to put the interests of their own geographies above those of the rest of the world, and both also have the contrary effect of stunting economic possibilities.

The concurrence between mercantilists and globalists is further illustrated in the consensus between them that China's state-led industrial policies are a huge threat. It has been widely noted, even by Trump's critics, that a desire to put additional pressure on China is "not simply a Trump phenomenon. Indeed, it's one of the few areas where there's bipartisan agreement in the United States and among its traditional allies Japan, Canada, and Europe" (Edel, 2018). Globalism and mercantilism both try to hold on to a past when the advanced Western countries were able to translate their economic dominance into geopolitical power, individually and collectively. Their mutual antipathy to Chinese economic ascendancy reveals that they can both inflame an already strained international situation.

There is though, one big political difference between mercantilism and globalism. The former has been exposed by historical experience as damaging at home and abroad. The other retains a largely benign reputation in the West.

The world has already experienced the tragic consequences of a mercantilist defence of the existing order in the 1930s. The beggar-thy-neighbour method is associated – crudely – with the bloodiest conflict in human history. That image provides some assurance today against mercantilism's uncontrolled exacerbation.

In contrast, the globalist proposition developed in reaction to that earlier global conflict has yet to be fully tested in the heat of geopolitical metamorphosis. We have to scrutinise and lay bare the dangers of globalism primarily intellectually, rather than through drawing on established experience.

The pitfall with both the mercantilist and globalist outlooks is that change is already happening, yet pursuing their respective programmes only makes the change less orderly. Trying to hold on to the past makes the future more dangerous.

Acting to preserve how things used to be represents an imperious path, provoking the nations and populations who were not part of the old supremacy. In consequence, the West's institutional procedures for maintaining stability are having the unintended effect of fuelling international instability.

When societies are in trouble, finding others are at fault is common. As Trump blames the Chinese and the perfidious Europeans, the political classes in the rest of the world mostly blame Trump and his revival of mercantilism. Meanwhile, the Washington establishment condemns the parochial, nativist Americans who voted for Trump. On the other side of the Atlantic, commissioners in Brussels pillory Eastern European governments for refusing to follow EU directives.

Scapegoating other people never works out well, either at home or abroad. It incites confrontation. The blame game is also a distraction from domestic problems: a low-investment US economy, an out-of-touch Washington establishment and an increasingly crisis-prone EU project seeking "ever closer union". Identifying foreign culprits is a chimera that raises the temperature further. It is not hard to see how one or more modern anxieties – such as climate change, AI or cyber security – can be blamed on others and become triggers for serious conflict between countries.

The common intellectual flaw of mercantilism and globalism is the failure to appreciate that capitalism has always operated simultaneously on *both* a national and international basis. A long time, 150 years ago, Karl Marx (1973) noted that the "tendency to create the *world market* is directly given in the concept of capital itself" (p. 408). This drive is amplified in periods of sustained stagnation. Global market relations assume a primary importance in coping with economic atrophy within the Western nations.

The common counterposition of the national to the international by both mercantilists and globalists is spurious. The practical implications of this essential dualism of capital help clarify some frequent misunderstandings. It explains why there has never been fully "free" trade: national interests always trumped completely free and open borders. It accounts for the difficulty of neoliberal thinkers being consistently anti-state, because their support for capitalism necessitated tolerating a role for the state's backing of national capital. Similarly, it reveals why globalist and mercantilist politicians both rely on protectionist practices and policies out of their common, though backfiring, consideration for their national capitals.

### ***There is Another Way: Democratic Rule***

This book argues that the roots of modern international disorder are fundamentally domestic. Upon this base, we suggest what can be done to avoid things becoming more dangerous and, eventually, militarised. Our main conclusion is that we have to reject any proposals that try to preserve the existing anachronistic order. The composition of the world has changed so much that acting to hold on to the status quo stokes the very international conflicts everyone says they want to avoid.

We have a choice. We can choose between the haphazard and uncontrolled change, exacerbated by mercantilist and globalist policies, or change that is

guided by human judgement. Neither option avoids disruption. But change that engages with and is ultimately directed by ordinary men and women increases the prospects of containing instabilities. This approach can also make the most of the accompanying opportunities.

The greater recognition of capitalist malaise since the financial crisis informs our alternative to mercantilism and globalism. The material problem for the advanced industrial countries does not derive from the rise of new economies in the East. Internationalisation and stormier economic tensions are a *consequence* not a *cause* of the West's productive sickness. We will delve into how the extension of international economic connections since the 1970s is largely a response to the compounding domestic problems of Western capitalism.

The real economic problems we need to address lie *within* the national Western economies. Primarily, it is within those five that have dominated the post-1945 economic world: the United States, Japan,<sup>7</sup> Germany, France and Britain. Each has lost its economic mojo, expressed in slowing productivity growth, bringing about weakly rising or stagnant levels of prosperity. As a result, we have seen the extension of uneven economic development between countries, underpinning the escalation of international rivalries.

Just as the real problem is at home, the only durable and effective solution also starts at home. It doesn't finish there: for example, the best long-term response – in both economic and geopolitical terms – to the fear of falling behind technologically is to invest extra resources in collaborative ventures. These should not be confined to the old West, but extended globally including with, not against, China.

But the foundation for such mutually beneficial international cooperation is a shared dynamic of technological advance in each of the partner countries. This allows everyone to make a positive contribution and avoids the perception of being an errant free rider. Rather, countries could establish national specialisations to partake in a more extensive international division of labour.

Just as there was nothing natural about British, or American, or Western economic and technological leadership in the past, there is nothing natural about the West's economic and technological malaise and decline today. These mature economies could reinvigorate themselves. The precondition for this scenario is an extensive shake-up in the mature economics. The existing apparatus of production needs dismantling, rather than preserving, in order to facilitate the creation of productive sectors and improved employment appropriate to the twenty-first century.

Our conclusion is that until effective economic solutions are pursued *inside* Western countries, neither of the two epochal economic trends – and the tensions that go with them – is likely to be mitigated. Economic revival at home can reverse the intensification of inter-country competition that has so strained international relations. This would also offer a stronger grounding for independent nations

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<sup>7</sup>Although Japan is located in the *geographical* East, this book shares its conventional inclusion as part of the post-war political and economic West.

working together to establish an international regime appropriate for today. The way would be opened for durable international economic cooperation between the West, China and the rest of the rising East, as well as with other so far less developed parts of the world. Such cooperation would strengthen each party individually as well as collectively.

Domestic renewal will not come about spontaneously through market mechanisms. Instead, we require public dialogues within Western nations about implementing a long overdue phase of creative destructive change. This can be focussed around launching an *economic transformation programme* to replace outdated and, today, mostly futile industrial strategies. The goal is to drive innovation and create the conditions for new productive sectors and better jobs.

To bring this about, Western nation states need to act in three main areas:

- (1) Stopping the policies and mechanisms that have been reinforcing zombie economies. In particular, low-productivity firms, being sustained by cheap debt and providing insecure and inadequately paid employment, should be allowed to contract or close down.
- (2) Catalysing investment in innovation, in new businesses and in new sectors to provide future sources of productivity growth, prosperity and better employment.
- (3) Providing income and other support for workers and their families during the transition from their existing inadequately paid, insecure employment into high-productivity better paid jobs.

Because economic renewal is bound to be a painful process, its successful implementation requires both popular commitment and government answerability. At a time when many citizens have understandably become suspicious of existing politicians, the precondition for economic transformation is a political transformation that connects the demos to the polity it elects. Successful programmes for renewal need to be bottom-up, democratic and accountable, not top-down, autocratic and technocratic.

Ordinary men and women on the ground in local communities and workplaces are best placed to appreciate how to rejuvenate their areas. They will still need the collective resources of larger society to implement these plans. This is why a production transformation strategy needs national funding and coordination. The nation state remains the only effective channel for democratic engagement and genuine accountability. This brings us back to the core reason the globalist influence is reactionary. Despite globalism's democratic claims, its dismissal of the nation state and national sovereignty is essentially detrimental to invigorating democracy.

Without restoring active participatory democracy, society loses the necessary means for changing the world for the better. Stopping the drift to war relies on strong, autonomous, democratic, national polities cooperating together. In contrast, weak societies where there seems to be no escape from depression and where most people feel ignored and estranged from politics are prone to international conflict. Fears and desperation can be easily exploited towards blaming the

foreigner, whether the migrant from Syria, Ghana or Venezuela, or the “Yellow Peril” Beijing regime.

The scholar Graham Allison has explored the “Thucydides’ trap” across the centuries (Allison, 2017). He found that in 12 of 16 historical precedents of rivalry between established and rising powers, the trap ended in conflict. Can the United States and China, the West and the East, today escape this fate? A successful, peaceful transition to a new international settlement *can* happen, but it needs reasoned humans acting through their nation states to bring about some vital changes. The immediate priority in the mature parts of the world should be their domestic political, cultural and economic metamorphosis. This can provide the platform that is fit for forging the democratic internationalism capable of realising genuine worldwide collaboration.

Part 1

## **A World of Rules**

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## Chapter 1

# Making the Rules-based International Order

Globalists are committed to the ascendancy of a rules-based institutional international order over the powers of individual nation states. The subordination of the nation state to a global framework was the legacy of the economic and political turmoil of the mid-twentieth century. Early theorists of globalisation attributed this disorder in large part to the turbulent impact of mass democracy.

Restricting the scope of national sovereignty reflects a fatalistic outlook towards the domination of global market forces and a lack of confidence in human agency in commanding economic factors. The elevation of the rule of law and the power of the judiciary – in both national and supranational bodies – over the authority of democratically elected national governments has become a pervasive feature of governance in the advanced industrial societies.

More than 70 years after the end of the Second World War and the subsequent codification of a new framework of global authority, the shifting balance of international economic power is a cause of growing tensions within the established order. In response to a long period of stagnation and political exhaustion, the West's status quo powers are inclined to cling to the structures within which they flourished in the post-war decades, using the rules selectively and pragmatically to protect their enfeebled positions.

It is symptomatic, for instance, that it was the United States and the EU that brought about the collapse of the reforming Doha round of international trade talks by refusing to reduce their agricultural subsidies at the expense of developing countries (Amadeo, 2019). The old powers also frequently promote their “universal” standards that they have previously defined, which just happen to protect their national interests and hold back the rise of emerging nations (Wijen, 2015).

As a consequence, the rising powers in the rest of the world become frustrated by the restrictions imposed by the prevailing rules and the established institutions. While reluctant to challenge the existing arrangements openly, these advancing countries are starting in a piecemeal and tentative manner to develop parallel systems. This heralds the end of the old order.

In the first part of this book, we examine the emergence of the current rules-based international order, the dogma of the “rule of law”, the anti-democratic

#### 4 *Beyond Confrontation*

roots of neoliberalism and the growing tensions within the old framework. Later, we go on to consider the potential for the nation states of the industrialised powers – and more broadly for political activity – to play a constructive role in reducing the rivalries among these states.

### **Creating the Post-war Order**

War creates as well as destroys. Out of the barbarism and chaos of the twentieth century's world wars, international order was created. Now, the strains within it could precipitate the next conflict. The structures established at the end of the 1939–1945 war were seen as enablers of peace. In practice, they were also the continuation of warfare by non-violent means. The post-1945 order reflected the hierarchy consolidated during wartime. It is now outdated.

What was most distinctive about the post-war system was the way its institutions were built on rules. Its architects sought to outlaw aggression and instead promoted the judicial resolution of international disputes (Anghie, 2004, p. 124; Kennedy, 1987, pp. 282–289). This rules-based approach has permeated international relations ever since (Claude, 1984, p. 57; Williams, 1929, p. 67).

The core presumption behind elevating the role of international law was the belief that law was separate from politics. The post-war planners were attracted to international law as a procedural way to manage relations between nation states and ultimately within them. As an “independent variable”, law was not only detached from politics. The post-1945 architects hoped it could constrain the “wrong type” of politics (Trimble, 1990, p. 823).

The attraction to political leaders of an institutionalised rules-based order does not derive from breaches to the rules being easy to prosecute, or the rules' details being simple to comprehend. Authority is derived from the very existence of a *depoliticised* rules-defined order detached from the uncertainties of political contestation.

Furthermore, the apparent autonomy of international law and its accompanying organisations allows them to extend their reach and authority. They feed on themselves (Camilleri & Falk, 1992). Governments are then able to exert influence by drawing upon this authority. This offers the leading countries a less costly and, they hope, non-confrontational way for exercising power, certainly compared to the direct political domination of pre-war colonialism or the mandated territories.

For example, the UN began as an alliance of the victorious nations embedded inside a notionally “universal” organisation (Mazower, 2008, p. 7). Its sympathisers today brush over that there were only 51 original members in 1945, with large parts of Africa and Asia excluded. Such revision helps the UN today to still exert great moral authority on a number of issues.

Although the UN's own website accentuates its core universal principles of “individual liberty”, “democracy” and “the rule of law”, it is telling that none of these phrases can be found in its founding Charter. At the time it was written, it was easier for critics to expose the rhetoric about international equality as a veil that masked the consolidation of a great power directorate. It was clear then that the bigger countries controlled the UN through the Security Council, the only component with the authority to issue binding resolutions.

## League of Nations as Precursor

The earlier response to the end of the “Great War” had been different. That conflict had been precipitated by the breakdown of the late nineteenth century arrangement of global power (Kagan, 2018, p. 26). By the turn of the century, the British hegemon was well in decline and being challenged both by old rivals like France and Russia and the newer industrial economies of the United States, Germany and Japan.

The First World War famously failed to resolve those global imbalances. In 1918, it was not even obvious which of the big powers would in future be adversaries and which would be allies. A month after the fighting ended, US President Woodrow Wilson was frustrated with its wartime partner Britain’s refusal to grant the United States freedom of the seas. He warned that if Britain would not come to terms, America would

build the biggest Navy in the world, matching theirs and exceeding it ... and if they would not limit it, there would be another and more terrible war and England would be wiped off the face of the map. (Tooze, 2015, p. 268)

Antagonistic feelings were mutual. Two years later British Prime Minister David Lloyd George was so irritated with America’s uncooperative stance in Europe that he considered strengthening the Anglo-Japanese alliance instead. The US secretary of state had a “blue fit” in response (Tooze, 2015, p. 395). Meanwhile, London and Paris clashed over the German reparations question with France adopting a more punitive position partly because of its experiences of German, and previously Prussian, land invasions. France’s unilateral invasion of the Ruhr as its enforcement of the Versailles Treaty made United Kingdom–French relations particularly fraught. An expanded Royal Air Force was agreed by the UK parliament in 1923 with the principle mission of deterring a *French* attack on Britain (Howard, 1972, pp. 81–84).

Subsequently, the big three victor nations were unable to agree how to incorporate a potentially resurgent Germany, a rising industrial Japan, or a Mussolini-led Italy. For example, when in 1931, US President Herbert Hoover proposed to freeze all political debts to alleviate the pressure on a Germany in emergency economic conditions, France initially vetoed the plan. London and Washington were outraged. This was symptomatic of the abject weakness of the inter-war system (Eichengreen, 1992, p. 278). Hoover speculated that he could see the possibility of an Anglo-German alignment, possibly including the United States, against France (Tooze, 2015, p. 496).

Such national divisions were aggravated by the shell-shocked state of the leading ruling classes, especially of the major European countries. The fighting had not only physically devastated large regions of the continent but also severely weakened Europe’s claims to moral superiority (Anghie, 2004, p. 138).

Writing while the bloodshed continued, the anti-colonial writer Henry Brailsford summed up the profound impact on the political classes. The war “struck

## 6 Beyond Confrontation

us with surprise as the thing it is, an anachronism, an absolute barbarity, a blot on civilisation” (Brailsford, 2012, pp. 1–2). The warfare itself, reinforced by the punitive “peace” imposed on the losers, tarnished trust in Enlightenment values. Millions of lives had been lost, but for what? For a “botched civilization” as Ezra Pound put it, “for an old bitch gone in the teeth” (Kagan, 2018, p. 18).

The confidence of the political elites of all combatant nations was so shaken that it destroyed belief in the normality of international peace (Kennedy, 1987, p. 901). This sense of disarray and loss of control stimulated desperate efforts to try to avoid the return of armed conflict. War was the impetus driving mankind to absolve itself by establishing superior arrangements (Mangone, 1954, p. 167). The League of Nations that ensued was the first time leading powers had proposed a permanent *world organisation* to address the classic dilemma of war and peace.

In contrast to what followed later in the century, this experiment in international governance was not launched as an antidote to nationalism but as its expression (Mazower, 2019). Promoted most actively by Wilson, this novel departure in international affairs garnered support not just from the leaders of Britain and France but also, as the bloodshed dragged on, from those of Germany and Austria. The objective of the League was to prevent nations fighting, while guaranteeing national territorial integrity and political independence (Mazower, 2013, pp. 116–117).

Also in contrast to the approach taken with post-Second World War international institutions, Wilson sought to keep power with the *politicians*, rather than give it to lawyers. Departing from the legalist tradition in America Wilson envisaged the League as a forum for quasi-parliamentary deliberations, rather than a judicial court to deliver judgements. What mattered were “values”, not legal codes. He preferred to put his trust in people and their political representatives, rather than in abstract law (Mazower, 2013, pp. 119–122).

Although in late 1919, the US Senate famously rejected American participation, the League broadly followed the Wilsonian non-legalist format (Wertheim, 2012). Lloyd George and the other British politicians who took over leadership mostly shared Wilson’s distrust of law not least because they worried international law might constrain British colonial activities (Mazower, 2013, p. 128). When an international court was eventually set up in 1922 under the League’s auspices, it was an insubstantial body with meagre enforcement mechanisms over inter-country disputes.

### Lessons for the 1940s

The failure of the League’s relatively loose system to prevent conflict encouraged a different approach in the 1940s. In the aftermath of fascism, the Holocaust, urban aerial bombing and the atomic bomb, the victorious political classes’ moral purpose and authority was further eroded. Their deeper gloom was offset by a stronger determination to achieve an effective international organisation (Claude, 1984, p. 57).

Influenced by emerging globalist ideas, they favoured a strict *rules-based regime* further removed from the sway of national politics than the League had

been. A robust international authority was proposed with the power to make and enforce rules and laws (Mazower, 2013, p. 187; Patrick, 2008).

While governing through rules has been the globalist norm since the Second World War, it had precedents. The inter-war desire by Britain, France, Germany and other developed countries to return to the pre-1914 gold standard expressed the pre-existing political affinity for rules. Despite John Maynard Keynes presciently calling it a “barbarous relic” in 1923, in the immediate post-1918 period rejoining a gold standard was a mostly uncontroversial goal. By the end of 1925, 35 currencies were either officially convertible into gold or had been stable against it for at least a year (Tooze, 2015, p. 465). Return was seen as pursuing a rule that had in effect only been “suspended” because of the emergency contingent circumstances of war.

Re-adoption of the standard was thought to impose some necessary political “discipline” through binding fiscal and monetary policy actions. In this spirit, Montagu Norman as Governor of the Bank of England saw the return to gold as “knaveproof” (Crafts, 2018). A common adherence to the gold standard by developed countries created a *de facto* international rule.

It is pertinent for an appreciation of the deeper significance of rules today that the essence of the gold standard rule was a *domestic* commitment mechanism. Alignment limited discretionary state policies at home. It tied the hands of government, thereby shielding the political class from democratic pressures to abandon “hard-money” deflationary policies. In fact, the earlier breakdown of the gold standard in 1914 has been partly attributed to the rise of democracy. The newly enfranchised masses had been suffering the most from the austerity imposed to adhere to the rule (Bordo & Kydland, 1995, pp. 430, 457, 459).

The stubborn inter-war adherence to following the gold standard rules contributed to the tensions that resulted in the resumption of global conflict in 1939. Nevertheless, this lesson about the dangers of rule following was not learnt. Efforts were redoubled in the aftermath of the 1939–1945 bloodbaths to govern through a rule-organised regime.

Peace after the war became associated with neutral, non-political institutionalisation. The new architects of order thought the League’s incapacity to fetter sovereign authority had been a core deficiency. The inter-war system was perceived as having allowed too much scope for the political process at the expense of international law. The objective now was to find a legalistic organisational means of channelling the pursuit of national sovereign interests into international cooperation.

For instance, majoritarian voting was initially favoured in the UN instead of the previous practice of unanimous voting. The latter was regarded as an earlier error derived from sovereign autonomy that had stymied inter-war efforts at cooperation<sup>1</sup> (Kennedy, 1987, pp. 862, 931–933, 964).

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<sup>1</sup>By the 1960s, the fashion shifted again to favour “consensus” decision-making. This followed decolonisation and the more than doubling in the number of member states. Majority voting was now regarded as problematic by the big powers as it left them likely to be outvoted in the General Assembly by the less developed countries.

This depoliticised rules-based approach to international order was reinforced by the elites' greater antipathy to politics in general. It was foreshadowed by late 1930s literature that attributed the failure of the League to its emasculation by the intrusion of ideology and power politics (Kennedy, 1987, pp. 876–877). Alongside concerns about great power manoeuvrings, the other large influence on the institution makers of the 1940s was their distrust of *popular* politics, which they associated with fascism and violence. They were motivated by the thought of nationalism stirring people up into frenzied fears and taking inhuman actions against others.<sup>2</sup>

Their plainspoken reaction to the horrors of combat and the Holocaust identified German nationalism as the cause. Denunciations of it morphed into an intellectual suspicion of nationalism in general and especially the nationalism driving mass movements. This represented a distinctive and thoroughly hostile approach to nationalism.

Following this particular antagonistic interpretation of nationalism, those planning the international post-war systems assumed that sensible national political elites, like themselves, could be managed through institutionalised cooperation. They sought to reverse the inter-war privileging of politics over law with the opposite: the dominance of law over politics. They turned to rely on rules-based institutions that could regulate and control relations not only directly between countries but also, indirectly, within them. Deferring to international rules and decisions insulated national politicians from their own people. This set in process the mode for elites not only delegating their powers to supranational organisations but also using these institutions to uphold their authority at home as well as abroad.

This post-Second World War denigration of domestic politics was not simply the product of the founders' will. It was more easily realised because of the seachange in political life compared to the end of the First World War. Then, inspired by the Bolshevik Revolution of 1917, working-class revolts were taking place all across Europe. The idea then that politics could be sidelined might have appealed to elites, but it would have been fanciful.

In contrast by the end of the Second World War, mass politics had been neutered or incapacitated in most places. Across Europe radical politics and working-class organisations had suffered huge defeats inflicted by fascism and militarism. Working-class resistance that survived the conflict was soon brutally suppressed, as in Greece. The new international order was made possible by a more quiescent political environment, which it then helped consolidate.

The new institutional regime secured the position of the victorious national elites domestically as much as it sought to maintain peace. It acted as a “safe repository for our cultural fears”. At the same time, the post-war institutions seemed to “express an elaborate anti-intellectualism, constantly enslaving our thought ... allowing us to forget what we know to be true about the law and

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<sup>2</sup>This prefigures the way many globalists today seem agitated to a greater extent by people being “duped” by populists than they are by intensifying geopolitical tensions.