

**100 years of World Wars  
and Post-War Regional Collaboration  
and Good Governance**

**—How to Make New World Order?—**

**Edited by Kumiko Haba**

**Science Council of Japan**

**Aoyama Gakuin University, Kyoto University**

100 years of World Wars and Post-War Regional Collaboration and  
Good Governance---How to Make New World Order?---

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Constructed by Junichi Shibuya, Shixin Du and Nicholas Crenshaw

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**100 years of World Wars and Post-War Regional Collaboration and  
Good Governance---How to Make “New World Order?”  
Integration vs. Disintegration under Globalization**

Tokyo Conference: Aoyama Gakuin University, Science Council of Japan,  
Kyoto Conference: Kyoto University                      March 16-17, and March 19, 2020  
(Postponed by corona virus in 2020)

**Introduction/ Gist of this book and Gratitude**

Kumiko HABA

The world is currently at a turning point.

The 20th century was a century of world wars. Two world wars occurred, and the Cold War ruled the world after the two world wars. Amidst the post-war devastation, the European Community and European Union was formed in Europe; Europe has created peaceful governance by building economic collaboration, security institutions and establishing the rule of law. In Asia, ASEAN also pursued regional governance after WWII; however, in East Asia, the Divide and Rule Policy was introduced and it brought Cold War system, continuing until the contemporary period. Even in the early 21st century, there are many new Nationalisms in the contemporary world. Populism and xenophobia are spreading in Europe.

There is a wave of rapid economic growth in rising countries, especially in China and India. Destabilization in search of democratization is spreading simultaneously in East Asia, Southeast Asia, and South Asia.

In this book, based on the three wars in the 20th century (WWI, WWII, Cold War), we examine what kind of regional institutionalization and regional governance have been built up in an attempt to avoid endless war and conflicts. We will examine and consider what kind of order is needed to stabilize the conflict regions among both Europe and Asia.

The themes of both the Tokyo Conference and Kyoto Conference are to investigate and clarify how the countries that experienced the World Wars have considered regional coexistence in each period and each region and how to establish peace, stability and prosperity under institutions and rule of law. We need to investigate cautiously the

integration and disintegration under globalization. Disintegration and Mutual distrust have serious consequences in the world.

Because of the spread of corona virus, we had to postpone of this important conference, but this corona virus pandemic is also a big international political and economic issue.

We would like to investigate this situation calmly and objectively, and we must not panic, becoming nationalistic and skeptical against others through this issue; we need mutual understanding, not to fear and attack other peoples. We need to carefully watch people, media, government, and companies to understand how to behave during these important turning points, and not bring these phenomena to conflicts and wars.

We deeply appreciate all participants, Keynote speakers, Dr. David M. Malone, Glen S. Fukushima, Yoichi Kibata, and Jin Du, and all presenters, chairs and commentators. Because of the sudden corona virus spread from January to March in 2020, we could not hold the important and large conferences in Tokyo: at Aoyama Gakuin University and SCJ (Science Council of Japan) and in Kyoto: at Kyoto University, but all participants, chairs, and commentators sincerely and kindly joined us, supported our conferences, wrote and sent us their interesting papers, although the time was very limited. We sincerely appreciate all kind of collaboration of the staff of Aoyama Gakuin University, the Science Council of Japan, and Kyoto University. We feel the greatest gratitude and appreciation for all of them. Thank you very much indeed.

We profoundly appreciate especially Professor Satoshi Mizobata, Director of Economic Institute, Kyoto University, and CHIR (Committee for History of International Relations) Ex. Com. Members, especially Professor Alfredo Canavero, Giulia Lami, Dumitru Preda, Miguel Ángel Vecino, as well as the other members. Thank you very much, indeed, for joining and supporting our conferences and sending us papers.

Last, but not least, we appreciate Dr. Shixin Du, Mr. Nicholas Crenshaw, and Associate Professor Jun-ichi Shibuya; without their help, we could not publish this Proceeding Book so quickly and tidily. Thank you very much, indeed.

All of you, thank you very much!

## Keynote Speech

### 100 years of World Wars and Post-war Regional Collaboration and Global Governance

--Who constructs New World Orders?—

#### The UN's Role within the Wider System of International Organizations

Dr. David M. MALONE

Rector of the United Nations University;  
Under-Secretary-General of the United Nations

(The introduction of Dr. David M Malone, in United Nation University)

Prior to joining the United Nations University on 1 March 2013 (until 2023), Dr. David Malone served (2008–2013) as President of Canada's International Development Research Centre, a leading global funding agency that supports policy-relevant research in the developing world.

Dr. Malone had previously served as Canada's Representative to the UN Economic and Social Council and as an Ambassador of Canada to the United Nations (1990–1994); as Director General of the Policy, International Organizations and Global Issues Bureaus within Canada's Department of Foreign Affairs and International Trade (DFAIT, 1994–1998); as President of the International Peace Academy (now International Peace Institute), a New York-based independent research and policy development institution (1998–2004); as DFAIT Senior official on Global Issues (2004–2006); and as Canada's High Commissioner to India, and non-resident Ambassador to Bhutan and Nepal (2006–2008).

Dr. Malone also has held research posts at the Economic Studies Program, Brookings Institution; Massey College, University of Toronto; and Norman Paterson School of International Affairs, Carleton University. He has been a Guest Scholar and Adjunct Professor at Columbia University, and an Adjunct Professor at the New York University School of Law, with which he remains affiliated.

He holds a BAA from l'École des Hautes Études Commerciales (Montreal); an Arabic Language Diploma from the American University (Cairo); an MPA from the Kennedy

School of Government, Harvard University; and a DPhil in International Relations from Oxford University.

Dr. Malone has published extensively on peace and security issues. His recent books include *Does the Elephant Dance? Contemporary Indian Foreign Policy* (2011, Oxford University Press); *Nepal in Transition: From People's War to Fragile Peace* (as co-editor; 2012, Cambridge University Press); *International Development: Ideas, Experience and Prospects* (as co-editor; 2014, Oxford University Press); *The Oxford Handbook of Indian Foreign Policy* (as co-editor; 2015, Oxford University Press); *The UN Security Council in the 21st Century* (as co-editor; 2015, Lynne Rienner Publishers) and the second edition of *Law and Practice of the United Nations* (co-authored graduate textbook; 2016; Oxford University Press). His latest books are *Megaregulation Contested: Global Economic Ordering After TPP* (co-edited 2019, Oxford University Press) and *The Oxford Handbook of UN Treaties*, (as co-editor; 2019, Oxford University Press). He is now at work on a monograph, the *UN and its Discontents*, an analysis of the UN's deeper-rooted potential and problems, and, with Professors Lily Kong and Devesh Kapur, on the *The Oxford Handbook of Higher Education in Asia*.

Dr. Malone also collaborates with senior UN colleagues on tackling difficult policy dilemmas facing the UN, notably in New York, but also elsewhere.

# **100 years of World Wars and Post-war Regional Collaboration and Global Governance**

**--Who constructs New World Orders?—**

## **The Role of the United States in the New Global Order**

Glen S. FUKUSHIMA

The election of Donald Trump as president of the United States on November 8, 2016 radically changed the way the U.S. government has interacted with the international community since the end of World War Two. From the late 1940s to the early 1990s, the Cold War defined America's role in the world. With the collapse of the Soviet Union in the early 1990s, the United States assumed the leadership role of the so-called "liberal international order."

This order included adherence to, among others, the following: (1) liberal democracy, (2) individual freedom, (3) human rights, (4) rule of law, (5) free markets, (6) free trade, (7) multilateralism, (8) alliances, and (9) international organizations. Donald Trump has led the United States to at the very least weaken—and in some cases totally abandon or repudiate—America's commitment to these principles.

Yet, it would be a mistake to see Trump as the cause of this change. Rather, his ascendancy as president of the United States is a reflection of profound changes that have taken place in American society over the past 30 years. These include changes in the economy, politics, ideology, and race relations, accelerated by the 2008 financial crisis and by the election of Barack Obama as president in 2008. We now see an America more polarized than perhaps at any time since the Civil War in the 1860s.

In this context, the presidential election of November 3, 2020 will perhaps be the most consequential U.S. election in the postwar era. If Trump is reelected, he will consider his victory as vindication of his views and his policies during the first term. This will almost certainly lead him to advance even more strongly in the second term the policies he tried to implement but came up short in the first term—restricting immigration, cutting taxes for the wealthy and for corporations, deregulating, cutting back on Obamacare, and nominating conservative judges to the federal judiciary, including especially the Supreme Court.

The presidential candidate most likely to emerge from the Democratic Party is former

Senator and former Vice President Joseph Biden. If he is elected president in November, he has pledged to restore “normalcy” to America. This implies taking America back to the pre-Trump period, i.e., the eight years between 2009 and 2017, when Biden served as the vice president under President Barack Obama.

However, much has occurred domestically and internationally during the past four years that makes a simple return to the pre-Trump era all but impossible. And it will require considerable time and effort to undo the damage that has already been done to America’s credibility and reputation abroad as a result of Trump’s “America First” policy, which includes: (1) a unilateral or bilateral, rather than multilateral, approach toward foreign countries; (2) an emphasis on “free, fair, and reciprocal” economic relations, with particular focus on “reciprocal”; (3) a demonization of bilateral trade imbalances; (4) a proclivity to use trade-restrictive (e.g., tariffs) rather than trade-expansive (e.g., market-opening) measures; (5) a short-term transactional approach that emphasizes “deals” rather than long-term relationships; (6) devaluing and at times disparaging alliances; (7) minimizing human rights; (8) an explicit linking of national security and trade; (9) public pressuring of allies to pay more for their defense; and (10) a preference for the United States to be “unpredictable” in foreign affairs.

A Biden presidency may not be able fully restore America’s erstwhile place in the world, but it will at least attempt to restore America’s leadership in the world, repair America’s alliances, rejoin international agreements and institutions, and reassert American values, including liberal democracy, individual freedom, human rights, and the rule of law. This is likely to be welcomed by America’s allies and partners and viewed with skepticism and hostility by America’s rivals and adversaries.

Indeed, whether President Trump continues to lead America for another four years or whether his tenure will be ended in four years, to be replaced by former Vice President Biden, will have profound implications for not only the United States but for the entire global community.

# 100 years of World Wars and Post-war Regional Collaboration and Global Governance

--Who constructs New World Orders?—

## Afterimage of the British Empire? A Background of Brexit

Yoichi KIBATA

### 1 Brexit and the Image of “Global Britain”: CANZUK, Anglosphere and Empire 2.0

The result of the Brexit referendum in June 2016 gave me a great shock. Like many other people I was thinking that, even if the leave side gathered sizable support, the remain side would finally win. I was much surprised by the result of the vote.

My career as a historian falls into roughly the same period as that of Britain’s membership in the EC/EU. I first stayed in Britain between 1968-69, when Britain was not yet a member of the EC, but, when I stayed there for the second time between 1975-76, Britain was already a member country, having entered the EC in 1973, and in 1975 in London I watched the first referendum concerning the EC membership.

Since then I have been engaged with research about various phases and aspects of the break-up of the British Empire and have always emphasized the importance of transformation of Britain’s position in the world from an imperial country to a European country. In arguing that Britain should accelerate that transformation and become more attached to European integration, I always thought that Japan had a similar problem in its relations with neighbouring Asian countries, though in the case of East Asia regional integration had not yet materialized. In short, my argument was: as Britain became more a part of Europe, Japan should become more a part of Asia.

Hence my great disappointment with the result of the referendum.

The reasons for the victory of the leave vote were multifarious and the issue of EU was not necessarily the decisive factor for the outcome of the referendum, but this is not the place to discuss this. Here I would like to point out that one important factor was what can be called an imperial nostalgia: the feeling that Britain should not be content with being only a part of integrated Europe and should seek again for a more important position in the world at large which it used to enjoy.

During the period leading up to the referendum there were voices expressing this kind

of imperial nostalgia. For example, in 2015 the Institute of Economic Affairs, a pro-Brexit organization, published a report, *Directions for Britain outside the EU*, which contained a proposal that Britain should pursue free trade through the route of Commonwealth and the Anglosphere.<sup>1</sup> Such an idea that the future of Britain outside the EU would be guaranteed by the intimate relations with countries which have historical ties with Britain left over from the days of the British Empire was not at all new and was always held by many people who had negative attitude towards Britain's position in integrated Europe.

Of course, it is impossible to decide how important this kind of sentiment was for the victory of the leave side in the referendum. It was and is easy to refute the validity of such a proposal. At the time when this proposal was made the biggest trade partner of Britain was the EU, whose share of the British export and import was 43% and 53% respectively. The key country in the so-called Anglosphere, i.e. the USA, was the second partner, but its share was only 20% and 10%. The attitude which sought the future prospect of Britain outside the EU in the renewed close relationship with the USA and the Commonwealth countries was nothing but an imperial nostalgia.

A few days after the referendum Prof. Philippa Levine, a prominent historian of the British Empire, contributed a short essay to an internet site which was titled "Brexit succeeded by playing to Britons' imperial nostalgia", starting with a sentence: "Shortly after the result of Britain's referendum on the European Union was declared last week, an academic colleague remarked to me, "the final curse of the empire is that the imperial dream is destroying the imperial heartland", and stressed that "Britain's long association with imperialism was a major undercurrent in the campaign to leave the EU."<sup>2</sup>

After the referendum the persistence of imperial nostalgia became more evident, and words like CANZUK, Anglosphere or Empire 2.0 began to be heard in public discourse. These are, of course, terms that strongly remind us of the British Empire. In the case of Anglosphere and Empire 2.0 no explanation may be necessary. CANZUK is a word which combines C of Canada with ANZUK, which stood for the military collaboration between Australia, New Zealand and the United Kingdom during the days of the British Empire. People who used these words in forecasting Britain's international connections after Brexit hoped that Britain, which was once the centre of a great empire and the hub of the English-speaking sphere, would regain that position outside the EU.

A vociferous protagonist of this line of thought is Andrew Roberts, a conservative historian, who maintained immediately after the referendum that after Brexit CANZUK could unite as a pillar of Western civilization.<sup>3</sup> Boris Johnson, the current Prime

Minister, himself is one ardent supporter of such an idea. In September 2017 Johnson, the then Foreign Minister, wrote an article suggesting that, after leaving the EU, the UK “will be able to get on and do free trade deals... not least with the fastest growing Commonwealth economies, and build a truly global Britain.”<sup>4</sup> It should be pointed out that this term “global Britain” has been widely used in various quarters since the referendum, and in the context of Brexit it is nothing but an expression of imperial nostalgia.

## 2 “The Long Twentieth Century”

Imperial nostalgia is an outdated sentiment and the future direction of Britain which it entails is completely unrealistic, but in order to say so we should look back upon the history of the world in the twentieth century and Britain’s position in that world.

Six years ago, in 2014 I published a short book titled *History of the Twentieth Century*, and the following is the gist of my argument in that book.<sup>5</sup>

In that book I put forward the idea of “the long twentieth century” that lasted from the 1870s to the early 1990s. Needless to say, in reaching that idea Eric Hobsbawm’s famous and influential view about the twentieth century, “the short twentieth century”, was always in my mind. Hobsbawm’s short twentieth century covered the period from the First World War and the Russian Revolution to the end of the Cold War, i.e. from 1914 to 1991, and, when we look at the history of Europe, it certainly provides us a meaningful picture of the recent history. But I suspected whether this rather Euro-centric view could be applied to other parts of the world, especially to those areas which were put into subjugated position in the age of imperialism. The First World War did have crucial impact on Europe, but, if we look at the wider world, its importance becomes smaller, and it cannot be said to signify the beginning of a new era. The colonial situation into which many areas outside Europe had been thrown during preceding years did not radically change.

This brings us back to the 1870s, i.e. the beginning of the age of imperialism. After the 1870s, colonization in Africa, Asia and the Pacific gained momentum. The world became roughly divided into those countries which ruled colonies and those areas which were ruled, and “the imperialist world system” took shape. It should be added that such a division of the world was regarded as natural and normal during those days.

The theme of this symposium is “100 years of world wars and post-war regional collaboration and good governance”. Talking about regional collaboration, regional frameworks in this imperialist world system were mostly defined by the ruling imperial

powers and the scope of regional collaboration was limited. Colonial governance, which was based on asymmetrical and unequal colonial rule, was prevalent.

This imperialist world system was transformed by two world wars. It is true that, as I mentioned before, the First World War did not change this system radically, but the process for its break-up did start as the result of the war. That process, i.e. the process of decolonization, was accelerated by the Second World War, and finally led to the collapse of the imperialist world system.

The early 1990s, which saw the end of the Cold War and was regarded by Hobsbawm as the terminal point of the short twentieth century, was the final phase of this process. In this view the break-up of the east European socialist bloc meant at the same time the collapse of the Soviet imperial system that had succeeded the Russian empire.

In this process regional collaboration began to be propelled by the newly independent countries. In southeast Asia, the ASA (Association of Southeast Asia) was formed in 1961 and then ASEAN (Association of Southeast Asian Nations) was created in 1967 by five countries, Indonesia, Malaysia, the Philippines, Singapore and Thailand, of which only Thailand had not experienced colonial rule. In Africa the OAU (Organization of African Unity) was launched in 1963 by 32 African countries, most of which had become independent only shortly before.

In this process outright colonial governance faded away, and various forms of international governance, which was based on the exercise of sovereignty acquired by former colonies, came to dominate the world stage, however incomplete and porous that sovereignty might be.

### **3 Britain's Position in "The Long Twentieth Century"**

It is needless to say that Britain occupied a very important position in the world of the long twentieth century, especially during its early phase. It is said that by possessing many colonial territories Britain ruled one fourth of the world land and world population. As the hegemonic power, Britain could lay down various international standards and norms. It was regarded as the front-runner of "the world of civilization", and, when the Anglo-Japanese Alliance was concluded in 1902, it was said in Japan that as a partner of Britain, Japan was finally admitted into that civilized world.

Having what I call "imperial mindset/mentality" ("teikoku ishiki" in Japanese), British people regarded Britain's ruling position as natural, and, even if their concrete knowledge about the British Empire was poor or hazy, harboured little doubt about the imperial structure which surrounded their daily life. The strength of such mindset has

become a subject of heated controversy. For example, Bernard Porter, a leading imperial historians, repeatedly maintained that especially the working class people of Britain were free from imperialism and there was no “general feeling of support for and even mild pride in this entity [the British Empire] which was not very important to them.”<sup>6</sup> On the other hand, John M. MacKenzie, another doyen of imperial historians and the general editor of numerous books on the British Empire published by the Manchester University Press, continuously pointed out the importance of the ubiquity of things and information related to the empire in people’s daily life and emphasized the strength of imperial mindset.<sup>7</sup> I myself have put this imperial mindset in the centre of my study of the British Empire since I published my first book more than thirty years ago.<sup>8</sup>

In fighting both world wars Britain depended very much on material and human resources of various parts of empire. I have been calling this situation figuratively “the total war of the empire”. As the result of these “total wars” Britain did become one of the victorious powers, but at the same time these “total wars” prepared the way towards the decolonization and the collapse of the empire.

For this reason, there have been people who thought that Britain should not have fought these world wars in order to keep the British Empire and preserve its power. For example, Niall Ferguson, who later became well known for his advocacy of the merit of the British Empire, argued in a book published in 1998 as follows:

Had Britain stood aside – even for a matter of weeks – continental Europe could have been transformed into something not wholly unlike the European Union we know today – but without the massive contraction in British overseas power entailed by the fighting of two world wars.<sup>9</sup>

But Britain did fight these wars and despite the effort to stem the tide of decolonization the process of the breaking up of the empire became irrevocably under way.

In 1962 Dean Acheson, former United States Secretary of State, made a famous statement: “Great Britain has lost an empire, but not yet found a role”. One year before, in 1961, the British government had applied for the membership of the EEC, which had been founded three years before in 1958. This application and the second one made in 1967 were rejected, but finally Britain could become a member in 1973. As Acheson’s statement suggested Britain’s international behaviour around this period was largely defined by the process of decolonization, and it was hoped that Britain, which had lost an empire, could and would find a new role as a European country in integrated Europe.

What should be noted here is that European integration itself took place against the background of decolonization. As I wrote above, in the wake of decolonization regional collaboration started to be undertaken by newly independent countries, but in the case of western Europe regional collaboration and integration was propelled by countries, which were ruling powers in imperialist world system. Among six countries, which were founding members of the EEC, four countries, except Germany and Luxemburg, possessed colonies at the time of its foundation. The relationship between these countries and their colonies emerged as a contending issue, and, as the result of France's strong insistence, the Treaty of Rome, signed on 25 March 1957, provided for the commercial and financial association of the overseas territories (colonies) of France, Belgium, Italy and the Netherlands with the EEC.

In the structure of the EEC and the EC, which was launched in 1967, certain continuity from the imperialist world system could be detected. Still Britain's entry into the EC meant a great leap from the situation in which Britain played a significant international role as the centre of a huge empire.

#### **4 Lingering Imperialist Mindset**

Since it joined the EC, Britain has often been called "an awkward partner" in integrated Europe,<sup>10</sup> and it continued to keep distance from any initiative to deepen integration. That attitude was epitomized in Margaret Thatcher's crying out, "No, no, no", in the parliament in 1990, against the European Commission's attempt to increase its powers. I was in Britain at that time and was much impressed by seeing that scene on TV.

Thatcher had to resign from premiership immediately after that.<sup>11</sup> The period of her premiership that lasted from 1979 to 1990, i.e. the last decade of the long twentieth century, also saw the lingering of imperial mindset. That mindset clearly surfaced during the Falklands war in 1982, when the Thatcher government launched a large-scale war against Argentina, which tried to take back possession of the Falklands (Malvinas) islands. These islands lay offshore of Argentina and, though the Argentine government's claim itself was valid in the context of decolonization, the method adopted by Argentina could not be justified. But the military reaction of Britain was excessive and reminded us of imperialist powers' behavior in the early phase of the long twentieth century. What was important was that many people in Britain supported this war without holding any doubt about the continuing British rule of small islands in the South Atlantic far away from their country.

This kind of lingering imperial mindset has been carried over into the 21<sup>st</sup> century and has taken the shape of imperial nostalgia and influenced the outcome of the referendum of 2016.

In 2017 a book titled *Inglorious Empire: What the British Did to India* and written by Shashi Tharoor, an Indian politician and author, was published in Britain. That book, which was originally came out in India a year before with the title *An Era of Darkness: the British Empire in India*, was a very critical historical examination of the British rule in India. The author argues: “Britain is no longer ‘Thatcherite’, though in the aftermath of ‘Brexit’, it may even be worse. The need to temper British imperial nostalgia with postcolonial responsibility has never been greater.”<sup>12</sup>

Certainly, imperial nostalgia and lingering imperial mindset that resurfaced long time after the collapse of the imperialist world system should be erased in looking for a balanced position of Britain in the world. But it is a big question whether Britain, which is now led by a pursuer of imperial afterimage like Boris Johnson, can find a correct way or not in a multi-polarizing world. As a historian who has been completely disappointed with Britain, I want to continue to watch the way Britain is heading for.

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<sup>1</sup> Rulph Buckle et al., *Directions for Britain outside the EU*, London: The Institute of Economic Affairs, 2015. <http://www.iea.org.uk/sites/default/files/publications/files/Brexit-interactive.pdf>

<sup>2</sup> Philippa Levine, “Brexit succeeded by playing to Britons’ imperial nostalgia”. <https://www.zocalopublicsquare.org/2016/06/28/brexit-succeeded-playing-britons-imperial-nostalgia/ideas/nexus/>

<sup>3</sup> Andrew Roberts, “CANZUK: after Brexit, Canada, Australia, New Zealand and Britain can unite as a pillar of Western civilization”, *The Telegraph*, 13/9/2016. <https://www.telegraph.co.uk/news/2016/09/13/canzuk-after-brexit-canada-australia-new-zealand-and-britain-can/>

<sup>4</sup> Danny Doring & Sally Tomlinson, *Rule Britannia: Brexit and the End of Empire*, London: Biteback Publishing, 2019, p.142.

<sup>5</sup> Yoichi KIBATA, *History of the Twentieth Century* (in Japanese), Iwanami Shoten, 2014.

<sup>6</sup> Bernard Porter, *The Absent-minded Imperialists: What the British really thought about empire*, Oxford: Oxford University Press, 2004, p.226.

<sup>7</sup> MacKenzie’s first and very influential work along this line was: John M. MacKenzie, *Propaganda and Empire: The manipulation of British public opinion 1880-1960*, Manchester: Manchester University Press, 1984.

<sup>8</sup> Yoichi KIBATA, *The Price of Imperial Rule: “Imperial Mindset” and the Collapse of the British Empire* (in Japanese), Tokyo University Press, 1987.

<sup>9</sup> Niall Ferguson, *The Pity of War*, London: Allen Lane the Penguin Press, 1998, p.460.

<sup>10</sup> Stephen George, *An Awkward Partner: Britain in the European Community*, Oxford: Oxford

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University Press, 1990.

<sup>11</sup> A more important reason for her resignation was the problem of the poll tax, which Thatcher tried to impose upon British people.

<sup>12</sup> Shashi Tharoor, *Inglorious Empire: What the British Did to India*, London: Penguin Books, 2017, p.xxv. The review in the Guardian took notice of this part and noted that it was a timely book which addressed the need to temper imperial nostalgia. <https://www.theguardian.com/books/2018/feb/23/inglorious-empire-what-british-did-to-india-shashi-tharoor-review>

# **100 years of World Wars and Post-war Regional Collaboration and Global Governance**

**--Who constructs New World Orders?—**

## **China's Belt and Road Initiative and its Regional and Global Implications**

Jin DU

China's Belt and Road Initiative (BRI), first announced by Xi Jinping in 2013 as "One Belt, One Road", is a multi-billion dollar global development plan that aims to connect almost 70 countries by land and sea, and to coordinate policymaking across Eurasia and eastern Africa. By the end of 2019, 136 countries and 30 international organizations have signed BRI cooperation documents. This "project of the century", as Xi names it, has been viewed by many as an unambiguous indication of China's entry onto the center of the global stage.

The initiative has been formally enshrined into the Chinese Communist Party's constitution, and China has put huge resources into implementing the BRI. However, the costs of many projects have continued to expand, and domestic opposition to the initiative in some countries has grown. Lack of transparency in project decision-making and implementation has raised concerns about corruption and environment deterioration, as well as debt encumbrance. The Chinese government has notably shifted its discursive focus since the launch of the initiative,

Xi Jinping's statements at the Second BRI summit held in Beijing, in May 2019, repeatedly emphasized the importance of sustainability, consultation with host countries, and improving standards of living for those affected by development projects. The continued growth in participation in the BRI from both host and partner countries suggests that the project will continue to gather steam in spite of the setbacks, pushback, and reputational costs.

Some strategic analysts tend to see the initiative as a clearly-defined, top-down 'grand strategy', reflecting Beijing's growing ambition to reshape, or even dominate, regional and international order. I'd argue that this view is mistaken, and rather than being a coherent, geopolitically-driven grand strategy, BRI is an extremely loose, indeterminate scheme, driven primarily by competing domestic interests, particularly state capitalist interests, whose struggle for power and resources are shaping BRI's design and implementation. Through an extended trial-and-error process, most projects could

evolve from wishful ideas into more carefully structured programs over time, which may allow for the adoption of improved procedures and standards. I think the Chinese leaders have strong incentives to seek international cooperation, in order to structure and operate BRI according to international standards.

I believe that international community has a great stake in combining China's ambition and resources with the needs of global economic development. One of the major concerns is the growing geopolitical conflict among major powers, especially the strategic competition between China and the United States. I will discuss some related topics including: geopolitics and the novel coronavirus; and the Japanese role expected to be played.

## **Chapter I: After World War I and the Inter-war period**

### **1-1: Disarmament and Equilibrium between Two World Wars (1919-1939)**

Valdo FERRETTI

The Covenant of the League of Nations, attached to the treaty of Versailles of 1919, established in art. 8 that “The Members of the League recognise that the maintenance of peace requires the reduction of national armaments to the lowest point consistent with national safety and the enforcement by common action of international obligations.”

Such principles reflected an ideology which had developed in pacifist thought since the late XIXth century, that the Hague conferences of 1899 and 1907 had partly tried to carry out, according to the idea that the reduction of armaments and the adoption of judicial procedures were the means able to solve international disputes and put an end to wars in the future<sup>1</sup>. The diplomacy of arbitration had achieved important results and made several steps forward by the time before the first world war<sup>2</sup>, while the programme for peace implemented by the Conference of Versailles was largely inspired as well by the so-called “14 Points” enunciated in the framework of the same philosophy by President Wilson. It is important to note also that such programme showed relevance to the power politics settlement of the international society after the world war<sup>3</sup>.

Last but not least, for this reason, the whole peace project started soon to creak. It was affected by the lack of ratification of the treaty of Paris by the American Senate and by the advent to power of an isolationist administration in the United States.

In the Pacific area the call of the Washington Conference<sup>4</sup> ensued in 1922 followed by the Five Powers Treaty. A rift took shape as a consequence, to which only a handful of historians have paid attention. On the one side, there was the “system” of disarmament built in Washington, which regarded naval armaments and included only the five signatory powers. Moreover, some countries, including potential great powers, remained outside both structures for several reasons, for example because they had been losers in the war, like Germany, or because in spite of their dimension they still lacked a full recognition by the international society, like Soviet Russia. The SdN project in its turn included the disarmament, both land and naval, independently from the system of Washington, but did not include the United States.

The partisans of a general disarmament to be enlarged to as many countries as

possible, realised at that stage that a bridge must be cast between the two structures, but political obstacles appeared also. Apart from the worries of some minor countries, the five powers treaty was the outcome of a difficult compromise, taking into account the strategic competition between the U.S and Japan in the Pacific Ocean, and at the same time, between Italy, France and England in Europe. Moreover, its regulations, based as they were on different standards assigned to the tonnage of the fleets of the different countries, followed the setting of the question suggested by the U.S, but were open to further additional difficulties, as they did not touch on fundamental subjects like the limits on heavy cruisers under 10,000 tons and on submarines. Hence any observer could have easily realised that strong difficulties were to come as discussions on additional limitations were expected to rise in the future and some powers would certainly raise problems related to their particular claims.

In this connection a committee dealing with the naval disarmament issue started to work in the League Of Nations in 1925 for the purpose of extending the agreements on disarmament beyond the five partners who had signed the Washington treaty, and to include countries as well which were outside the SdN or even to adopt a criterion different than the proportion in the standard of the fleets. A preparatory conference was called in Rome in 1925<sup>5</sup>, where especially the problem of enlarging the number of states joining disarmament was dealt with, and the issue of the Soviet participation played a significant role, though unsuccessfully. Later the Committee studied the matter of alternative rulings to substitute for the tonnage of the types of ships, which had been omitted in Washington. This matter became the focus of discussions between 1925 and 1928, just while the issue of extending the limitations to all kinds of vessels was formally taken at the diplomatic level. It is important that in spite of the generally pacific atmosphere of the 1920s such issue took a political tint again. Rivalries between Italy and France lasted up to the First London Conference of 1930 and were not settled at that stage as well, while that between the U.S and Japan was settled, but only apparently and for a short time; at the Geneva conference of 1927 contrasts between the United States and Britain impeded achieving any result. In the committee of the League of Nations, the possibility of a mechanism of regulations not based on the tonnage, but on previous declaration coming from each country, which in principle kept the right of full equality in its armaments, was studied also, especially on French initiative<sup>6</sup>, but drew the attention of Japanese and Italian delegates as well.

Hence, by the end of the decade two general avenues of discussion were open, one focusing on possible new principles for disarmament and another one centring on the

possibility of inviting additional countries to join. In the meantime however, the general political framework changed, when both the SdN and the Washington system were challenged by some powers which took the road of shaking up the existing international order. In 1933 Japan left the League of Nations and between 1933 and 1935, Germany followed suit, disowned disarmament and inaugurated a revisionist course in foreign policy. The disarmament conference called by the SdN, largely pivoting on land factors, failed also.

The incoming threat of a new war was perceived and the issue of naval disarmament took a more pregnant signification at that stage. Disarmament lost more than before the appearance of a general ideal to debate at an academic level, but began to be seen as a possible means to avert actual dangers for peace in the framework of the deterrent strategies of some powers, which intended to brake the revisionist aims of other countries.

Some additional issues took force alongside the dispute over parity in the Pacific area. Italy and France gradually realised, among many obstacles, that if the naval dispute were settled, collaboration between them in checking German revisionism would be more easily achieved. Therefore they overcame the difficulties over the standards in the preparatory talks of the third Conference on naval disarmament which took place in 1934 by sketching a general formula, which echoed the conclusions of the committee of the SdN in the past decade and succeeded to drag the United Kingdom behind them<sup>7</sup>. The latter, whose imperial defence was overstretched on more fronts, according to new research trends worked out a sophisticated strategy. On the one side Britain tried to appease Germany, by conceding to Berlin to build a fleet ranging the dimension 35 % of its one, with a choice often criticized by historians and contemporary observers, but on the other one Berlin was led to conform ultimately to the qualitative limitations put by the London Conference of 1935, which forbade the newest and most powerful types of cruisers, in that way hoping to curb the overall menace engendered by Hitler's ambitions. May be the most revealing case was the Soviet Union, as Stalin thought of building a military fleet both in the western hemisphere and in East Asia after the USSR joined the League in 1935 and began to fear a clash with Japan in Asia. Paradoxically that put the USSR in an uncomfortable situation. Russia requested the same standard of armaments as Germany, but was in need of technological help from the United Kingdom, which laid the condition that it adopt the naval disarmament rules. Russia however advanced reservations, claiming that a full parity with Germany would make it difficult or impossible to face the menace coming in the Pacific from Japan. Stalin was on the

verge of rejecting a naval treaty on disarmament and to risk a race in armaments, but in 1937 ultimately a final agreement was made<sup>8</sup>.

The cases of Japan and Italy, in the author's opinion, should be considered in parallel, as both of them, though generally considered revisionist, did not fully reject disarmament by then. The former's attitude at the London conference of 1935-6 was dominated by the influence of a faction of the imperial Navy which opposed the "standardization of the fleets" demanding a "common upper limit" for all partners of the treaty. It is important however that even that radical group indicated a scheme on disarmament only after long discussions, lasted some months, of which we do not know some details even now. Besides the Japanese delegates conceded later, on meeting their Italian counterparts, that in principle they would not have rejected a formula based on the equality of the standards and a previous declaration of the tonnage of the ships to be built. Only because of the length of the adjustments based on this mechanism and of its financial costs, they claimed, the Japanese Navy had decided for the Common Upper Limit formula<sup>9</sup>. At the same time the IJN promised to the Japanese government and to the Japanese Army that they did not intend to demand an increase, and did not want a race, in armaments. Japanese scholars have insisted that this squabble between moderates and radicals was to a large extent of domestic more than international nature and was influenced by financial considerations<sup>10</sup>. It is interesting that the American and the British took for good the promise of the Japanese Navy to abstain from a race in armaments and that for this reason the international impact of the end of naval disarmament in 1936 resulted of lesser importance than is frequently asserted. It looks as if it were somehow framed in the wake indicated by the work of the committee of disarmament of the SdN in the previous decade and was touched by the suggestions of Italy and France, which pursued a model different of the hierarchy of the fleets.

The case of Italy suggests a similar reflection. Not by case, it seems me, in the so-called Easter Agreement between Britain and Italy of April 16, 1938, the government of Rome, which had not signed the naval treaty of London following the Ethiopian crisis and the break with the League of Nations in 1935-6, took the engagement to join the naval disarmament. It signified, some weeks only after the German annexation of Austria, that the *Duce* clearly intended to balance the success of Hitler with a pro-British gesture, as Mussolini still wanted to bandwagon between the democratic powers and Germany. On the background Italy, not less than other actors, continued to use the disarmament as an instrument of power politics, largely in the framework created by the appeasement strategy of Germany which the United Kingdom was pursuing. It was not

designed only to mend rifts or, even less, to ward off war in principle, but mainly to control the swings of international equilibrium in a moment where tension was increasing. Paradoxically in the spring of 1938, just after the dramatic end of the Austrian independence, such output could even inspire some optimism, given that it implied that it helped to check the incoming threat to a stable balance of power<sup>11</sup>. Hence the disarmament still belonged to the repertory of the powers and maintained its meaning in political terms, confirming that the issues of the Mediterranean and the Pacific were connected. In Japan the revisionist diplomats were worried by the *entente* between Britain and Italy, while explanations were politely asked to the government of Rome<sup>12</sup>.

That leads to one final reflection, i.e. why this ultimately positive unfolding did not help to avoid the war which exploded roughly one year later. The obvious answer is that heavier factors worked in the opposite direction, but the fact remains that some limited results had been achieved. The Japanese Navy in spite of the end of the Washington system, continued to exert some restraining role on the radical section of the military class for two more years; as to Italy, though through the tortuous development of the negotiations of the Tripartite alliance and of the Pact of Steel in 1938-39. Mussolini, among many contradictions, did ultimately try for mediation between Germany and the democratic powers on the eve of the Chekoslovakian and Polish crises from 1938 to 1939 and kept neutrality for one more year roughly when a general conflict ensued in 1939. However in the general atmosphere of the late 1930s the principles of pacifism embodied in the Covenant of the League of Nations were losing force even in the public opinion of the democratic countries<sup>13</sup>. The advent of a general war between 1940 and 1941, involving both Europe and the Asia-Pacific area, showed that that disarmament had failed, the reason of this inconsistency seeming that as a basically technical tool designed by legal experts and strategists, it could not resist the wave of stronger political factors in an historical moment dyed with strong aggressiveness. But in any case it produced the effect of slowing down the road towards a global conflict, confirming how positive the premises which had originated it were.

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<sup>1</sup> See now, Maartje Abbenhuis, *The Hague conferences and international politics, 1898-1915*, London, Bloomsbury, 2019.

<sup>2</sup> See, for instance, E. James Hindman, "The General Arbitration Treaties of William Howard Taft", *The Historian*, 1973, issue 1, pp. 52-65.

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<sup>3</sup> Martin Ceadel, “Enforced Pacific Settlement or Guaranteed Mutual Defence? British and US Approaches to Collective Security in the Eclectic Covenant of the League of Nations”, *The International History Review*, 2013, n.5, pp. 993-1008.

<sup>4</sup> Needless to say, there is a vast literature on the Washington conference and on the issue of the naval disarmament between the First and the Second World War, cf. Erik Goldstein and John Maurer (eds.), *The Washington Conference, 1921-22. Naval Stability and the Road to Pearl Harbor*, London, Cass, 1955, and, Sadao Asada, *From Mahan to Pearl Harbor. The Imperial Japanese Navy and the United States*, Naval Institute Press, Annapolis, 2006.

<sup>5</sup> Gerard Silverlock, “British Disarmament Policy and the Rome Naval Conference, 1924”, *War in History*, 2003, vol. 10, n.2, pp. 184-205.

<sup>6</sup> Gaynor Johnson, *Lord Robert Cecil: Politician and Internationalist*. Abingdon, Routledge, 2013, p.280. On Japan, see Koike Seiichi, “Kaigun gushhoku wo meguru futatsu no kokusai kankeikan no sōkoku\_-genebu kara rondon no aida de-“, in, Itō Takashi (hen/ ed.) *Nihon kindaiishi no saikōchiku*, Yamakawa Shuppansha, Tokyo, 1993, pp. 284-85.

<sup>7</sup> On this point, see Valdo Ferretti, *Il Giappone E La Politica Estera Italiana ( 1935-41)*( ristampa integrata), Milano, Giuffrè Francis Lefèbvre, 2020, pp. 82ff.

<sup>8</sup> Joseph A. Majolo, “Anglo-Soviet Naval Armaments Diplomacy before the Second World War”, *The English Historical Review*, vol. 123, n. 501, 2008, pp. 351-378.

<sup>9</sup> Valdo Ferretti, op. cit., pp. 96-98.

<sup>10</sup>See for instance, Oka Kuniko , “ 1935nen Rondon kaigun kaigi to nihon seifu- gaikō seisaku kettei katei wo chūsin ni-“, *Nihon Rekishi*, 2004, 7, pp. 71-88, and, Imamura Kanako, “ Washinton jōyaku hōki to Nihon Kaigun”, *Nihon Kenkyū*, 2003, 16, pp. 59-66, and Fujii Takashi, “Washinton jōyaku hōki mondai to tōsuibu”, *Nihon Rekishi*, 2016. 8, pp.40-56.

<sup>11</sup> There a vast literature on this point as well. For one recent assessment in English, Brian J. C. McKercher, “Anschluss. the Chamberlain Government and the First Test of Appeasement, February-March 1938”, *International History Review*, 2017, n.2, pp. 274-294.

<sup>12</sup> Valdo Ferretti, op. cit., p. 212. *Nichidokui Teikei ni kan suru ken*, in, Tsunoda Jun ( ed.), *Gendaishi Shiryō*, vol. X/3, Tokyo, Misuzu Shōbō, 1962, pp.89ss.

<sup>13</sup> Andrew D. Stedman, *Alternatives to Appeasement. Neville Chamberlain and Hitler’s Germany*, London, 2015, pp. 177-79.

## **1-2: The security of South-East Europe in the First Inter-War Decade. "Greater Romania" between Conflicting Neighbourhoods and Regional Alliances\*\***

Claudiu-Lucian TOPOR

At the end of the Great War (1914-1918), the territorial order in South-East Europe was profoundly changed and only apparently strengthened by the peace treaties signed in Paris. The states in Central and Eastern Europe, newly appearing or reappearing on the map or significantly changing the configuration of their territories, were facing great difficulties; they were in search of protectors and funding, and had important divergences between them, with crucial effects on the course of events in Europe<sup>1</sup>. The disappearance of Austria-Hungary meant that the structural problems of Central and South-East European stability were worsened instead of being solved. At the same time with Austria-Hungary had also fallen the system of German alliances (forged before the Great War), which had provided Romania with security for 30 years.

Romania's alliances with the Central Empires, joined by Italy on 9 May 1888, remained the foundation of its foreign policy until the start of World War One. The political agreement with Austria-Hungary was signed in 1883 and renewed for the first time in 1897. It was never matched by a military convention, despite the fact that the issue of military cooperation between the contracting parties had become one of general interest as early as the winter of 1887-1888, in the context of tensions between the Central Empires and Russia. The situation of Romanians living in Hungary was one of the original flaws of the alliance, but it was not a major impediment for maintaining the agreement. The Romanian national question, despite being activated in the decades preceding the war, did not produce tensions in the relationship with the main ally (Germany). It never overshadowed the relationship between Romania and the Hapsburg Monarchy, and it did not change the course of Romania's security policy before 1914. The guiding principles remained the same: maintain the existing borders and have no territorial expansion. Aware of the fragility of Romania's borders, the politicians in Bucharest tacitly focused on the necessity to preserve the shield that protected the country against the aggression of its neighbours. A summary of this prudent policy is reflected in a speech made by the minister of foreign affairs in winter 1894. Alexandru N. Lahovary assessed the political situation in the following terms: „(...) Before taking Transylvania, we should think about preserving Moldavia and Dobrudja, which such a

policy would certainly expose to going the way of Bessarabia (i.e. ending up in the hands of the more powerful neighbours, our note, CLT)”<sup>2</sup>.

The death of king Carol I, shortly after the outbreak of war in Europe (27 September/10 October 1914), caused a fundamental paradigm shift in Romanian politics. Decision-making moved into the hands of the government, and the prime-minister, Ion I. C. Bratianu, undertook to re-orient the Romanian foreign policy towards entering the war on the side of the Entente powers. The national question returned firmly to the agenda and became the watchword in all the government's actions. The new king, Ferdinand I, a nephew of Carol I, married to Maria of Romania, the daughter of the duke of Edinburgh, had tacitly approved the change in course of Romania's foreign policy and had approved the shift of the gravity centre in terms of decision-making. Romania's intervention in World War One (1916) was decisive for the nation's fate. Romania had to face a difficult war, endure military occupation and sign a separate peace with the Central Powers (Bucharest, 7 May 1918). In the end, Romania was among the victors, as the Entente powers had won the war.

After the war, Romania changed its features. It became "Greater Romania", one of the national states resulting from the collapse of the old empires in 19<sup>th</sup> century Europe. Taking advantage of the power vacuum created in Central and Eastern Europe, the Romanian delegates approached the negotiations with the winning Great Powers with the purpose of creating a safer and more prosperous future for the reunited nation. At the end of the Paris Peace Conference (1919), Romania reached its objectives as a nation, speculating the disagreements among the Allies, who were unable to impose their decisions in Central and Eastern Europe (as they had not occupied the region with their troops) after the armistices were signed. The Conference could only ratify border modifications that had already been applied by Romania and by other states located at the periphery of Austria-Hungary<sup>3</sup>.

The inclusion of historically Romanian provinces (Bessarabia, Bukovina, Transylvania and Banat) within the Kingdom's borders had more than doubled both the country's territory and its population, compared to the era before the war (from 137,000 sq km to 295,000 sq km, and from 7.235 million inhabitants in 1912, to 18 million recorded in 1930). Almost all the Romanians in Europe were now living within the boundaries of one state. Living next to them in this country were minorities of race, language and religion, much more numerous than in the past, when Romania came before Europe as an ethnically homogenous state. According to the 1930 census, Romanian ethnics made up 71.9% of the country's population. The rest, up to 100%,

consisted of ethnic minorities, spread in an uneven manner across the national territory. In Greater Romania, Romanians were the majority ethnicity everywhere (with the exception of the North and South of Bessarabia, the North of Bukovina and the "Szeklerland" in Transylvania). The minorities were limited to parts of the country and the connecting social tissue was made up of Romanian ethnic population. On the other hand, the provinces included in the territory after 1918 were less Romanian than the reunited Romania taken as a whole. The constitution adopted in 1923, however, defined by the phrase "unitary nation state" the country that was the outcome of the Great War. Its borders were greatly extended, and this made the relations with the neighbours more complicated. The security threats in this new country between the two World Wars did not originate, as they had in the past, solely in the expansionist ambitions of neighbouring empires (as it had been the case with Russia in the 19<sup>th</sup> century, when the territory of the Romanian Principalities had been occupied on three consecutive occasions by the Tsarist armies). This time the threats were based on the vulnerabilities of the Versailles system, reflected in the significant growth of the revisionist threats across Europe. For this reason, the objective of Romania's foreign policy between the wars was to secure its borders. This attitude influenced the choice of its new allies and reflected in the relationship with the neighbouring states. Romania had become a member of the League of Nations and had been integrated into the French security system for Eastern Europe through the Treaty of Friendship with France signed in 1926. The Romanian governments sought to contribute through various means to the defence of the Versailles system. They advocated collective security and supported all efforts meant to turn the League of Nations in a warrantor of global peace and stability. The Romanian delegates adhered to the 1924 Geneva Protocol, which deemed any war of aggression to be an international crime, and established procedures for identifying the aggressor and for imposing the arbitration of the Permanent Court of International Justice. Bucharest was also party to other international agreements, such as the 1928 Kellogg-Briand Pact, which outlawed war as a means of solving disputes between nations; the Convention for defining aggression, signed in London (1933), which the Romanian officials interpreted as strengthening the territorial integrity of their country; the Anti-war Treaty of Non-aggression and Conciliation signed in Rio de Janeiro in 1933, which condemned wars of aggression and the annexation of territories as an outcome. At the World Disarmament Conference organised by the League of Nations place in Geneva between 1932 and 1934, Romania upheld the general principle of disarmament, insisting that any formula of reducing armies and weaponry be applied

equally to all nations, or that the League of Nations impose strictly the compliance with its decisions. In all the critical circumstances that challenged the system of collective security, Romania invariably sided with the Western powers. In 1935, the Romanian delegates supported the economic sanctions adopted against Italy (following the invasion of Ethiopia). One year later, in 1936, when Germany denounced the agreements made in Locarno and re-occupied Rhineland, the Romanian governments expressed their indignation and concern towards France's and Great Britain's hesitant reaction.

When the security guarantees insistently pursued in London and Paris proved to be an ineffective and diluted substitute for the former treaties that were placing pre-war Romania on the orbit of the German alliances, the Romanian governments sought out the solution of regional alliances. Romania became actively involved in the establishment of the Little Entente and of the Balkan Pact, political instruments through which it sought to forge alliances with Poland, Czechoslovakia, Yugoslavia and Greece. The aim of these agreements was to counteract revisionism in South-East Europe. They oriented the national security policy towards providing a joint response from the regional actors that were vulnerable to the threats coming from Bulgaria and Hungary<sup>4</sup>. The Little Entente was created based on the need felt by Romania, Czechoslovakia and Yugoslavia to defend their security, as their confidence in the effectiveness of the guarantees included in the treaties of Trianon and Neuilly had decreased. Three bilateral agreements existed (between Yugoslavia and Czechoslovakia, Romania and Czechoslovakia, Romania and Yugoslavia), each of them obliging its signatories to support the defence of its ally in the case of an unprovoked attack from the part of Hungary. The Romanian-Yugoslav treaty was also aimed at Bulgaria. The Balkan Pact meant the extension towards South-East Europe of the principles of regional security that formed the foundation of the Little Entente. It originated in the Balkan conferences organised starting in 1929 in order to study issues of common interest. The Pact was signed in Athens in February 1934 by the representatives of Romania, Yugoslavia, Greece and Turkey, and it asserted the defensive character of the proposition of November 1933, which had tuned the fourth conference of the Balkan states (Greece, Romania, Yugoslavia) into a permanent regional organisation. The Romanian foreign minister, Nicolae Titulescu, outlined a system that would include all Balkan states as members. He meant it to be a regional pact against all forms of territorial revisionism and as a support for the efforts to stigmatize war as a means of solving international disputes. In the end, the member states did not manage to create a united front for solving

vital international problems. Due to the fact that the mission of the treaty was to maintain the existing borders in the Balkans, Bulgaria refused to sign it until its claims were recognized (1938). Most of the participating states began pursuing their own interests without consulting the other partners. Greece and Turkey, for example, did not want to damage their relationship with Russia on account of Romania's interests, or those with Italy because of Yugoslavia's interests. The Balkan Pact survived the Munich agreement, which stipulated the breaking apart of Czechoslovakia and heralded the demise of the Little Entente. The effectiveness of the alliance was no longer a match for the new challenges. The Romanian foreign ministry had been too optimistic in appreciating that both regional agreements had created a swathe of states with identical political interests stretching from Czechoslovakia to the border with Persia. They did agree on keeping Hungary's and Bulgaria's revisionism at bay, but they were not prepared to hold their ground in front of the great powers<sup>5</sup>.

The fact that inter-war Romania was engaged in regional alliance projects separated it from the security policy pursued before the outbreak of war in 1914. Until then, Romania had shown detachment and neutrality in relation to the arrangements made by the Balkan states, despite the fact that in the Balkan Peninsula (in Macedonia and in the Pindus Mountains) lived an important community of Aromanians (a population related to the prevalent Romanian ethnic element living in the kingdom). Invited in 1912 to adhere to the Balkan Alliance (an alliance built for war purposes), Romania rejected any active involvement and proclaimed itself neutral in the Balkan nations' war against the Ottoman Empire. Even the military intervention during the second Balkan War (1913) did not occur as a consequence of any preliminary alliance. Although acting against the same regional enemy (Bulgaria), the Balkan belligerents (Serbia, Montenegro and Greece) did not sign political conventions, nor did they make any military commitments in their relations with Romania. The project of a closer Balkan connection, one that would include Romania, appeared only later (after the signing of the Bucharest Peace Treaty in 1913). Its purpose was security (maintaining the Balkan status-quo) rather than war policy. Safeguarding the provisions of the Bucharest Peace Treaty (1913) did not depend exclusively on the agreements between Romania and its Balkan partners, as Romania's defensive policy still enjoyed the protection of the Triple Alliance. After the Great War, Romania resorted to the solution of regional security arrangements precisely because its Western allies hesitated in offering any military commitments in guaranteeing the integrity of the new national borders. Greater Romania looked like a multiethnic state located at the meeting point between the Balkans and Eastern Europe,

in the proximity of both old and new conflicting neighbourhoods, with borders that were difficult to protect through a coherent overlapping of national policies with the strategic agenda of the main European actors.

Regional alliances, despite occasional successes, did not provide the security support required by Romania's governments. Firstly, they did not acquire over time the necessary cohesion, both in terms of coordinating political interests and in the complementarity of business interests. The efforts to ensure the inviolability of the country's new borders remained fruitless. Both Hungary and the Soviet Union speculated the Romanian state's security crisis and the limited options of Bucharest's diplomats. Historically Romanian provinces such as Transylvania and Bessarabia were dealt with as litigious issues at regional politics level. Hence, new tensions and threats for the peace. Over time, the old regional tensions escalated, emboldened by the changes in the international political hierarchy. With the 1938 Sudeten crisis, the system of the Little Entente collapsed. The political crisis was marked by Romania's attempt to eschew the obligations undertaken by signing the alliance treaty with Czechoslovakia in order to avoid finding itself entering a war against Germany. The Munich agreement meant the end of the collective security system in South-East Europe. It established the German Reich's political and economic hegemony in the region. By absorbing the Czechoslovak commerce and the foreign investments, Germany had become the main commercial partner of the states in Central and South-East Europe<sup>6</sup>. The Munich agreement changed the direction of Romania's foreign policy. King Carol II had hoped in vain that Great Britain would be able to counterbalance the German influence in South-East Europe. In mid-November 1938 he travelled to Paris and London, but returned to Bucharest with disappointing results. Not only had Great Britain avoided to provide any political guarantees regarding Romania's borders, but prime minister Chamberlain was reluctant to promise at least a more substantial British economic presence. The significance of the moment should not be overlooked. After his fruitless visits to France and Great Britain, Carol II was forced to accept the opportunity of another visit, this time to Germany. The talks with Hitler were held at Berghof, but their effect was not very comforting. Asked about his prospective position in the case of a conflict between Romania and Hungary, Hitler replied that such a conflict would not be of direct interest for Germany. As a consequence, there was no hope that Germany would intervene.

In the months that followed, the security crisis that Romania faced became acute, and the Balkan Pact did not provide security solutions. As a result, it was the German

influence that was strengthened in the Romanian economy. However, the Bucharest diplomats' room for manoeuvre had narrowed considerably. The government led by Grigore Gafencu (the pro-West leader of the National Peasant Party) had trouble moving within the constraints of an impossible neutrality. Any additional attention given to the West with the purpose of obtaining security guarantees was feeding Nazi Germany's suspicions regarding Romania's duplicitous politics, the same way the strengthened German position in the economy indicated a possible weakening (if not complete abandonment) of Romania's pro-Western foreign policy position. Romania sought, as it had done before, to protect the integrity of its territory through a strategy of rebuilding its alliance ties with Germany. The roots of this orientation went deep into the past. The position appeared to be a reconstruction of the old friendship ties that had connected Romania under Carol I to the Reich under Wilhelm II. But historical tradition had no say in the new international context. It was geopolitical reality that had the decisive role, and this time it was especially different. Greater Romania did not correspond to Nazi Germany's vision of Eastern Europe. Whereas before World War One Romania had been for Wilhelm's Germany a factor of regional stability, during the years between the wars Greater Romania had become a source of potential conflicts and of tensions in Eastern Europe. Obviously, re-ignited regional conflicts clashed with Nazi Germany's projects. Despite differences in principles, after the signing of the Munich agreement (29 September 1938), Romania's policy – practised consistently by king Carol II and by the heads of the main political parties, Iuliu Maniu and Constantin Brătianu – was still pursuing close relations with Germany in order to defend its borders against revisionism. Nevertheless, concessions needed to be made. One indicator of the growing German influence in Romania was the economic treaty signed on 23 March 1939. Valid for five years, the treaty ensured a close relationship between the economies of the two countries through coordinated planning and through the creation of joint-venture companies for the extraction of natural resources<sup>7</sup>. Romania had something to gain at political level as well. On 29 August 1939, Hermann Göring reassured the foreign minister, Grigore Gafencu, that Germany considered it had made a commitment to Romania as a whole when it had signed the economic treaty of 23 March 1939, and that Berlin had no interest for part of Romania (Bessarabia) to be taken out of this economic cooperation<sup>8</sup>.

This surprising piece of news appeared indeed to be satisfactory for the security of Romania's borders. However, it was coming in the context of the Ribbentrop-Molotov non-aggression pact being signed in Moscow. In the secret annex of the document, the two European powers made an agreement regarding the annexation of Bessarabia and

of Northern Bukovina. Thus, the last of Romania's inter-war foreign policy foundations was lost. Justified by the antagonism between Nazi Germany and the USSR, the policy of balance between the great powers, that poor substitute for the failed regional alliances, had come to an end, leaving Romania stranded in South-East Europe. The Romanian government's options became dramatically limited, and thus maintaining the integrity of the state borders was no longer possible in the geopolitical context of the moment.

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<sup>1</sup> Lucian Leuștean, *O istorie internațională a Europei în secolul XX*, volume I (1919-1945), Iași, Alexandru Ioan Cuza University Press, 2015, p 136.

<sup>2</sup> Rudolf Dinu, *Diplomatia Vechiului Regat 1878-1915. Studii*, The Official Gazette/Presă Universitară Clujeană, 2014, pp., 70-71.

<sup>3</sup> Lucian Leuștean, *România și marile Puteri la Conferința de Pace de la Paris (1919-1920)*, in the volume coordinated by Valentin Naumescu, *România, Marile Puteri și ordinea europeană (1918-2018)*, Iași, Polirom, 2018, pp. 49-69.

<sup>4</sup> Keith Hitchins, *România 1866-1947*, third edition, revised and amended. Translation from English by George G. Potra and Delia Răzdolescu, Bucharest, Humanitas, 200, pp. 497-521.

<sup>5</sup> Stevan K. Pavlowitch, *Istoria Balcanilor 1804-1945*, Iași, Polirom, 2002, pp. 257-258.

<sup>6</sup> Rebecca Haynes, *Politica României față de Germania între 1936-1940*, translation by Cristina Aboboiaie, Iași, Polirom, 2003, pp. 57-61.

<sup>7</sup> Keith Hitchins, *Scurtă istorie a României*, translation by Lucia Popovici, Iași, Polirom, 2015, p. 221.

<sup>8</sup> Ottmar Trașcă, *Relațiile politice și militare româno-germane septembrie 1940-august 1944*, Cluj-Napoca, Argonaut, 2013, p. 23.

## 1-3: The Inevitable Revolution

Miguel Ángel VECINO, Historian

### Introduction

Years ago, when the bipolar world came to an end, an immense number of articles and statements were published declaring the final victory of capitalism. Thus, beyond all controversy, Marxists ideas and forecasts were denied, identifying the Soviet system with Marxism, even though, since 1917, it had been consistently demonstrated that the Soviet system was an aberration of Marxism.

In those times, which today seem so distant, the apologists of capitalism promised a paradise, much like the Bolsheviks had promised another <sup>(1)</sup>. In both cases, the promises made did not become reality: today, the world is not that “*global village*,” where wealth is distributed and growth continuously raises the standard of living of the vast majority of the population, allowing Western civilization to extend its benefits to all corners of the planet, ruling out armed conflicts and imposing a pacifism based on universal multilateralism. Francis Fukuyama’s <sup>(2)</sup> predictions, among others, were not fulfilled, and today, the international panorama with the broken equilibrium of the bipolar era and the demonstrated impossibility of a hegemon, hangs in a serious imbalance, which will last until a new scenario reflects the relation of strength in the world. B. Badia could not have been more right when he wrote: “*The commonly used qualifier of ‘post-bipolar’ oddly enough tells us more about the system’s past without informing us about what it has become or what direction it is likely to take*” <sup>(3)</sup>. Today, we know what the world is not, but no one is capable of defining what it is.

The pages that follow are a summary of some of the ideas contained in the thesis that I defend in my essay, on the inevitability of a social revolution in the short / medium term and that I have named “*The Inevitable Revolution*.” My thesis is that capitalism is returning to its origins, that is, before the movements of the left appeared and the masses became part of politics. Consequently, the conditions of the labour market are intensifying, which, as Marx well said, is a “market” like any other, regardless of whether, in this case, the “merchandise” is human beings. This reification of human beings has been reflected in the capitalist vocabulary, by changing the name with which the “personnel management” was known by the management of “*human resources*”: the human being is a resource, a material like any other, to achieve the ends that a capitalist

entity pursues.

The recovery of absolute power by the capitalist forces is assuming a return to the panorama of the mid-nineteenth century. From there, Marxism will once again impose itself as an ideology of solution to the struggle, not between bourgeois and proletarians, but between those who have plenty and those who do not have enough to survive with dignity, which will be the overwhelming majority of human beings that will not even have the privilege of being a "resource."

### **1.- Parameters.**

The essential reason for the difficulty in interpreting events and devising an international scenario is that we lack parameters, benchmarks to be able to correctly analyse situations that, in addition, constantly change by converting the forecast into speculation. We follow a map in constant variation, ignoring if we move forward, backward or walk in a circle. What we do know is that the route is out of control, at the mercy of any uncontrolled leader of an unforeseen event: "*in this landscape, blunders could set off escalatory spiral and mutual suspicion could engender hostilities*" (4).

The danger increases because we live in a world that aims to invent reality simply by changing its name: In this verbal restructuring, the adjective "*global*" has been added to today's capitalism, thereby pretending to make it a new system, a "different capitalism"; now, capitalism is "*global*" by definition. Obviously its radius of action was much smaller in the fifteenth and sixteenth centuries, but it did not cease to have a globalizing claim: "*Certes,- wrote Fernand Braudel- le capitalisme d'aujourd'hui a changé de taille et de proportions, fantastiquement. Il s'est mis à la mesure des échanges de base et de moyens, eux aussi fantastiquement agrandis. Mais, mutatis mutandis, je doute que la nature du capitalisme ait changé de fond en comble*" (5).

The triumph of capitalism has meant the imposition of its ideology: the only principle that inspires and guides the world today is the exorbitant exaltation of the triumph of profit at the expense of any other consideration. This situation at the international level is a reflection of what happens at the social level in the western world: the old values reflected in the behaviours in society, product of social or religious norms, are being overwhelmed by the obsession of profit, and a society without principles ceases to exist as such because, as Karl Mannheim pointed out, it is values that hold together the members of a society<sup>(6)</sup>. Economic pressures, hindering a reasonable standard of living, as developed after World War II, are blowing up all the columns that were sustained society: decent wages, social mobility, access to education at its different levels, access

to satisfactory public health, working hours which are compatible with private life, job security etc. When this begins disappearing, when the citizen has found himself abandoned to his fate, populism has appeared as the solution in some States.

Against the identification of democracy-capitalism, a capitalism without democracy has been imposed in certain countries, calling it, within the verbal recreation of reality, '*political capitalism*,' when it is nothing more than an adaption of the old 'state capitalism.' The improvement of the standard of living in these societies has been achieved by renouncing democracy and private life without control of the police.

This leads us to mention another point of reference: technology does not necessarily mean an instantaneous improvement in existence. On the contrary, it can be a mode of manipulation, loss of privacy, control of people, in short, a Big Brother come true. The right to "private life" has lost much of its meaning: it is currently necessary to be exhibited, it is necessary to be on the networks, have followers, be a follower of someone.

Capitalism wants to reform society to put it entirely at the service of economic interests, and in order to do so, nothing can interrupt the search for profitability; the past must be erased. George de Santayana said that people who do not know their history are condemned to repeat it.

## **2.- The essence of capitalism**

Capitalism emerged in the XIV and XV centuries in Italy as a result of the confluence of a number of factors, such as the development of banking and the increase which greatly facilitated the development of trade through new, more secure and easy payment methods, such as bills of exchange, for example. Trade certainly increased wealth rapidly, but the risk was equally greater, since this wealth was volatile and even (as seen today) could be purely speculative. Faced with the security of territorial property, trade and financial speculation catapulted the possibilities of profits, but also the insecurity, by greatly increasing the risk arising from long trips, economic investments in distant lands or very risky companies. The stalking of commerce and banking increased and extended: the land was wealth, product of immovable security; trade, greater wealth product insecurity in perpetual movement.

Three decades after the end of bipolarity, of the "victory" of capitalism, in the West, the gap between rich and poor widens in plain sight, while governments say they are 'worried,' although they do little to avoid it, except promise improvements that are like curing a haemorrhage with plaster: the rich are getting richer and every time there are

more poor people whose situation doesn't seem to stop getting worse because *"economists, policymakers and ordinary people have increasingly come to see that neoliberalism... has reached its limits"* <sup>(7)</sup> The government being tied to the power of financial means, they do not dare attack the origin of a reality that has disastrous human consequences for the exploitation of the majority of the population. Klaus Schwab writes in his recent report for the Davos Forum: Klaus Schwab writes in his recent report for the Davos Forum, "The social and economic consequences of inequality are profound and far reaching: a growing sense of unfairness, precarity, perceived loss of identity and dignity, weakening social fabric, eroding trust in institutions, disenchantment with political processes and erosion of the social contract."<sup>(8)</sup>

The pauperisation of society brings us back to the social situation of the mid-XIX century. It is unimaginable that there can be any change in capitalism, taking into account its evolution over the past 30 years. An editorial in *"The Guardian"* from January 21, 2020 stated that, "The figure of Davos Man... has become synonymous with a certain kind of deracinated corporate executive, whose only loyalties and obligations are to the balance sheet". The inevitable consequence is that there is a change of fidelity: what was once the nation, towards the State and consequently towards society, has lost all meaning and whoever wants to succeed, must renounce the 'state nationality' to acquire the 'corporate nationality'— the country that is the object of devotion is not the place where one was born or where one has lived all of their life, but the company for which one works. It is to take it or leave it, but it is not negotiable.

There is no other objective in the foreign policy of the economic superpowers: the network of capitalist dependence is such, that those who yesterday were leading economic powers (Germany, France, United Kingdom, Japan ...) are caught in the networks of the economic superpowers (United States, China, Russia ...) which in turn are equally dependent on each other because they are driven by their dependence on financial powers, which they cannot control.

### **3.- Democracy**

The very essence of democracy is freedom, the right to dissent <sup>(9)</sup>, equality before the law, respect for the dignity of the human being, the possibility to participate in the government, and all other rights included from the Declaration of Law of the Good People of Virginia on June 12, 1776 <sup>(10)</sup> while they are inherent rights to the human condition, until the Universal Declaration of Human Rights adopted on December 10, 1948. However, all these statements were drafted by Westerners and even in that of 1948,

representatives of non-Western States were a minority.

Now, liberty does not mean, and has never meant economical 'equality'. The end of World War II initiated the peak of the confrontation between liberal democracy and capitalism, on the one hand, and Soviet democracy and Soviet planned economy, on the other. The very existence of the Soviet Union was the best instrument of the European left-wing social democratic parties and unions to obtain continuous life improvements for the working class. With this, bourgeois democracy was also gaining the support of the working classes. Given the evidence of the facts, even the Western communist parties were evolving towards what was called Eurocommunism <sup>(11)</sup>, the need for revolution, the dictatorship of the proletariat, Soviet style, and especially the lack of internal democracy in the communist parties was questioned. But the welfare state system was already running out in the 1980s and the disappearance of the Soviet Union, as a superpower and as a point of reference, was the final culmination of an evolution of capitalism that had given rise to the welfare state <sup>(12)</sup>. The fear of the guided revolution from Moscow disappeared and the capitalist class wanted and felt that it could return to the original capitalism.

On the other hand, in many democracies, political parties and unions had suffered the loss of trust from citizens, and this happened especially in the case of left-wing parties and unions, which had been considered, since the end of the XIX century, reference points for morals in favour of social equality. Constitutionally, the social-democratic idea of constituting non-socialist states without the liberal interpretation of democracy, or democratic ones that ignored the importance of the social aspect, but a new type that encompassed both: a 'social and democratic state.'

Other factors also facilitated the questioning of the democratic system, especially the September 11 attacks in New York. From then on and under the justification of protection against terrorism, a cut in rights and freedoms began. As an example, police forces have more rights and less responsibilities than ever: democracy is in danger because the rights it protected are threatened and because citizens no longer trust states as instruments to channel and solve social problems. If the state is unable to protect citizens as it has been conceived in the West, if the states are the first to bow down to the economic forces: the axiom that capitalism entails a democratic political system does not correspond to the present: autocracies more or less disguised as democracies, or single party regimes have been able to develop a capitalist system that has enriched millions of people who, however, live with few or no rights recognised as essential in a democratic system. We are at the beginning of the dismantling of the Welfare State and

democracy. If the capitalist system imposes itself with its logic, with no enemy to force it to renounce its monopoly of power, as in the past, to yield in its rights, it is obvious that capitalism will oppose a democratic system that acts in the opposite direction to its own interests.

#### **4.- Capitalist democracy and the new international scenario.**

On these parameters the new international scenario will be built. Foreign policy will be subject to the imperative of immediate profitability, which capitalism has imposed on it, contrary to the very essence of international relations: “Beyond the risk of conflict, if stakeholders concentrate on immediate geostrategic advantage and fail to re-imagine or adapt mechanisms for coordination during this unsettling period, opportunities for action on key priorities will slip away.”<sup>(13)</sup> At present, and after everything that has happened since 1989, it would be pure speculation to maintain that while there is democracy there will be peace (the theory of “democratic peace”).

Neither capitalism nor democratic principles suddenly emerged with the French Revolution: the XVIII century was the eighth month of a gestation that began with the Renaissance. From the XV and XVII centuries, an international order based on the modern state emerged, which has been its only and then its main protagonist until the XXI century. But neither democracy nor capitalism were bases of that order, because the logic of international relations is much more complex than that of the States themselves. Now, given the need to reflect on the new international order, which will be gradually created, it is necessary to use different parameters until now known: the State has ceased to be the centre of the international scene and the inevitable confrontation between rich and poor to national and international, in a few years it will be the essential element that will decide the contour and content of international relations. A human being can bear everything if he retains the hope of improving his life, but what is being taken from him now is precisely that hope.

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<sup>1</sup> Branko Milanovic, still defending today capitalism as the solution in his article “*The Clash of Capitalisms*” Foreign Affairs, Jan/Feb. 2020, pg. 10

<sup>2</sup> “*The End of History and the Last Man*”. Penguin Books London 1993. Many reprints.

<sup>3</sup> Bertrand Badie «*Diplomacy of Connivence*” Palgrave Macmillan New York. 2012. Original in French. 2011. 200 pg. Pag. 1.

<sup>4</sup> Idem, pg. 74.

<sup>5</sup> F. Braudel «*La Dynamic du capitalisme* » Champs histoire ; p. 102

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<sup>6</sup> K. Mannheim “*Ideology and Utopia*”. Harcourt, Brace and Co. Inc. New York 1954. p.318. Various earlier editions.

<sup>7</sup> M. Fahnbulleh “*The Neoliberal Collapse*”. Foreign Affairs. Jan. Feb 2020. P.38.

<sup>8</sup> “*Global Social Mobility. Report 2020*”. January 2020. World Economic Forum. Davos. Pág. 4.

<sup>9</sup> In Voltaire’s words « *Je ne suis pas d’accord avec ce que vous dites, mais je défendrai avec ma vie votre droit de le dire* ».

<sup>10</sup> Three weeks prior to the Declaration of Independence.

<sup>11</sup> Also “*neocomunism*” and “*democratic communism*”. According to some authors, the root of this movement is in Antonio Gramsci’s works

<sup>12</sup> It deserves to be noted that in English and Spanish the sense of Welfare State (Estado del Bienestar) is different from the French terminology “L’État Providence”, in Italian “Stato Sociale”, o alemán “Wohlfahrtsstaat” (Benefactor State), having all those three a sense of help, charity that in Spanish and English.

<sup>13</sup> “*The Global Risks Report 2020*”. World Economic Forum. Pg. 10.

## **1-4: Eiichi Shibusawa's Support for International Society through the League of Nations Association of Japan**

Akiko IIMORI

The Japanese entrepreneur Eiichi Shibusawa (1840-1931) is so well known as the “Father of Modern Japanese Capitalism,” that his portrait will be printed on the new Japanese ¥10,000 banknote in 2024. Many books about him have been published which either evaluate his business management from his young days in Paris till his retirement, or, concentrate on studying his book “The Sayings of Confucius and Abacus” from the standpoint of Japanese ethics and business. However, this article seeks to discuss another aspect of his life: His role as a promoter of internationalism in the 1920s period of Japanese globalization.

The German philosopher Immanuel Kant's famous “Zum ewigen Frieden = Perpetual Peace; a Philosophical Sketch (1795)” was first translated into Japanese as a booklet published by the League of Nations Association of Japan (LNAJ) in 1924. While there is no certain evidence that Shibusawa directly ordered this translation, he was nonetheless the LNAJ's first Chair (1919-1931) and, obviously, willingly supported its activities. Here I would like to talk about Eiichi Shibusawa and to introduce his engagement with the LNAJ where he strived toward the building of a harmonious international society. That is, the aim of this paper is to discuss Shibusawa's role at the LNAJ in the 1920s and his efforts to develop peace after his retirement from business. To this end, what follows is divided into four sections.

Section 1 shows how Japanese diplomats were rather reluctant participants in the establishment of the League of Nations demonstrating Japanese perceptions of international society and the difficulties the government experienced in organizing Japanese people. Section 2 introduces Shibusawa's participation in a variety of non-governmental associations. He worked to develop mutual understanding through an exchange of people and ideas in many organizations, because he believed that the more people developed a mutual understanding of international society, the better they could achieve economic development through free trade. In the 3rd section, his support of LNAJ activities and his approach to engagement for international peace are illustrated and analyzed through his speeches. He spoke out on topics such as: Disarmament, humanitarian support for refugees, and disaster relief in Japan. Thus, in the final section,

the LNAJ and Shibusawa's important role as its chair in the inter-war period of Japanese globalization will be evaluated.

## **1. The Japanese attitude toward The League of Nations**

After the ceasefire ending The First World War, the Japanese government and people were delighted to be recognized as belonging to the winning alliance and were conscious of themselves as one of the five great powers or "The Top-Ranking Countries in the World." However, even immediately upon its foundation, the Japanese government was reluctant to participate in the League of Nations. For example, the Diplomat Nobuaki Makino wrote in his memoirs, "The League of Nations shall be layered and utilized politically by the European Countries. But if Japan does not participate in it, we will lose opportunities to negotiate about international politics among the member nations. Thus we must join in the League of Nations."<sup>1</sup> That is, there was not a widespread idea that it might be necessary to pursue any enlightenment of the Japanese people about international society, even from the standpoint of Japanese diplomatic advantage.

Just after the establishment of the League of Nations, the core countries recognized the importance of informing their populations about the ideas behind the League of Nations and to rally their state and people behind slogan "Publicity and Education about the League of Nations is necessary according to each countries cultural situation."<sup>2</sup> The core European countries soon each organized their own non-political League of Nations Association.

However, the league was quite a political issue for the Japanese government. Japan had been involved in a dispute with the USA about the exclusion of Japanese immigrants since around 1900 and might have been able to exert diplomatic influence on the United States through the Union of the related Associations. Moreover, China had already established its own League of Nations Association and might take advantage of the League of Nations on issues regarding East Asia. How could Japanese people be best informed about the League of Nations?

## **2. Shibusawa's activities for mutual understandings**

Before Shibusawa's retirement from business around 1910, he recognized that an exchange of people and mutual understanding activities could develop free trade and further mutual prosperity. As a leading businessman he had already participated in several bilateral private associations designed to support mutual understanding, such as

the Japan-Anglo Association, the America-Japan Society, a meeting later called La Maison Franco-Japonaise, and the Sino-Japan Businessmen's Association.

For him the issue of peace was an ethical priority. In 1912 he established and became the main supporter of the Association Concordia, which aimed to integrate the world ethically. Many members of the Association Concordia, for example, Masaharu Anesaki, a professor of religion, Juichi Soeda and Yoshiro Sakatani, who often collaborated with Shibusawa, along with internationalists from other societies, all cooperated to enlighten the Japanese people about the spirit of the League of Nations in order to produce a more harmonious world.

Anesaki, Soeda, Sakatani, and others from the Association Concordia, Tsunejiro Miyaoka from the Peace Association of the Empire, members of the Japan and US-Japan Relationship Committee (also supported by Shibusawa), and Christian Daikichiro Tagawa from the Society of the International Japan, together decided to make a new organization in Japan in order to participate in the Union of the League of Associations. These enthusiasts held meetings with younger diplomats to draft new publicity and decided to recommend Shibusawa as the first chairman.<sup>3</sup>

Thus, in April 1919 the LNAJ was founded, declaring its aim to be the realization of the spirit of the League of Nations in Japan. In 1923 just before the Great Earthquake, about 2,000 people<sup>4</sup>; businessmen, students, and even some women were registered in cities across the country as members of the LNAJ.

### **3. Shibusawa's speeches**

Shibusawa played an important role in encouraging the LNAJ through his speeches at its meetings and through articles he wrote for the organization.

#### **a. Disarmament**

Just after the end of the war, the Japanese military budget was ¥800,000,000, amounting to almost half the government's 1921 budget ¥1,570,000,000. In these circumstances, the comments of Shibusawa's as the ex-businessman, made in a speech were remarkable.

“We, as living and wise human beings, need a means to survive in peace without war. In order to succeed in this aim, I believe, we need to build the League of Nations, rather than build warships, coastal batteries, combat planes, submarines. ... In order to construct a successful League of Nations, it is not sufficient just to hope for international peace. We must keep seeking a way of making a harmonious international society.

Thus, I believe that the LNAJ is one of the most suitable organizations for discussing disarmament.”<sup>5</sup>

#### b. Refugees

Neither the Japanese Foreign Ministry nor diplomats could pursue any formal humanitarian action for the defeated Germany, and they were equally unable to assist Armenian refugees. In the absence of this lead, Shibusawa demonstrated his sympathy and action non-politically. As the chair of the Armenian Refugee Society, located in the same office as the LNAJ, he gathered donations totaling approx. ¥20,000 in 1922-1923 while the LNAJ spread the news about Armenia and information about this Society through their periodicals.

Thus, on May 19 1922, Shibusawa stated, “It is very proper that the Japanese feel compassion for international issues, after Japan has achieved a position of international status. We feel dreadful pity for those starving and homeless Armenian children obliged to eat grass. There is no difference of sympathy. I appeal to the humanitarian sympathy of the Japanese people.”<sup>6</sup>

#### c. The Great Earthquake and International Relief

Just after the Great Earthquake of 1923 many countries immediately sent large donations and large amounts of relief supplies. As the Japanese government did not express its formal gratitude for these, Shibusawa undertook the necessary steps. Additionally, he helped to restore the daily life of foreigners who had lost their homes in the disaster. Moreover, he was greatly appreciative of the relief and humanitarian activities from China, especially since the two states had been involved in economic disputes, with the Chinese imposing a heavy boycott on Japanese products.

Thus, he wrote in his articles in the brochure of the LNAJ that: “After hearing of the Earthquake in Japan, China immediately changed from a policy of boycotting Japan to one of helping Japan. ... We cannot enjoy complete peace in the world. International issues often arise everywhere, in these circumstances and even though there are differences between human races and nationalities, I think, humanitarian sympathy is evidence of a great mercy. The Great Earthquake and the international relief showed us this wisdom.”<sup>7</sup>

His belief in the role of the League of Nations and the LNAJ can be seen in his address on the radio on the 10<sup>th</sup> anniversary of the ceasefire, where he stated:

“I am very pleased that the League of Nations makes efforts for international harmony

from the economic standpoint, too. ... In order to have hope for a real prosperity of a nation, I believe that it is necessary to have concord in politics, economics and ethics. If international economics proceeds in accordance with the spirit of the League of Nations, it will be impossible to insist on defending the interests of one nation. ... After the achievement of economic peace, then, each people will be content with its life, that is, the peace of economics is based on the peace of people. After the achievement of sympathy for others and peace in heart, harmony in economic development shall be successful.”<sup>8</sup>

## **Conclusion**

The Japanese Foreign Ministry was rather reluctant to participate in League of Nations despite the organization’s political significance. In these circumstances the LNAJ, fully supported by Shibusawa, attempted to fill the political space left by the government and tried to spread the idea of the League of Nations and to help Japanese people to understand international society.

Thus, in the early 1920s they published translations of many introductory articles on the ideas of peace by, for example, Immanuel Kant, R. Coudenhove-Kalergi, Anatole France, and other internationalists, even spreading knowledge of the philosophies and the way of life of Islam.

It is clear that these were neither the propaganda activities of the Japanese Government nor a form of short-sighted nationalism: They were not attempts to promote bilateral relations but rather efforts to further multi-lateral understanding.

However, after the Great Earthquake of 1923, Japanese economics slid into a slump and in 1927 a bankruptcy suddenly tipped the country into a deeper domestic depression. Simultaneously so-called expansionists, who were also interested in East Asia and international relations, became increasingly vociferous and began to participate in the LNAJ. Indeed, even the Foreign Ministry recognized the importance of publicity and shaping public opinion and a young ex-diplomat began to work at the office acting on the instructions from the Ministry.

During the period of international harmonious relations in the 1920’s, though there was a dilemma between humanitarianism and Japanese diplomacy, Shibusawa’s activities might be described as an early example of so-called “Human Securities” in Japan, based on his engagement to encouraging peaceful prosperity. The internationalism of LNAJ spread widely, even in the local cities and students, until the Manchurian Incident occurred in September 1931, and the elderly Shibusawa aged 91

passed away in November 11 of the same year.

Note:

<sup>1</sup> 牧野伸顕『回顧録』下巻(中央公論社、1978年)174-175頁。(Makino Nobuaki, "Kaikoroku, vol.2" [The Memoires], 174-175, 1978.)

<sup>2</sup> 「日本国際連盟協会関係一件 (参考書類の二) 第二巻」(外務省外交史料館所蔵)。(‘Nihon Kokusai Renmei Kyoukai Kankei Ikken; Sankou Shorui no 2, Vol.2’ [Document File regarding the League of Nations Association of Japan; Reference 2, Vol.2. Stored in the Diplomatic Archives of the Ministry of Foreign Affairs of Japan.]

<sup>3</sup> Ibid.

<sup>4</sup> 「会員名簿」『国際知識』1923年12月号。(‘List’, LNAJ ed.”Kokusai Chishiki”, Dec. 1923.)

<sup>5</sup> 渋沢栄一「軍備縮少と日本の将来」『国際連盟』1921年11月号。(Shibusawa Eiichi, 'Gumbi Shukusho to Nihon no Shorai' [Disarmament and the Future of Japan], LNAJ ed.”Kokusai Renmei”, Nov. 1921.)

<sup>6</sup> 『読売新聞』1922年5月20日付。(“Yomiuri Shimbun”, 20 May, 1922.)

<sup>7</sup> 渋沢栄一「国際共助精神の顕現」『我国の震災に対する諸外国の同情 震災に関する諸名士の所感』(国際連盟協会発行「パンフレット」1923年12月、第38輯)。(Shibusawa Eiichi, 'Kokusai Kyojo Seisin no Kengen', “Wagakuni no Sinsaini taisuru Sho Gaikoku no Dojo; Sinsai ni kansuru Sho Meishi no Shokan” [The appearance of the Spirit of International Mutual Help’;”The International Relief toward our Great Earthquake, Remarks of the Earthquake”], LNAJ Pamphlet No.38, Dec. 1923.)

<sup>8</sup> 渋沢栄一「御大礼に際して迎うる休戦記念日について」1928年11月11日ラジオ放送『渋沢栄一伝記資料』第48巻、265頁。(Shibusawa Eiichi’s Radio Address, ‘Go-Tairei ni saishite mukauru Kyusen Kinenbi ni tsuite’, “Shibusawa Eiichi Denki Shiryo”, [‘The Anniversary of the Ceasefire and the Enthronement of the Emperor Hirohito’, “The Shibusawa Eiichi Biographical Materials”], 265 vol.48.)

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## **Chapter II : Post-colonization in Europe and Asia**

### **2-1: European Integration and Decolonization. From the Beginning to Yaoundé Treaty**

Alfredo CANAVERO

How is the process of European integration linked to decolonization? What influence had the events of decolonization on European integration?

The desire for independence of colonial territories that had been accentuated during the Second World War induced the colonial powers, especially Britain and France, to seek new ways to keep their empires. Many things had to be changed because the substance of colonial rule remained unchanged. New ideas were necessary.

After the war, some British and French officials started speaking about Eurafrica, as a sort of economic sphere far from the US and URSS. A colonial co-operation was necessary for France and Great Britain to contrast anti-colonialist lobbies in the United Nations and the US<sup>1</sup>. Ernest Bevin, in a well-known speech at the House of Commons about the possibility of a Western Union, January 22<sup>nd</sup> 1948, said:

I would emphasise that I am not concerned only with Europe as a geographical conception. Europe has extended its influence throughout the world, and we have to look further afield. In the first place, we turn our eyes to Africa, where great responsibilities are shared by us with South Africa, France, Belgium and Portugal, and equally to all overseas territories, especially of South-East Asia, with which the Dutch are closely concerned. The organisation of Western Europe must be economically supported. That involves the closest possible collaboration with the Commonwealth and with overseas territories, not only British but French, Dutch, Belgian and Portuguese.

These overseas territories are large primary producers, and their standard of life is evolving rapidly and is capable of great development. They have raw materials, food and resources which can be turned to very great common advantage, both to the people of the territories themselves, to Europe, and to the world as a whole.<sup>2</sup>

In Spring 1948 the Foreign office announced a plan to found an African Development

Council, with the participation of all European Powers<sup>3</sup>. Even if Bevin stated that the co-operation had “the object of making the whole world richer and safer”<sup>4</sup>, it was obvious that the plan had more to do with British interests than with development of European co-operation or with welfare of African people.

The change of the international situation during 1948 caused the idea of an Anglo-French Eurafrica to form. Prague coup, Communist rising in Malaysia and Berlin blockade showed the impossibility to follow the way of a third force between US and URSS. Great Britain realized Europe was increasingly dependent on the US, either from a political, or economic, or military point of view. The beautiful words of Bevin of a richer and safer world were soon forgotten, as well as the idea of a third force. The United Kingdom put their trust in the United States, while France took the lead in the European integration process, beginning with the Schuman plan in 1950.

We should note that at that moment only five African states were independent. France and Great Britain had the lion’s share of colonial territories, but also Belgium and Portugal controlled great areas. Italy and Spain had a minor role. It is not surprising that the issue of a common European intervention in Africa re-emerged thanks to a German, namely a representative of a country that no longer had colonies. Johannes Semler (1898-1973), one of the founders of CSU and an economist, raised the question at the Council of Europe in 1950. Semler’s proposal was transformed into Recommendation n. 26, approved by the Assembly of the Council of Europe in September 25, 1952. The Strasbourg Plan, as it was named, was actually a reaction to the US development plan for Africa and an attempt to free Western European countries from economic ties with Washington. Europe –it was said- imported “from the dollar area a large part of its raw materials and had been able to pay for them since the end of the war only because of the generous assistance afforded by the United States<sup>5</sup>“. This state of affairs needed to change. For these considerations, the Assembly recommended:

- a. Increased production of raw materials in the area under consideration and, in particular, increased production of such materials as are at present imported by Europe from the dollar area or are likely to be exported to that area
- b. The adoption to this end of a policy of economic expansion;
- c. The utilization of the resources of all Member States in equipping and developing overseas countries;
- d. The provision of facilities in the overseas countries for the settlement of nationals having economic, scientific and technical qualifications, and for the

introduction of enterprises, from countries having no dependent overseas territories;

e. The co-ordination of investment projects, region by region and product by product;

f. The creation of openings in the European countries for overseas products.<sup>6</sup>

The establishment of a European Bank for the development of overseas territories was also recommended.

As everybody could understand, it was a plan useful for the European countries, but much less for African countries. As we said, the fundamental purpose was to subtract Western Europe from economic dependency of the US. The Committee of Ministers of the Council of Europe approved the recommendation and transmitted it to the governments (May 6<sup>th</sup> 1953)<sup>7</sup>, but the recommendation was never applied.

When the process of European integration, after the failure of the European Defense Community (EDC), kept again the stage, France had to solve the problem of conciliating its European interests with the maintenance of the Union Française, the political entity created in 1946 to replace the old French Empire. Through the Union Française France controlled the Overseas Territories (Territoires d'outremer, TOM). They were divided in two great federations, French West Africa and French Equatorial Africa. The first one included Mauritania, Senegal, French Sudan (now Mali), French Guinea, Côte d'Ivoire (Ivory Coast), Upper Volta (now Burkina Faso), Dahomey (now Benin) and Niger. The second one included French Congo, Gabon, Oubangui-Chari (now Central African Republic), Chad, and French Cameroon.

The Union Française was well alive in the mid-fifties. As the director of Economic Affairs of Ministry of Overseas France put it:

The common market France - Africa was, in many respects, beyond the one it was creating in Europe. As there was no question of France abandoning Africa, it was necessary to reconcile these two appurtenances, it was necessary that Europe accepted Africa.<sup>8</sup>

During the Conference of Venice (May 29-30, 1956) France asked European partners to take into consideration the participation of its overseas territories to European projects. French Foreign affairs minister, Christiane Pineau, said that France could not join a common market without TOM countries. The European partners were hardly enthusiastic about the French position. With the exception of Belgium, they did not have important colonies: for Italy Somalia was only a trusteeship, bound to end in 1960, and

its economic interests were oriented towards Latin America; The Netherlands and Western Germany were more interested in Asia or Latin America. In any case, they did not want to be linked with French colonial policy, contested especially in Algeria. France had only the support of Belgium and the two countries presented a project of association of African territories to the Common market. The proposal foresaw only an association and not a true participation and was based on the development of commercial exchanges and a distribution of investments among the Six.

Luxemburg, The Netherlands, Germany and Italy did not object to the principle of the association, but to the conditions of the association. They did not want to have a direct political responsibility in countries they had neither the possibility nor the willingness to control. At the beginning of 1957, the French Assembly approved the project of Common Market, provided that it ensured the association of overseas countries. After several meeting and discussions, in Paris, on February 19-20, 1957, just a month before the signature of the treaties of Rome, a compromise was found.

On March 25, 1957 the Treaty establishing the European Economic Community was signed in Rome. The Preamble said that the Six intended “to confirm the solidarity which binds Europe and the overseas countries and desiring to ensure the development of their prosperity, in accordance with the principles of the Charter of the United Nations”. Beyond these general affirmations, the fifth part of the treaty (articles 131-136) was devoted to the “Association of the overseas countries and territories”. In particular, article 131 said:

The Member States agree to associate with the Community the non-European countries and territories which have special relations with Belgium, France, Italy and the Netherlands. These countries and territories (hereinafter called the “countries and territories”) are listed in Annex IV to this Treaty<sup>9</sup>.

The purpose of association shall be to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole.

In accordance with the principles set out in the Preamble to this Treaty, association shall serve primarily to further the interests and prosperity of the inhabitants of these countries and territories in order to lead them to the economic, social and cultural development to which they aspire.

A sum of 581 million dollars was deliberated to help economic and social development. An Implementing Convention would determine the details and procedure for the association of the countries and territories with the Community.

The Six had realized that it was impossible for them to lose interest in territories which they had had linked to in the past. Moreover, after the Conference of Bandung (1955) the developing countries had become a real force between the West and East. Finally, the US had urged the Europeans to take charge of the development of African countries, fearing that these would fall under communist rule. This was particularly true after 1960, when seventeen African States, fourteen of which already associated to EEC, became independent.

The position of EEC towards African territories was criticized from various parts. Certain Associated States complained that the agreements had been conceded (*octroyée*) (or imposed) and not negotiated (*negociée*). Other African states not associated wanted to join the association. Finally, in some circles of the Six the agreements with Africa were considered hardly profitable. It was necessary to change and to have a relation with African countries on an equal footing. The first All-African Peoples Conference (Accra, December 1958) denounced the European imperialism and its pacts, citing not only NATO, but also EEC and EFTA<sup>10</sup>. Ghana President Kwame Nkrumah spoke of “neo-colonialism”, comparing the Treaty of Rome to the African conference of Berlin (1885)<sup>11</sup>.

The European Parliamentary Assembly took the initiative. At the end of March 1960, it proposed a Eurafrikan Parliamentary conference. The Council of Ministers was very concerned, but it had to accept<sup>12</sup>. After some preparatory meetings, in June 1961, from 19 to 24, 103 deputies from 16 African countries and 142 European deputies met in Strasbourg to deal with future Eurafrikan relations. The conference showed a remarkable convergence of views between European and African MPs. The new rules of association were to enjoy equality in negotiations and parity in controlling the Common Development Fund (already European Fund of Development). An Italian MP, Mario Pedini, observed that an era of cooperation was to replace definitively the colonial era<sup>13</sup>. African countries were determined to replace the ties with the former colonial powers with a multinational partner, the EEC. And the EEC wanted to enlarge the association beyond the “little Eurafrikan”, so to include other African States. The idea was to associate African countries of Commonwealth, considering the opening of negotiations for the entry of United Kingdom into EEC.

The association would be more than a simple commercial accord; had to become the base of a tight and lasting economic link between Africa and EEC. A representative of the Ivory Coast said that the association was the best form of co-operation between developed and underdeveloped countries<sup>14</sup>. The Conference foresaw also financial and

technical aids and cultural co-operation.

Following the Parliamentary conference, the Six and the new African States met twice in 1961 (1-3 June and 10-11 November), in order to prepare an Intergovernmental Conference among the African associated States, the Council of Ministries and the European Commission (Paris, December, 6-7 1961). Forgetting that they had considered the Treaty of Rome as imposed, African countries demanded now that the Convention of Association be kept unchanged, to favor their economic and social development. The EEC expressed only general remarks, underlining the principle of parity between the partners, promoting co-operation, exchanges and industrialization.

The main problem among the Six was the position of Paris. The decolonization process was a big concern, because it threatened to jeopardize France world power status. France had already lost Indochina in 1954, Morocco and Tunisia in 1956, whilst Algeria was in turmoil. Maintaining strong economic links with its former colonies was vital for France.

The situation was even more complicated by the British application for accession to the EEC. For reasons similar to those of France, United Kingdom wanted the association of Commonwealth countries and was contrary to a position of greater favor for earlier associates. Germany and the Netherlands declared in favor of the suspension of negotiations with the associated, pending the conclusion of negotiations with Great Britain. France was completely against this. Only in March 1962 could the Council of Ministries come to an agreement and the meeting with the African States could be resumed. On 9-10 April 1962 a second Intergovernmental conference decided to regulate trade on the provisions of the Treaty of Rome. From January 1963 customs duties on certain tropical products would be abolished and replaced by a common external tariff. Resources for the implementation of the new agreement could not be specified. It was said only that they would be increased compared to the past.

In July a third Intergovernmental conference (Bruxelles, July 4-5, 1962) defined in 780 million dollars the resources of the Fund of development. A Fourth (Bruxelles, October 23-24) and a Fifth (Bruxelles, December 19, 1962) Conference allowed to arrive to a compromise text, valid for a period of five years.

On these bases in July 1963 EEC and 18 African and Malagasy States signed in Yaoundé (Cameroon) a Convention. The Convention foresaw the continuation of the Rome Treaty with the main goals to expand trade between the two partners. EEC agreed to lower and finally to eliminate its custom duties on tropical products of associated states, but only the ones not covered by the Common Agricultural Policy (CAP). For a

limited period, a Common External Tariff (CET) would prevent import of similar goods from other developing countries (for instance cocoa, coffee, tea, cloves, nutmegs and pineapples).

France agreed to progressively eliminate “Surprix”, an export subsidy to maintain the prices of some export goods of its former colonies above market prices. In the same time African and Malagasy states agreed to progressively abolish custom duties on EEC exports, except those generating revenue for “its development needs or its industrialization requirements or which are intended to contribute to its budget” (article 3). European goods, in other words, could not jeopardize the young African industry. The African member states, however, establishing custom duties were not allowed to discriminate between one Community country and another. Within a period of four years “all quantitative restrictions on imports of goods originating in Member States and all measures having equivalent effect” would be abolished (article 6). The Convention would have led to the establishment of a free trade area between the contracting partners.

The Yaoundé Convention foresaw also financial and technical aids. A sum of 730 million unities of account (more or less 800 million dollars)<sup>15</sup>, part from the European Development Fund and part from the European Investment Bank, would finance projects, especially devoted to the “rationalization of cropping and sales methods” and diversification of products (article 17).

Last, a real organization was set up in order to give stability to the Convention: The Association Council assisted by the Association Committee; the Parliamentary Conference of the Association and the Court of Arbitration of the Association (articles 39 to 53).

The way to the Convention of Yaoundé had been long and not easy. Serious disagreements in the policy of intervention in Africa in 1957 were overcome only by the need to conclude the Treaties of Rome. The independence of many African states in 1960 led to modify the European approach towards the Black continent. Netherlands and Germany wanted a regime of liberal economy with an important role for private initiative. France preferred maintaining a protectionist and interventionist regime. Belgium, Luxemburg and Italy tried to favor a compromise. Unlike the Six, African countries were able to present a united front and, even with the support of the Commission and the European Assembly, less tied to national interests, they got some result.

No doubt, European interests were well guaranteed, but the new agreement had some

interesting innovations. It was not a unilateral act, but a real treaty, based on international law. The link was mainly economic, but there was also a significant political component and an institutional framework, with bodies with real powers. With the Convention, the EEC was turning a relationship of colonial dependency into a model of cooperation for development, which, while not flawless, would contribute to the improvement of the living conditions of African populations.

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<sup>1</sup> A. ADAMTHWAITE, *Britain, France the United States and Euro-Africa, 1945-1949*, in *L'Europe Unie et l'Afrique. De l'Idée d'Eurafrrique à la Convention de Lomé I*, Bruylant – LGDJ – Nomos Verlag, Bruxelles – Paris – Baden Baden 2005, pp. 124-125.

<sup>2</sup> *Hansard Parliamentary Debates*, 22 January 1948 vol. 446, col.398.

<sup>3</sup> P. HANSON – S. JONSSON, *Eurafrica: The Untold History of European Integration and Colonialism*, Bloomsbury, London – New York 2013, p. 89.

<sup>4</sup> *Hansard Parliamentary Debates*, 22 January 1948 vol. 446, col.399.

<sup>5</sup> Co-ordination between the economies of the Member States of the Council of Europe and those of the overseas countries having constitutional links with them (Recommendation 26), Parliamentary Assembly Session 1952 - 4th Session - Second part.

<sup>6</sup> *Ibidem*.

<sup>7</sup> Twelfth Session of the Committee of Ministers, Minutes of the first meeting, 6<sup>th</sup> May 1953 at the Seat of the Council of Europe, p. 16.

<sup>8</sup> P. MOUSSA, *La roue de la fortune. Souvenirs d'un financier*, Fayard, Paris 1989, p. 72.

<sup>9</sup> The countries were: the territories of French West and Equatorial Africa, Saint Pierre et Miquelon, the Comoro Archipelago, Madagascar and dependencies, French Somaliland, New Caledonia and dependencies, French settlements in Oceania, Southern and Antarctic Territories, the Autonomous Republic of Togoland, the trust territory of Cameroon under French Administration, the Belgian Congo and Ruanda-Urundi, the trust territory of Somaliland under Italian administration, Netherlands New Guinea. French Overseas Department and Algeria were not included, as integral part of French metropolitan territory.

<sup>10</sup> See I.W. ZARTMAN, *Politics of Trade Negotiations between Africa and European Economic Community. The Weak confront the Strong*, Princeton University Press, Princeton 1971, p. 20.

<sup>11</sup> K. NKURUMAH, *Neocolonialism*, International Publishers, New York 1966.

<sup>12</sup> See I.W. ZARTMAN, *Politics of Trade Negotiations*, cit., p. 31.

<sup>13</sup> Quoted in U. VAHSEN, *La Conférence parlementaire eurafricaine de Strasbourg (19-24 Juin 1961)*, in *L'Europe Unie et l'Afrique*, cit., p. 382.

<sup>14</sup> *Ibidem*, p. 385.

<sup>15</sup> As defined by article 1 of the protocol n.7 of the Convention “The value of the unit of account used to express sums in the Convention of Association or in the provisions adopted in implementation of this Convention shall be 0.88867088 grams of fine gold”.

**2-2: A Pattern of Collaboration: European Integration and Decolonization.  
From Yaoundé Treaty to Present Days  
French leadership and British concerns (1963-1971)**

Giulia LAMI

The Yaoundé agreement so painstakingly achieved in the summer of 1963 nevertheless found several detractors even before its official launch. The almost absolute prevalence of francophone States was the first of major contrasts among the Six, and especially a source of new disagreements between Paris and Bonn.

The undeniable imbalance between French Republic and the other European Community members in relation with the new African geopolitical context started to change beginning in 1965. Indeed, at this time the European Commission started and carried on difficult negotiations with the Federal Republic of Nigeria, which would have led to the signature of the first cooperation agreement with a former British colony, one year later.

However, the French Republic President de Gaulle opposed these politics among the Council of EC, in the same context that during those months would have determined the renowned "Empty Chair Crisis". In such a climate, we can easily explain the failure of the whole path, which prevented the entry into force of the Agreements of Lagos.

If in the middle of that decade the Six seemed to experience a deep and troubled phase of internal renovation, the African continent gave the impression of a future of civil progress and economic prosperity. Among the main signs of this ideal and political fervor were the initiatives aimed at creating common regional markets. Countries of the former British East Africa, such as Kenya, Tanzania and Uganda, followed the pattern of the African and Malagasy States Union (AMU), and in the early 1960's had already created the East African Community (EAC).

The new unique Commission of the European Communities led by Belgian politician Jean Rey from July 1967 immediately intended to collect the huge inheritance left by his predecessors. Brussels also established on this occasion only relationships of a commercial nature in the African Great Lakes area, resulted in the signing of the Arusha Agreement, in 1968. Yet, once again, French resistance, added to the approaching expiration of the first Yaoundé Convention the following year, prevented the implementation of this agreement for quite a time.

Beyond the imbalances among European States, the greatest criticism faced by the Yaoundé Convention-and those conventions that followed- was therefore inherent to its setting, which was defined by many leaders as heir of a colonial attitude, or simply "neocolonial." To be firstly impeached was that principle of "reciprocity" around which revolved the whole business side (the most important one) of the Treaty, that, according to his many detractors would have done nothing but perpetuate the status of minority in which the African commercial partners of European States had been relegated.

Indeed, we can consider this a kind of ideological reading that was to demonstrate the geopolitical context permeating international relations of that era, yet far from full *Detente* that would feature the following decade.

Just during the first session of UNCTAD works and the G.A.T.T.'s *Kennedy Round* arose a huge debate on this matter. The technical-regulatory pillar on which the trade agreements were based consisted in the adoption of Inverse System of Preferences between EEC and AMU. In fact, in the same preparatory meetings between 1961 and 1963 the Commission and counterparties had already revealed a completely different orientation, aimed at extending tariff concessions towards the incoming number of wider and semi-finished products from the world of Underdevelopment, releasing them from classic exchanges to get in other fields, and thus defined "Generalized Preferences".

The heated debate about the nature of trade regime to be established between developing Countries and Advanced economies will feature a bigger part of the relationship in this field between the two sides of the Atlantic Ocean in the following years, dominating the G.A.T.T. *Kennedy Round*.

### ***Yaoundé II: the persistence of French interests (1971-1975)***

The second decade of the European Integration path was certainly closing in on a difficult climate for Community institutions.

In a context marked by the first negative signals in the economy after around twenty years of extraordinary growth, and by a large social uprising across the entire continent, European policy could not really be attentive to the needs of its partners in the Third World.

A clear message of how most of the energies were directed elsewhere, notably in the preparation of the "Relaunch Summit" of the Hague, was the expiry of Yaoundé Convention, ended on 1st June 1969.

As far as the agreement for its renewal was soon to be closed, for its entry into force it still had to wait until 1 January 1971, corresponding to that of the Arusha Convention,

already mentioned. It does not seem hard to find among the main reason for such a slowdown work the overlap of crucial accession negotiations undertaken by the United Kingdom, Ireland, Denmark and Norway between summer and autumn of 1970 under the new EC Commission led by Italian politician Franco Maria Malfatti. The choice of simultaneous implementation of the Second Yaoundé Convention and Arusha agreements was therefore a sign of a well-defined political will from the part of the Commission and that of the EC Council members, aiming to soften the hegemonic role always played by France in this area, just to smooth out any reason for new disputes with the United Kingdom during the negotiations, as much as possible.

Despite similar attempts of balance, the opening of the Seventies still was to represent France in the prevailing projection of EC to the world. Adjustments that are far more significant were in some technical points of the Second Yaoundé Convention. Partly abandoning the approach, which can be still defined paternalistic to some extent, that had marked the agreement of '63, now associated countries had more authority for decision and proposal of development aid programs to be submitted to the European Investment Bank, which – it should be noted – were still subject to final consideration by the EC Commission.-

Meanwhile, UNCTAD was finally able to reach approval in the UN General Assembly of the introduction of the Generalized Preference System. Through the President of the Commission Malfatti, EC undertook to be the first institution of Developed Countries to apply these new arrangements from 1 July 1971. This was to emphasize a growing desire for autonomy from U.S. protection displayed in what was essentially the only field of action left to the EC by Cold War geopolitics: the commercial one.

### ***The Revolution of the first Lomé Convention (1975-1980)***

As we know, a general stagnation in the arrangement of issues inside of Community system marked the period immediately following after the first EC Enlargement. Most significant changes were to arrive from the African continent, where AMU partners gathered at Kinshasa on March 31, 1973, were forced to approve definitively the new rules on Generalized Preferences, in compliance with recent decisions taken by the United Nations in this regard.

In the aftermath of Nine States Europe's achievement, the Committee chaired by Francois Xavier Ortoli faced the urgent necessity of reorganizing the entire policy of development aid, which at that point could not be postponed. In setting its policies on

this matter, Brussels thus decided to gather in a new category the old members of AMU States and Countries from Commonwealth of Nations in Africa, Caribbean and Pacific areas (ACP)<sup>1</sup>.

The negotiations with this assorted group began in October 1973 in Brussels, and they were strongly influenced by the emergence of the *Yom Kippur War*, and by the resulting First Oil Crisis. The subsequent difficulties in procurement of raw materials between the end of the year and the beginning of 1974 gave greater force to ACP demands to gain more favorable conditions in European States.

In this condition, it was paradoxically the decisive French intervention, with the guidance of new French Presidency of Valéry Giscard d'Estaing, following his recent electoral success, to avoid that all failed. Finding the usual points of mediation with the other protagonists of the European scene, Federal Germany and the United Kingdom, discussions could thus continue in the following months more quickly, until their inspired conclusion came in another African capital, Lomé (Republic of Togo), on February 28, 1975.

Once again, the effective entry into force of the treaty was postponed until 1 January 1976, keeping the usual five-year formula.

In just twelve years between signatures of two major conventions here concerned, a long maturation process known by the European Community had been overcome. This can be inserted in the wide general context of reorganization of the international order.

The Lomé Convention undoubtedly made a change in this field we can easily define as "revolutionary". A revolution that cannot evidently stop at mere quantity, although this should involve the major impact, made by a sudden doubling of the area affected by the agreements, from twenty-one to forty-six involved States, geographically covering for the first time three continents.

As a matter of fact, the whole design of the entire structure was to be radically changed. The principle of "equality," was firstly applied that was previously left only in the background. It was preferred to abandon so much as the same terminology apparatus connected to the "Association", in the attempt to highlight how new subjects enjoyed full autonomy on a joint plan with the Nine. The application of Generalized System of Preferences (GSP) to so many new markets was unprecedented in the recent history of world trade.

To further underline the distance with the past, European diplomats planned the launch of a new tool, the STABEX, which with its own resources should have protected producers from any countries in exports declines in a long series of their agricultural

products, and also some iron ore.

The financial apparatus backing such a system was impressive. Economic resources revenues tripled, reaching 3.15 billion of E.C.U., divided between European Development Fund, the EIB, and the same Stabex Fund.

Externally, the Lomé Convention was undoubtedly the climax of a Neutralist and "Third Force" politic pursued by the European Community from several years, which up to that point had been caged into the drive scheme of Cold War that had ruled the international scene during the three previous decades. At the same time, this framework was believed to be about to give way to an entirely different future. Much of its starting success and the enthusiasm that surrounded it must be therefore ascribed to general *Détente* situation that in the same year was intended to lead, for instance, to agreements of Helsinki, and to the foundation of the OSCE.

From an internal perspective, we can read in this event maybe one of the happiest compromises reached between the needs of two major ex-colonial powers. A success that assumes an even higher value if we take into account contemporary difficulties in which was Europe was debating the second half of the 1970s, and which would thereafter set a Community deeply transformed, by comparison with its original features.

### ***Height and first rifts in Development Cooperation (1981-1990)***

The Jenkins EC Commission, serving from 1977 to 1981, found themselves managing the agreements just signed. Among the advances of the period are rightly included the launch of the European Monetary System (EMS), and the beginning of the "Southern Enlargement" of Community, with the inclusion of the young Greek Republic, accompanied by candidacies of Portugal and Spain. This without taking into account the radical evolution of Community representation system crossed in those years, with the approval and the execution of the first European parliamentary elections, in June 1979.

In a similar context, the lesser prominence conferred to the renewal of the Lomé Convention is not astonishing, regularly arrived during 1980 and effective starting next year. Indeed, after the big impact of the first treaty, the second Lomé Convention was limited to make smaller evolutions. The most important one surely was to extend the facility to revenue arising from exports to eight new typologies of mining products, with the introduction of the SYSMIN Fund, built based on the already seen Stabex (whose funds were incidentally raised).

However, already during 1982 the new Community Cabinet of Gaston Thorn was

forced to become aware of how the agreement had lost a relevant part of its initial strength, for several reasons.

From a purely commercial point of view, it was beginning to feel the end of that wave of rising commodity prices caused a few years before by the Iranian Revolution, and by the subsequent Second Oil Crisis. This brought a huge damage to Third World exporters.

In this issue, the same supranational feature already reinforced by the formal establishment of the European Council, leaving little room for maneuver and powers of guidance and coordination to the common institutions, above all the Commission itself, still was to underpin the entire Community building.

The initiatives were therefore left to decisions (and vetoes) of leader nations among the European Council. Besides this, there was a heavy mortgage posed by British Premier Margaret Thatcher, as part of an overall reassessment of the entire EC building, which could not avoid the question of the effective valence of aid to Underdeveloped Countries, and especially their cost in terms of national and common budget.

In contrast, there was an apparent objective difficulty of coordination of the various inner instances of the ACP Group, which was equipped with common institutions immediately after Lomé I, and who was in turn increasing in number of components.

A fatal blow at least to the "Lomé spirit" was given at the same time by mid-term consequences of the general Conference on Development held in Cancun in late 1981, where the United States made prevail a regionalist approach to these themes, contrasting the globalist logic pursued in recent times by EC and the United Nations, and ultimately considered unrealistic.

Nevertheless, the path of cooperative policies outside Europe did go ahead despite all these features. Due to an awareness now established in the diplomatic policy, on the occasion of the renewal of the Lomé Convention in 1985 it was stated the principle that everything should be reported to the agricultural and industrial development even into the domestic market, abandoning the logic that up to that point had tended to favor foreign trade and exports. The possibility of investments shared among both public and private financing, in accordance with co-financing method was covered for the first time as well.

Another great innovative item was given by the establishment in Brussels, in 1986, of the EEC-ACP (that meanwhile reached 63 members) Cultural Foundation, that had precisely the task of facilitating institutional dialogue between North and South of the World, in the name of that social and cultural cooperation of which it had warned the lack, in previous years.

Negotiations in prevision of the Fourth Convention took off in October 1988 in Luxembourg, and many other aspects work towards greater optimism. The economic recovery now taking place in the Western world, and even the Gorbachev's Era that was recently opened in the Soviet Union with its fallout throughout the entire Eastern bloc, seemed to portend a new Détente, and therefore to disclose as yet unknown maneuverable spaces for the revival of worldwide relations between richer and poorer countries.

Much of these enthusiastic conjectures were soon sharply muted by the discovery of a given reality: despite all these efforts, it became clear that at the end of the eighties the distance between underdeveloped and advanced economies had seen a kind of striking increase. Primarily the public debt of the Third World and its recent exponential growth caused alarm, due often to reckless behaviors shown by incapable ruling classes and corrupt local bureaucracies.

The last EC/ACP agreement was signed between the fall of the Berlin Wall and the ultimate collapse of the Soviet empire. It tried to face the problem of the public indebtedness of Poorer Countries in a series of articles involving the abolition of the mechanism of reimbursement of Stabex and Sysmin funds, to whom they were obliged.

### ***Toward Cotonou: tentative Conclusions***

Even in the recently disclosed "Post-bipolar era", Brussels still remains the first commercial partner of the Third World, managing the 13% of the total amount of aid to Developing States. However, a momentous event as the end of the Cold War of course could not leave out the geopolitical strengthen arrangements in this field.

While not entering into matter of the document signed in Cotonou, which still manages the relationship between actual European Union and the ACP Countries, we can remember it in short sections, such as its extension to new member States; the fundamental simplification, which amended the 369 articles achieved with Lomé IV reducing them to about one-third; and finally a greater attention to the role played by private entities such as non-governmental organizations.

It is certain that the revolution of 1989-1991 could not arrest policies of European development cooperation. Yet, it is also true that in many ways it transfigured them, primarily because it set in motion processes that brought Europe itself to mutate as never in the past. With the rise of the European Union at Maastricht, and even more so the parallel emergence of democratic-style political systems in what had been the world beyond the "iron curtain", the main continental interests shifted eastward, and not only

in a purely economic point of view. Enlargements of the last twenty years, even that of NATO, would have clearly demonstrated it.

During the decade following the fall of Berlin Wall came to be fully manifest many of the dynamics that were already predictable in the 1980s, but which the persistence of bipolar logic, although divided into more or less critical phases, had always prevented in its entire expression. The nations which had given in the past their industrial and financial assistance to developing countries were now free from the necessity of maintaining good relationships with many partners in an anti-communist perspective, while their support was increasingly linked to clear standards in civil, juridical, and political field, that were also planned before, but never applied with a similar strictness. Yet, in the very unique historical moment, later the United Nations Organization would take on more and more importance in the planning of Development aid, in this sense going to absorb, and nearly to enclose in it, similar policies from Europe.

The issue that we have shortly tried here to reconstruct seems one of a great hope ended with what currently appears to be an equally great failure. Moreover, in this meaning it takes a paradigmatic value for the history of European Integration in itself.

Unable to pursue a proper common foreign and military policy, which indeed is struggling to assert itself even after the Treaty of Lisbon, Brussels set in relations with the "Underdevelopment World" the main tool of its external projection, periodically renewing it over four decades. At a first free trade approach, it was replaced by the early 1970s a politics with greater ambition and ideality that, at least at the beginnings, seemed capable of positive impact on the development prospects of the Third World.

This long path was perhaps the first to clash in terms of what in more remote times would be called "power politics" between major European Nations of a colonial past in Africa: first France and Belgium, and then the United Kingdom. A competition within the Community was embodied even in the typical form of fight over the nationality of the various Commissioners for the Development, and maybe even more on the Commission's offices to their dependencies.

The foregoing opens on a key aspect of this discourse. As in all other EU policies, the very explanation of the broad cluster of difficulties lied once again essentially on the supranational model that Europe had given to itself, as far as in de Gaulle's era, or in the 1970s of Giscard and Schmidt, or still in the decade of Margaret Thatcher. It can be assumed that a totally independent Commission having full decision-making powers, and that could take advantage of its own resources even before 1971, would no doubt overwhelm the crossed opposition among the members of Council. It is certain that

within half a century the positive effects of these policies were gradually waning. Although many scholars have criticized them, it would not be however correct to resize here the initial positive results, which were concrete. The levels of growth in many Countries, at least between the 1960s and 1970s, increased considerably, as did average standard levels of living of their populations.

In those circumstances, we can say that if this appears now as a failure, and current events in the relationship between not only North and South of the World, but also between the same Northern and Southern shores of the Mediterranean Sea contribute to testify, dramatically more responsibilities cannot be attributed to European policies. In the attempt of contrasting corruption among local and international bureaucracies since Lomé II the improvement of control mechanisms has been tested, as well as the annexed verification of effective realization of programs. Results have been, however, unsatisfactory.

Concluding, if the Third World, which had just risen up in its self-consciousness, was given not a certainty, but at least the hope of a future of prosperity and progress made, beyond East-West divisions, this largely should be ascribed to its former dominant, and to the model that it had managed to create. This happened despite all the mistakes that Europe had made since 1945. This hope must still find ways to fully take place, and will take on new challenges and new research in the future.

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<sup>1</sup> In addition to the AMU members and to the three States of the *East African Community* already mentioned, they were therefore Liberia, Ghana, Gambia, Nigeria, Ethiopia, Rwanda, Burundi, Malawi, Lesotho, Swaziland, Zambia, Mauritius, Bahamas and Barbados, Jamaica, Grenada, Trinidad and Tobago, Guyana, Fiji, Samoa and Tonga.

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## 2-3: France, Decolonisation and the Global South: France's Struggle for a New World Order

Tomoya KURODA

### Introduction

The world order has generally been created by the hegemon of the time. Therefore, it is quite natural to focus on the behaviour and idea of a hegemon when we think about the essence of world order. In the case of the Cold War, it is evident that analysis should be directed toward the US, who contributed to the creation of a 'liberal international order'<sup>1</sup>. One might wonder, therefore, whether the analysis of medium (middle) power states like France is relevant for this theme. In fact, the case of France shows that even middle power states can influence the status of the World Order. By creating a concept that transcended the bipolar world of the Cold War, France played a role, to a certain extent, in remaking the World Order after the Second World War.

What kind of relationships can we discern between French Decolonisation and the Global South? The first question may be "did French decolonisation have an impact on the ascension of the Global South?" This question may appear quite controversial at first glance. First, the Global South, long referred to as the Third World, was, at least in the 1960's and the 70's, headed by prominent leaders, such as the Argentine leader Raúl Prebisch, or the Algerian leader Houari Boumedienne. In addition, some recent studies have argued that the Vatican has influence in making of G-77 (a group of developing countries) from the outset of the UNCTAD (United Nations Conference on Trade and Development) activities<sup>2</sup>. However, France conceptually contributed to their emergence, as the phase *Tiers-monde* (Third World) was coined in 1952 by the French economist Alfred Sauvy<sup>3</sup>. France's influence here can be at least slightly recognized. After answering this difficult question, we shall analyse how and why France took the initiative in reacting to the Global South, from the 1960s to the early 1980s. They did this through the negotiations that they pursued in frameworks such as UNCTAD, the Generalised System of Preferences (GSP), and the Conference on International Economic Cooperation (CIEC)<sup>4</sup>.

### 1. TAD and the institutionalization of Third World

The Third World created by Sauvy and its meaning:

According to the Indian-born historian Prashad, the concept of the Third World had

a certain effect on the consolidation of developing countries. Prashad maintained that Sauvy's perception was not directly taken by Nehru, who was a prominent leader of this non-aligned movement, but it was de facto taken by him. Based on the common fate that the participants of the Third World had all experienced colonial rule, they could unite themselves into a group. Sauvy's idea was very French, considering the fact that he took inspiration for the phrase Third World from the phrase, Third State (tiers-Etat), which was coined by Abbé Sièyes at the time of the French Revolution<sup>5</sup>.

Regarding French development aid, one important element of its policy towards the Global South, Africa, especially North Africa, which Algeria initially occupied a big share of this aid remained a main target of this aid (almost eighty percent) from 1963 to 1971.<sup>6</sup> Therefore, we can discern a regional approach rather than a global approach in French aid policy in the 1960's.

#### Who made UNCTAD?

It is almost agreed that UNCTAD was established by the initiative of the Third World. Its origin may go back, of course, to the invention of 'self-determination', in the fourteen points officialized by Woodrow Wilson<sup>7</sup>. In addition, France's defeat in the First Indochina War at Dien Bien Phu, and the Bandung Conference in 1955, were also important points<sup>8</sup>. Some leaders played significant roles, such as Kwame Nkrumah, a pan-Africanist; Gamal Abdel Nasser, who gained some prestige after the victory in the Suez War; and Léopold Sédar Senghor, with his movement of *négritude* with Aimé Césaire<sup>9</sup>. Therefore, its origin from a longer perspective can be discerned earlier than in the 1960s. However, its immediate origin can be identified as the the Cairo Declaration in 1962. Here, 36 nations from three major regions gathered and were supported by Raúl Prebisch. They presented a resolution in support of a new UN conference on 'all vital questions relating to international trade, primary commodity trade, and economic relations between developing and developed countries'<sup>10</sup>.

#### What were the reactions of Western countries, including France?

Interestingly, among the EEC countries, only the Netherlands were in favour of this new Conference. Even France, who had created the concept of the Third World, was reluctant. In fact, a French diplomat who had requested that their African allies refrain from participating at the Cairo Conference, found themselves to become the target of heavy criticism from these 'rebels'<sup>11</sup>.

In addition, the US was also reluctant<sup>12</sup>. Therefore, almost all Western countries were

reactive to the efforts made by the Global South. According to Garavini, the dysfunction of another UN agency, Economic and Social Council (ECOSOC), and other international organisations, such as the World Bank and the International Monetary Fund (IMF) contributed to the emergence of UNCTAD<sup>13</sup>. Interestingly, the EEC's attitude was that it was willing to set up a preparatory committee, in order to ensure enough time to secure a ratification of the Yaoundé Convention with the Association of African States and Madagascar (AASM)<sup>14</sup>. Therefore, a regional approach focusing on Africa and Mediterranean countries was triumphed, at least at the beginning, over the global approach. Finally, the French grant to the establishment of UNCTAD occurred because of its mixture of regional and global approaches.

In this way, in the first half of the 1960s, France took a regional approach. French development aid was mostly directed to Africa, where France had a 'colonial inheritance (*héritage colonial*)'. Regarding the formation of UNCTAD, France was reactive, rather than being an initiator, because of this regional approach, and because of the perception of threat as shown by the French diplomat cited above. This was true even though France had made the concept and vision of a multipolar world order, consisting of three worlds: The First World, the Second World, and the Third World.

## 2. GSP

The EEC the GSP to G-77 (which then comprised 91 countries) in July 1971, based on the proposal of UNCTAD<sup>15</sup>. The GSP is an on-going mechanism that reduces or exempts duties to developing countries for certain finished products or semi-finished products. This was non-reciprocal, which means that the preferences would be accorded only from industrialized countries to developing countries, but not from developing countries to industrialized countries.

In this process, what kind of position did France take? Further, why did France take this attitude? Based on the multiarchival approach (French, German, and European Community archives), this section seeks to answer these questions by clarifying the French idea and position towards this ostensibly global policy.

First, an initial formal move was made by G-77 in the framework of the Alger Charter in 1967. In addition to setting the target rate of development aid to one percent of gross national product (GNP) and abolishing 'special preferences', the Alger Charter demanded that 'All developed countries should grant such preferences (note: a general system of tariff preferences on a non-discriminatory and non-reciprocal basis) to all developing countries'<sup>16</sup> On the Community side, West Germany (i.e. the Federal

Republic of Germany; FRG) and the Netherlands, which could be categorised as ‘globalist’ countries, were initiators.<sup>17</sup> In particular, FRG’s position was very close to UNCTAD, and it recognized its ‘importance’, as can be seen in the note of Karl Schiller, the then Economic Minister<sup>18</sup>. France, however, which was normally categorized as a ‘regionalist’ country, was rather reluctant because the existence of ‘reverse preferences’ guaranteed the interests of European countries under the Yaoundé Convention, with 18 associated countries (AASM). In general, these preferences should be accorded to the exports of developing countries, taking into account the underdeveloped status of developing countries and that those countries that were dependent on their exports for their revenues. However, Yaoundé Convention I, which was signed in 1963, had also accorded reverse preferences to the export of products from European countries to associated countries in return.

Finally, AASM’s privileged status was assured because FRG and the Netherlands shifted their position to a more reconciliatory position than France, and because of the support of the other member states of the EEC and the European Commission<sup>19</sup>. Therefore, the renewal of the Yaoundé Convention (Autumn 1970) was guaranteed before the introduction of the GSP in July 1971.

France and the EEC finally succeeded in cooperating with the UK and Japan in a certain sense. Japan’s GSP was entered into force on August 1, 1971, almost simultaneously with EEC. Regarding the UK, albeit with a short-time delay, this future-member of the European Community entered into force their own GSP in January 1972. Even the US later joined this mechanism in 1976. In this way, the GSP was a symbol of Western cooperation with the Global South.

In summary, the GSP was, to a certain extent, a successful instrument vis-à-vis the Global South, in that it had an effect on the economic growth of developing countries, by bringing more investments<sup>20</sup>. It was a product of Western cooperation. However, it is important to note that in the background of France being initially reluctant, and gradually adjusting its approach to the Global South, there was a regional approach, which focused on Africa and Mediterranean countries. Thus, we can identify a mixture of altruism and national self-interest.

### **3. CIEC**

The final case is the CIEC, which was convened from 1975 to 1977 in Paris. This was called the North-South dialogue<sup>21</sup>. Why is this conference important for this paper? Even though this conference was limited in its participants to 27 countries, it collected

delegations from both industrialised and many developing countries. Therefore, despite the criticism that it may cause the split of the G77, it would be almost impossible to have a conference of all nations of the world. There was also UNCTAD, which gathered industrialised countries (List B) and 91 developing countries in 1971 (List A); this included almost all of the developing countries at that time. Therefore, the French global policy pursued another, more distinct framework than this more universal institution, UNCTAD. Therefore, this North-South dialogue can be considered a French and European policy, vis-à-vis the Global South.

As the venue representatively shows, France initiated this dialogue. Even in those days, this dialogue was widely conducted among diplomats and politicians, recognized as the initiative of the French President Valéry Giscard d'Estaing<sup>22</sup>. This is because Giscard proposed a conference between industrialized and developing countries in a press conference directed towards the Organization of the Petroleum Exporting Countries (OPEC) in October 1974, after the first oil shock. And of course, it was also related to the New International Economic Order (NIEO), declared in the UN General Assembly in April 1974. It was initiated by the Algerian President, Houari Boumedienne. The creation of the North-South dialogue can be analysed as Giscard's reaction to the demands of NIEO. Therefore, it is necessary to focus on Giscard d'Estaing and his ideas and attitudes vis-à-vis developing countries.

What were Giscard's ideas behind this initiative? It is easy to discern his overall energy security policy, which comprised economic, political, and strategic interests. His initial idea at the time of proposal was to hold a conference between energy consumers and producer countries, including OPEC members, not to hold a conference on international economic cooperation. Giscard did not clearly state the interest of the consumer countries; he only mentioned realistic solutions such as the adjustment of the World Order, the potential limits of assistance by industrialized countries to developing countries, and the protections of the interests of petrol producing countries: the indexation and guarantee of revenue (*garantie de revenu*). As de Lipkowski, the Minister of Cooperation under the Chirac government recalled, Giscard's idea was to 'reduce the gap between industrialised countries and deprived countries'<sup>23</sup>. In this sense, Giscard's idea was benevolent to developing countries. However, if the majority of industrialized countries were in favour of enacting energy committees, it can be deduced that securing energy supply at a moderate price (the oil shock caused an upheaval of price and supply) was also a principal objective of Giscard and his partner countries. Furthermore, the name of CIEC was only actually coined around October or November

1975, after various French contacts with future-participating countries, including the US, Japan, and Saudi Arabia. Additionally, in negotiations on during the first Lomé Convention, Giscard and France faced enormous pressures from African, Caribbean and Pacific (ACP) countries to raise the amount of development aid<sup>24</sup>. Therefore, it was important for him to ease this pressure. Thus, initially, Giscard and France had not only humanitarianism, but also a clear national interest, after the first oil shock. Henceforth, he pursued this interest around this global conference, although he was flexible enough to enlarge this conference to other fields, such as development and primary products, as desired by developing countries.

The positions of the diplomats were overall in favour of Giscard's initiative, meaning that Giscard succeeded in holding a conference in the autumn of 1975. First, a minority of diplomats were in opposition to Giscard's initiative. For example, Jean-Pierre Duteil, one of Giscard's economic advisors, was an exception in that he was reluctant<sup>25</sup>. However, the majority of diplomats, including Louis de Guiringaud, the then Foreign Minister, were in favour of Giscard's approach. His idea was 'organisation of market'. This idea represented a shift from the liberal Bretton Woods order to an organization of the market, based on the collective management of great global mechanisms<sup>26</sup>. The Foreign Ministry has already begun a lengthy contact with its counterpart of the FRG in June 1975, only two months after the meeting for the Conference on the Energy and Economic Issues (*réunion à la Conférence sur l'Energie et les problèmes économiques*)<sup>27</sup>. In addition, Francis Huré, an Ambassador in Brussels, regarded the CIEC as a tool to react towards the demands of NIEO<sup>28</sup>.

Therefore, the French initiative for a 'global' North-South dialogue was not only altruistic, but also based on their perception of national interests. However, from the 1970s to the early 1980s, French policy remained regionalist, if we consider inter-regionalism between the EEC and ASEAN in the latter half of the 1970s. The FRG and the UK were rather positive towards the institutionalisation of these two regional organisations, while France only finally changed its position to the holding of the Ministerial Conference in 1978, based on its own Cold War diplomacy<sup>29</sup>. Regarding India, the same phenomenon occurred, in that the UK rather than France, promoted the construction of a relationship, in the case of a commercial agreement that was signed in 1973. Finally, regarding China, France was reluctant to have relations between the Commission and the People's Republic of China (PRC) because "they did not want the Chinese to think that the French foreign policy was bound by Community decision-making." FRG was, at the beginning, in favour of giving the right to the European

Commission to speak in the name of the Community<sup>30</sup>. Therefore, the French formal bilateral relationship with the PRC after diplomatic recognition in 1964 precluded the EEC's multilateral approach towards the PRC<sup>31</sup>. Therefore, the French global approach was superseded by its regional approach, so that French external policy sometimes emerged as a mixture of global and regional approaches.

## Conclusion

What were the French relations vis-à-vis the Global South from the 1950s to the early 1980s? First, France created the phrase Third World, and contributed to a World Order composed of three groups. However, this attitude was not necessarily pursued later by French governments. Exceptionally, France under Giscard was a forerunner, but in many cases, French actions were rather reactive. Under President Giscard d'Estaing, France's motives for holding the CIEC in Paris just after the first oil shock were a mixture of altruism and national self-interest. France wanted to secure a supply of oil and ease pressures for more equitable international economic order from the Global South, and to be benevolent in contributing to a more equitable international order. However, France was reactive in other cases. The reason France was reactive was that France was rather favourable of the regional approach, which focused on nearby regions such as Africa and the Mediterranean, rather than the global approach. This was because of France's historical ties with Africa and the Mediterranean, and because of its strategy to continue its influence. In the GSP negotiations, this is quite obvious. France finally accepted the EC's introduction of GSP to G77 in July 1971 because France could assure that the renewal of the Yaoundé Convention had already been decided in 1970, before the introduction of the GSP.

After the advent of the age of neoliberalism, during which benevolence has withered into a more equal but somewhat merciless relationship, different stories should be written. The time has maybe already come when the centre of the age has shifted gradually to populism, which is now widespread in the world.

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<sup>1</sup> G. John Ikenberry, "The end of liberal international order?" in *International Affairs*, Volume 94, Issue 1, (2018), pp.7–23.

<sup>2</sup> Giuliano Garavini, *After Empires; European Integration, Decolonization, and the Challenge from the Global South 1957-1986*, translated by Richard R. Nybakken, Oxford: Oxford University Press, 2012, p. 82; Saho Matsumoto, *The Vatican in International Politics, 1914 to the Present*, (in Japanese), Tokyo: Chikura Shobou, 2019, pp.102-104.

<sup>3</sup> Some general explanations cite Oliver Franks, an English civil servant and philosopher, as the

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inventor of this word. However, this was done in 1959. So, it is more appropriate to say that Sauvy, rather than Franks coined this term. Alfred Sauvy, “Trois mondes”, in *L’Observateur*, (<http://www.homme-moderne.org/societe/demo/sauvy/3mondes.html>, accessed 28.02.2020); Vijay Prashad, *The Darker Nations*, New York: The New Press, 2007; Garavini, *After Empires*.

<sup>4</sup> Regarding a comprehensive synthesis on European development policy, see Calandri. Elena Calandri, « L’aide au développement. Entre économie, culture, et relations internationales », in *Relations internationales*, no.157 (2014), pp. 71-95.

<sup>5</sup> Prashad, op.cit., pp. 30-32.

<sup>6</sup> Gérard Bossuat, “French Development Aid and Co-operation under de Gaulle,” in *Contemporary European History*, 12, 4(2003), p. 443.

<sup>7</sup> Erez Manela, *The Wilsonian Moment: Self-Determination and the International Origins of Anticolonial Nationalism*, Oxford: Oxford University Press, 2007

<sup>8</sup> Regarding the impact of Dien Bien Phu towards the wave of decolonization, see Journoud. Pierre Journoud (avec la collaboration de Dao Thanh Huyen), *Dien Bien Phu : la fin d’un monde*, Paris : Vendémiaire, 2019, p. 382. Concerning the impact of Bandung Conference in 1955, see Westad. Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of Our Times*, Cambridge: Cambridge University Press, 2004, p. 103. Westad claims that the Bandung Conference produced ‘a new sense of closeness among African and Asian countries’.

<sup>9</sup> Garavini, *After Empires*, p.33. Concerning the Africanness, see Nakao. Sakiko Nakao, “Définir l’« Afrique » entre Panafricanisme et Nationalisme en Afrique de l’Ouest. Analyses à travers les transformations sociales au Sénégal, au Ghana et en Haute-Volta au temps de la décolonisation(1945 - 1962)”, PhD dissertation submitted to EHESS, 2017.

<sup>10</sup> Garavini, *After Empires*, p. 35.

<sup>11</sup> Ibid.

<sup>12</sup> Prashad, op.cit.

<sup>13</sup> Garavini, *After Empires*, p.36.

<sup>14</sup> Ibid. Regarding the making of Yaoundé Convention, see Migani. Guia Migani, *La France et l’Afrique sub-saharienne, 1957-1963 Histoire d’une décolonisation entre idéaux eurafricains et politique de puissance*, Bruxelles : Peter Lang, 2008.

<sup>15</sup> On this subject, historical research is quite rare. See Garavini. Garavini, *After Empires* ; Tomoya Kuroda, « Instauration du système de préférences généralisées de la Communauté européenne, 1968-1971 », in *Bulletin de l’Institut Pierre Renouvin*, no.34 (2011), pp. 137-148.

<sup>16</sup> <https://www.g77.org/doc/algier-1.htm> (accessed 28 February 2020)

<sup>17</sup> As for the dichotomy of globalism and regionalism, see Palayret. Jean-Mary Palayret, “*Mondialisme contre régionalisme: CEE et ACP dans les négociations de la Convention de Lomé 1970-75,*” in Antonio VARSORI (ed.), *Inside the European Community: actors and policies in the European integration*, Baden-Baden: Nomos, 2006, pp. 369-398.

<sup>18</sup> BAK (Bundesarchiv Koblenz), B 136, 8394, Aufzeichnung der Bundesminsiter für Wirtschaft, Bonn, den 19. Januar 1968, in Kuroda, op.cit., p.143.

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<sup>19</sup> The change of the Netherlands did materialize after the Community adjustment, to include its dependent territories such as Surinam and Antilles, in GSP territories that the Netherlands demanded for six months. BAK, B 102, 113764, aide-mémoire du Conseil, Bruxelles, le 15 mars 1971. Cited in Kuroda, op.cit.

<sup>20</sup> Richard N. Cooper, “Economic aspects of the Cold War, 1962-1975,” in Melvyn P. Leffler and Odd Arne Westad (eds.), *The Cambridge History of the Cold War*, Vol.II, Cambridge: Cambridge University Press, 2010, p.63.

<sup>21</sup> On this topic, Garavini’s contribution was exceptional. Garavini, *After Empires*, especially Chapter 6.

<sup>22</sup> For example, this document cites the words of initiative of Giscard d’Estaing. AG/5(3)/889, Réunion préparatoire à la conférence proposées par le président de la République française, le 15 avril 1975. We could find at least 11 citations in this carton.

<sup>23</sup> AG/5(3)/1478, Note de Jean de Lipkowski, « Le dialogue Nord-Sud- échec ou partie remise ? Pour l’instant, l’impasse », no date. Apparently, this note was written in 1976.

<sup>24</sup> Regarding the EEC’s development policy, see Bossuat, Calandri and Garavini.

Gérard Bossuat (dir.), *La France, l’Europe et l’aide au développement : des traités de Rome à nos jours*, Paris : CHEFF, 2013. Elena Calandri, ‘EEC and Mediterranean: hitting the glass ceiling,’ in Ulrich Kroz, Kiran Klaus Patel, and Federico Romero (eds.), *Europe’s Cold War Relations: The EC Towards a Global Role*, Bloomsbury, 2020; Giuliano Garavini, ‘The EC’s Development Policy: Eurafrica Factor,’ in Ulrich Kroz, Kiran Klaus Patel, and Federico Romero (eds.), *Europe’s Cold War Relations: The EC Towards a Global Role*, Bloomsbury, 2020.

<sup>25</sup> AG/5(3)/889.

<sup>26</sup> Giuliano Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, Oxford: Oxford University Press, 2019, p. 256.

<sup>27</sup> MAEF, DE-CE, 1705, Télégramme à l’arrivée de Bonn, le 18 juin 1975. Objet : échange de vus franco-allemandes sur l’énergie, signé Wormser.

<sup>28</sup> MAEF, DE-CE, 1706, Télégramme à l’arrivée de Bruxelles, le 10 décembre 1975.

<sup>29</sup> Tomoya Kuroda, “Institutionalisation of Inter-Regionalism: European Community-ASEAN Relations in the Late 1970s” in *Asia-Pacific Journal of EU Studies*, Vol.13, Issue 1 (2015) pp.27-44. However, if we consider informal commercial agreement between France, FRG, Italy, the UK, Canada the US and Japan in July 1976 (credit for the export), we can discern the globalist element of France at that time. See Badel. Laurence Badel, *Diplomatie et grands contrats*, Paris : Publications de la Sorbonne, 2010, p. 412.

<sup>30</sup> Marie Julie Chenard, “The European Community’s Opening to the People’s Republic of China, 1969-1979: Internal Decision-Making on External Relations”, PhD dissertation submitted to LSE, 2012, p. 70.

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<sup>31</sup> Human rights issues may be an exception. Lorenzo Ferrari, *Sometimes Speaking with a single voice: The European Community as an international actor, 1969-1979*, Brussels: Peter Lang, 2016. Actually, Archives of Giscard d'Estaing in French National Archives sometimes shows the 'humanitarian' as an index.

## 2-4: North Korea and Wars in Africa and Asia

Satoru MIYAMOTO

### Introduction

North Korea has participated in many wars in Asia and Africa. Not only did it start the Korean war in 1950, but it also dispatched its troops to the Chinese civil war (second phase), Vietnam war, October War (Yom Kippur War), Gukurahundi (Aftermath of the Rhodesian Bush War), Iran-Iraq war, Angolan civil war and so forth. And currently it is said that it dispatched two military units to Syrian civil war.

Historically, North Korea has participated in many wars until today. Why has North Korea participated in so many wars? Some people might think it would try “exporting revolution” like Cuba as a socialist country. Indeed, Cuba had dispatched its troops to many countries for “exporting revolution”. It is not strange that North Korea also participated in wars for “exporting revolution”.

However, North Korea dispatched its troops and sent its weapons for not only communist countries but also non-communist countries. North Korea would have different reasons for participation in wars from Cuba. “Exporting revolution” is unexplained for North Korea, because some refugees from North Korea confessed that it exports its weapons and dispatched its troops to countries which have friendships with the US, like Zaire (present Democratic Republic of the Congo), Zimbabwe, the United Arab Emirates and Saudi Arabia.

North Korea has friendship with not only former or current communist countries but also non-communist countries. It is said that North Korea is an isolated country, but it is not true in a way. We need to reconsider the image of North Korea. Currently North Korea has diplomatic relations with 160 countries of the members of the United Nations. During the Cold War, North Korea concluded its alliance treaties with not only Soviet Union and China, but also Libya and Cuba. North Korea, contrary to many people’s expectation, has many friendly countries in the world.

I think North Korea has participated in many wars because it has increased its friendly countries in the world. This is why I would like to explain why North Korea has participated in many wars by the changes of North Korean foreign policies.

## 1. The change of North Korea's Foreign Policies

First, I should emphasize that current North Korea has a lot of diplomatic relations with members of the United Nations. In the end of 2019, North Korea has diplomatic relations with 160 of 193 members of the UN. In addition, North Korea has diplomatic relations with three non-members of the UN, Palestine, Sahrawi Arab Democratic Republic (Western Sahara) and the European Union (EU). In total, North Korea has diplomatic relations with 163 countries.

However, North Korea did not have an idea to increase its diplomatic relations except for communist countries when it was founded. When North Korea was founded, it had diplomatic relations with only 11 communist countries. North Korea had a foreign policy which gave the Communist bloc first priority until the Sino-Soviet split in the 1960s.

In the table is shown the number of foreign countries where North Korea established diplomatic relations (Table 1). North Korea had diplomatic relations with only communist countries in the 1940s and 1950s. However, North Korea began to have a lot of diplomatic relations since 1960s when the Sino-Soviet split was begun.

1940s	11
1950s	3
1960s	21
1970s	66
1980s	15
1990s	32
2000s	24
2010s	1

North Korea established diplomatic relations with 66 countries in the 1970s because the Sino-Soviet split and the Sino-American rapprochement shifted North Korea's foreign policy from the communist bloc diplomacy to Third World diplomacy.

Therefore, North Korea's participation in wars would have two objectives. One is the "Exporting revolution" as a member of the communist bloc, another is the "anti-imperialism" as a member of Third world. Of course, it is difficult to distinguish clearly between two objectives. Some cases would have both elements of two objectives. I would like to try to explain several cases of North Korea's participation in wars in Africa

and Asia by these two objectives.

## **2. Wars for Communist bloc**

North Korea was founded as a member of the communist bloc, thus North Korea could send weapons and dispatch its troops to only foreign communist parties or countries for “exporting revolution”. Till the end of 1960s, North Korea’s foreign activities were, in most every case, “exporting revolution” as a communist country. I would like to give two cases as below.

### **A. Chinese civil war (second phase)**

Almost half of early leaders in North Korea were members of the Chinese Communist Party (CCP) before the liberation of the Korea peninsula from Empire of Japan in 1945. Therefore, naturally they assisted the CCP when Chinese civil war began in 1945 in Manchuria (later called Northeast China).

In general, it is said the Chinese civil war broke out in 1946, however, soldier units of Chinese Nationalist Party (KMT) had clashed with soldier units of CCP on November 1945 at Shanghai Pass where was an entrance of Manchuria from mainland of China.

CCP organized the Northeast People's Self-Governing Army led by Lin Biao in Manchuria on November 1945. While Lin Biao brought many Korean communists to Manchuria from Yanan, the home base of the CCP, he regimented a lot of Korean partisans had backed from Soviet Union. It is estimated that the incident reflected Stalin’s will. Korean leaders backed by the Soviet Union had two choices, to go back to North Korea to build a new country or to fight against KMT for CCP and Soviet Union. Kim Il-sung was a member of the group which chose to go back to North Korea.

Therefore, early leaders in North Korea, including Kim Il-sung, assisted Lin Biao and his army because they thought it was their duty as communists and Koreans under control of the Soviet Union. When Lin Biao’s army lost the field in the end of 1945, they harbored his army in North Korea. In addition, North Korea’s leaders provided weapons to Lin Biao which they had confiscated from the defeated Japanese army.

They sent not only weapons, but also soldiers for Lin Biao’s army. It is said that several thousand soldiers in North Pyongan Province (Northwest Korea) participated in the Chinese civil war<sup>2</sup>.

Korean soldiers in the CCP fought against KMT in Manchuria, however a part of them continued to pursue the KMT down to Hainan (Southernmost are of China). These Korean soldiers went back to North Korea after the Chinese civil war and participated in the Korean war. This is why we can safely say that the Korean war was extra game of Chinese civil war for Korean communists.

## B. Vietnam War

North Korea dispatched its air forces to North Vietnam for fighting against the US and South Korea's forces in Vietnam during the Vietnam war. One of North Korea's objectives in participating in the Vietnam war was to assist "exporting revolutions" by North Vietnam as a member of the communist bloc. However, that is not all. North Korea, in conflict with the US, needed military assistance from the communist bloc which was about to collapse due to the Sino-Soviet split. A united communist bloc was desirable for North Korea in its conflict with the US.

In the Vietnam war, both China and the Soviet Union dispatched auxiliary troops and sent considerable aid to North Vietnam. The supreme leader of North Korea Kim Il-sung thought that participation in the Vietnam War on the side of North Vietnam was symbolic of a solid communist bloc. Therefore, North Korea decided to dispatch auxiliary troops to North Vietnam as a member of the communist bloc.

First, North Korea dispatched tunnel workers and other noncombatants to North Vietnam in 1965. Subsequently on October 5, 1966, at the Worker's Party of Korea (WPK) conference, Kim Il-Sung declared the need to dispatch North Korean troops to North Vietnam. He thought that forming a united front against 'American imperialism' would make the Communist bloc solid. North Korea tried to fight against 'American imperialism' and its South Korean 'puppet' in Vietnam.

North Korea dispatched its Air Force 203rd Unit in October 1966 to North Vietnam. The 203rd Unit consisted of around 150 members, including 24 pilots, and 14 (12 pilots and 2 grand staffs) of them died in the war. It then changed its name to the 923rd Regiment under the North Vietnamese Air Force commander and shot down 26 US Air Force planes during the war. It is estimated that they would withdraw from North Vietnam around 1969<sup>3</sup>.

North Korea fought against 'American imperialism' and its 'puppet' in a vain effort to solidify the Communist bloc. Despite Kim Il-Sung's desire, the Communist bloc could not renew their past ties. In March 1969, the Soviet Union and China clashed militarily on Damansky Island on the border between the Soviet

Union and China. The leaders in North Korea were shaken as we can see from the fact that this incident was not reported within North Korea. Therefore, North Korea must abandon its communist bloc diplomacy.

### **3. Wars for Third World**

North Korea had to change its foreign policies from communist bloc diplomacy to Third world diplomacy in 1970s. The cause of this is the Sino-Soviet split and the Sino-American rapprochement. After the clash on Damansky Island, North Korea succeeded in healing its relationship with China. However, China then approached the US which North Korea had hated as “imperialism”. North Korea then needed find other friendly countries for fighting against the US. Friendly countries which North Korea had found were members of the Third World. North Korea began to participate in wars for “anti-imperialism” as a member of the Third world. I would like to give two cases as below.

#### **A. October War (Yom Kippur War)**

Egyptian President Muhammad Anwar el-Sadat who had been preparing to battle against Israel with support from the Soviet Union, suddenly disclosed that the Soviet military assistance advisory group was pulling out in accordance with a request by the Egyptian government in July 18, 1972. It certainly prevented Egyptian forces from pushing ahead with their preparations for war. Saad el-Shazly, the general chief of staff of the Egyptian forces, remarked that the shortage of MIG pilots remained unresolved.

Shazly asked CHANG Jung-hwan, one of the North Korean government representatives to Egypt in March 1973, to dispatch North Korean troops to train Egyptian pilots. After repeated negotiations, Shazly visited North Korea for a week, April 6 to 13, and had a meeting with Kim Il-sung. In the end, his visit seemed to be decisive in setting the dispatch of North Korea troops to Egypt.

North Korea’s objective was clearly friendship with Egypt which was the big power of Middle East and Third world. Supporting Egypt coincided with North Korea’s thought “Anti-Imperialism”, because Egypt was fighting against Israel which North Korea regards as the ‘puppet’ of ‘American imperialism’.

The North Korea air force units arrived in Egypt in June and were assigned in July which consisted of 30 pilots, eight flight controllers, five interpreters, three administrative men, a doctor and a cook<sup>4</sup>.

The October War broke out immediately by the allied forces of Egypt and Syria

struck the Israeli military on October 6. Israel suffered defeat early on. After Israel launched a counterattack, Kim Il-sung publicly announced he would support all Arab countries on October 17. Kim Il-sung seemed to be hoping to strengthen relations between the Arab countries as a whole and the North Korea by touting military support. The US government had announced that Israel had fought against the North Korean Air Force on the same day. The whole world knew North Korean pilots were fighting Israeli air force in the sky of the Middle East. North Korean pilots shot down four Israeli combat airplanes in the beginning of the war.

Additionally, the North Korea dispatched air force personnel to Syria in response to a request by the Syrian government on the latter half of the war period. North Korea succeeded in getting friendships with Egypt and Syria. As a result, North Korea got many advocates in the UN general assembly and become a member of the Non-Aligned movement in 1975. We can say that the participation in the October war made North Korea possible to be a member of Third world.

## B. Angolan Civil War

It is said that North Korea was engaged in the Angolan civil war (1975-2002). Angolan civil war was a civil war among the People's Movement for the Liberation of Angola (MPLA), the National Union for the Total Independence of Angola (UNITA) and the National Liberation Front of Angola (FNLA). MPLA have been a ruler of capital since 1975 when Angola had gained independent from Portugal, others were insurgencies. While the Soviet Union and Cuba supported MPLA, China and South Africa supported UNITA and the US supported FNLA.

It is reported several times primarily by South African presses that North Korea dispatched its troops to the Angolan civil war in 1984. According to these reports, North Korea dispatched its several thousand troops for fighting against the UNITA. North Korea denied these reports on Dec. 3, 1984, however, South African presses reports would be correct to some degree by contemporary circumstantial evidence.

Information in foreign countries about North Korea in the Angolan civil war looks confused. John Stockwell, the office of the CIA in Angolan civil war, reported North Korea supported UNITA<sup>5</sup>. Fumio Nakagawa, the professor of Tsukuba University, reported North Korea supported FNLA and UNITA<sup>6</sup>.

What we can say for sure is that North Korea consistently had supported the MPLA according to contemporary news in North Korea. Angolan first president Agostinho Neto, Chairman of the MPLA, had visited North Korea in 1968 and

1971 before the independence of Angola. When he died in 1979, North Korea sent a telegram of sympathy for Angolan government and the MPLA. I cannot imagine that North Korea assisted FNLA and UNITA in the present material situation.

Of course, we do not know yet the details of North Korea's participation in Angolan Civil War. North Korea has not made it public yet. North Korea announced only that it assisted the liberation of Zimbabwe, Mozambique, Namibia, Madagascar and Angola<sup>7</sup>. If that is true, the participation in Angolan civil war was a part of North Korean activities for "Anti-imperialism" in Africa. In addition, North Korea cooperated with not China but with the Soviet Union as a member of Communist bloc in Angolan civil war. We can say that the participation in Angolan civil war has two objectives of "Exporting Revolution" and "Anti-imperialism".

As a result, the MPLA has kept its power in Angola and maintains good friendships with North Korea. Namibia, which gained its independent in Angolan civil war, also maintains good friendships with North Korea. North Korea also built a lot of artistic building and works of art in Angola and Namibia after war. We do not know details yet, however, it would be fairly certain that North Korea participated in Angolan civil war.

## **Perspective**

North Korea has participated in a lot of wars in Asia and Africa. It had two objectives, one being "exporting revolution" as a member of the communist bloc, another was the "anti-imperialism" as a member of the third world.

North Korea had participated in wars for "exporting revolution" as a member of communist bloc until the Sino-Soviet spilt in 1960s. North Korea participated in Chinese Civil War and Vietnam War for the objective of "exporting revolution".

However, North Korea began to participate in wars for "anti-imperialism" as a member of the third world after the incident of Damansky Island and Sino-American rapprochement. North Korea began to find friendly countries in the third world which conflicted with the US instead of Communist bloc. North Korea participated in the October War and Angolan Civil War for the objective of "Anti-imperialism".

Two objectives sometimes coexisted when North Korea assisted pro-communist parties or countries. While North Korea assisted the MPLA which was supported by Soviet Union, it conflicted with UNITA and FNLA which was supported by China and the US in Angolan Civil War. Supporting MPLA for North Korea fulfilled the objectives of "exporting revolution" and "anti-imperialism".

North Korea has increased its friendly countries, by participating in many wars in Africa and Asia. This is one of the reasons why North Korea could survive its regime after the Cold War, even though many scholars expected its regime would collapse like East European countries. I would like to emphasize that East European countries are members of Communist bloc, however, North Korea is a member of the third world. North Korea is not an isolated country, but a member of Third world, and has unexpectedly friendly countries for conflicting with the US. Therefore, North Korea as a member of the third world will keep on struggling against the US for “anti-imperialism”.

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<sup>1</sup> Satoru Miyamoto, “North Korea’s Foreign Policy: A Non-isolated Country with Expanding Relations,” *The SAGE Handbook of Asian Foreign Policy*, (Los Angeles: Sage Publishing), pp. 637-656.

<sup>2</sup> “The influence to the process in the foundation of Korean People’s Army by China-North Korea Relations,” *Modern Korean History*, Vol.1 No.1 (March 2013)[in Korean], pp.7-29.

<sup>3</sup> Why hasn't there been a military coup in North Korea? : Civil-Military relations and foreign military aid, (Ushiosyobo Kojinsha, 2013) [in Japanese], pp. 121-125.

<sup>4</sup> “DPRK Troop Dispatches and Military Support in the Middle East: Change from Military Support to Arms Trade in the 1970s” *East Asia* (November 2010), pp.349-352.

<sup>5</sup> John Stockwell, *In Search of Enemies*, (London: André Deutsch Limited, 1978), p.52

<sup>6</sup> Humio Nakagawa, “Cuba and Angolan Civil War”, Humio Nakagawa ed., *Modern Latin America's relations with Asia and Africa*, (Tokyo: Institute of Developing Economies), p.43.

<sup>7</sup> Kim hyok-mo and Lee Gwang sam, *Comrade Kim Il-Sung, Great Leader of the cause of independent 8*, (Pyongyang: Korea Social Science Publishing House), 2011, p.266

## **Chapter III: After Wars 100 years:**

### **How to Make New World Order: Politics**

#### **3-1: The United States Different Strategies of "New World Order" between Europe and Asia in the Post-War Period**

Kumiko HABA

##### **Introduction**

The United States of America participated in the two world wars, World War I and World War II, penetrating the democracy; in World War I, President Wilson changed the US position from neutral to "the war to end all wars". In the World War II, President Roosevelt entered the war with the "four freedoms"<sup>1</sup> philosophy against the Japanese Pearl Harbor attack.

##### Democracy and War

The United States had won in both world wars, raising a democratic New World Order: President Wilson, who issued the "14 Articles," was trying to run a post-war World Order by democracy and establishment of the League of Nations. Similarly, President Roosevelt, adding the "four freedoms," proposed founding the United Nations by more participation of effective Great Powers after World War II. Thereby, he tried to reform the postwar order more effectively than after WWI, using the order of great powers. The "Four Freedoms" would be protected by "Four Policemen", that is, the USA, the UK, the Soviet Union, and the Republic of China. The reason the USSR and China were included was because of the strong hope of Roosevelt. The U.S. liberal leaders in the 20th century were skeptic of the European Colonialism and Imperialistic Militarism of the 19th century, including the United Kingdom and other European countries, and attempted to balance this by using the military force of the New World Order.

That is why, not by the rule of force, but by the rule of law and the states collaboration, the US wished to maintain peace by states' collaboration. However, it had been repeatedly shattered after the wars. After World War II, the battle against nazism, fascism, and militarism of Germany, Italy and Japan, soon turned into a "fight to protect

freedom" against the Soviet Union and communism due to the "start of the Cold War." Because of this, "the four freedoms" underwent a major transformation in forming the post-war World Order, and the strategies of the "New World Order" was completely different between European strategy and Asian strategy. Was that difference originally designed as such, or did historical or regional circumstances force this difference? The author will investigate this.

### Change of "enemy"

In Europe after World War II, a "no-war community" was realized through integration. However, it did so, involving the Germans and Italians that the Allies fought against in WWII, and excluding the Soviet Union, which restored Europe with the highest cost as a member of the Allies.

As the security strategy, for energy collaboration ECSC (European Coal and Steel Community), followed by CSCE (Conference on Security and Cooperation in Europe), was organized, discussed and institutionalized, by not only states but also by NGOs and NPOs, for regional safety and problem management. On the other hand, in Asia, especially in East Asia, as is well known, the "Divide and Rule" strategy was introduced.<sup>2</sup>

In Asia as well, not the Allies countries like the Soviet Union and China, which had fought together against Nazis Germany, Italy and militaristic Japan, especially since 1949, the establishment of communist China, the siege network against the Asian continent was formed to counter socialism, mainly by Japanese, who was the "enemy" in WWII as seen from the Allied side.

Japan is in a very specific position on the map, viewing the Earth from the North Pole: As a natural fortress it closes the Asian Continent toward the Pacific Ocean, against the Soviet Union, China, or against North Korea and South Korea; it contains the Asian Continent over a length of 3000 km from the Pacific Ocean. It functions as a very important fortress for the United States. At the same time, in the effect of the outbreak of the Korean War, Korean Peninsula divided between North Korea and South Korea at the 38<sup>th</sup> parallel, that is, the socialist sphere of the USSR, China and North Korea in one hand, and capitalist sphere of Korea and Japan in another, a post-war peaceful collaboration and regional reconciliation in East Asia was not realized and was in fact hampered by the US's world Strategy.

## Regional collaboration efforts and their obstruction

It has been 75 years since WWII, and 30 years since the end of the Cold War, but regional collaboration has been so difficult in East Asia. Even in the 20 years since the beginning of the 21st century, under the approach between Japan and China, the democratization movement in Hong Kong, the election in Taiwan, and the expansion of the new coronavirus and other problems always suddenly and continuously take place in East Asia.

Unlike in Europe, in East Asia regional co-operation and “non-war communities” through integration have not yet seen any signs. Under such circumstances, the regime in the 20th century is on the decline. The United States is entering on another election campaign. If President Trump carries out a second term, the world needs to consider a world order than Trump’s international order, “America first”. Regardless of whether the United States prefers it or not, it had always constructed the New World Order after wars, like Wilson’s “14 Articles” after WWI<sup>3</sup>, and Roosevelt’s “four freedoms” after WWII, emphasizing freedom and democracy principles as the “post-war world order” before the end of the wars. Both had keen insights for the international relations, but now it is in crisis.

How could the United States create a “post-war world order” during the war, what were they aiming for, and why was it changed or different between Europe and East Asia? In order to consider those questions, the International Conference will be held, “100 years of World Wars and Regional Cooperation---How to make New World Order? ---“and a Proceeding Book will be edited.

In this paper, the author investigates and pays attention to why “the new world order” of the United States or of the United States-Britain and the Soviet Union had been different between Europe and Asia after WWII, and considers merits, demerits, and limits of post-war new world order, analyzing forecast on European regional integration, and Asian disintegration, or the aim and limits of new world order and the “Divide and Rule” strategy of the United States. In connection with that, the author wishes to consider and investigate the contemporary “new world order” from the US-China trade war in 2018-2020; how we could reconstruct that phenomena.

## **Chapter 1. The United States’ World Strategy after WWII.**

### Three Focal points of “reconciliation” between Europe and East Asia, after World War II.

When considering the US strategy for Europe and Asia after World War II , there are

very important focal points. The first one is the massive number of casualties in World War II, the "German-French reconciliation" after the war and at the start of the Cold War. The second one is that the United States "post-war world order" strategy was different between in Europe and in East Asia. The third one is the change (conversion) from ally to "enemy", or from enemy to ally after World War II.

1. First, the number of dead in World War II and "German-French Reconciliation"<sup>4</sup>.

In Europe during World War II about 32 million to 37 million people died. As the dead of World War I was about 9 million people, the number of dead had quadrupled during only 20 years due to improved armaments. Among them, the dead of Soviet Union were between 18 million and 20 million people, accounting for half of all casualties.

On the other hand, the dead in Asia totaled over 18 million, of which the Chinese were 10 million, accounting for more than half. That means about 50-57 million people died in World War II in Europe and Asia, more than 60 million people died world-wide, and the number of Europeans who died was double that of Asia; half of them were Russians in Europe, and half of them were Chinese in Asia. The responsibility for damages of the war was assigned to the Tripartite Axis League, such as Germany, Italy, and Japan, against the Allies, while the United Kingdom, the United States, the Soviet Union and China were responsible for the Tripartite Alliance. So why was a German-French reconciliation achieved, but not a German-Soviet Reconciliation? This is the biggest question and contradiction. If the losing(defeated) nation is responsible for paying the cost of the war for the most damaged nation, it requires a "German-Soviet Union reconciliation" and "Japan-China reconciliation". So why a "German-French reconciliation"?

In Japan, it is sometimes said that Europe is a homogeneous society as the Christian world, on the other hand, East Asia is so diverse, divergent and nervous, because there are so many religions, cultures and nationalities; that is why it is not only difficult, but also impossible to make regional collaboration like in Europe. However, this comparison is not correct. Looking at the number of dead, as the results of the second World War, in Europe, twice as many people were dead than in Asia.

Krzysztof Pomian, a Polish historian, and Professor at the Nicolaus Copernicus University in Toruń, wrote in his book, Europe has been facing a confrontation over Christian religions, cultures and nations, since before the birth of Christ until the contemporary world. The high number of dead during World War II also tells the history

of the conflict. Conflicts of nations were profound ones; European history is a history of conflicts, and WWI and WWII were the peak of confrontations.

Under such conflicts and circumstances, Europe was completely exhausted. After the two world wars, for the first time, a "German-French reconciliation" had been carried out. However, we must not forget that just after this very "German-French Reconciliation," European victorious powers suppressed Germany and included the European Community and NATO, and divided Germany into two parts, East and West, and the Soviet Union was shut out from Europe by European integration, and the Cold War began.

## 2. Second, the Concept of the United States New World Order in the post war.

From the Tehran meeting to Yalta Conference there was not strong American leadership like Woodrow Wilson in World War I, because in the conference, there were the three Great leaders, like Roosevelt in the United States, Churchill in the UK, and Stalin in the USSR to make the postwar "new world order."

After World War II, the postwar world order vision should have been based on territorial inviolability and respect for sovereignty. However, at the end of the war, in the Moscow Conference of October 10, 1944, Churchill in the UK and Stalin in the Soviet Union talked about the influence of the great powers, sharing of key areas, and divided the sphere of influence, as a "percentage agreement"<sup>5</sup>. President Roosevelt of the United States was trying to mediate the three countries, but ultimately lost leadership because of illness and death in April 1945. Roosevelt death and Vice President Truman's inauguration brought the Truman Doctrine (March 1947); military assistance toward Greece and Turkey by the request of the United Kingdom brought the start of the Cold War, but it was already started a matter of controversy among the UK, the US and the Soviet Union in the process of envisioning the postwar international order.

As a result of three points, namely 1) "Franco-German reconciliation", 2) A difference of Europe and Asia strategy as "post-war world order" of the US, 3) Conversion of "enemy" after the world war, in Europe, European integration was under the US support. The Soviet Union containment policy started, on the other hand, in East Asia. Then the underlying strategy of the East Asian "Divide and Rule" was introduced, and as a result of that, the Asian region continued to be hostile each other, until the 21st century. The question is why European strategy could not be taken in East Asian international politics of the US world order? Both were closely linked.

### 3. Third, The Decisive Transformation of the “Enemy” in the Post-War Period

As is well known, in the second World War, three Axis countries, Germany, Italy and Japan, requested territorial modification on the one hand, and Allied countries, like the US, the UK, Soviet Union, France and China, against the infringement of the territory and sovereignty and respected "territorial integrity and sovereignty" on the other. That is, immediately after World War II, the “enemy” of victorious powers was Germany, Italy, and Japan; Axis countries. That's why the German army was ruined completely by the Battle of Stalingrad, later by the march to the west of the Soviet Army, and the United States indiscriminate carpet bombing caused surrender. (May 1945). After that, America also dropped atomic bombs on Hiroshima and Nagasaki in Japan (August 1945).

The Soviet Union advanced until just before the German border (1945,1), and on the eve of the German surrender, in February 1945, the leaders of the US, the UK, and the USSR gathered in Yalta<sup>6</sup>, where Roosevelt accepted the request of Stalin, which were Manchurian interests, territorial rights of Kuril Islands and southern Sakhalin. As Roosevelt believed that Soviet cooperation was essential for Japan's surrender, he aspired to abolish the Japan-Soviet neutral treaty and asked the Soviet army to enter Japan. As a result, in Yalta, by the three parties of the United States, the United Kingdom and the Soviet Union, a secret agreement was exchanged. The Soviet Union participated in the war against Japan and invaded the promised territory at the request of the United States on August 9, 1945. Japan accepted the Potsdam Declaration on August 14 and sent a letter of surrender on September 2, 1945. As a result, the Soviet Union kept its promises to the United States, occupying the Kuril and Northern Islands. At this time, apparently Roosevelt respected the Soviet Union as an Allied power and considered Germany and Japan as enemies.

Four months before in Europe, the Soviet troops had already destroyed the German army in the Soviet territory, and marched west in the wake of the “Great Patriotic War”, advancing with breaking momentum. The US and the UK Army quickly landed on the banks of the Elbe in April 1945 and joined with the Soviet Union at the end of April. Germany surrendered on May 6, 1945. However, above all, Roosevelt, who had a deep understanding of the Soviet Union and China, died suddenly at the end of the war without seeing the surrender of Germany or Japan. (1945.4) The situation changes dramatically from there.

## Containment policy toward the Soviet Union

After the Second World War, Truman, who became the president of the United States after Roosevelt, and Churchill of the United Kingdom both were wary of the Soviet Union, because in the beginning to have an overwhelming force in the eastern half of Europe, therefore two leaders of the US and the UK, considered to introduce the containment policy against the Soviet Union in Europe and the far East.

In particular, Churchill had already delivered a famous Fulton speech in March 1946 in Fulton, Missouri, USA, saying "From Stettin in the Baltic to Trieste in the Adriatic, an iron curtain has descended across the Continent."<sup>7</sup> In addition, NATO first General Secretary Hastings Ismay of Britain quipped, "Keep the American in, Russian out, German Down" and NATO (North Atlantic Treaty Organization) was founded in April 1949. Stalin, on the other hand, referred to as the "Stalin Notes" in March 1952, which offered German integration between east and west on the purposed a neutrality, German unity and in the center of the European buffer zone of attempts and the safety of the Soviet Union. However, at that time, this was refused by Adenauer's West German government. After that, Germany joined NATO and pursued rearmament. Through this process, the "enemies" in Europe are completely transformed from Germany to the Soviet Union.

On the other hand, in the Far East, Roosevelt had hoped for the Chinese administration of Chiang Kai-shek, but in October 1949, the Communist Party got power in China and Chiang Kai-shek's Kuomintang administration fled to Taiwan. After that the Korean War broke out over the 38th parallel. When the outbreak occurred, the United States lost its reliance on China's conversion in the far East against the coalition of the Soviet Union and the socialist regimes of China and North Korea.

Thus began the world situation during the Second World War, using the following three focal points, 1) Reconciliation between Germany and France, 2) The "new world order" of the United States and the changes of strategy, 3) the fundamental transformation of the "enemy," greatly changed at the start of the Cold War. The postwar world order, which was supposed to be carried out by the United States, the UK, the Soviet Union and China, was drastically rearranged by the transformation of the "enemy." But the "new world order" was also quite different between Europe and East Asia.

## **Chapter 2. conciliation with enemy and the New World Order – Divide and Rule in Asia**

Considering why East Asia was not organized as a region, we must realize the main reasons were international factors more so than domestic factors. For the United States, immediately after the war, there was no reliable ally in East Asia, or it was extremely limited. The US had banked on Chiang Kai-shek of the Republic of China, but he was forced to flee to Taiwan in December 1949 due to the Communist Party's gaining power.

On one hand, almost every country in Europe was in favor of restraining Germany, and few refused to form an alliance with the United States, except for French President De Gaulle. Therefore the "American in, German down, and Russian out" policy" was very much welcomed. The United States had formed an alliance with Europe as a "region." On the other hand, in East Asia, both the Soviet Union and China, which extend far into the far East on the continent, had become socialist countries, and the leaders of the Republic of China had fled to Taiwan from communists. Therefore, in order to hold back the USSR and China, the only remaining countries to ally with were South Korea and Japan, the former of which was attacked by North Korea until the 38th parallel, the latter of which had attacked Pearl Harbor first, and continued to fight until the last against the United States.

When considering the U.S. world order initiative, which adopted the opposite strategy of European integration and East Asian Divide and Rule policy, whether it was not possible for the United States to consider reconciliation in the region of East Asia and alliance with the United States.

Few countries in East Asia could be trusted to organize the region. Under these circumstances, Japan accidentally became part of the western capitalist nation, starting from the Hiroshima and Nagasaki atomic bomb, defeated and starting the post war period, became a democratic country from militarism, and at last, the outbreak of the Korean War supported by the Chinese communist regime just before the San Francisco Convention. As the consequence of accidental history, Japan became a fortress of the capitalist world after the war against the Soviet Union, China and North Korea in Asian socialist camps after the San Francisco Treaty in 1950. The signs started already in 1945, when McArthur occupied Japan, he determined to use a different policy toward Japan. He considered to use Showa Emperor as the center of new system in post war era, and get people together under the Emperor.

It was an accidental fortune for Japan to have a formidable history. The atomic bombs in Hiroshima and Nagasaki were the greatest tragedies in human history, but the postwar

treaty overlapped with the socialization of China and the Korean War, and the United States opposed the Soviet-Chinese socialist camp. As a result, Japan and South Korea were positioned to be allied with the western world.

### Leadership of politicians who led the reconciliation. European Success.

The reconciliation and joint leadership of European post-war enemies has set a new era in post-war Europe. The success of the European settlement largely depends on the following three leaderships:

One is "Reconciliation between Germany and France " and Robert Schumann<sup>8</sup>. Schumann was born in Luxembourg, studied in Germany, and liberated France during the war, joining the resistance movement against the Hitler administration in France. Then he became French Prime Minister, later becoming the Foreign Minister. He was a person who symbolized the German-French Reconciliation, and German-French Youth Exchange Program, which realized eight million young people exchange during post-war 70 years, and it built the situation there will be no war between Germany and France. As the effect of that, the EU took the Nobel Peace Prize in 2012.

The second is energy collaboration. It was the realization of the coal and steel community and the Euratom (nuclear community). This "Schuman Declaration" was executed. The achievements of this plan by Jean Monnet was large. He drafted it in the first World War after the first of the Secretary-General of the League of Nations, in the second World War special chairman of the Joint Committee on the management of military supplies per key positions, and he was familiar with the war and the energy relationship.

The third is the freezing of the border after WWII. Europeans argued that changing borders would lead to conflict and war, therefore, it would not allow border changes after the Soviet Union's remarkable change after World War II. This thought connected to the "Helsinki Agreement" and the creation of CSCE (the Conference on Security and Cooperation in Europe) in 1975, which was trying to solve the security questions all over Europe, including the Soviet Union and Eastern Europe. Although Germany had been divided into East and West at that time, both German Prime Minister, Willy Brandt who negotiated the agreement, and Helmut Schmidt who signed it as well, accepted the freezing borders sincerely but with a humiliation, for the sake of European stability and peace. That decision was very fruitful and Germany's achievements which went together with Europe after the war, were honored. Because of that, after the fall of the Berlin Wall in 1990, Europeans no longer felt a threat from the German unification, and

accepted the unified Germany, as “the country walking with Europe”. That is why both German Prime Minister Cole and Merkel repeatedly emphasized henceforth that "Germany lives with Europe."

### **Chapter 3. The United States' World Strategy and international relations after 1950 ---Why Asia is irreconcilable?<sup>9</sup>**

In East Asia there were also some of the best politicians similar to in Europe. An artist who preached the integration of East Asia, Tenshin Okakura, or Hirofumi Ito, who was assassinated because of the Japanese annexation of Korea, and Jungun An, who assassinated Hirofumi Ito. We can also mention Chiang Kai-shek, leader of National Party, and Mao Zedong, leader of Communist Party. However, their philosophies were so different that they couldn't get closer. East Asian leaders first failed to realize coexistence and prosperity, with unity as their primary goal. Comparing to European politicians like Schuman and Jean Monnet, they could not collaborate with neighboring “enemies.”

The United States considered if East Asian nationalism and regionalism strengthen, the United States need not remain in the far East. Therefore, the U.S. leaders regarded the ideas of those who considered Asia integration as dangerous ones. Because of that, after WWII, the United States relied on politicians who can execute American strategies and concentrate on domestic development, rather than leaders who have strong intentions of nationalism and regionalism and look forward to history and future as in the Meiji and War periods and aim to cooperate with Asia. That was the case of Shigeru Yoshida and Hayato Ikeda, who tried to suppress the increase in security and military power and aim for the prosperity and development of the country. After the war, Japanese leaders specialized in its postwar recovery and growth, focusing on the economy, and was shunned from engaging in international politics independently. Politicians who sought nationalism, independence and collaboration with neighbors differed from the United States had fallen behind.

The US-East Asia strategy was a "Divide and Rule" strategy, and especially the seizure of government of the Communist Party in North Korea in September 1948 China in October 1949, and the breakup of Korean War in 1950, further strengthened the US strategy, which made Japan a fortress against communist countries, in the Treaty of Peace with Japan in San Francisco in 1950, and Treaty of Mutual Cooperation and Security between the United States and Japan.<sup>10</sup>

## 1. The establishment of a strong socialist regime in the East Asian continent

With the establishment of Mao's Communist Party system and Chiang Kai-shek fleeing to Taiwan, a powerful Communist Party system was established in the East sea coast of Japan, by the Soviet Union, North Korea, and China. There is uranium ore in North Korea, which Stalin restrained and by which the Soviet Union would extend the atomic bomb technology not only in the Soviet Union, but also to China and North Korea. Everything was a threat to the United States. In Asia, a powerful socialist and communist system was created in the East Asian continent and Korean peninsula until 1950; that is why constructing the divided system between the Asian continent and Japanese archipelago as fortress against communist system was urgently needed. The tragedy of Japan was that we did not have reliable neighbors like the EC/EU in Germany and Italy as EC/and EU in Europe.

## 2. Regional integration was realized in South East Asia even under the Cold War

This was not the difference between Europe and Asia. Because, as everyone knows, divide and rule policy was a peculiarity of East Asia. In ASEAN, although Vietnam divided between north and south, both sides of the region pulled in, therefore South Vietnam was included in ASEAN, and North Vietnam, established under Ho Chi Minh in cooperation with the Soviet Union. Although the Cold War has divided all territories by border lines, it is interesting to note that in South East Asia, similar to Europe, regional integration had established and taken the direction of combating communism together.

## **Chapter 4. The US intervention to East Asia--- Perception of East Asian threat**

Why did the United States intervene in East Asia with divide and rule governance, differentiated from Europe and ASEAN? East Asian threats to the Western system were the following:

One is, if Russia, China and North Korea collaborate as a socialist system, it will become a huge power.

Second is, the United States needed a foothold in East Asia to make the New World Order, in order to restrain the Soviet Union and China as the counterweight. It was MacArthur's strategy as well. If Japan, such a fanatical and strong anti-American nationalist country in WWII, would collaborate with the Soviet Union and China, there was no doubt that a strong communist camp would be established in East Asia. It needed to be prevented militarily. The United States, especially the United States of Roosevelt,

rather collaborated with China and the Soviet Union as Allied countries up to the end of WWII in 1945, therefore for Japan since the attack on Pearl Harbor, it presented a strong distrust to Japan. That is the reason why they used the Emperor, divided East Asia, and watered down competent politicians of Japan after the war. The United States tried to realize the "new world order", used regional integration in Europe and "Divide and Rule" policy in East Asia.

Third is, as a result, in Japan, unlike Europe, such political soil has been created that autonomous and religious politicians rarely grow. MacArthur's post-war domination, to intervene in politics, carefully eliminated such politicians, anti-American, nationalist, and pro-independent. Not only the Communist Party or Socialist Party only, but also nationalists, independent fractions also had been ousted from the government or leading positions. People could hardly refuse the US strategy. It was not because the Japanese politicians were politically weak, but the strategy of the United States, Divide and Rule policy in East Asia against China and the USSR was too strong.

#### ASEAN---Successful Integration in Asia <sup>11</sup>

As we could see, the US strategy was very different in Europe and East Asia, but interestingly, Europe and ASEAN had many similarities. For example, EC/EU and ASEAN could have united the regional system, including South Vietnam, to compete with and opposed to the Soviet Union and China or North Vietnam. In East Asia, the United States had completed their divide and rule policy, while Japan-China-South Korea had always faced opposition and accused their opponents politically. Although Japan and South Korea both allied with the United States, they conflicted over historical issues and the comfort women issue, and even small problems always caused great conflicts. (Table 2)

However, South East Asia escaped from the suspicions of neighboring countries and formed an EU-type network, therefore it became the center of ASEM (Asia and Europe Meeting). We could learn from ASEAN good governance as an Asian case of regional collaboration.

In Europe, post-war regional integration and the US strategy did not contradict. "German-French Reconciliation" started after WWII. By reconciliation, Germany was included into Europe and got the Marshall Fund. On the other hand, German-Polish Reconciliation, or German-Russia Reconciliation didn't exist until the end of Cold War for Poland, and never for Russia.

## **Chapter 5. Thaw of the Cold War and the Limits of Independence (from the 1960s to the 1970s)**

In the 1960's - 1970's, in the thaw of the Cold War, high growth of Japanese economy started after the war, the national restoration of diplomatic relations carried out that had been suspended during the Cold War. First, a Soviet-Japanese Joint Declaration was issued by Nikita Khrushchev and Ichiro Hatoyama in October 1956<sup>12</sup>. At that time, it was recognized that when the peace treaty was concluded, the two islands of Habomai and Shikotan could be returned to Japan. It was confirmed and ratified in December 1956. Then, in June 1965, the Japan-Korea Normalization and The Treaty on Basic Relations between Japan and the Republic of Korea were concluded<sup>13</sup>, and were carried out from the political, economic, security, and cultural aspects. It had an American placement.

In September 1972, Tanaka Kakuei and Zhou Enlai signed The Joint Communique of the Government of Japan and the Government of the People's Republic of China and achieved the historical and diplomatic recovery between Japan and China.<sup>14</sup> However, in a result, Nixon and Tanaka who were involved in the normalization of diplomatic relations with China, were overtaken by Lockheed case. Tanaka became ill, Nixon had also resigned. After Mao Zedong in 1978, reflecting on the Cultural Revolution, Deng Xiaoping came to power and aimed and raised the economic reform and economic cooperation and development. He insisted 韜光養晦 (hiding one's own fame and talent) and set a leading position until now which encouraged Chinese rapid and realistic economic development and cooperation with neighboring countries. The development of Japan, China and Korea has been remarkable since the post-war period, and if these three nations are combined together, they will have the power to divide the world economy into three parts in the U.S., EU and East Asia. However, for 75 years, in contrast to Europe, East Asia is still unable to overcome divide and conflict in this region. But only in such form, the international relations of East Asia proceeded.

### Chinese Independent Development

As for the socialist regime, China has taken a different path from the Soviet Union. After Gorbachev's Soviet Union gained acceptance in the western world with the active introduction of democratization and liberalization, the Eastern European Revolution took place in 1989, dismantled the former Soviet Union and Eastern European sphere, and then the Soviet Union collapsed in 1991. On the other hand, in China was raised a democratic movement on June 4, 1989, but Chinese government oppressed it by force

in Tiananmen Square. It raised criticism at that time. Ironically, however, since the Tiananmen Incident, China has grown significantly economically and has grown and grown more than the United States in economic, military, and even science and technology fields, overtaking the United States.

Democratization movements crush the communist regime historically, and democratization repression, namely maintaining a political dictatorship and economic development brings stable development. That is the strategy of the Chinese until now. Now, corona virus is spreading widely, and how to develop China after 2020 is the most important trial for China.

### **Conclusion: Predicting the decline of the postwar " World Order" due to economic development**

Who makes the "new world order" in the 21st century? The transformation of economic power relations has begun in the second quarter of the century. Look at the figures. Now, we are in the era, when China starts to surpass the United States in economy, military, technology, and especially information technology. From 2010 to 2030, China overtake Japan and the United States and now it is jumping to the top of the world. In 2060, the OECD forecasts that China will be the first, and India or the USA will be the second and third. However, a single country cannot create a "new world order". The US leadership was collaborated with the EU, the UK, Japan and most of the Asian countries, Canada, Australia, and others; most of the countries supported the USA leadership. If Asia will have a leadership in the latter half of the 21st century, we must strengthen regional co-operation, development and collaboration together with regions and need to make coexistence. Without them, it is impossible to make an Asian period.

How to establish economic basement, political collaboration and mutual trust in Asia?

- 1) Democracy is not the goal. Stability, peace and prosperity are fundamental to the world order.
- 2) How to build stable relations with neighbors and the world? Economic collaboration, interests, development and mutual communication of youth, citizens, companies, and professors are very important.
- 3) How to get rid of the American suspicion. We need not cut off the good relationship with the USA, but respect for sovereignty and mutual trust are important.

With the economic decline of the United States, it is unavoidable that global instability occurs in every sphere. Especially under the Trump administration, various instability and uncontrolled international events could happen, like Hong Kong demonstrations, Middle East and Syria destabilization, coronavirus pandemic spread, disaster, etc. We must recognize that this is an unstable era due to a change in power and consider how to create regional stability with responsibility and trust building.

Particularly important is the difficult task of how to maintain regional stability and prosperity after the gradual decline of the United States from East Asia or from the world. Again, learning from historical European attempts, the regional security system (as opposed to increasing military strength, the immediate system that seeks to resolve security, such as CSCE and OSCE) Promote cultural-, citizen's- and youth exchange, energy-, science- and technology exchange, expert- intellectual- and military personnel exchange are very effective to develop our society and making mutual trust and prosperity. Promote regional, inter-regional, and trans-regional collaboration appropriate for the global era, such as joint development of medical technology and IT technology. Asia's joint development had just started. There will be many trials in the future, but we will not defeat them on our own; trust each other, be diligent, intellectual, respectful, and have the power to develop the economy. With the prosperity of the region and the world, we should reorganize Asia in collaboration with the EU and the United States to create a "new world order" appropriate for the latter half of the 21st century.

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### **3-2: ‘I’m a Nationalist’: American Nationalism and Grand Strategy in the Age of Trump**

J. Patrick BOYD

“But radical Democrats want to turn back the clock for the rule of corrupt power-hungry globalists. You know what a globalist is, right? You know what a globalist is? A globalist is a person that wants the globe to do well, frankly, not caring about our country so much. And you know what? We can't have that. You know, they have a word. It sort of became old-fashioned. It's called a nationalist. And I say, really, we're not supposed to use that word. You know what I am? I'm a nationalist, OK? I'm a nationalist. Nationalist. Nothing -- use that word. Use that word.”<sup>1</sup>

Donald Trump, October 22, 2018

This essay addresses three key questions. First, what is the difference between nationalism and populism? Second, is Donald Trump really a nationalist? Third, what are the implications of the answer to this second question for American grand strategy? Having focused in previous work on how nationalism works in Japanese politics and security policy, the author here seeks to understand how related phenomena may shape American politics in an area of vital importance to Japan, American grand strategy. The essay concludes that 1) nationalism and populism are distinct analytical concepts that sometimes intertwine in practice, especially in the context of radical right-wing politics; 2) Donald Trump, both as a candidate and as U.S. president, has practiced a persistent nationalism, albeit framed as right-wing populism; and 3) this nationalism can be linked to a number of areas in his emerging grand strategy, including the failure to unambiguously support traditional alliances and relationships with trade partners, two developments of particular concern for Japan.

The essay begins by distinguishing the key concept of nationalism from a related concept often associated with Donald Trump's politics, populism. These concepts are then applied to the case of Donald Trump's 2016 presidential campaign, and findings from the existing literature on both his rhetoric and its reception by voters are summarized. The next section reviews the literature on the Trump administration's grand strategy, first defining the term and then assessing whether American grand strategy has actually changed under Trump and whether those changes can be attributed to nationalism. The final section considers what these findings mean for American allies,

such as Japan, that depend on the U.S. for security and trade.

### *Nationalism or Populism?*

Part of the confusion regarding whether and how Trump's politics incorporate nationalism involves disagreements about the definitions of nationalism and populism. Distinguishing between these concepts can be tricky, and the existing literature on the question is divided. This section will first define nationalism in order to clarify its relationship with populism.

Scholarly inquiry into nationalism is over a hundred years old and has produced many definitions and approaches to understanding nationalism.<sup>2</sup> Drawing on previous work in the contemporary liberal democratic context, nationalism is defined here as a discourse that constructs and reconstructs points of identification and differentiation that define a distinct political community (i.e. "the nation") and assert the form of its dominion over a modern territorial state across time.<sup>3</sup> In practice, this discourse takes the form of a series of reoccurring and sometimes changing "nation-state narratives" that tell the story of how the nation's (i.e. the people's) putative qualities or past experiences should define the present nature and actions of its territorial state. For example, in the American context, Lieven argues that "the American Creed" thesis, a narrative that asserts Americans share an ethos valuing "liberty, democracy, the law, individualism, and cultural and political egalitarianism," plays a unique role in defining Americans as a distinct political community, irrespective of their birthplace, religion, class, ethnicity/race or other affiliations.<sup>4</sup> It consequently also places demands on the American state, both to embody these values in its structure and governing practices and to spread these values to other parts of the world.<sup>5</sup>

Three features of this approach to nationalism should be noted. First, the discourse approach allows space for multiple such understandings or nation-state narratives to co-exist and compete at any given time within a single polity, as Lieven asserts is the case in the U.S.<sup>6</sup> Second, the focus on discourse requires analysis of rhetoric and the reaction to it by targeted audiences. Finally, in the context of established nation-states such as the contemporary U.S., nationalist discourse is often deployed as a remedy to an asserted state of affairs in which the sacred links between the nation and the state are said to have eroded. In this situation, Brubaker argues, "Nationalist discourse claims to restore 'ownership' of the polity to the nation."<sup>7</sup>

The proper definition of populism is a matter of dispute among scholars.<sup>8</sup> This essay adopts the definition most widely used in the study of American nationalism: Populism

is a form of discourse that asserts a “corrupt elite” are undermining the interests of the “virtuous people,” who, in a democratic society, are the source of political legitimacy.<sup>9</sup> In making this argument, populists assert that they will remedy the situation and seek to mobilize the people to help them gain the power to do so. Populism is thus a political claim, one for which the definition of its key term, the people, is often vague and changeable. To realize popular mobilization, populists often define the people through reference to available ideological resources, such as liberalism, socialism, authoritarianism or nationalism. In this way, populism need not involve nationalism and vice versa. For example, in the U.S., mainstream politicians often assume populist stances by claiming the ruling party is serving its own corrupt interests rather than those of the citizenry and demanding that voters “throw the bums out” in the next election.<sup>10</sup> Here, the conception of the people as citizen-voters is drawn from political liberalism and thus can serve to reinforce liberal democratic norms. In another example, left-wing populists, following socialist ideas, often define the people as “the working class” and identify the offending elites as the economic and political powers who exploit them without reference to concepts of nationhood (i.e. “a distinct political community”).<sup>11</sup>

Of more relevance to the discussion here, right-wing populism tends to define the people using concepts of nationhood in ways that not only place elites in opposition but also identify unworthy out-groups inside the polity said to benefit from the elite’s corruption. These out-groups, even though living within the polity, are argued to be outside the nation, a treatment often given to ethnic or cultural minorities and immigrants. In these forms of populism, the clean “up-down axis” of the people versus the elites in a single polity is complicated through the addition of an “inside-outside axis” that also pits the people, defined as a nation, against both domestic out-groups and groups outside the polity, such as external elites (e.g. “globalists”) and other nations.<sup>12</sup>

### ***Nationalism or Not?***

For the purposes of this essay, Trump is understood to be populist. His extensive use of anti-elite rhetoric (which even sometimes includes elites in his own political party) and appeals to redress the grievances of the “forgotten” people are well documented and beyond dispute.<sup>13</sup> But is he also a nationalist? He is so often referred to as a populist that it seems worth exploring what type of populist he is and what relationship his populism may have to nationalism.<sup>14</sup> This section reviews the academic literature on Trump’s 2016 presidential campaign, with special attention paid to analyses of both his rhetoric and its reception by voters. Key questions to be addressed include: How does

Trump define “the people”? Does he identify any domestic out-groups to be scorned? What demands does he make on the state in the name of “the people”? How did voters react to Trump’s rhetoric?

Analyses of Trump’s campaign rhetoric establishes a consensus view that Trump practices a clearly distinguishable variant of right-wing populism (often referred to as “ethno-national populism”) that defines the people in ethno-national terms largely consistent with one of the enduring traditions of American nationalism: a xenophobic narrative that defines the nation as native-born, white, and Christian.<sup>15</sup> In content analysis of Trump’s Twitter account during the election period, Shertzer and Woods find that more than a third of his tweets present “ethnic conceptions” of the American people and their history and religion and that overall, he “engaged in ethno-nationalist themes more than any other topic.”<sup>16</sup> By way of comparison, anti-elite populist content attacking the “establishment” and his opponent Hillary Clinton appeared in nearly twenty percent of his tweets, while references to key issues areas, including healthcare, taxes, education, and the Supreme Court, combined for only two percent.<sup>17</sup> With regard to ethnicity and religion, Gorski and Whitehead, et al. note examples of Trump’s rhetoric appealing to what they call white Christian nationalism, a strain of nationalism that defines the nation as whites from European ethnic backgrounds practicing the Christian religion.<sup>18</sup>

The definition of the nation described about is reinforced by Trump’s references to domestic out-groups and groups outside the polity. Analysis of his Twitter account reveals that Trump “focused on creating a moral binary between a virtuous in-group and several immoral out-groups,” in which the in-group of the native-born, white, Christian majority (sometimes referred to as the “silent majority,” or the “forgotten men and women”) is threatened by dangerous, criminal and foreign out-groups such as undocumented immigrants alleged to be involved in violent crimes and Muslims portrayed as terrorists.<sup>19</sup> In addition, African-Americans are treated somewhat ambiguously, sometimes presented as a criminal “other” and sometimes as a group to be helped. The valence attributed to each group in these tweets reveals a spectrum from overwhelmingly positive framing for the ethnic majority group (95% positive for core ethnic group, 95% positive for Christians, etc.), to a mixed framing for African-Americans (53% positive) to overwhelmingly negative framings for Hispanics (including undocumented immigrants) (92% negative) and the external out-group Muslims (100% negative).<sup>20</sup> As Bonikowski concludes, Trump appealed to an exclusionary, ethno-national American identity in part by criticizing domestic out-

groups such as immigrants, ethnic minorities and Muslims, efforts that occurred after years of Trump “fanning the flames of Islamophobia and racial conspiracy theories concerning President Obama’s place of birth.”<sup>21</sup>

Existing research on Trump’s campaign rhetoric highlights a number of demands made on the state in name of Trump’s defined nation. First and foremost, he argued the dominant ethnic group was under threat of losing their power in favor of immigrants, who he portrayed as dangerous “others” pouring across the southern border. A central argument of his campaign was to urge this “silent majority” to recapture control of the state, with Trump as their leader and protector.<sup>22</sup> He thus offered proposals such as to build a wall on the southern border and generally to crack down on immigrants, while accusing his opponent Clinton of being in league with foreign elements and likely to increase immigration if elected.<sup>23</sup> In his appeals to Christian nationalism, he directly called for unity among Christians in the face of the threat of Islam, and proposed a ban on the entry of Muslims into the United States.<sup>24</sup>

Trump’s ethno-nationalist rhetoric also appeared in his foreign policy proposals. Trump repeatedly railed against past U.S. trade and environmental deals, which he argued elites profited from at the cost of good jobs for his majority ethnic group. He promised to renegotiate or discontinue such deals in order to return high-paying manufacturing jobs for the benefit of this group.<sup>25</sup> In security policy, he criticized the U.S. alliance system, arguing again that foreigners were taking advantage of Americans, and threatened to dissolve these arrangements if they could not be refashioned in America’s favor.<sup>26</sup> Finally, he argued for improving relations with Russia, a country long seen as an adversary by Americans and led by a man, Vladimir Putin, who actively practices ethno-nationalist politics at home while seeking to spread it abroad. Trump’s glowing references to Russia created a stark contrast to his questioning of traditional allies in Europe and Asia.<sup>27</sup> In this way, Trump’s appeal to an exclusionary ethno-national American identity prompted him to frame a number of policy demands, some of which might have been justifiable using other rationales, as the means by which this ethnic majority could recapture their state.

There is strong evidence that Trump’s ethno-nationalist rhetoric resonated with a subset of voters, contributed to his election victory, and connected with existing traditions and resources of American nationalism. First, scholars studying Christian nationalism argue Trump’s rhetoric resonated with a sub-set of evangelical voters (perhaps more than two-thirds), and can be linked in statistically significant ways with support for Trump in the election.<sup>28</sup> Exit polls also show Trump winning by large majorities with

voters concerned about immigration, trade, and terrorism as well as those unconcerned about racial justice.<sup>29</sup> Finally, Lieven and Gorski argue Trump's ethno-nationalism largely conforms to traditional patterns of nationalism in America, including white nationalism and Christian nationalism, while Bonikowski and DiMaggio show that about a third of the population should have been particularly receptive to Trump's ethno-national appeals because they have medium levels of national pride (and thus desire for redress) but define American identity in especially exclusionary ways.<sup>30</sup>

Trump is thus clearly a nationalist, albeit one of the right-wing populist variety. He defines "the people" in ethno-national, exclusionary terms as native-born, white and Christian, an identity he reinforces by scapegoating domestic and external out-groups as immoral and undeservingly benefiting from "corrupt" elites. The major policy proposals of his campaign were all framed as demands on the state to better reflect the nature and interests of this understanding of the American nation. Finally, voters responded to these ethno-national appeals, which were themselves largely in line with preexisting but not hegemonic strains of American nationalism.

### ***Whither America's Grand Strategy?***

Although populism can have implications for foreign policy, its "up-down axis" tends to direct its influence more toward domestic policy and political fights. However, scholars generally agree nationalism, with its "inside-outside axis," can often exert significant influence on foreign policy, sometimes with devastating effects.<sup>31</sup> Has Trump's nationalism had a major impact on U.S. foreign policy? This section considers this question by evaluating the state of American grand strategy since Trump took office.

There are numerous definitions of grand strategy.<sup>32</sup> Here, it is understood as "general theories of how states create security for themselves" that consist of four elements<sup>33</sup>: 1) basic assumptions about the international environment; 2) the country's prioritized goals in its international relations; 3) an understanding of the most important threats to these goals; and 4) a set of preferred actions to address these threats and achieve security.<sup>34</sup>

The grand strategy followed by the U.S. from before the end of the Cold War until Trump took office is known as "primacy" or "liberal hegemony."<sup>35</sup> It first assumes the world has one essential power (i.e. superpower), the U.S., along with other powers of various strengths. The major goals of the U.S. in this environment are peace among the great powers, an open international trade regime and continued cooperation within U.S.-led international organizations. Threats to these goals include the proliferation of

weapons of mass destruction, especially nuclear weapons, regional challenges presented by failed and “rogue” states, international terrorism and the rise of authoritarian adversaries. The set of preferred actions involves the U.S. maintaining military preponderance and asserting leadership mainly through military commitments, including alliances, a network of overseas bases, constant naval patrols of international waters and military engagements where necessary. Primacy requires significant military spending, places great value on maintaining allies, and has received bipartisan support from both major parties in the U.S. for decades.<sup>36</sup>

What are the implications of Trump’s nationalism for this well-established grand strategy? Answering this main question requires consideration of three sub-questions. First, has Trump persisted in his nationalism since taking office? It is not uncommon for ethno-national populist parties and politicians to adopt more moderate politics after achieving office.<sup>37</sup> Second, does Trump have an alternative grand strategy based, at least in part, on his nationalism? Finally, has he been able to use this new grand strategy to guide U.S. security and foreign policy?

By most accounts, Trump has persisted with his ethno-national populism since becoming president. Content analysis of his rhetoric reveals his “pattern of nationalism and populism persisted during his first couple of years in office.”<sup>38</sup> In particular, scholars who are concerned with the impact of Trump’s ethno-nationalism on American democratic norms and institutions agree that he has maintained his ethno-national populism while in office.<sup>39</sup> Further, even some scholars who argue Trump’s ethno-national populist rhetoric has had little impact on policy acknowledge it has nonetheless continued while he has been president.<sup>40</sup>

But does Trump have a nationalist alternative grand strategy to replace primacy? Although there is disagreement over this question, a number of scholars have identified an emerging “America First” grand strategy.<sup>41</sup> In this grand strategy, the international environment is a dangerous place from which powerful forces threaten U.S. national security, thus favoring more conflict than cooperation. Ensuring the country’s physical security, economic well-being and way of life are America’s top goals in international relations. The major threats to these goals are “radical Islam,” unfair international trade deals (especially with China) and illegal immigration. The set of preferred actions are 1) to embrace “economic nationalism” in trade policy, 2) to implement “extreme” homeland security, 3) to follow “amoral transactionalism” in dealings with other countries; and 4) to massively expand the U.S. military to deter external threats while avoiding extensive military engagements overseas.<sup>42</sup> It should be noted that the same

scholars who identify this emerging grand strategy are also critical of it, pointing out internal contradictions and the problems it will cause for the international system.<sup>43</sup>

The links between this “America First” grand strategy and the ethno-nationalist demands on the state raised by candidate Trump are readily apparent. First, the specified threats are all either scapegoated domestic or external out-groups (undocumented immigrants, potential immigrants, and Muslims) or foreigners taking advantage of the white ethnic majority through unfair trade practices and alliance free-riding. Second, the first three preferred actions all address demands Trump made of the state in the name of the nation during the 2016 campaign. In order to bring back manufacturing jobs for his core ethnic majority, Trump promised to engage in “protectionist and mercantilist foreign policy.”<sup>44</sup> In order to restore the power and status of this white, Christian majority, he proposed a wall on the southern border and a harsh crackdown on immigrants more generally. “Amoral transactionalism” refers to Trump’s view that the U.S. should be open to making deals (on a transaction by transaction basis) with any international actors that share U.S. interests, even if they reject or routinely violate American values.<sup>45</sup> Actions in this category include outreach to authoritarian Russia to cooperate in fighting Islamic extremists as well as demands that liberal democratic alliance partners pay for the cost of American efforts in their defense or prepare to be abandoned by the U.S. It is important to note that this reduction in the valuation of U.S. alliances (external balancing) is also linked through realist logic with the fourth preferred action, a U.S. military build-up (internal balancing).<sup>46</sup>

Has Trump been able to use his “America First” grand strategy to guide U.S. foreign policy? Not surprisingly for a new doctrine, evaluations are mixed. Some studies of Trump’s first years in office minimize accomplishments in this regard. Analyzing the conduct of military operations in the administration’s first year, Dombrowski and Reich conclude there was more continuity than change. Despite Trump’s rhetoric, they argue that U.S. military operations during this period remained constrained by operational circumstances and bureaucratic and leadership limitations and were thus carried out much as they had been under the previous administration.<sup>47</sup> Also reviewing the Trump administration’s first year, Porter concludes “there was more continuity than change regarding grand strategic issues.”<sup>48</sup> Pointing out Trump’s reversals on promises to question U.S. alliances and soften policies toward Russia, Porter argues Trump’s 2017 *National Security Strategy* and military budget increases simply reinforced primacy as America’s grand strategy.<sup>49</sup> He concludes this was likely due to the stability in American power capabilities and the effective pushback from the American foreign

policy establishment (referred to as “the Blob”).<sup>50</sup>

Others note success in one or more areas of the preferred actions. Evaluating policy in Trump’s first two years in office, Hawkins and Hawkins argue that, when it comes to keeping his nationalist populist campaign promises, “most of his successes have come in the area of foreign policy.”<sup>51</sup> Specifically, they point to Trump’s withdrawal from the Trans-Pacific Partnership (TPP) trade deal and the Paris agreement on climate change, as well as his efforts to renegotiate the North American Free Trade Agreement (NAFTA) and to impose tariffs on steel and aluminum products, moves that largely targeted Asian, European and North American allies and trading partners and did not require the approval of the legislative branch.<sup>52</sup> Still further, the Trump administration launched a trade war with China over persistent trade imbalances, theft of intellectual property and the issue of forced technology transfers from American firms, a lingering trade dispute that continues to this day.<sup>53</sup>

Even scholars who downplay the influence of Trump’s populism on his administration’s domestic policies admit that his nationalism has had major impacts in policy areas such as immigration.<sup>54</sup> Although some faced court challenges, actions implemented in this area include efforts to divert funds to the building the border wall, the rescinding of the Deferred Action for Childhood Arrivals (DACA) program for undocumented migrants who arrived in the U.S. as children, draconian enforcement of immigrations laws (separating migrant children from their families, deporting undocumented immigrants, strict policing of immigrant communities, etc.), and the imposition of a travel ban on people coming from Muslim-majority countries.<sup>55</sup> Although immigration is often viewed as a domestic policy, the “America First” grand strategy elevates it to a strategic priority in foreign policy, and it is difficult to avoid seeing the above actions as anything but the result of this grand strategic guidance.

## ***Conclusion***

2019 provided additional indicators that the “America First” grand strategy is more than just rhetorical bluster. By declaring China a currency manipulator, Trump fulfilled a campaign promise even as the trade war with China continued, although a “phase one” deal, which left many difficult issues to future negotiations, was reached at the end of the year.<sup>56</sup> Trump’s government also negotiated two trade agreements with Japan, although this too was presented as a “stage one” achievement, with difficult issues left for later.<sup>57</sup> In addition, his administration demanded steep increases in host nation support from South Korea and has indicated it will do the same to Japan in future

negotiations.<sup>58</sup>

Whether Trump will ultimately succeed in fully implementing the “America First” grand strategy remains to be seen, but the following seems clear. First, primacy advocates should reconsider efforts to restore it without significant revision. Although it seems likely that voters did not elect Trump primarily because of his positions on foreign policy, “they did, however, respond to his assaults on free trade, failed wars, free-riding allies, and the negative consequences of globalization for American workers.”<sup>59</sup> The critique of primacy and the foreign policy establishment is thus capable of gaining considerable support from the electorate. Second, should Trump win reelection, this will almost certainly serve as the blueprint for U.S. foreign policy in his second term, as he better learns to navigate personnel rules and separation-of-powers issues to resist the countervailing forces of “the Blob” and Congress. Third, allies and trading partners alike should take the elements of this new grand strategy seriously, as most are linked to ethno-national claims that resonate with an historically stable sub-set of Americans and will thus be there as a resource for future politicians seeking to following in Trump’s footsteps.

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### Notes

<sup>1</sup> Factbase, “Speech: Donald Trump Holds a Political Rally in Houston, Texas - October 22, 2018”: <https://factba.se/transcript/donald-trump-speech-maga-rally-houston-tx-october-22-2018> (accessed March 14, 2020).

<sup>2</sup> For summaries of this voluminous literature, see Snyder, 1997; Ozkirimli, 2010.

<sup>3</sup> Boyd, 2012.

<sup>4</sup> Lieven, 2016, p.9.

<sup>5</sup> *ibid.*, p.10.

<sup>6</sup> Lieven, 2016; Lieven, 2004; Bonikowski & DiMaggio, 2016.

<sup>7</sup> Brubaker, 2020, p.51.

<sup>8</sup> For a thorough account of this dispute, see Brubaker, 2020.

<sup>9</sup> Bonikowski, 2019, p.111; Bonikowski, et al., 2019.

<sup>10</sup> Bonikowski, et al., 2019, p.63.

<sup>11</sup> In American politics, the populism practiced by Senator Bernie Sanders can be seen as an example of this form of left-wing populism.

<sup>12</sup> Brubaker, 2020; Bonikowski, 2019.

<sup>13</sup> Schertzer & Woods, 2020, p.2; Oliver & Rahn, 2016; Bonikowski, 2019.

<sup>14</sup> For example, a key word search of *The New York Times* between June 16, 2015 (the day Trump announced his candidacy) and November 8, 2016 (Election Day) reveals that articles containing the words “Trump” and “populism” (136) outnumber those containing the words

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“Trump” and “nationalism” (105).

<sup>15</sup> Schertzer & Woods, 2020; Oliver & Rahn, 2016; Bonikowski, 2019; Lieven, 2016; Gorski, 2017.

<sup>16</sup> Schertzer & Woods, 2020, p.10.

<sup>17</sup> *ibid.*

<sup>18</sup> Gorski, 2017; Whitehead, et al., 2018.

<sup>19</sup> Schertzer & Woods, 2020, p.10.

<sup>20</sup> *ibid.*, p.11.

<sup>21</sup> Bonikowski, 2019, p.113.

<sup>22</sup> Schertzer & Woods, 2020, p.12.

<sup>23</sup> *ibid.*, p.14.

<sup>24</sup> Gorski, 2017, p.343.

<sup>25</sup> Schertzer & Woods, 2020, pp.14-15.

<sup>26</sup> Lieven, 2016, p.18-19.

<sup>27</sup> *ibid.*, p.19.

<sup>28</sup> Gorski, 2017; Whitehead et al., 2018.

<sup>29</sup> CNN, “Election 2016 Exit Polls”: <http://edition.cnn.com/election/results/exit-polls/national/president> (accessed March 13, 2020.)

<sup>30</sup> Lieven, 2016; Gorski, 2017; Bonikowski & DiMaggio, 2016. It is important to note that both Lieven and Gorski identify some elements of innovation in Trump’s use of these existing strains of American nationalism.

<sup>31</sup> Lieven, 2004; Bonikowski & DiMaggio, 2016.

<sup>32</sup> Posen, 1986; Christensen, 1996; Kirss, 2018.

<sup>33</sup> Friedman & Logan, 2016, p.17.

<sup>34</sup> Kahl & Brands, 2017.

<sup>35</sup> Friedman & Logan, 2016, pp.17-18; Porter, 2018, p.9.

<sup>36</sup> There are some disagreements about partisan supporters of primacy. See Friedman & Logan, 2016, p.18.

<sup>37</sup> Taggart & Szczerbiak, 2013.

<sup>38</sup> Hawkins & Hawkins, 2018, p.49.

<sup>39</sup> Bonikowski, 2019, pp.123-130; Hawkins & Hawkins, 2018.

<sup>40</sup> Dombrowski & Reich 2018, pp.56-57; Pierson, 2017, p.S106.

<sup>41</sup> For those who disagree, see Sestanovich, 2017; Zenko & Lissner, 2017; Scholars who see an emerging Trumpian grand strategy include Kahl & Brands, 2017; Carpenter, 2017, pp.36-37.

<sup>42</sup> Kahl & Brands, 2017.

<sup>43</sup> Kahl & Brands, 2017; Carpenter, 2017, p.43.

<sup>44</sup> Kahl & Brands, 2017.

<sup>45</sup> *ibid.*

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- <sup>46</sup> Although militarism is often associated with nationalism, and Trump sometimes refers to veterans as a valued in-group in ethno-nationalist rhetoric, since the call for increased military spending in the face of reduced dependence on alliances also follows realist logic, it is not asserted here that the fourth preferred action stems directly from Trump’s ethno-nationalism.
- <sup>47</sup> Dombrowski & Reich, 2018.
- <sup>48</sup> Porter, 2018, pp.39-40.
- <sup>49</sup> Office of the President, 2017.
- <sup>50</sup> *ibid.*, pp.45-46.
- <sup>51</sup> Hawkins & Hawkins, 2018, p.60.
- <sup>52</sup> *ibid.*, pp.60-61.
- <sup>53</sup> Swanson, 2018.
- <sup>54</sup> Pierson, 2017, p.S114; Hawkins & Hawkins, 2018, pp.61-62.
- <sup>55</sup> Bonikowski, 2019, p.125.
- <sup>56</sup> Lawder, 2020.
- <sup>57</sup> CRS, 2020.
- <sup>58</sup> Tatsumi, 2020.
- <sup>59</sup> Porter, 2018, p.39.

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### **3-3: DO SAARC AND BIMSTEC LEAD THE WORLD? ---REGIONAL COLLABORATION IN SOUTH ASIA**

Dr. Pradeep CHAUHAN

South Asia is one of the world's most dynamic and diverse regions. A shared regional leitmotif along with cultural, linguistic, topographical and economic diversity lends the region a distinct identity. Its economies have demonstrated remarkable strength and resilience amid global slowdowns, establishing their significance for global economic growth.

Yet aside from a collective experience of economic progress, the region also shares developmental challenges. Continuing to close the poverty gap, improving infrastructure, strengthening institutions, harnessing the potential of its large youth population and ensuring equitable growth are some of the most critical overarching priorities facing regional economies.

South Asia is among the world's least economically integrated regions, despite the advantages of proximity, structural and cultural familiarities, and shared developmental priorities. Constrained by disagreements stemming from past history, national pride, territorial disputes, ethnic and religious disturbances, mutual mistrust and cross-border migration issues, the region has been unable to leverage the benefits of regional cooperation to bolster its common future interest. Deeper regional integration could, however, turn the sub-region into an important land bridge and trade hub between Europe, Central Asia and South-East Asia.

The inception of multiple institutional frameworks for advancing regional cooperation, such as the South Asian Association for Regional Cooperation (SAARC), the Bangladesh-Bhutan-India-Nepal (BBIN) initiative and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) indicates consensus on the importance of enhanced South Asian cooperation, but these organisations have only had limited success in overcoming hurdles to regional collaboration.

With a vision to gradually transition towards a South Asian Economic Union characterised by a Common Market and Customs and an Economic and Monetary Union, SAARC facilitated the inception of a South Asian Free Trade Area (SAFTA), which was operationalized in 2006. But after more than a decade since its initiation and

despite multiple bilateral Free Trade Agreements (FTAs), intraregional trade accounts for barely 5 per cent of South Asia's total trade compared to approximately 25 per cent for the Association of Southeast Asian Nations (ASEAN).

One of the biggest factors undermining intraregional trade is the long sensitive list of products exempted by South Asian countries from the tariff liberalization programme in the region. The average trade costs within South Asia are 20 per cent higher than the corresponding costs within ASEAN. Persisting high trade costs, the proliferation of multiple non-tariff and para-tariff barriers, poor trade facilitation at borders, lengthy sensitive lists and high connectivity costs continue to offset the positive impact of geography and proximity.

### **Challenges of Integration in the Region**

The challenges related to diversity and integration are complex, but not exclusive to the region. Although European integration comes from the Second World War, cooperation in Southeast Asia arose from the polarized atmosphere of the cold war. With a very different geopolitical context, the European Union has managed to overcome regional disputes, particularly between France and Germany.

The creation of ASEAN has been a milestone in promoting regional integration in Southeast Asia, which it has done through multiple tools such as ASEAN ASEAN, ASEAN + 3 and ASEAN + 6, as well as ALS bilateral between ASEAN and neighbouring countries., among others. The Regional Comprehensive Economic Association (RCEP) was the last of the major additions, although India has so far remained on the margins of this agreement.

In these cases, the most important contribution of regional cooperation was the facilitation of the restructuring of the sector which seeks efficiency across the region to promote economies of scale, specialization and competitiveness. The key success factor for ASEAN and the EU in promoting regional integration has been the ability of their nation states to prioritize economic prosperity over their political differences and focus on a shared long-term growth agenda.

Whether market-oriented as in Asia or rooted in a solid institutional framework such as in Europe, strengthening regional integration will be a strong lever to hone South Asia's collective and individual competitive advantage, attract investors and address shared regional vulnerabilities. such as food and energy security, poverty reduction and job creation. South Asian nations have been able to make significant economic progress through greater global integration and South Asian regionalism will certainly drive

sustained economic development for these economies.

Resuscitation of organizations and agreements promoting regional cooperation, such as SAARC recommendations to accelerate progress towards a South Asian Economic Union, strengthen regional trade through full and complete implementation of the SAFTA and BIMSTEC FTA and launch agreements for trade in services, investment promotion, regional connectivity and energy cooperation will contribute significantly to promoting deeper economic collaboration in the region. Likewise, a greater commitment to consistency in diplomatic dialogue between regional and interregional organizations, as well as rigorous and timely adherence to the resulting agreements and resolutions are essential to achieve the objectives set.

### 1. BIMSTEC vs SAARC: At a Glance

SAARC	BIMSTEC
1. A regional organisation looking into South Asia	1. Interregional organisation connecting South Asia and South East Asia.
2. Established in 1985; a product of the Cold War era	2. Established in 1997 in the post-Cold War.
3. Member countries suffer for mistrust and suspicion	3. Members maintain reasonably friendly relations
4. Suffers from regional politics	4. Core objective is the improvement of economic cooperation among countries
5. Asymmetric power balance	5. Balancing of power with the presence of Thailand and India on the bloc
6. Intra-regional trade only 5 percent	6. Intra-regional trade has increased around 6 percent in a decade

### How South Asia can Lead the World?

The sub-region's shared colonial past and popular cultural preferences, including prolific culinary undertones, vibrant entertainment industries and common sports, reinforce a South Asian identity and offer compelling cross-border drivers for better connectivity. Exploiting them by promoting intra-regional tourism and direct interaction between people can help counteract confidence deficits and negative stereotypes, as well as create a bulwark for lasting regional peace, reconciliation and collaboration.

Above all, shared political will and incremental but tangible measures to anchor deeper integration have the potential to significantly strengthen cooperation in South Asia. As the region moves forward with an altered and more external economic orientation, greater economic integration and collaboration, fueled by increased intra-regional trade and investment, promises that South Asia will realize its true growth

potential.

In light of global events around Brexit, the Trans-Pacific Partnership and NAFTA that reflect the erosion of trust in existing multilateral collaborative frameworks, South Asia can provide the world with a new context for regional collaboration and revive the hope for a coherent and sustainable world order. As the region's largest economy, South Asia particularly India has the opportunity to pave the way for regional multilateralism through mutual interest.

### **India: The bridge between South Asia and Southeast Asia**

Geographically, “India is strategically positioned in South Asia. It is the only state that enjoys direct physical contact with all states in the region. Its central position within the region allows it to be the bridge between SA economies such as Bangladesh, Pakistan and Sri Lanka and the SEA economies. Nepal and Bhutan, the two landlocked states, can also access the SEA region through India.

Over the years, there have been several sub-regional initiatives linking the two regions. Sub-regional economic cooperation of South Asia (SASEC), the Gulf of Bengal initiative for multi-sectoral technical and economic cooperation (BIMSTEC), ASEAN + 1 and the Bangladesh-China-India-Myanmar (BCIM) initiative have India as a common factor. Not only India, other SA states have also increased their ties to the SEA region. Indeed, as has been stated, commercial integration with the ASEAN + India FTA and bilateral FTAs such as India-Singapore, India-Malaysia, Pakistan-Malaysia will include the service sector and, finally, the agricultural sector. The free movement of goods, services, labor, knowledge and capital within ASEAN and South Asia will pave the way for a common Asian market. The development of economic ties and connectivity between South and Southeast Asia appears to be a natural and progressive movement towards growth and prosperity. Trade connections and connectivity between regions are carried out across land borders, sea routes and air connections.

### **Bilateral to Multilateral connectivity**

The changing political landscape in both of India's eastern neighbours has led to positive bilateral relations and also opened up the scope of increasing the connectivity linkages to include sub-regional levels. Thus, possibility of a similar agreement amongst India, Myanmar and Thailand is now being discussed. The 1,360 km long road between Moreh- Mae Sot will pass through Mandalay and link Northeast India and Southeast Asia. This route could then easily connect with the Kaladan Multi-modal transit project

that would link Kolkata port with landlocked Mizoram via Myanmar into economic highways with special economic zones.

None of the three sub-regional initiatives undertaken to enhance road connectivity between India and the Southeast Asia region, namely the Mekong-India Economic Corridor, Bangladesh-China-India-Myanmar (BCIM) Economic Corridor, and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) has as yet resulted in any tangible progress.

### **Maritime Link**

India's maritime connectivity with Southeast and East Asia, although presently limited, can be the facilitator of pan-Asian integration. The report also notes that despite having one of the largest merchant fleets in the developing world, Indian ports have a limited number of direct calls with ASEAN ports.

the Greater Mekong Sub region or GMS

India's Northeast region, although a critical connecting link between South and Southeast Asia, is clearly beleaguered with security issues, economic stagnation, and poor infrastructure. While India's Look East Policy has made tremendous progress, it has bypassed the Northeast region. The Act East policy was meant to perhaps redeem that. Plans and proposals are in place and the possibilities of building a cobweb of connectivity networks through India and its Northeast region is high". But given India's implementation track record, how soon it can be the real bridge between South and Southeast Asia is still an open ended issue.

### **The Need for Regional Cooperation**

Before delving into the functioning of BIMSTEC, "it is necessary to understand the need for regional cooperation in South Asia. Trends in world affairs suggest an increasing resistance to regional cooperation, which was once considered a preferred means of fostering economic prosperity among participating countries. Events such as Brexit and the U.S. demolition of the Trans-Pacific Partnership in 2017 reflect the global climate. However, unlike global models, South Asian countries have shown a growing interest in regional cooperation. The creation of BBIN sub-regional cooperation (Bangladesh, Bhutan, India, Nepal) after the 2014 Kathmandu summit is a good example.

The South Asia region covers about three percent of the world's total land area and is home to around 21 percent of the population. The region has a different socio-economic

configuration, which includes important economic powers such as India, as well as a large number of poor people living on less than a dollar a day. It also has a large young population looking for work.

South Asia extends over a vast land area between the mighty Himalaya in the north and the Indian Ocean in the south. Of the countries in the region, only the island nations of Sri Lanka and the Maldives are separated by waters; The rest are connected by ground. Before 1947, India, Pakistan and Bangladesh were an integral nation and the countries of the region had close socio-cultural linguistic ties. Countries are therefore closely linked in their socio-political state, as they face similar threats and challenges. For example, most countries in the region face terrorism. To meet these challenges, South Asian countries need to cooperate”. The European and ASEAN experience is testimony to the contribution of regional cooperation to the economic growth of the countries.

### **BIMSTEC as Vehicle for Regional Cooperation**

BIMSTEC includes the countries of the Gulf of Bengal region: five countries in southern Asia and two in ASEAN. The organization is a bridge between South Asia and Southeast Asia. It includes all the main countries of South Asia except the Maldives, Afghanistan and Pakistan. Given this composition, BIMSTEC has become a natural platform for testing regional cooperation in the South Asia region.

BIMSTEC was originally called BIST-EC, or “economic cooperation from Bangladesh, India, Sri Lanka and Thailand. When Myanmar joined the cooperation, the organization was renamed Economic Cooperation of Bangladesh, India, Myanmar, Sri Lanka and Thailand (BIMST-EC). After the inclusion of Nepal and Bhutan, the organization was called BIMSTEC, or Economic Cooperation of Bangladesh, India, Sri Lanka and Thailand.

As a commercial block, BIMSTEC offers many opportunities. The region has countries with the fastest growing economies in the world. The combined GDP in the region is around \$ 2 trillion dollars and is likely to grow even more. Trade between BIMSTEC member countries has reached six percent in just a decade, while SAARC has remained about five percent since its inception. Compared to SAARC, BIMSTEC also has greater commercial potential. Among member countries, Myanmar's intra-BIMSTEC trade accounts for approximately 36.14 percent of total trade. The share of Nepal and Sri Lanka in intra-regional trade is approximately 59.13% and approximately 18.42% respectively. For Bangladesh, the intra-BIMSTEC trade share is 11.55 percent, while for India and Thailand it is around three percent.

Despite the numerous successes of BIMSTEC, however, some concerns remain. One is the rarity of the BIMSTEC top management, the organization's highest decision-making body. In its 23 years of existence, the BIMSTEC summit took place only three times. The first BIMSTEC summit was held in Bangkok, Thailand in 2004. An important milestone for BIMSTEC was the establishment of a permanent secretariat in Dhaka. However, the secretariat faces a serious shortage of resources, both in terms of money and work, which has adversely affected its performance.

BIMSTEC observers see lack of leadership as the main disadvantage. In recent years, this concern has been addressed as India has shown growing interest in grouping. India's initiatives have led to some important developments, including the creation of the BIMSTEC Energy Center in Bangalore and the BIMSTEC Business Council, a forum for business organizations to promote regional trade. Numerous committees have been set up to oversee developments in various sectors, e.g. the transport connectivity working group BIMSTEC, which held its initial meeting in Bangkok in 2016. The developments conducted so far within BIMSTEC have been encouraging". To maintain momentum and strengthen BIMSTEC as a sustainable platform for regional cooperation, the following steps need to be considered:

1. Consistency in the frequency of the top management to ensure regularity in the decision-making process;
2. Improve the capacity of the secretariat, both in terms of staff and funding;
3. Ensure tangible results / benefits, which will increase countries' motivation to focus on BIMSTEC (projects in the sectors of tourism, digital connectivity, energy connectivity and humanitarian assistance in the event of disasters should be considered); is
4. Authorize BIMSTEC to be a platform for dispute resolution between member countries. This will require a debate and discussion between the BIMSTEC countries to reach a consensus.

BIMSTEC offers many opportunities to its member countries. For India, "it helps in its Look East policy and South-South cooperation efforts. The development of the north-eastern region, opening up to Bangladesh and Myanmar, is another incentive. For Thailand, BIMSTEC helps with its Look West policy. Under BIMSTEC, even the smallest nations can benefit from the markets of India and Thailand. BIMSTEC offers the nations of the Gulf of Bengal the opportunity to work together to create a common space for peace and development". Given the fairly friendly relationship between BIMSTEC member states, the implementation of the suggestions listed above to

increase BIMSTEC's performance is an achievable goal if countries show sufficient political will and mutual respect.

## **Conclusion**

South Asia can play a leading role in the world because of its special characteristics. The two organisations—SAARC and BIMSTEC—focus on geographically overlapping regions. However, “this does not make them equal alternatives. SAARC is a purely regional organisation, whereas BIMSTEC is interregional and connects both South Asia and ASEAN. Insofar as their regions of interest overlap, SAARC and BIMSTEC complement each other in terms of functions and goals. BIMSTEC provides SAARC countries a unique opportunity to connect with ASEAN. Since the SAARC summit has only been postponed, not cancelled, the possibility of revival remains. The success of BIMSTEC does not render SAARC pointless; it only adds a new chapter in regional cooperation in South Asia. This cooperation can be a bridge between the South Asia and East Asia. Furthermore, with the agreement of RCEP, which is a group of 15 Asia-pacific countries 10 ASEAN nations and five if its major trading partner: Australia, China, Japan, New Zealand and South Korea. The Mega deal started with 16 countries but India decided not to join the trade pact over concern that it would hurt its domestic producers. Together, the 15 countries make up close to one-third of the world population and global gross domestic product, according to Reuters report. That’s larger than other regional trading blocs such as the EU and the US-Mexico-Canada Agreement, or USMCA. In contrast, agreements such as the Trans-Pacific Partnership (TPP) pose a greater challenge, therefore after taking into consideration the India’s concerns, it would be significant for the RCEP to keep India along”. Therefore, the importance of South Asia’s presence at world partnerships signify its role in the affairs.

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### **3-4: Constructing a new world order: The case for a post-crisis international settlement**

Chris G. POPE

#### **Abstract**

The article argues that two major crises that beset the planet, the economic crisis and the socioecological crisis, are supported by the international monetary system. To do so, it explains the rise of the so-called ‘dollar standard’ at the center of today international political economy and how it led to economic unsustainability on the one hand, and impaired the political capacity to respond to the socioecological crisis, on the other. Following this, the article argues that reform to the international monetary system is necessary to overcome the crisis. In doing so, it discusses the feasibility of such reform in the context of a declining US and the rise of China. It argues that while the internationalization of non-US currencies potentially heralds the demise of the current monetary system, it is unlikely that the US dollar will be replaced by another nation’s currency in the future. Rather, it argues that the multipolarization of the international system could provide an opportunity to stabilize currency markets and help governments respond to the crises that beset the planet. However, this will not take place without an international settlement aimed at completely reforming the international monetary system.

**Keywords:** Economic development, climate change, US, China, petrodollar system, international clearing union

#### **Introduction: Bretton Woods – What was and what could have been**

The modern international monetary system (IMS) stems from the Bretton Woods Agreement which followed approximately three weeks of formal discussions between allied nations at the Mount Washington Hotel in Bretton Woods, New Hampshire in July 1944. The conference sought to a) establish a stable economic world system; b) restructure international relations; and c) safeguard Capitalism. To do so, the agreement set out to both advocate and to regulate multilateralist free trade in order to promote economic redevelopment after the war along Capitalist tenets. At the same time, while the conference attempted to determine the terms on which war-ravaged areas of the world should be redeveloped, it also set out to decide how a new economic system

should be designed, implemented and regulated in such a way as to foreclose the possibility of another Great Depression, in which financial collapse was essentially untreatable within the contemporary political framework and gave rise to social and political chaos that led to world war (Polanyi [1944] 2001; Galbraith [1954] 2009).

Indeed, the Great Depression was the result of deregulation, unaccountable speculative finance, and excessive levels of debt, which caused the chronic collapse of financial markets, rising unemployment levels and falling prices which increased the debt burden on debtors (Keen 2011: 280-1). The panic that followed led to governments enacting beggar-thy-neighbor policies that shifted the burden of economic collapse on to other countries. This, in turn, escalated existing conflicts between countries while austerity, devaluations and imports restrictions, alongside high levels of debt, high unemployment and an atrophied economy, led to worsening social conditions at home which became the breeding ground for extreme political movements based on discrimination, exceptionalism, ultra-nationalism and hatred. Thus, the new Bretton Woods system was designed to protect Capitalism not just from Communism on the eve of the Cold War but *from itself* by embedding it into a social system that was furnished with a number of safeguards and redistributive provisions (Ruggie 1982).

As a result of negotiations, the International Monetary Fund (IMF) was created as an institution designed to provide short-to-medium terms loans to countries in need of financial assistance, while the International Bank for Reconstruction and Development (IBRD), now known as the World Bank, was established as an international investment bank which can channel investments into regions devastated by the war for reconstruction (Varoufakis 2011: 59). This new system was buttressed by the General Agreement on Tariffs and Trade (GATT), established in 1948 and now the World Trade Organization, which set out to provide a comprehensive rules-based framework for trade in order to achieve “improvements in living standards and full employment” through the reduction of tariffs and eradication of discriminatory trade practices (Yamamoto and Toritani 2019: 83).

This new order, however, was not designed solely on the basis of avoiding another fatal economic crash and redeveloping war-torn regions. It also concerned the geopolitical ambition of powerful nations over whom it was who would control and shape this new economic system. Disagreement over who should hold the reins to this new system would prove to be a major factor in the undoing of Bretton Woods. For instance, while the IMF, IBRD and GATT would ensure that the inclination among national governments towards protectionist policies through tariffs and importation

quotas could be avoided, the longevity of the new international system also depended on avoiding the competitive devaluations of currencies by nations facing economic downturns or to artificially manage trade imbalances. The power to determine who can devalue their currencies, by exactly how much, and under what circumstances was as political a decision as it was technical. The US Treasury Department official, Harry Dexter White, proposed that global currencies be tied to the US dollar which could act as a global surrogate for gold by pegging the dollar to gold at a fix price and guaranteeing (until demand outgrew supply) convertibility to all members (Steil 2013). In doing so, the US would be able to run up large surpluses and have sole discretionary power in determining how it could use these surpluses through various means of investment, whether bilaterally or multilaterally through the IMF and IBRD (Varoufakis 2011: 109).

A counterproposal offered by the British chief negotiator, John Maynard Keynes, preferred instead to institutionalize the redistribution of global surpluses. Keynes' proposal was that governments subscribe to an international clearing union (ICU) in which all international payments are denominated in a common, artificial currency, which he named the *bancor*, as a neologism of 'bank' (*banque*) and 'gold' (*or*) in French. Members would therefore hold an account at an International Clearing Bank (ICB), which would balance the international economy by regulating surpluses and deficits through redistributive measures such as taxation, trade restrictions, and interest payments, etc., where surplus and deficit limits would be based upon the member's share of world trade (Steil 2013). Contrary to White's plan, then, Keynes' proposal would have denied the US the ability to amass large surpluses to be used as financial resources to realize their own geopolitical strategies. Rather, it would have empowered the ICB at the international level and bureaucrats at a national level due to the rigid technocratic controls over finance and capital transfers (Varoufakis 6 May 2016).

While there a number of reasons that the ICU failed to materialize, including US geopolitical strategy, Keynes' death in 1946, and the opposition from the US business community (George 2007), among others, the 2008 Global Financial Crisis (GFC), the biggest economic crash since the Great Depression, has caused a broad-range of political actors to promote a new international settlement which adopts the core ideas within Keynes' initial proposal. With this, this article makes three arguments. The first is that the current international monetary regime exacerbates a number of crises that beset the planet including the current economic crisis and the socioecological crisis. Second, changes in the balance of power in international society—particularly the US

and the People's Republic of China (henceforth: China) has precipitated a series of changes that has increased the possibility of a new international settlement. Third, as a result of this, governments and political movements must take seriously the prospect of a new international settlement, before it is too late to respond to the impending planetary catastrophe. To do so, the article is separated into four sections. The first examines the current international monetary regime and the economic collapse in 2008. The second section relates the dollar system to the current socioecological crisis, while the third section explicates the changing balance of power between the US and China and the future of the international monetary regime. Lastly, the fourth section provides the conclusion.

### **Rule by deficit**

The fixed exchange rate system lasted until the Nixon Shocks in 1971, when, owing to growing US deficit as a result of the Vietnam war and Lyndon B. Johnson's social spending programme, the US economy underwent inflation. Rather than raising interest rates, the Nixon government chose instead to sever its ties with gold, ending the Fixed Exchange Rate system, and impose tariffs on manufactured imports in order to strongarm Western nations (including Japan) to appreciate their currencies, at enormous economic cost to exporters to the US and in general contravention to the principles outlined under GAFF (McKinnon 2013: 50-1). In the previous system, the dollar was unique in the sense that it allowed the US to amass enormous surpluses at the expense of the rest of the world. With the end of the fixed exchange rate system, a central pillar in the Bretton Woods settlement, currency valuations were left to foreign exchange markets and governments who sought to peg their currencies to other currencies, typically the US dollar and Euro, following the 1992 Maastricht Treaty.

The rise to prominence of foreign exchange markets caused finance managers to come up with new ways to insulate themselves from the increasingly volatile day-to-day fluctuations in major currencies' rates of exchange. More and more companies, banks, hedge funds, investors, and so on fueled the process of financialization by inventing and utilizing financial tools, diversifying assets and investment portfolios, and relying on various forms of leverage to lower their own risks of insolvency overnight as a result of volatile currency markets (Strange [1986] 1997: 9-10). At the same time, the dollar maintained its global status as the *de facto* global currency. This is because governments continued to use the dollar as a transaction currency and reserve currency in order to stabilize currency markets, while forex banks around the world started to use

dollar-exchange transactions between their currency and other foreign currencies in order to reduce transaction costs (Yamamoto and Toritani 2019: 65).

US geopolitics played a major role in reshaping the international monetary system. First, the US compelled and encouraged members of the Organization of Petroleum Exporting Countries (OPEC), most significantly Saudi Arabia, to price their exports in US dollars, which further cemented its status as global currency given that oil and natural gas are central resources to meet any given country's energy demands. Second, to stave off stagflation that resulted from the depreciation of the dollar and the Oil Shocks in the 1970s, the US Federal Reserve, under Paul Volcker as Chair, contracted the money supply and successively raised the federal funds rate to its highest point in history from 1979 over three years – a process referred to as the 'Volcker shocks' (Barker 2019). These high interest rates attracted international capital and savings to the US and were boosted by the 1980 Depository Institutions Deregulation and Monetary Control Act which liberalized interest rates, preempted state usury laws, allowed large mergers between banks while centralizing control over the money supply to the Federal Reserve. This marked the start of a period of rapid financial deregulation and neoliberalism in the US which would spread through the Washington Consensus (Williamson 2002) throughout the world, whereby US foreign and economic policy increasingly aimed at finding new ways to attract foreign capital to US commercial banks (Madrick 2011). The result, in a nutshell, was that the new international monetary regime allowed the US to use global surpluses to finance their current account deficit and trade deficit without fear of devaluation or an economic crash (Varoufakis 2011; Yamamoto and Toritani 2019). In essence, the fixed-exchange rate system gave the US discretionary power over the use of domestic surpluses across the planet, while the floating-exchange rate system that emerged as a result of the Nixon shocks allowed the US to finance its own deficits with global surpluses.

Deregulation, neoliberal policies and businesses efforts to adapt to volatile forex markets were the chief drivers behind financialization led by the US. The result was that credit markets emerged for poor and middle-income households while derivatives and futures markets developed rapidly for the very wealthy, which caused an enormous growth in private debt. Further, reduction in the earning capacity of states through neoliberal policies aimed at maintaining market confidence made states ever more reliant on the whims of finance markets. In order to adapt, the so-called 'advanced nations' sought to enact anti-inflationary measures to keep the prices of commodities and services that lose their value once consumed low, while creating and managing asset

bubbles for commodities and non-consumables that maintain their value once purchased in order to maintain market confidence amidst soaring levels of debt (Crouch 2009: 390-1). In the end, as per the Great Depression, financial innovations did not insulate investors when a given asset bubble collapsed, precipitating a global economic crisis. With the fall in asset prices and liabilities nonetheless remaining after the 2008 GFC, the financial meltdown resulted in a ‘balance sheet recession,’ whereby corporate executives used existing cashflows to minimize existing debt (Koo 2019).

Despite, then, government efforts to protect the creditors and investors, with a few notable exceptions (such as Lehman Brothers and Bear Stearns) and restore market confidence through tax-payer financed bailout packages, quantitative easing, zero-interest rate policies and so on, corporations are saddled with excessive private debt which has limited investment, particularly over long-term projects. Moreover, with central banks recognizing the destabilizing effects of shadow money markets by offering backstopping guarantees, public-funded benefits are distributed asymmetrically which encourages financial institutions to operate in these high-risk markets (Baker and Murphy 2018). In short, with excessive amounts of private debts, economies are not only unable to overcome stagnation, disinflation and deflation, but are also re-establishing the very conditions for another economic meltdown (Keen 2017). Furthermore, with the vast majority of the world’s governments no longer able to prevent the flow of surpluses to the US, and the US entirely dependent on this international monetary regime to finance its twin deficits, the supremacy of the US dollar can be said to be at the center of this economic deadlock.

### **Climate change and the politics of finance**

The rise of finance is constraining global capacity to respond to climate change and the socioecological crisis. Indeed, the argument might be extended further to capitalism itself, as a system that demands the relentless accumulation of capital to function (Wallerstein 2004; Harvey 2005). Therefore, so long as the conditions of social production are based on the physical properties of the Biosphere, economic growth will impact on the earth’s capacity to regenerate its resources which, in the Anthropocene, inevitably reshapes the Earth’s subsystems in ways that are deleterious to the sustainability of civilization and potentially even life on Earth (Rockström et al. 2009; Barnosky et al. 2012; Guignard et al. 2017). While there is optimism over a ‘decoupling’ of production from the physical properties of the planet, it is surely obvious to most people that this is a facile argument that minimizes the importance of recalibrating the

social metabolism that exists between human production and the biosphere upon which it unavoidably relies (Fischer-Kowalski 1998; Foster 2000).

Nonetheless, financialization and the centrality of the US dollar itself has further impacted on humanity's political capacity to respond. To start, governmental reliance on finance markets for short-term growth has allowed the interests of transnational capital to override the preferences of domestic citizens everywhere (Blyth 2016: 175; Crouch 2004; Stockhammer 2012). For instance, multilateral agreements on trade, such as the Trans-Pacific Partnership, are equipped with frameworks by which transnational corporations can sue states for democratically-mandated policies in international courts of arbitration if new policies prevent businesses from attaining profit under the conditions of existing trade agreements. This, in effect, makes the enactment of policies designed to prevent socioecological collapse much more unlikely given the obvious link between production and the exploitation of natural resources (Mathews 22 October 2014).

Second, another reason is that the politics of finance has led to the destruction of collective bargaining capacities among the workforce. Supply-side economics and monetarism at the heart of the international political economy relies on keeping prices and wages low. For self-explanatory reasons, perennially low wages are not something to which a given workforce is likely to subscribe and thus neoliberal policy as well as US domestic and foreign policy (along with other advanced nations) has been to reduce the bargaining capacities of workers whilst shrinking the earning power of the state as well as its capacity to meaningfully intervene in markets. For many developing nations, economic models have been premised upon maintaining a low currency valuation to the US dollar and increasing productivity over exports by eradicating any existing social or work-place benefits and protections for workers whilst relying on unfree labor or wage slavery to bring down the price of its exports in foreign markets (LeBaron 2018). A diminished political capacity for workers to collectively demand changes through demonstration, protest, and bargaining, not only to improve their working conditions but to benefit their communities, is another cause of the inadequate levels of pressure on politicians to contravene the interests of transnational capital and to assure them that they can survive politically the consequences of doing so.

Third, financialization and deregulation has allowed large corporations to transnationalize and in doing so exacerbated issues of tax evasion, money laundering and offshore finance. The result is that the tax revenue of the states has declined which has compelled states to make sweeping cuts to social welfare and reduce labor standards.

While this exacerbates the issue of the decline in collective bargaining power given that employees, with less social support and employment security, are less likely to protest, and has made national governments increasingly reliant on financial institutions to attain economic growth (Stockhammer 2012), it has also impinged on the state's ability to provide adequate levels of funding into research and design for renewable energies and other technologies that would help to mitigate the socioecological crisis. Furthermore, the GFC, indeed a consequence of reckless lending and soaring levels of private debt, has left private companies with too many liabilities for there to be consent among stakeholders within the extant corporate structure, on the micro-level, for large-scale long-term investments to be made for the sake of the environment (Koo 2019). At the same time, Quantitative Easing has both done little to alleviate these burdens among the private sector, and has caused government debts to skyrocket which has pressured politicians to implement entirely unrealistic austerity measures which has exacerbated the crisis (Varoufakis 2011; 2016; Thompson 2018).

Fourth, power of financial institutions and rising levels of inequality as a result of deregulation and financialization has empowered corporations to influence the political process. In the US, for example, a quantitative analysis of 1779 policies issues found that economic elites and organized groups representing business interests have a significant degree of impact over US policy while average citizens do not (Gilens and Page 2014). Corporate influence over the political process has impacted society's ability to respond to climate change and the socioecological crisis. For instance, climate change denialism in the US has been an institutional effort among "a large number of organizations, including conservative think tanks, advocacy groups, trade associations and conservative foundations, with strong links to sympathetic media outlets and conservative politicians" in which much funding is untraceable dark money (Brulle 2014). Similarly, powerful interests among an economic and political elite have been able to block pathways towards reform through by placing pressure on environmental journalists through threats of and actual acts of violence including murder (Garside and Watts 17 June 2019).

Fifth, financial markets have been able to exploit the socioecological crisis for profit by displacing state regulation in favor of international markets and commodifying and financializing natural resources (Fletcher 2012), while 'shock doctrine' policies have been implemented by so-called 'disaster capitalists' who profit from privatizing public spaces, properties and services in the immediate aftermath of an environmental catastrophe (Klein 2014). The presumption with market-based frameworks for climate

mitigation such as cap-and-trade is that this very drive among businesses to make profit can be used as an engine for green growth. Whether or not it will prove successful remains to be seen. However, the unpredictability of carbon feedback loops, tipping elements and the sensitivity of cumulative Greenhouse Gas (GHGs) emissions make it extremely difficult for market forces—as well as the political and scientific community—to know, for example, how exactly how to tax carbon (Cai *et al.* 2015), or indeed how to (and even if we can or should) balance economic growth with the realities of ecological collapse (Keen 4 July 2019; forthcoming). In addition, various states, financial institutions and individual investors have sought to purchase land and other natural resources in poorer nations following the GFC, in an effort to profit from the rise in prices of natural resources following oncoming financial or socioecological collapse, which rather than operating to shape vested interests towards profiting from market regulations aimed at green growth, makes socioecological collapse within the interests of these elite actors (Funk 2014).

Overall, financialization has weakened the state's ability to go against the interests of transnational capital, which, in turn, has stymied the response to the climate and socioecological crisis that besets the planet. At the center of this is the current international monetary regime which not only has encouraged financialization and the flight of transnational capital, but also is reliant on the denomination of oil revenues into US dollars. In other words, the US financial markets depend on surpluses generated from the sale of commodities, in US dollars because the reinvestment of US dollar reserves through bond purchases creates liquidity in US financial markets. The core of this, as accomplished by the Nixon administration in the 1970s, is the sale of petroleum, a fossil fuel, in US dollars by OPEC and other countries. However, as we shall see, the balance of power in international society is changing which has led other countries to consider ending the dollar regime.

### **Internationalizing currency and the end of the dollar? The case of China**

In order to address the socioecological crisis and the economic crisis it is necessary to understand the limits of growth as well as to make long-term investment into technologies, infrastructures and activities that can mitigate the damage that will result from our unsustainable model of social production. While this article does not claim to have all the answers to these pressing issues, it does assert that stabilizing currency markets is imperative in order to allow international development to become more long-term in its focus to facilitate the transformation of the current political economy to

something more sustainable. With less concern of short-term capital flows, public institutions could operate on the international level to manage long-term projects for welfare-enhancement. These also could operate under better public oversight and possess mechanism for transparency and accountability through international organizations such as the Bank for International Settlements (BIS) (Toritani 2009). To do so would be to undermine the fundamental demands of the current international monetary regime which is based on the denomination of oil revenue in US dollars and financialization.

However, the balance of power in recent years has allowed countries other than the US to assert more independence over international trade. Following the GFC, the United Nations (UN) blamed “market fundamentalism,” “the Washington consensus,” and “neo-liberalism” for the financial crisis, and also published in a report a number of ways to construct a “new global monetary system,” which includes a “truly global currency reserve,” strikingly similar to Keynes’ proposal for the *bancor*, which would function as Special Drawing Rights (SDRs), to overcome the “fiduciary dollar standard” (United Nations 2009: 39; 92; 97-8). This is not limited to monetary issues. In 2016, for example, Russia, Iran and Turkey (a member of the North Atlantic Treaty Organization, no less) excluded the US from a negotiated cease-fire with Syria (Thompson 2018: 12). Such an act would have been unthinkable even ten years ago amidst the US and British-led wars in the Middle East.

At the same time, China, as a new rising power, has made accomplishments that other rising powers had struggled to achieve when US hegemony was more assured. For example, China is dominating the markets of the future such as renewable energies through large-scale funding; seeking to extend its political influence by constructing new regional politico-economic frameworks such as the Belt and Road Initiative without US involvement; and constructing international investment banks such as the Asian Infrastructure Investment Bank, as a potential alternative to the Japan-led Asian Development Bank (ABD) and IMF, which is closely tied to US foreign policy goals (Pope 13 January 2018). At the same time, the rise of China has become influential enough to change the structures and practices of international finance within the IMF, with Nicolas Sarkozy, at the time president of France, recommending that the Chinese Yuan be added to the IMF’s Special Drawing Rights basket (Fouquet 22 September 2011; Toritani 2015). The message that these acts convey to medium powers is that there is an alternative to the US globalist agenda, which clearly provides an opportunity for sizeable changes in the international monetary system.

There is no better indication of this than changes in international trade and finance. For instance, Venezuela recently start to denominate oil exports in Chinese Yuan, Saudi Arabia—a strategic ally to the US over the continuance of the international monetary regime—has threatened to end the petrodollar system, and the European Union, intricately tied to the US, called on companies to use euros in energy contracts and suggested the creation of a new SWIFT payment system in order to minimize US sanctions on Iran and preserve the Iran nuclear deal (Reuters 16 September 2017; Sputnik 22 August 2018; Guarascio 5 December 2018; Zhdannikov et al. 5 April 2019; Pope 2020). At the same time, the governor of the People’s Bank of China (PBOC), Zhou Xiaochuan, and Dominic Strauss-Kahn, while IMF managing-director, advocated ending the dollar standard and moving towards an ICU and SDR system (Varoufakis 6 May 2016; Sina 24 March 2009 in Pope 2020: 103).

In the meantime, China has attempted to internationalize its currency which poses a fundamental challenge to the current international monetary regime. This began following the GFC and shortly after Zhou Xiaochuan’s statement, when the Bank of China (Hong Kong) signed an agreement with the PBOC, China’s central bank, to provide a link through which international corporations could use the Chinese Yuan as a settlement currency for international trade with mainland China (Yamamoto and Toritani 2019: 215). While Yuan-denominated trade has been limited essentially to transactions involving speculation and capital flight due to the dominance of the US dollar and the fact that trade Chinese yuan is still limited to only approximately 1 per cent of international settlements (Yamamoto and Toritani 2019: 215-9), significant strides have been take which undermine the dollar system. For instance, as the world’s largest oil importer, China launched a Yuan-denominated crude futures contract on the Shanghai International Energy Exchange in March 2018, as a potential benchmark for global oil transactions (Saefong 26 March 2018). Though China will not achieve this in the near future, severing the US dollar’s ties to petroleum trade would undoubtedly transform international monetary regime.

However, the prospect of a Yuan-standard as an international regime is as farfetched as it is unnecessary. Despite the rise of China, it is unlikely that the US decline in power will be so extreme as to make it a politically irrelevant power in international society, while China itself is beset with a number of significant politico-economic issues which hinder any projected rise to hegemony. For instance, the Chinese government has responded to the GFC and the 2015 Chinese financial crisis by boosting demand with economic stimulus packages. However, given its intricate connection with the banks,

the Chinese government was able to mobilize state-owned enterprises through debt-finance infrastructure projects and use Local Government Financing Vehicles (LGFV) to channel capital to local industries with the support of commercial banks (Keen 2017: 100; Gruin 2019: 184-9; Toritani 2014; Yamamoto and Toritani 2019: 211). As a result, the Chinese economy is increasingly dependent on credit, asset bubbles in real estate which appears to be slowing and an increasingly unpredictable shadow banking sector which underpins it (Toritani 2014). These conditions are similar to those that presaged the GFC in the US, and are the driving engine of the present-day international economy. Moreover, attempting to rein in the asset bubble, and to cut-back on debt-financed infrastructure projects and overproducing state-owned industries through standard neoliberal measures such as austerity programs, privatization measures or reduction in personnel is likely to undermine the communist Party's power base given their exploitation of the underclasses and working classes to achieve growth, the rising levels of inequality, and the increased demands of a struggling middle-class. Therefore, though the future of the international monetary regime is in doubt, it is highly unlikely that the dollar will be replaced by another currency outright.

### **Conclusion – Towards a new international settlement**

This article has argued that the international monetary regime in which the US dollar is the *de facto* global currency is a core factor in the escalation of the economic crisis and the socioecological crisis that beset the planet (see also Pope 2020). The lack of regulation in forex markets and international finance has caused an unsustainable level of financialization which has impacted on the political process at the national and international level and weakened the capacity of political systems to respond to these crises by going against the interests of transnational capital.

However, this is what we must do. Such an argument was made by the UN after the GFC when it called for new ideas to compete against the neoliberal orthodoxy at the center of the current international political regime and a new international settlement which inherits its core ideas from John Maynard Keynes' proposal of an ICU. More to the point, we have already transgressed the safe operating spaces of three out of ten planetary systems fundamental to life on earth (Rockström et al. 2009). Further, unsustainable economic growth could trigger tipping elements which causes human society to transgress the boundaries of other planetary systems or impairs our ability to bring planetary systems back within the boundaries safe for sustainable existence. At the same time, the world has already witnessed the rise of extreme-right ideologies

following the GFC in a similar fashion to the Great Depression. Another financial crash could cause untold damage to collaborative efforts to respond to the socioecological crisis and lead to a far more expansive political role for extreme political philosophies based on discrimination, exceptionalism, ultra-nationalism and hatred. In an age of nuclear weapons, biotechnology and more sophisticated chemical warfare and genetic engineering, this is not a mistake that history can afford to repeat.

In addition, the paper has argued the rise of China has its limits, and that a unipolar system in which China controls the international monetary regime is unlikely, despite declining US hegemony. Rather, what is more likely is the multipolarization of international society in which big powers still exist but there is no hegemon who is able to impose its geopolitical ambitions across the globe, as the US was able to do through the Bretton Woods Agreement. What is necessary, then, is that big powers find a means of cooperating without ‘trade wars,’ economic dumping, discriminatory trade practices and unsustainable trade and governmental deficits and surpluses. More importantly, these considerations must be incorporated into a workable plan on how to respond immediately to the socioecological crisis, which poses a clear and present threat to the viability of human civilization. It is possible that unity can emerge from a crisis. Without a clear vision on how to respond, however, the opposite is far more likely, and has been observed already in countries such as the US with the rise of the ‘America-first’ political doctrine and Britain with its publicly-mandated decision to leave the European Union. For this reason, it is imperative that governments, academics and activists alike press the issue of an international settlement to overcome the international monetary regime which is a central pillar of the unsustainable conditions of the present.

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## Chapter IV: After Wars 100 years: How to Make New World Order: Economics

### 4-1: New Principles for a Better EU

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#### **Abstract**

We propose the construction of a multi-speed, multi-track and multi-level (MSTL) European Union to replace the present one-speed, one-track and one-level union as a way to increase the flexibility of the process of integration and avoid inter-country conflicts. The paper shows that this general approach is superior, applicable even in the presence of negative spillovers where some refinements may be in order for dealing with fundamental issues like monetary union and immigration.

**JEL classification:** E02, E61, F15, G01, 052

**Keywords:** Crisis, Eurozone, European Union, Institutions, Policies, Reforms

The Treaty of Rome, which created the European Economic Community (EEC) in 1958 among the six founding countries and established the European Commission (EC), was the first comprehensive move in the process of European integration. The Treaty foresaw the creation of a single market for goods, labor, services and capital through the reduction of customs duties and the establishment of a customs union. It also provided for the creation of common policies for agriculture and transport and established a European Social Fund for supporting employment and promoting economic and social cohesion. Although the Treaty aimed mainly to create a common market and coordinate the action of sovereign member countries, it also was a waystation on the road to a fully integrated European Union.

The Treaty reflected the view that a progressive one-track approach would resolve potential conflicts in trade issues through pragmatic, cooperative long-term bargaining and compromise. Although in the Treaty this was limited mostly to markets and trade, a series of interpretative judgments by the European Court of Justice established the EEC's legal supremacy in selected fields. The prevailing view became that member countries should adopt a single track and travel together at the same speed by

consecutively negotiating treaties in lieu of an EU constitution (Sciicluna 2018). Following subsequent waves of enlargement, this principle was relaxed for less developed new member countries and former socialist countries, granting them breathing room to successfully adapt to common standards and modernize. This accommodation preserved national pluralism as an important aspect of the integration process.

Things changed when the Maastricht Treaty put monetary integration on the agenda in 1992, requiring all member countries to join the monetary union as soon as they were ready, with the exceptions of Great Britain and in part Denmark. Monetary integration imposes stringent rules and requires more member country coordination than a common trade regime - a challenge that galvanized partisans of “more Europe” to push for a federal system. In the years preceding the global financial crisis of 2008 “more Europe” supporters dominated, but the spirit of unity frayed after the crisis. EU leaders expect the union to weather the financial crisis and make strategic adjustments to the grand design on a learning-by-doing basis, and find it difficult to contemplate the union’s fragility.

Their optimism may be misplaced because EU institutions are coping poorly with external distress and internal contemporary dissensions. Pre-Maastricht arrangements worked well enough because the core goal was the creation of the common market in a fundamentally stable international context. Conflicts could be resolved relatively easily because they were about apportioning benefits, not winning and losing. Once the monetary union raised the specter that some members might lose, while others won, the nature of European integration changed fundamentally. Consensus yielded to dissent. The failure to redesign the EU system to meet the needs of a more contentious era created fundamental institutional and political problems with negative economic and social consequences. The EU can stay the single-track course without crumbling under the Lisbon treaty, but better outcomes are likely with a fresh approach that does a better job of managing conflicting interests.

This requires returning to basics. The essential point to grasp is that the common market (now the single market) no longer provides a strong enough bond to sustain EU solidarity because the EU is triple-minded. Members invoke the win-win logic of Pareto competition in embracing the single market but shift their ground twice on other matters. First, they prefer socially managed markets to laissez-faire hoping to reconcile efficiency with equity. This gives rise to inter-member disputes over regulatory power. Pareto bargaining is always win-win when market failures are absent. Socially managed

markets are not, unless they can avoid state failures and re-establish the conditions of perfect competition. When these conditions are missing, socially managed markets may create winners and losers of various sorts depending on who holds the reins of power. Regulators try to allay fears with promises of roundabout synergies, but as Greece discovered, assurances that austerity's benefits will outweigh its costs may be invalid.

Second, strong EU members may decide to impose their "superior" values on weaker states on political, social, military and foreign policy issues, claiming to act as good parents disciplining wayward children. Powerful common instruments and procedures requiring strict obedience support this paternalistic approach and preclude joint autonomous utility enhancement or direct loser compensation.

Regulatory conflicts and brow beating occur in all political systems. They come with the territory and in good times are manageable with a commitment to solidarity, commonsense and supportive institutions. These conditions were satisfied before the Maastricht Treaty. The shared fruits of trade liberalization and healthy competition lubricated cooperation. The EU's halcyon days however now are behind it. Potential future gains from the single market seem modest, pressure for "more Europe" is generating stiff resistance, and a clash of rival social and political demands is testing EU pragmatism.

The problem is resolvable by adopting a more accommodative EU mindset, supported by flexible institutions. All member countries, stronger and weaker alike should implement European rules equally. Policy coordination should be effectively implemented by all countries so that national business cycles are either coordinated or compensate each other. Powerful member countries should exercise judicious self-restraint in influencing common organs on consequentialist, rational choice grounds. If they value the European Union, and are considerate of others, then they should bridle their power seeking, accommodate diversity and rationalize the EU's institutional structure whenever costs exceed benefits. This requires that weaker countries restrain their opportunism. Once power seekers and paternalists adjust their mindsets and soften their attitudes, the EU's architecture can accommodate diversity and stabilize the system.

The refugee crisis exemplifies the clash of attitudes toward social change roiling the waters of consensus. One faction demands unrestricted refugee immigration for all those who qualify, the other opposes it maintaining that most of them are economic migrants. There is little or no room here for negotiating mutual utility improving, joint value-adding solutions. The refugee problem from the perspective of both parties is a win or lose proposition. The strong want to vanquish the opposition, and their opponents to

minimize losses. Poland and Hungary operating with weak hands want to accept as few refugees as possible, even though their leaders acknowledge the need for some refugee assistance, accept the concept of the “single market” and otherwise endorse the Schengen agreement.

Poland, Hungary and others feel that “more Europe” arguments for EU wide regimentation in selected issues such as immigration mean more lopsided losses, not mutually beneficial Pareto improving gains. They prefer selective “less Europe” to recover some lost ground and expand their degrees of freedom to pursue diverse utility improving ends. Proponents of “less Europe” could switch sides in which case there is no need to scuttle the current one-track, multi-speed approach, but this seems unlikely. A multi-speed, multi-track, and multi-level (MSTL) (jurisdictional redistribution of powers to supranational, national and shared domains) option for the moment is wiser. It will eliminate unnecessary compulsion; diminish polarization, foster local adaptation, and tailor speed to circumstances, creating a space for all EU members to flourish in the ways they consider best.

Can leaders reformulate an institutional framework for the European Union that dampens conflict, expands Pareto improving ventures, curbs power seeking, and promotes mutual accommodation, solidarity and consensus? Yes. It need only pragmatically return to its original flexible supranational vision (Scipioni 2018). However, there may be an important caveat: is this perspective valid across-the-board or should there be exceptions, especially for the monetary union?

The next section sketches the fundamental features of the European problem that require innovative solutions. Sections 3 and 4 explain why and in which sense a multi-speed, multi-track and multi-level (MSTL) solution may offer a superior alternative to the present EU institutional architecture. The fundamental features of the MSTL solution are reconsidered in section 5, especially the critical importance of negative spillovers. Finally, section 6 investigates whether the EU is becoming *de facto*, but not *de jure* an MSTL union and section 7 concludes.

## **1. Setting the stage**

Europeans for the moment are afraid to consider fundamental changes because they dread revising EU treaties. An increasing number of member countries are critical of the EU and disrespect its rules. Yet despite a decade of turmoil, the European Union appears more resilient than some expected. Rules and decisions of European organs are predictable and consistent, in spite of occasional flaws and however vociferous political

parties and occasionally governments may be; Europeans are prudent when confronted with hard choices on their future. Greece back in 2015 considered leaving the euro, but chose to remain and undergo painful austerity policies and reforms. A previous Italian government tried to resist Brussels's "dictates", although more in words than deeds and the government failed. Opinion polls report an improving confidence in the euro and the EU (EU 2019). The 26 May 2019 European elections show a fragmented electoral landscape, yet anti-European parties have not fared well. There continues to be a solid pro-integration electoral majority of voters, in spite of occasional disappointments and complaints.

EU resilience reflects economic interests and the fear of exorbitant exit costs as idealism wanes. An integration that discourages citizen participation and copes poorly with prolonged economic difficulties is vulnerable to conflict. It is evident that the EU has to change to deter defections. Europeans' resilience provides time for change, but is not a viable long run solution.

This is an important moment for reconsidering the integration process in the wake of the UK's exit, understanding what went sour, and searching for practical solutions. This paper deals with an issue that so far has only received token consideration.<sup>3</sup> The issue is simple, but solutions require attitude adjustment and determination. Why should member countries deepen their integration along pre-crisis lines? It is self-evident that identical rules and rigid convergence parameters generate different outcomes for different countries and no longer facilitate integration. Most Europeans do not object to the EU in principle. Many, nonetheless, find residual strictures perturbing. They seek to understand the underlying sources of rigidity and some are offering ad hoc solutions.

Recent contributions in the literature like Andreozzi and Tamborini (2019) show that technocratic regimes are dominated by non-cooperation, suggesting that EU leaders may be conditioned to favor hard choices between the union and non-cooperation. Richard Bellamy and Sandra Kröger (2017) argue that non-cooperation can be softened if leaders can be persuaded to accept differentiated integration on democratic grounds of fairness, impartiality and equity. Peter Wahl (2017) sees the possibility of finding common ground through selective integration in certain areas and selective disintegration in others, based on variable coalitions of the willing. De Witte (2018) maps the recent surge of interest within the EU in pursuing new projects of differentiated integration, and discusses their legal and political feasibility in light of the characteristics of the main forms of differentiated integration currently offered by the European Treaties. Telò (2017) and Ling (2017) propose further analyses in a similar

vein. Fabbrini (2019) proposes the decoupling and reforming of the EU. The Union can decouple into the economic community of the single market (consisting of the current member states of the EU and of others interested in joining or re-joining it), and a separate political union (largely based on the Eurozone reformed according to an original model of the federal union). We counter-propose a general theoretic solution.

## **2. Implicit MSTL union**

Multi-speed integration means that member countries go in the same direction and pursue common goals, but do so at different speeds. Some countries are faster and reach the goal sooner. Others are slower and need longer time. This may create asymmetric situations with faster member countries in a stronger position and slower ones in a weaker situation. Consequently, this kind of integration may cause imbalances incompatible with spirit of the EU by generating permanent first and second-class member countries. The advantages are that multi-speed, multi-track and multi-level (MSTL) facilitates monitoring and reduces moral hazard.

The integration process also may be multi-track, where some countries pursue more integration, others less. For instance, a group of countries may enter the monetary union sharing the same currency, monetary institutions and policies, while other countries are content with being partners in a common market. Although this arrangement is easy to implement because it respects national preferences, it raises serious issues. It is alien to the spirit of the EU, which foresees a united future for all member countries. A multi-level structure would create a heterogeneous confederation. Great Britain is a prime example. Its opt-out from the euro created a dual union with asymmetric properties.

Multi-level integration adds a third element. The term refers to the endpoints of the integration process, which are open to discussion as members proceed along different paths.

The EU today, despite the official rhetoric and by force of circumstance is actually a multi-speed, multi-track and multi-level union. Some member countries are unwilling to comply with the one track, one speed, one-level ideal to which they formally agreed. Their resistance is natural to the extent that national benefits and costs of compliance vary. Although the EU established a budget, and programs to help countries converge in the real economy, these measures proved inadequate, and fraught with moral hazard.

The EU was de facto a MSTL project from the outset. The founding member countries of the Treaty of Rome were dissimilar in all dimensions: economic, political and social institutions, economic and social structures, geographical features, historical

and cultural aspects, language, and development levels. Since the Treaty of Rome integration blueprint was identical for each country, each had to solve different problems to reach the same point. These differences seemed transitory in the first decades, but proved persistent.

Enlargement and the monetary union exacerbated these asymmetries. While on paper European integration remained mono-track, mono-speed and mono-level, reality was different. Exceptions accumulated, following hard bargaining and appeals to special circumstances. This made sense, but led to growing difficulties culminating in Brexit, the Greek nightmare and may continue in other countries, such as Italy, the Czech Republic, Hungary, and Poland. The paper explores promising alternative institutional solutions to today problematic EU architecture and policymaking that should complement national efforts.

The solution proposed reinterprets the spirit of the European integration in the Saint-Simonian tradition as a cooperative club with membership levels (supranational, national, joint) designed to suit different tastes and needs (Saint-Simon 1814). The concept allows members to maximize utility without jointly optimizing wellbeing according to a single Bergsonian social welfare standard (Bergson 1938, 1954, 1976). Paretian and Bergsonian metrics are identical if members have common preferences and values. If everyone agrees then whatever EU institutional order all select will be best. If members do not agree, some will necessarily be displeased and may try to harm others deliberately or inadvertently by exerting *de facto* regulatory power and imposing their “superior” values. EU leaders doubtlessly are aware that Paretian and Bergsonian utility optimization never are the same; that conflict is endemic in all systems, and that they therefore must choose between a one-class membership club and a MSTL confederation, but for decades, they have pretended that the benefits of a unitary order outweigh the costs.

The pretense is misguided. It not only has been detrimental for some members, it tarnished transnationality’s appeal. Switching to a MSTL confederation may relieve fears and facilitate cooperation, including acceptance of mutually amendable “more Europe” policies. Finally, the cooperative club proposal may help avoid the backlash from endless economic and social crises and the revival of forms of disruptive nationalism and localism, and guarantee respect for the fundamental EU principles (basic freedoms and subsidiarity). The proposed solution starts by taking stock of the inter-country differences and the disruptive effect of imposing unitary parameters and criteria: if countries are different, a MSTL solution is the one that promises to move the

countries towards common goals along different sustainable paths.<sup>4</sup>

In short, it is better to have an explicit and orderly MSTL union than a disorderly and inconsistent unitary federal integration. This would contribute to make the European integration system more inclusive vis-à-vis all member countries. A system works well when it is inclusive, pragmatic and adaptive thanks to stronger incentives, superior production of institutional knowledge and lower transaction costs (Acemoglu and Robinson 2012, Rosefielde and Pfouts 2014). The present EU hardly shares these features, caught as it is between the illusion of self-adjusting markets and the power of ordoliberal discipline. A rationalized and explicit MSTL EU would help the EU move towards flexible inclusive integration.

In a MSTL union, member countries pursue similar goals, but do this in different ways at different speeds, along different tracks and at different levels in due consideration of their situations. Members may also seek objectives other partners dislike, but are willing to tolerate. Unanimity is inessential in most cases, but clear definitions of benchmarks and the countries' position is paramount. The rationale behind the multi-track solution is that member countries are different: they have different resources and capabilities, different institutions and structures and need to solve different problems. If they want to achieve common goals, they may have to go at different speeds, along different tracks and at different levels in solving different problems in different ways and using different economic and financial approaches. The main problem of MSTL integration, with acceptable diversity, concerns how to manage spillovers and the danger of moral hazard. There is a pressing need for proper measurement, assessment and enforcement to cope effectively with spillovers and moral hazard. MSTL's primary virtue is empowering cooperative member countries to use their own resources, constrained by shared responsibilities to minimize negative spillovers from particular decisions and avoidance of moral hazard. In short, MSTL integration requires three transparent categories of sovereignty (supranational, national and joint) and pre-established transparent rules and procedures to assess the spillovers of different national tracks. More national and joint responsibility and freedom promise superior results, and political stability.

### **3. EU architecture and national institutional idiosyncrasies**

European integration sought: a) peace and democracy in war-torn Europe, b) production and trade integration to deter armed conflicts, c) reduced transaction costs and strengthened scale and scope economies to improve enterprise competitiveness; d)

increased size to make the integrated economy more resilient to crises and improve the Europe's standing in international markets. The monetary union subsequently sought additional transactionary and macroeconomic management efficiencies.

These aims were politically ambitious, yet technically feasible. All countries were in similar situations: dynamic growth thanks to the post-war reconstruction period, rapidly expanding openness of economies in a globalizing international context and strong willingness to cooperate. Member countries were confident that this was the best way for former colonial powers to regain a central place and role in the international arena.

The original intention was one-speed, one track and one level (OSTL): all countries had to proceed in the same way at the same time towards the same goals. This trajectory became particularly clear with the implementation of the Economic and Monetary Union (EMU).<sup>5</sup> Original intents notwithstanding, the EU quickly became a MSTL process through a series of enlargements, particularly evident since Maastricht 1993 and epitomized by the British opt-out from the monetary union.<sup>6</sup>

The approach yielded high initial dividends because it focused on Pareto superior market building, allowing everyone to gain without compelling any member to lose. Widened rational utilitarian choice outweighed conflicts over monetary and fiscal policy and social values. The financial crisis of 2008 shattered the euphoria. The game ceased being unambiguously Pareto superior, morphing into an asymmetric power and social order game.

The epochal moment in this de facto MSTL evolution was the 1973 accession of Great Britain. The UK was different: it had political, military, economic and financial power other founding members lacked. London used this power to acquire a special status that allowed it to obstruct EU efforts at building a common fiscal system and capital market, but also to build up EU banking regulation. Fiscal competition came to epitomize the MSTL nature of the European Union. Britain's refusal to join the monetary union compounded the problem. It left the monetary union incomplete. Although, this handicap might not have been decisive in an optimal currency area (OCA), it caused serious disparities and conflicts in the suboptimal European space.

The EU became a multi-speed process in different senses. First, the convergence to Maastricht parameters was never iron clad. Italy and Belgium acceded to the Eurozone in 1997 despite public debts exceeding 60% of GDP. New members from Central and East Europe likewise postponed land ownership liberalization for several years. Some countries have refused to accept and implement commonly agreed refugee quotas.

The Eurozone consequently is *de facto* a MSTL monetary union.<sup>7</sup> Countries pursue the same goal (the same currency with the same monetary policy and macroeconomic and fiscal equilibrium in order not to jeopardize the stability of the currency). They do so at different speeds, through different tracks (some countries have to stabilize and others not, some grow and others stagnate, some decrease their debt and others increase it), at different levels, without this situation being recognized institutionally and in policies. National economic and financial outcomes are diverse, and the Eurozone has entered a danger zone: fading common goals replaced by strengthened national goals with divergent tracks and outcomes.

The EU has chosen to distort its *de facto* institutions rather than revise treaties. Ultimate economic sovereignty still reposes in national governments, with the exceptions of the monetary domain, which is under an incomplete common organ (the ECB) with a strict monetary mandate (price stability) and Schengen mobility requirements. While this dual sovereignty encourages cooperation, it disregards the growing disparity among member countries. Pressed by a prolonged economic and financial crisis and growing domestic social and political pressure, some governments are increasingly resisting common rules and their enforcement. This enlarges intra-EU conflicts, increases the costs and problems of adaptation and compliance and worsens outcomes. We believe that an explicitly MSTL EU based on orderly and transparent institutions and processes will improve the situation by riveting attention on the need for cooperation and solidarity.

#### **4. Immigration: an important case of superior MSTL solution**

The MSTL approach is particularly well suited to resolving the EU refugee immigration problem. In the EU a refugee is a foreigner who does not have the protection of the home country or a stateless person who, being outside the home country, has well-founded fear for her or his own safety if returned to that country.<sup>8</sup> Members need only agree to share responsibility for refugees between supranational and national authorities explicitly. Supranational authorities do not need to brow beat national authorities and vice versa. Co-sovereignty is an established aspect of the EU's transnational architecture.<sup>9</sup> On paper, the management and inter-country distribution of refugees and immigrants is clear. In the case of regular immigration, the EU defines the conditions governing entry into a member country, including the norms on legal residence. Member countries determine the number of regular immigrants admitted. The EU also may provide incentives and assistance to member countries in settling legal

immigrants, even though it does not try to harmonize national laws and regulations. The EU takes an active role in combating irregular immigration, including repatriation. This requires the EU to conclude readmission agreements with refugees' country of origin. These agreements are extremely difficult to implement, especially in the case of illegal immigration, a fact that is at the root of various conflicts between member countries and the EU.

Other problems and areas remain uncharted. The EU does not have formal competence over the admission of immigrants to member countries. The Dublin Convention governs the actions of EU member country dealing with refugees at the port of entry. Its protocols often overburden some, and under-burden other members, generating antagonism and conflict. Problems became evident following the summer 2015 dramatic unauthorized immigrant surge. The spark exploded in June 2015, when the Hungarian government decided to allow immigrants to leave the country unregistered, an action tantamount to withdrawing from the Dublin Convention. In the case of refugees, protected under international conventions, the EU tries to standardize the definition of country quotas, based on transparent parameters that ease the burden on first port of entry countries.<sup>10</sup>

EU leaders have chosen not to share responsibility on refugee matters formally, but nothing prevents them from revising their position. They can formally authorize national governments to co-establish limits on refugee mobility among EU countries (which could have consequences for being in the Schengen Agreement unless equally applied in all Schengen countries), social support and the requirements for EU citizenship. Members can negotiate amendments to the Schengen agreement concerning intra-EU refugee mobility, without altering the treaty's core. They can employ the same tactic to modify aspects of other EU treaties bearing on citizenship and EU-wide social support. Advocates of "more Europe" are sure to object because they view co-sovereignty on the refugee issue as a step backward from their goal of a federal EU. They are right, but a bird in the hand in this instance, is better than two in the bush. Enhancing solidarity now is more important than taking a step backward. If the community agrees, two steps forward are always possible later.

Opponents may also correctly caution that co-shared responsibility for refugees might cause substantial negative spillovers and raise serious moral hazard issues. If Hungary and Poland refuse to accept their "fair share" of refugees, then the burden will fall disproportionately on others. These dangers could be significant, but not necessarily fatal, if co-sharing embeds appropriate rules and policies to mitigate collateral losses.<sup>11</sup>

Competently designed rules and policies permit the benefits of stabilization and EU reinvigoration to outweigh the costs, especially if EU leaders set sensible national quotas on refugee distribution. The problem only arose in the first place because Merkel misgauged benefits and costs.

## **5. MSTL Framework**

There have been many proposals for improving the EU. Perhaps, as the varieties of capitalism (VoC) literature suggests, the EU should abandon the monetary union. Perhaps, adopting - expansionary policies will save the day. Perhaps, inclusionary economics will cure the EU's malaise. However, the success of any of these recommendations is problematic because fixing one problem will not fix many other defects. The same reductionist fallacy mars the arguments of "more Europe" and "less Europe" advocates. There is no magic bullet capable of making the European Union simultaneously Pareto efficient, politically potent and socially just. Markets cannot be Pareto efficient. They are constrained by bounded rationality (Rosefelde and Pfouts 2014). Economic and political power are endemic, and social justice is in the eyes of the beholder, leaving ample room for intra-EU conflict.

The EU's founders from the start were evasive about whether supranationality was practical or ideal. If the EU were merely a framework for cooperation, it could take diverse forms. If it were more, then it was the politicians' duty to choose the best arrangement. EU leaders punted on the issue, assuming that the Treaty of Rome was practical enough and that whatever form the union took ultimately, it would be unique and best. The ensuing tug of war between advocates of "more Europe" and "less Europe" provided a forum for debating the EU's endgame. The arguments for and against "more Europe" twisted and turned variously stressing efficiency, equity, ideals and political power.

The pretense was not threatening until the centripetal forces unleashed by the 2008 crisis started unhinging the entire project. The tug of war between advocates of "more Europe" and "less Europe" became an obstacle to progress because it diverted attention from the practical task of preventing the EU's internal degeneration. In the end the debate is moving in the direction of the fundamental distinction between Eurozone countries, where more Europe is necessary and inevitable, and those countries among the others which want to remain outside and may be happier with less Europe. The new imperative is to re-conceptualize the EU as an adaptive socially and politically inclusive, Pareto improving satisficing project with a flexible internal structure. For non-Eurozone

countries, this is a two steps process. First, members must make a political judgment about the division of sovereignty; how the balance of authority between nations and supranational entities should be altered, and portfolios reallocated. Formal joint authority (shared sovereignty) should expand to facilitate the resolution of contentious issues.

The fundamental distinction should be between the existence or absence of negative spillovers for other countries. For instance, if a country participates in the single market and uses fiscal competition to the disadvantage of other countries it should pay compensation. In other cases, when no negative spillovers exist, each country should be free to take its preferred choice. This principle could be applied to immigration. Some refugee cases are handled in accordance with international agreements, but there were exceptions. Violators may have valid reasons, but a default mechanism fining non-compliant countries, and assisting those shouldering the burden could mitigate needless rancor. Under prevailing EU rules, some countries are net contributors to the EU budget, while others are consistently net recipients. If a country refuses to accept its refugee or immigrant quota, burdening others, it should lose part of the transfer it receives from the federal budget. Clear ex ante rules and supranational enforcement protocols should be established.<sup>12</sup> This would increase bureaucratization but would have the advantage of less bargaining and conflict. The most important case of generalized spillovers is the common currency. A jurisdictional reconfiguration that nips conflict in the bud will strengthen EU solidarity, even if it fails to promote efficiency, by decreasing conflict and foot-dragging, improving political competence and furthering the cause of social justice to most participants satisfaction.

MSTL should be addressed after jurisdictional matters are settled. The supranational jurisdiction should set common standards and rules, leaving it to nations and joint authorities to decide issues of speed, track and level, if this does not harm other countries. In matters free of spillovers, if countries want to move at the same speed, on the same track attempting to converge at the same level, they should do so. If they prefer, they should move along divergent trajectories. Pre-established general rules should be fixed to deal with negative spillovers on important issues like refugee quotas. For example, if complying countries receive transfers (a pre-established amount of euro per refugee) from the EU budget non-complying countries might be required to fund the expenditure.

Unbundling efficiency from equity and politics should also be beneficial because maximizing efficiency, equity or political power invariably has side effects (spillovers). The best policy choices must take account of the costs and benefits of tradeoffs among

these objectives in all jurisdictions. Unanimity is unachievable, but giving interested parties an expanded voice in deciding priorities should mute discord.

## **6. Is the EU becoming a MSTL union?**

Lately the EU policy approach has begun moving in the direction of greater policy flexibility through the European Semester, a series of regularly scheduled fora discussing national fiscal policies, structural reforms and macroeconomic imbalances, based on commonly agreed treaties and standards. Coordination rounds take place twice a year with the aim of aligning national fiscal and economic policies with the objectives and rules agreed at the EU supranational level. Each Semester includes three main phases: a) EU member states submit their budgetary strategies and reform plans to the European Commission; b) the European Commission analyses them and issues recommendations for each member state; the Council adopts these recommendations; and c) the member states are expected to implement them in their national policy-making. This consultation process is not joint sovereignty and may be inappropriate for some purpose, but is a step in the right direction.

The key objectives of the European Semester are of ensuring sound public finances and convergence and stability in the EU and thus preventing excessive macroeconomic imbalances in the EU. Additionally, the Semester supports the implementation of the Europe 2020 strategy and tries to foster economic growth. Following the international crisis, the EU decided in the “more Europe” spirit to implement stronger economic governance and better policy coordination, synchronization and monitoring among member states to improve convergence, stability and other EU objectives. With this, the growth agenda unfortunately slipped into the background.

The EU took another small step toward an adaptive consensus building, socially and politically inclusive, Pareto improving, satisficing EU project with a flexible internal structure in November 2018. The European Commission prepared an analysis of the Eurozone economy clarifying the EU’s economic and financial philosophy and related instruments and areas of intervention for promoting the convergence and coordination of the Eurozone member countries (EC 2018a). The document reflects the EC’s standard “more Europe” outlook, but also stresses the need for MSTL accommodations including an EU Reform Support Programme, a European Investment Stabilisation Function and a European Monetary Fund. These instruments, if implemented, may become important for allowing institutionally and structurally different member countries to cohabit without having to become identical. They can serve to improve the efficiency and

effectiveness of different economies, so that they can share the same currency without the excessive divergence. This also means that these countries follow the same goals, although along different tracks at different speed and perhaps at similar level.

A subsequent document by the Council of the European Union concerning the Eurozone (CEU 2019) addresses the same issues. It states that: “The strengthening of fiscal sustainability of the euro area and its Member States requires differentiated national policies in full respect of the Stability and Growth Pact, taking into account fiscal space and spillovers across countries.” Although the document gives priority to fiscal stability over growth, it foreshadows acceptance of an MSTL Eurozone. More recently released documents concerning monetary and non-monetary matters support the inference.<sup>13</sup> A Commission document on the 2019 European Semester (EC 2019a) stresses that “While not all investment needs can be addressed by EU funds, these provide considerable opportunities for addressing concrete investment gaps identified in country-specific recommendations.” And further on: “The strengthening of fiscal sustainability of the euro area and its Member States requires differentiated national fiscal policies.” The reports and recommendations for each member state present highly differentiated landscapes of problems, critical issues and policy and reform suggestions and requests that clearly go in the direction of a MSTL Union.

## **Conclusions**

EU leaders are reluctant to rethink the European supranational project. While they fiddle, Rome burns. Growth is stagnant, the gap between rich and poor members is widening, and social and political tensions are intensifying with few signs of recovery in sight. EU leaders know this, but have chosen to combat the projects numerous problems by pressing “more Europe” solutions, while relaxing “austerity”, increasing the monetary union’s flexibility, closing competitive divergences and listening to member grievances. These reforms have not saved the day. The time looks ripe for bolder steps forward. The tinkering will persist on a treadmill of reform. Results perhaps will be positive, but a more fundamental adjustment of the EU’s supranational architecture would be more prudent. The EU needs an “all weather” redesign to cope better with its divisions and challenges, especially in times of adversity and social turmoil. Pretending that this or that policy fix or cosmetic reform is a panacea may buy time, but is unlikely to reinvigorate economic growth, given the constraints imposed by European politics and social activism or solve other fundamental problems.

The best course at this historical juncture is to focus the EU leadership’s attention on

developing an adaptive consensus building, socially and politically inclusive, Pareto improving, satisficing EU project with a flexible internal structure. This framework should be participatory and inclusive across supranational, national and jointly sovereign jurisdictions. It should address all issues on a rational choice basis that permit both one-speed, one-track and one-level (OSTL) and multi-speed, multi-track and multi-level (MSTL) options.

Such a new EU project with a flexible internal structure cannot guarantee ideal results from diverse perspectives. Inclusive, participatory, consensus building is fallible. The goal is to facilitate best practice satisficing in ambiguous and contentious environments and encourage learning by doing with results that are good enough to strengthen the European project.

These pragmatic matters offer a constructive path forward, but do not guarantee success because of varieties of capitalism (VoC), moral hazard, other conflicts, selfishness, willfulness and a fixation on winning. EU leaders therefore should learn the virtues of satisficing, and consensus building where concern for the wellbeing of others enables groups to forge agreements that still meet difficulties in Europe.

Nothing prevents EU leaders from studying the concept, other than the danger of rocking the boat.

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**The full version of this chapter with sections on the European Monetary Union and integration policy is available on request.**

<sup>3</sup> The Rome Declaration on the occasions of the 60<sup>th</sup> anniversary of the foundation of the European Union discretely expresses the need for pragmatism. “We will act together, at different paces and intensity where necessary, while moving in the same direction, as we have done in the past, in line with the Treaties and keeping the door open to those who want to join later.” (Rome declaration 2017).

<sup>4</sup> A possible solution is that countries in different situations receive different kinds and levels of common management to converge to a mono-track path in the same conditions as the most advantaged countries. See Casagrande and Dallago 2019.

<sup>5</sup> The Economic and Monetary Union (EMU) was launched in 1992, advanced and is foreseen to advance further through different stages. It involves the coordination of economic and fiscal policies, a common monetary policy, and the common currency, the euro. All 28 EU member countries take part in the economic union, only 19 of them adopted the euro.

<sup>6</sup> This is not the only case. Although the law of the European Union is valid in all the member countries, there are exceptions. Some member countries negotiated particular opt-outs from legislation or treaties of the European Union. When so, these countries do not have to participate in certain policy areas or comply with European decisions. There are currently five opt-out areas involving four countries: Ireland and the United Kingdom from the Schengen agreement. The

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UK opted out of the monetary union while Denmark reserved the right to decide whether and when to join the euro. Poland and the UK have partial opt-outs regarding how the Charter of Fundamental Rights of the European Union interacts with national law. Denmark, Ireland and the UK have opt-outs from the area of freedom, security and justice.

<sup>7</sup> The Eurozone or euro area is the monetary union of 19 out of the 28 EU member countries using the euro as their common currency and sole legal tender. The monetary authority of the Eurozone is the Eurosystem, whose primary objective is price stability. The Eurosystem consists of the European Central Bank (ECB) and the 19 national central banks (NCB). The ECB sets the monetary policy of the zone and has the exclusive right to authorize the issuance of euro banknotes. National central banks apply the monetary policy of the ECB. The Eurozone member countries are: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

<sup>8</sup> The EU defines a refugee “either as a third-country national who, owing to a well-founded fear of persecution for reasons of race, religion, nationality, political opinion or membership of a particular social group, is outside the country of nationality and is unable or, owing to such fear, is unwilling to avail themselves of the protection of that country, or a stateless person, who, being outside of the country of former habitual residence for the same reasons as mentioned above, is unable or, owing to such fear, unwilling to return to it, and to whom Art. 12 (Exclusion) of Directive 2011/95/EU (Recast Qualification Directive) does not apply.” ([https://ec.europa.eu/home-affairs/what-we-do/networks/european\\_migration\\_network/glossary\\_search/refugee\\_en](https://ec.europa.eu/home-affairs/what-we-do/networks/european_migration_network/glossary_search/refugee_en) retrieved on 27 October 2019)

<sup>9</sup> <https://www.europarl.europa.eu/factsheets/en/sheet/152/immigration-policy>

<sup>10</sup> The EU immigration system is undergoing repeated changes and the fourth reform of the Dublin Convention is presently under discussion.

<sup>11</sup> Moraga and Rapoport (2014) advance an interesting proposal on tradable refugee admission quotas.

<sup>12</sup> An important debate related to the next EU budget 2021-2027 is taking place. Proposals are advanced to link the budget contributions to the respect of the rule of law by member countries. See EC (2018b).

<sup>13</sup> The modest EU budget, corresponding to 1% of the EU GDP, has been traditionally used to support the growth and real convergence of branches and regions.

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## **4-2: The Belt and Road Initiative between China and the EU**

Bruno DALLAGO<sup>1</sup>

### **1. Introduction**

The European Union (EU) and China are meeting similar problems, although at different levels and for different causes: slowing growth rates, financial unbalances, unsatisfactory domestic markets, demographic crisis, sustainability of welfare systems, importance of innovation strategies, low competitiveness of part of enterprises, inequalities and regional differences. In both areas, exports have an outstanding role in growth strategies and current account balances are in surplus. Other problems and situations are different, in particular the growth rate and working time of China are still high, albeit slowing down, while wellbeing in Europe is among the highest in the world but waning in part of the Union. Further differences are in the role of foreign direct investment (FDI) and in economic specialization.

The next Section 2 outlines the fundamental reasons for cooperation between the European Union and China to mutual advantage. Section 3 looks at BRI and concludes that China and the EU have both common interests to cooperate and important diversities that call for prudence and negotiations. Section 4 concludes.

### **2. The rationale for Euro-China cooperation**

Similarities call for cooperation in solving problems and strengthening advantages, differences call for exploring compatibilities, synergies in the use of instruments and actions for exploring possibilities to diffuse and appropriate positive spillovers. China has a surplus of savings and capital and economic and political need to depend less on the United States for the use of its surplus and on foreign trade and more on domestic and other markets. The EU needs projects to upgrade its economy and restart to grow, needs to strengthen internal demand and foster external demand and opportunities to use the present high liquidity existing in its economy after years of significant monetary expansion and to depend less on an increasingly unpredictable United States in both financial issues and trade. One problem is that both China and the EU have significant current account surpluses.

The Belt and Road Initiative (BRI) promises to invest a massive part of Chinese surplus abroad. It also aims at building far reaching, modern and high quality infrastructure (including roads, railroads, energy grids, ports and airports) connecting China and the EU, including many parts of Asia and Eastern Europe, and further connecting EU member

countries. Moreover, BRI creates jobs and business opportunities and increases existing capacity use. This should decrease phenomena of congestion in Eastern coastal areas. These initiatives are good for both China and the European Union. However, the initiative still neglects offering significant opportunities for the use of the EU monetary surplus and production capacity and stimulating the EU economy. Both actually require a change in the EU approach both visa-a-vis BRI and EU internal policies. Problems remain in the geostrategic and political issues, but also in economic terms. These depend in part on the EU, but in part they depend on the Chinese approach. Prominent among these are the need to streamline economic advantages of China with opportunities for the EU, the compatibility of rules and standards and their enforcement, the complexity for the European Union to manage jointly relations with China and the need for China's approach to be in line with European integration aims, sharing the control over strategies and projects. Also the EU should look favorably at the need of China to rely more on its domestic market, since this can go to the EU advantage. Further, the problem of indebtedness for implementing infrastructural investments should be carefully considered, particularly for economically weaker countries.

### **3. The EU, China and BRI: Common interests and diversities**

The situation of the EU and the new stance towards reforms and new policies should offer a favourable ground to BRI and the latter could contribute to strengthen the former. Cooperation with BRI may be important to revitalize the EU economy through higher productivity, lower transaction costs, innovation, developed infrastructure and international cooperation, networking. This promises to be particularly important for vulnerable countries. as a consequence, the EU should be more open to cooperate with BRI and support member countries' initiatives in line with EU standards and goals.

From China's perspective, BRI promises to help the country move to a new growth strategy of which BRI is anyway part. BRI is important to bring development to the Central and Western part of China, create jobs and develop an efficient international infrastructure that could support international trade and investment. If managed as a two-way belt and road, from and towards China and coupled with the consumers'-based growth strategy, it may help China to avoid the middle-income trap and start a new wave of sustainable growth. By moving investment expenditure to the underdeveloped middle and west of China and abroad, BRI could help mitigating the domestic infrastructure bubble.

BRI intends to add a growth strategy led by domestic and international infrastructural investments which should help exports and the acquisition of technology. The EU and China

share selected reasons for supporting cooperation and others calling for prudence and flexibility. In both the EU and China population density and concentration of economic activities are both cradles of social cohesion and economic strength and sources of congestion and environmental problems. BRI offers advantages in terms of infrastructure development, connecting new regions and countries and decreasing regional disparities, sharing experiences and solutions to mounting problems, enlarging markets and better allocating resources, thus promoting efficiency and creating further opportunities for development. Although such reallocation may diffuse congestion and environmental problems to new regions, it may help softening such problems in older population and industrialization regions and give time to implement proper environmental sustainability policies. A proper coordinated management of these problems can go to the advantage of both China and the EU.

Natural resources are a particularly important issue. Both areas need external sources of fossil energy resources, have an interest in developing renewable resources, are suppliers of strategic materials (China's rare earths). The development of infrastructural connections through resource-rich Central Asia and Russia may benefit both China and the EU, the construction of transcontinental energy grids may favor better and cheaper distribution of energy and help avoid energy shocks and shortage.

Macroeconomic imbalances are perhaps the most pressing issue to cooperation. Moreover, both areas are meeting serious threats from the mounting protectionist attitude by the United States and possibly, through Brexit, Great Britain. BRI may provide significant opportunities to foster a new wave of globalization, based in good part on common investments and strategic developments, and to find productive ways to promote domestic demand, invest savings and manage imbalances. If the strategy helps China to keep a dynamic growth and the EU to revive growth, beneficial consequences may derive for debts.

In all these cases, coordination and the exploitation of complementarities and synergies between the two parties are fundamental for strategic sustainability. Yet there are significant differences in the nature and position of the EU and China which make cooperation complex and sometimes problematic, coordination and adaptation challenging, and require caution in managing BRI.

The main difficulties come from the different economic and political systems and governance, the different dynamism of the economies and the differences existing in social and political norms. The EU is a group of countries that keep national sovereignty in many issues. This makes decision-making processes sometimes cumbersome and long, due to the necessity of finding compromises among different governmental agendas and priorities. In

the past this opened the possibility for China to force the implementation of BRI projects in the EU through direct dealings with national governments, which caused the EU Commission's protests and reaction. Clearly this attitude by China, although understandable, will hamper the implementation of BRI projects in the EU.

The EU reacted by defining its own EU Strategy for connecting Europe and Asia (EC 2018a) which may be at odds with BRI. However, bilateral statements at EU-China Summit meetings, agreements (EU-China Comprehensive Investment Agreement ) and structures to enhance technical cooperation (EU-China Connectivity Platform) are however important steps to enhance cooperation on single initiatives.

The EU is careful in stressing that it pursues connectivity and does so "the EU's way" (EC 2018b). This means that the approach must be "sustainable, comprehensive and rules-based", although with due flexibility in approach due to the "very diverse countries in terms of economic models and level of development" that Asia comprises. Actions promoted as part of the EU strategy include a) creating transport links, energy and digital networks and human connections; b) offering connectivity partnerships to countries in Asia and to organizations; and c) promoting sustainable finance through utilizing diverse financial tools.

In short, the EU attitude towards BRI seems to be one of cooperation and limited integration, but not one of the EU participation to BRI. This is in a sense understandable in a relation between equal partners. Yet it may also be a EU reaction to China's initiative towards selected EU member countries. This is a delicate political problem that may have undesirable economic consequences. Clearly the EU aims at connecting partner countries, such as Japan, that BRI disregards. At the same time it is interesting that the EU Strategy for connecting Europe and Asia does not consider BRI and mentions China only in bilateral relations (EC 2018a). This may be read as a negotiating strategy to progressively streamline the two strategies. However, the danger exists that two strategies with similar aims and content fail to meet on an efficient compromise, leading to duplications and useless costs.

## **Conclusions**

EU enterprises and member countries have a clear interest in cooperating with China and be somehow connected to BRI, an initiative expected to involve over US\$1 trillion in investments and covering over 70 countries, compared to much lower EU resources for its strategy. <sup>2</sup> This difference is only in part due to the peculiar nature of the EU, which relies mostly on member countries to finance investments. BRI offers EU enterprises and countries evident opportunities for business and job creation. Moreover, BRI opens new markets, promotes international cooperation, develops efficient and harmonized infrastructure.

Concerns lie primarily in the prevailing bilateral approach that China took with selected EU member countries and that the EU replicated later in its EU Strategy for connecting Europe and Asia. Among the most critical issues that the EU sees in BRI it is worth mentioning: a) limited involvement of local labor and contractor; b) non-transparent procurement procedures; c) materials and equipment mostly imported from China; d) weakness of standards and smooth playing field; and e) other issues, including environmental concerns, indebtedness of some weak economies for implementing BRI investments, social and minority displacement for implementing large investments, security issues.

Finally, problems also come from differences in the EU's and China's approaches and within the EU among different member countries and between some countries and the EU. There are clear differences between the EU approach to the EU Strategy for connecting Europe and Asia and China's BRI approach, as much as there are differences in the nature and working of the two areas. Political and decision-making systems are different as much as economic governance. Important differences exist in economic systems, the nature and working of enterprise and the role of governments. Differences in labor markets, rights of workers, working time and labor norms are among the most pressing problems in cooperation. These differences require lengthy negotiations and implementations, detailed controls and possibly political problems.

Concerns and differences make difficult to coordinate the two strategies and exploit synergies. Moreover, it is not easy to coordinate BRI initiatives undertaken by EU member countries with the EU approach, priorities, policies and standards, as the conflicts over the Budapest-Athens high speed railroad construction shows. A BRI project initiated in 2014, the railroad met delays and obstacles in the implementation of the Hungarian segment because of the EU investigation into possible violations of its public tendering requirements. Moreover, opposition to the implementation of the project came from the accusation of being uncoordinated, if not in collision with the EU Trans-European Transport Networks (TEN-T). Moreover, the Chinese government had to sign two separate bilateral agreements with Hungary and Serbia – a non-EU country - to implement the Budapest-Belgrade railroad, each segment being under different rules (Rencz 2019).

Issues of coordination of projects with EU policies and standards, uncoordinated approach of EU member countries, and uneven distribution of gains among countries abound. Only part of these problems has to do with China's approach. Other parts have to do with the EU approach and governance, its composite nature and the differences among its member countries. Obstacles to BRI are testing China's endurance and determination and defy the

EU. Clearly the latter is not ready to take on such a challenge, due to its cumbersome and incomplete governance and the limited amount of resources it can mobilize. Yet BRI offers important opportunities to EU economic growth and challenges to improving its governance system.

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<sup>2</sup> The overall EU budget for financing international projects – including with Asia - is foreseen to amount to €123 billion in current prices in the budget period 2021-2027.

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## 4-3: Corporate and Civil Structure under State Capitalism in Russia<sup>1</sup>

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Hiroaki HAYASHI <sup>3</sup>

### Introduction

Russia may be regarded as a typical example of state capitalism. Given the Soviet Union's strong legacy in post-Soviet capitalism (Mizobata and Horie 2018)<sup>4</sup> and the political regime of the Putin government in the 2000s that looks to strengthen its authoritarian characteristics in both the international arena and domestic politics, Russia appears to have the sufficient requirements for state capitalism<sup>5</sup>.

However, despite the strong authoritarian regime under the Putin government, the government size has not been large. Focusing on state size by the state budget and the private sector in GDP and the number of public servants of the governments, the Russian government is not relatively large and looks normal; its size is almost equal to that of the governments of developed Western countries. Russia's state is not hypertrophied. The government size cannot characterize state capitalism in Russia, and the relationship between business/society and the government looks decisive. In short, in investigating the relationship, the corporate and civil structure clearly illustrate Russian state capitalism.

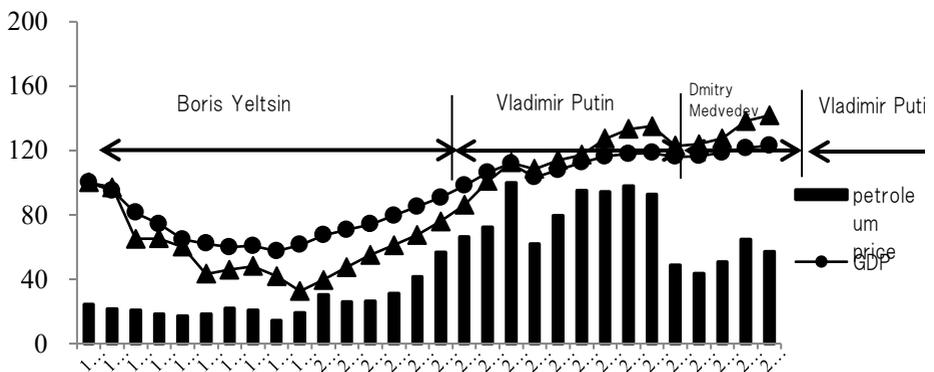
In this section, after characterizing the Russian economy in general, we explain how the corporate and civil structure play the role of the determinant in government's manipulation under state capitalism. Governmentalization and politicization may be regarded as key words for understanding the state control. When we discuss the corporate structure in the first part, we sketch an overview of typical Russian corporations and corporate governance. In the latter part, we clarify the relations between civil structure and the transition into a market economy, and discuss the role of civil society sustaining state capitalism.

### 1. Overview of Russian state capitalism

The Russian macro-economy has been deeply connected with the petroleum price. As Figure 1 shows, the Russian economy fluctuates according to petroleum price changes. Both GDP and real wage have been changing in response to the petroleum price. At the very least, under the Yeltsin regime, Russia faced not only a difficult path to market transition but also a low-level petroleum price. In contrast to the sharp

economic decline in the 1990s, in the 2000s under the Putin regime, the economy has shown a sharp increase, based on the petroleum price jumps. The petroleum and gas exports have drastically increased, and Russia changed its economic structure into one that heavily depends on natural resources (petroleum and gas). Economic growth and living standards (real wages) are vulnerable to the global economy. The deep impact on daily life can be explained by the state budget which is directly connected to the petroleum price changes. Economic growth controlled by the government is indispensable, especially when accompanied by social stability. From this angle, Miller (2018:xiii) characterizes the Russian economic strategy as ‘Putinomics’ which includes the following three pillars: strengthening central authority; preventing popular discontent by guaranteeing low unemployment and adequate generous pensions; relying on private businesses to improve efficiency. In addition, the government and the central bank have had a conservative stance in fiscal and monetary policies to prevent inflation. “Putinomics was a coherent response to the dilemma of the 1990s: persistent budget deficits and inflation, financial instability, and a weak central state” (Miller 2018:xv).

Figure 1 Economic changes of the Russian Federation



Note: GDP and real wage are index based on 100 in 1990, and petroleum price is dollar per barrel WTI spot price (dollars per barrel).

Source: GDP and real wage: Federal Service of State Statistic, Russian Statistical Annals, <https://www.gks.ru>, 5 February 2020 accessed; petroleum price: US Energy Information Administration, <http://www.eia.gov>, 5 February 2020 accessed.

The large amount of revenue consists of rent for various kinds of economic players. As far as petroleum and gas are extracted by the government projects and the state-

controlled assets are transacted through the state agency, the resources are inseparable from the rent. Naturally, companies have strong interests in oil concession, having strong ties with the government for securing permission. Rent-seeking behaviour has penetrated the economy. The following methods may be used for rent extraction: the cash scheme<sup>6</sup>, false delivery scheme<sup>7</sup>, loan scheme<sup>8</sup>, transfer (administered)-pricing scheme, and expenditure scheme<sup>9</sup> (Dzarasov 2014:139-148), which can be partially expressed in the international balance as ‘doubtful transactions’. Under such circumstances, “it is possible for the large insiders to enrich themselves by increasing the company’s debts to suppliers, contractors, hired labour, and tax agencies, through direct theft of the long-term credits and the use of depreciation funds” (Dzarasov 2014:169). The price structure reflects the damage of rent extraction. All methods explain that rent is based on size and the administrative government permissions or control. The budget revenue/expenditure serves state goals such as subsidies to lagged and outdated sectors/regions and redistribution/social expenditure. Since capitalism is characterized as a state-manipulated scheme and consists of state-owned oil/gas companies, state-led companies and private national champions and sovereign funds, the Russian economic structure clearly illustrates a state capitalist regime (Bremmer 2010).

## **2. Corporate structure under state capitalism**

After the initial stage of market transition based on privatization, i.e., the voucher scheme, priority given to employees and managers (insiders), and preferential selling off of state enterprises to oligarchs (shares for loans) in the 1990s, the Russian government drastically changed its strategy. Particularly, the government has taken notice of the complete control on resource rents (petroleum and gas revenues). The private oil company ‘*Yukos*’ affair can be regarded as a symbolic conflict between the government and the private sector, a turning point for business control. The oligarch managers were arrested, and *Yukos*’ assets were transferred to the state-owned oil company *Rosneft* in 2004. At the same time, Putin asserted control over *Gazprom* by replacing its top-manager, and *Rosneft* was also controlled by Putin’s associates. *Gazprom* merged with the private company *Sibneft*. Moreover, *Rosneft* bought another private oil company *TNK-BP* and the regional oil company *Bashneft*, and “the government’s role in the oil industry strengthened further” (Miller 2018: 52). In the gas sector, from the beginning, the government has kept its control over production and the market. The share of state companies in oil and gas extraction in 2007 was 31.9%<sup>10</sup> and

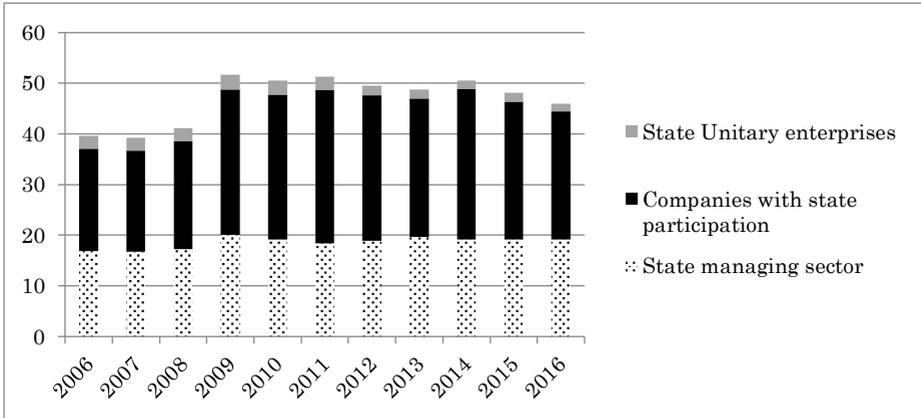
87%<sup>11</sup>, respectively (Radygin ed..2014:34). As it also controlled the banking sector, the government has been dominant in the main sectors of the economy.

Thus, governmentalization of the corporate structure was authorized, and the privatization process was practically completed by 2008 (Tsvetkov 2011: 218) when the government designated 'strategic enterprises.' The list was drafted from the angle of not only risk management where the government prevents bankruptcy of big businesses but also from the strategy of creation of growth potential. At first, the list included 295 organizations based on the ministries' lobbying. As a result of the qualitative and quantitative standards put forth by the Ministry of Economic Development, 344 companies were additionally included, and 40% of them were not big businesses. The basic standard was not 'too big to fail' but the voice of the bureaucrats.

At the same time, the government did not completely abdicate privatization, and privatization measures were efficiently used for state control and revenue from the angle of 'the commanding heights.' Even though the government sold out shares of big state corporations such as *Sberbank*, *Rosnano* (nanotechnology state corporation), *Russian Railways*, *OZK (United Grain Company)*, *Inter RAO EES*, *Aerofloat*, *Rosneft*, and *Bank VTB*, the government deliberately held majority or block shares to keep control over them<sup>12</sup>. In other words, the government promoted modernization using state-led 'structural privatization' (Radygin, Simachev, and Entov 2015:58-60). As a result, the government controlled natural resource rents and military sectors lastingly. In addition, the infrastructure and finance/insurance have been under the control of the state.

Both privatization and governmentalization aimed not for nationalization but for 'the commanding heights' (Pappe and Antonenko 2014: 32). In 2017, 28 companies were state participated in 100 largest companies. This share looks unchanged through the years in 2000s, and its share in the total sale has been high in the following sectors: petroleum and gas industry, banking sector, and machine building (Kovaleva et al. 2019: 11-19). The government (the Federal Anti-Monopoly Service) drafted competition measures and the president order on the government policy for promoting completion in 2017 declared reduction of the government share of the state enterprises. Contrary to governmentalization, the share of the private sector has been expanding<sup>13</sup>. In the 2000s, unitary enterprises established by the state sectors also diminished and transformed into joint-stock companies<sup>14</sup>. Unitary enterprises were restricted in the social sectors such as water supply, public housing and construction. Between 2004 and 2018, the number of unitary enterprises shrank by 5/6. Figure 2 tells the composition of state sector in GDP, and at crises times, the government has enhanced its participation.

Figure 2 Composition of state sector in GDP



Source: Radygin et al. 2018: 13.

Another state company named State Corporation was utilized as the institutional tool for the development strategy. The first state corporation was *ARCO*, the organization for reorganizing financial institutions. It was liquidated. In 2007, the government established the following six institutions: *Bank for External Activity*; *Russian Nanotechnology*; *Resident and Public Management*; *Olympic Construction*; *Ros-Technology*; and *Ros-Atom*. The government flexibly utilized state corporations and gave them preferential treatment and benefits. The state corporations listed above have organized enterprises groups and transformed themselves into holding companies. For example, *Ros-Technology* transformed into a public corporation and it has linked its subsidiaries using the government shareholding.

The Russian corporations independently on their ownership have become transnational corporations (Mizobata 2014). Many large state companies had subsidiaries in foreign countries, and they flexibly utilized offshore resources<sup>15</sup>. For example, in 2013, *Gazprom* held 244 subsidiaries in 48 countries. At the same time, some foreign subsidiaries played a role of providing the international finance (cheap money) to home companies. In practice, both state and private businesses were actively financed by the international market till the economic sanctions and anti-sanctions. The government promoted anti-offshorization to enhance state influence; however, state companies have kept transnationalizing, thus constituting the path of rents transactions.

Based on the commanding heights policy such as selective control, block shareholding, national security and other public policies, the state has kept its control in

the priority business and state order also plays a significant role for fulfilling the state control. Moreover, after the economic sanction, the government has kept state companies.

### **3. Civil structure and state-society relations based on ‘social contract’ thesis**

Governmentalization and the state intervention play a role of driving-force and have a major influence not only on the growth path but also peoples’ life and social aspects. How then do the people adapt to the state-dominant structure? We have a look at relations between government authority and life of ordinary people under state socialism. In authoritarian regimes, social stability is top priority, because social tensions inside and outside of the country could seriously threaten the existing regime. Therefore, an authoritarian regime must distribute some fruits of development to society to gain public support. In doing so, according to the ‘unbalanced growth theory’, state-capitalist regimes usually focus resources into some spheres with high economic efficiency in formulating a long-term development plan. This means that industrial disparity could occur. How can this disparity be tackled?

The ‘social contract’ thesis was put forth in the 1980s to theorize state-society relations in the post-Stalinist Soviet Union. Central claim of the thesis was that the Soviet regime provided a set of policy goods and allocational outcomes including full and secure employment, stable and subsidized consumer prices, socialized health and education services, and egalitarian wage and income policies. Society responded with political quiescence and conformity, accepting the Communist Party’s monopolistic power over politics, society, and economy. The ‘social contract’ thesis could be applicable to the contemporary Putin regime in a different way (Cook and Dmitrov 2017).

First of all, after a decade of welfare retrenchment during the 1990s, the Putin regime has re-constructed a narrower, more strategic ‘market social contract’ that shapes and constrains key areas of contemporary social and labour policies. Putin’s administration restored many guarantees and protections after 2000. Pension income stability, industrial employment protections, and healthcare guarantees form the core of this narrowed, selective ‘market social contract’. It has shielded pensioners, some industrial workers, and health sector practitioners from the full brunt of market. Incomes of current pensioners were almost fully protected from the effects of severe recession and inflation<sup>16</sup>. In the health sector, the Putin leadership has largely maintained inflated medical staffing patterns inherited from the Soviet period, and abandoned efficiency-

oriented reforms. These policies have been maintained, at great costs in both budget expenditures and market inefficiencies, throughout the 2008-09 recession and after. Leaderships should be concerned about social stability as a major motivation. This could be a main factor for ordinary Russians to support the Putin regime.

Secondly, a politicized economic system was established in the end of 2000s based on weakness of institutional framework and importance of government role (Oxenstierna, 2015). Large parts of the economy are governed not by the market but by the state. Since the mid-2000s, and particularly since the economic crisis in 2009, economic policies have tended toward more state intervention than market orientation. The heritage from the Soviet economy in the form of informal institutions and the industrial infrastructure has become increasingly evident and potent. There are no drivers to modernize the economy and provide conditions for the creation of new, innovative companies that could spur growth. Instead, oil and petroleum rents are used to subsidize old loss-incurring enterprises and regions for political reasons. To the present government, maintaining the power balance between different power groups is more imperative than economic prosperity. A rent management system comprises the core of the politicized economic system. According to Gaddy and Ickes (2015) the interaction among resource rents, 'rent addiction', and the rent management system is central to understanding Russia's political economy. Russia has a characteristic set of institutions and mechanisms by which those rents are produced, collected, and redistributed. The combination of Russia's resource abundance and the peculiarities of the non-market, command-administrative economic system that prevailed in the country during the Soviet period enabled Russia to develop a physical structure of the economy.

#### **4. Uniqueness of social stratification**

The social stratum of contemporary Russia can be roughly divided into three groups: the rich and the elites, the middle-class, and the poor or working class. The rich and the elites try to avoid the risk of income redistribution that could be demanded by the median voter in a highly unequal but democratic society. Therefore, they are inclined to support the existing Putin regime. The middle-class is thought to be more likely to support democratization. However, the size of the middle-class is not large in Russia, and there are divisions within the middle-class itself, as average and median incomes vary widely across the Russian regions. The middle-class does not have the strong power to change the regime. Finally, for the poor or working class a high level of inequality should provoke stronger demands for democratic elections, since they would

benefit from democratic taxation. However, the 1990s attempt to build democracy is associated for many Russians with outrageous government corruption, extreme inequality of opportunities, and the rise of the oligarchs. Therefore, those who were the most adversely affected (the poor) have naturally been reluctant to demand democratization (Busygina and Filippov 2016).

Several interesting value trends can be observed in Russia, accompanying the recent socio-economic development (Vendil Pallin 2015). On the one hand, most Russians think that they cannot significantly influence their own circumstances but are dependent on the state and the economic situation of the country as a whole. On the other hand, among the sections of the population with higher incomes and the younger generation, self-expression of more individualistic values can be observed. Especially, the middle-class is more likely to think about emigration and sending their children to study abroad. They can opt out of trying to transform society. It can be said that ‘voting’ strategies give way to ‘exit’ strategies.

The state provides a degree of political stability and economic prosperity while the Russian population abstains from demanding certain political rights. In this way, though many in Russia might dislike the status quo, currently, for any institutional alternative, there exists some sizeable coalition which perceives it as a future threat to its well-being. In this way, neither the rich and the elites nor the poor and the working class could be an actor in breaking the status quo. It appears that the middle-class are the only ones who could be actors.

Some specifics about the Russian middle-class are as follows (Hayashi, 2007; Mizobata and Hayashi, 2019). Firstly, the size of the middle-class is approximately 20%, which is not that large. Secondly, various occupational groups are included in the middle-class such as the mafia or shuttle traders. Thirdly, the values and behaviours of the middle-class are rather unique compared to those in advanced countries. In Russia, it is usually said that the middle-class does not necessarily support the market economy or democracy. Finally, recent Russian middle-class features more bureaucrats and fewer business people than in the 1990s and the early 2000s. This shows that the Russian middle-class is heavily dependent on the government in terms of its composition and implies that the Russian middle-class is not strong enough to reform the status quo. From the point of view of social stratum, this implies that none of the three main social groups in Russia could have enough power to change the existing regime.

Why then hasn't Russian middle class developed well so far in spite of market transition in 1990s and economic growth in 2000s? Giles (2019) insisted that in Russia

state has maintained primacy over the interests of ordinary people since imperial times. In addition to this he showed two factors which prevented the Russian middle class from developing. Firstly, property rights were unreliable in Russia. We cannot see such a situation in Russia that people can obtain things which they themselves create. This is regarded as a basic premise to producing a bourgeoisie or middle class. Secondly, succession of generation is not sufficient so far. In the early 1990s it was thought that two or three generations of distance from the Soviet past would substantially transform Russia toward liberalism. However, in fact the opposite is true. Nostalgia for communist times has been produced and political inclinations have been subjected to other, more powerful factors than the soft attraction of the West. In this way, if we consider there exists traditional sense of values of Russian society behind the uniqueness of Russian social structure, uniqueness of Russian middle class should be attained longer.

## **Conclusions**

At a glance, the share of state ownership and state control appears to be on the decline, and the private sector including foreign capital have enhanced its economic position in Russia. Considering the issue from this angle, it can be said that the Russian economy has become normalized. However, despite marketisation, the state control substantially enhanced itself. The key point is ‘the commanding heights’; and the process is path-dependent. Unlike the completely state-owned system in the Soviet system, contemporary Russian state capitalism effectively covers and utilizes the private sector. Due to the maintenance of social stability, the state-society link also becomes a decisive factor of Russian state capitalism. The state cannot ignore the public support and the government easily behaves in a populist manner.

Why then are Russian people dependent on the state so strongly? On the one hand, people quite rationally react to things which state could provide to them as shown by social contract thesis. On the other hand, some researchers regard Russian political culture which predisposes people toward favoring strong authoritarian leadership and against democratic governance as important cause of strong state dependency. It is required to bridge political culture and social contract thesis (Feldmann and Mazepus, 2018).

Finally, can the Russian socio-economic system be sustained in the future? According to Gaddy and Ickes (2015), increasing rent is the only source of significant growth for Russia. Rent addiction is a more serious problem than ever and will continue to grow; and for all its flaws, the current rent management system is well-suited to the likely

future possibility of stagnant rents and stronger claims by addicts. White (2018) insists that Putin's state-building has been based on the extraction and redistribution of rents from the petroleum and gas sector, the tolerance of high levels of corruption, the marginalization of political and civil opposition, and the mobilization of support for the existing regime through economic and nationalist appeals. With such firm foundations for regime stability, there is little incentive to increase state capacity. However, there is no doubt that the Russian regime will, at some point, in the not-too-distant future, either have to find alternative means of mobilizing sufficient support to maintain its dominance or rely increasingly on repressive measures to deal with growing social protest. The alternative path by innovation needs its own social adaptation.

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<sup>1</sup> The paper is prepared for the monograph, Geoffrey Wood et al. eds., Oxford Handbook on State Capitalism.

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<sup>4</sup> Even though the state plays a significant role in the economy, the government dominates restricted sectors and affects the economy in an extremely limited way, leaving the market players alone unlike in the Soviet Union period.

<sup>5</sup> See Bremmer 2010, Djankov 2015. Sakwa (2014) characterizes Russia as "Putinism" which "is the constant absorption by the political centre of policy, personnel and power" (Sakwa 2014: 230) and as "a type of political capitalism, in which economic change serves political goals" (Sakwa 2019: 91).

<sup>6</sup> 'Transferring some portions of the controlled organisations' income streams from non-cash into cash forms' (Dzarasov 2014: 139).

<sup>7</sup> Fictitious deals on conditions of payments in advance.

<sup>8</sup> Manipulations of loan provision not expecting to be repaid.

<sup>9</sup> The padding of certain kinds of the controlled company's expenditures (Dzarasov 2014: 147).

<sup>10</sup> In 1999 and 2003, it was 13.8% and 7.2% (Radygin ed.2014:34).

<sup>11</sup> In 1999 and 2003, it was 95.4% and 86.1% (Radygin ed 2014.:34).

<sup>12</sup> The Russian government established Law on Privatisation in 2001, and following the presidential decree on the long-term state economic policy in 2012, the government took positive privatization measures 2008-2010, 2011-2013, 2014-2016, 2017-2019 and 2020-2022 plans. The largest state corporations were not exceptions of privatization. For example, 2014-2016 Privatisation plan included the following largest companies: *VTB Bank, Sovcomflot, Aeroflot, Russian railways, Sheremeryevo, Vnukovo airports, STLC, Rushydro, Rosneft, AK Transneft, Zarubezhneft, AK Alrosa, Uralvagonzavod, United Aircraft Corporation, Rosspirtprom, United grain company, Rostelecom, Rusnano* (Federal Agency for State Property Management, <https://www.Rosim.ru/about/reports/performance>, 5 February 2020 accessed). However, we can observe state-state transactions and insufficient enforcement, and the government has kept its

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control to companies.

<sup>13</sup> There are various kinds of estimated size of the state sector: the Federal Anti-Monopoly Service regarded the share of the state in GDP as 70% in 2014 (35% in 2005); the Russian Presidential Academy of National Economy and Public Administration considered it as 20% in 2006 based on the most conservative estimation (Kovaleva et al. 2019: 6).

<sup>14</sup> The biggest unitary enterprise *Russia Post* was reorganized into the joint-stock company in 2018. During 2016-2018, 600 enterprises became unitary and 2700 diminished every year (Kovaleva et al. 2019: 7).

<sup>15</sup> For example, *Sberbank* had subsidiaries in Cayman Islands, Bermuda, Switzerland, Luxemburg, and other places for cost reduction and international financing.

<sup>16</sup> However, when pension reform was set by the government in 2018, many people expressed their protest.

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## **4-4: Professional Associations' Contribution into a New World Order Formation - Case of Russia**

Olga BOBROVA

### **Abstract**

Professional communities are important actors of civil society in most of the countries around the world. Professional in different fields – industries or functions of management – come together, make groups, join each other with different non-commercial goals. Although the relations of government and business from one side and non-profit organizations and non-governmental organizations from the other side differ in the context of different world regions, they must be considered as important stakeholders for the New World Order and they play a unique role contributing to mitigation of the world's main problems – poverty, disease and unemployment. Many associations made significant efforts to improve the quality of the market in their countries, and provide more deep engagement of business into the local communities, NPOs and other stakeholders. In Russia we have the example of the Russian Business Ethics Network which targets compliance education of business and CSR and sustainable development promotion. From Japan we may learn from the Japanese Forum of Business in Society founded in 2011.

*Keywords:* professional communities, business ethics, compliance, corporate social responsibility (CSR); stakeholders; new world order, Russian management; sustainable development

### **Introduction**

Professional societies, unions, forums, associations and other collaborations are important actors of civil society in most of the countries around the world. Professionals in different fields – industries or functions of management – come together, make groups, join each other with different non-commercial goals. In Japan we have a perfect example – The Japanese Forum of Business in Society which was founded in 2011. During the last decade the Japanese companies have become more deeply engaged with local communities, NPOs and other stakeholders.

In my country, the Chamber of Commerce and the Russian Union of Industrialists and Entrepreneurs (RSPP) was founded and supported by the government. But now

there are some independent NGOs which unites professionals.

## **Classification of Professional Communities**

### *1.1. The first Business Associations in the new Russia*

Some unions are sponsored by the government in Russia. They were founded in the 1990s to follow the world patterns. Every developed country has a Chamber of Commerce, so in Russia we also needed to have one. The Russian Union of Industrialists and Entrepreneurs (RSPP), the biggest business union nowadays, was established in June 1990 as a non-political organization to protect the interests of industry. Russian government and parliament members were the key initiators of the union and it can be supposed that they used some administrative resources to establish the organization. “RSPP priorities include: promotion of the business community interests in Russian and at the international level and consolidation of Russian industrialists and entrepreneurs` efforts for business environment development; enhancing the status of business in Russia and the world; maintaining the balance of interests of society, government and business” – is what we read on the web-site of the organization.

### *1.2. Independent Unions*

Along the development of independent Russian business some new associations were opened. For example, “Delovaya Rossiya” (Business Russia) and OPORA union. They unite Russian businesses of different size – the first union includes large businesses and OPORA specializes on the small and medium enterprises. Later business people decided to make unions in accordance to their professional specialization. Association of Managers in Russia is a good example.

We may compare the diversity of Russian business Associations with the two big ones which have acted in Japan for many years: Japan Business Federation and Nippon Keidanren. Although we cannot say that influence of Russian organizations is on the same high level as in Japan.

## **The Role of Civil Society in the New World Order Rormation**

### *2.1 Regional Aspects of a New World Order*

The term “New World Order” was introduced in the years of the First World War start by N. Butler [1]. The main idea was about creation of the World Federation. The UN contributed to the realization of this concept. Moderation of the wars, as a function of

this world organization in the beginning of the 21<sup>st</sup> century maybe is more or less successful. In the same time there is a number of other important problems which our world faces nowadays. «The essence of the new world order is characterized by the following trends: the strengthening of structural changes in the state and social arrangement of individual countries; transition to a new economy; the formation of a civilized man. However, even at this stage, there are such constraining factors as poverty, disease and unemployment» [2] - states Sh. Zainutdinov. Therefore, we must concentrate on solving the local problems in different regions of the world.

Regional aspects of world development include the local economic development. So, the main actors of the New World Order in our century are business units and their unions as well as professional communities. They are important stakeholders of companies which are able to improve their business with the help of expertise of the professional communities mostly registered as NPOs.

## *2.2 Civil Society*

In many countries non-profit organizations and non-governmental organizations are still relatively weak and, generally speaking, the ties with most of the stakeholders are still underdeveloped. That may be said about Russia and its eastern neighbors.

Among stakeholders of business, NGOs and NPOs provide the special links between society and companies. Most corporate social responsibility (CSR) programs are realized through NGOs. Groups of people with similar interests may join the movements to pursue their goals. Professional communities allow to provide common development of people engaged in different organizations along with their professional needs through exchange of their experience and knowledge. Civil society becomes stronger by development of variety of NPOs and NGOs.

## *2.3 The ways of Influence of NPOs on the New World Order*

NPOs influence development and implementation of the laws in their countries and they also promote world initiatives regarding sustainable development etc. Business associations contribute to the development of CSR and making business more transparent and understandable for its stakeholders. For example, many companies join Global Reporting Initiative and publish their non-financial reports. The companies get recommendations to step into this process by the associations where they are members. Business is responsible for innovation, manufacturing and delivery of the basic goods and technologies to the people of the planet, so companies are providers of standard of

living. Within the associations, companies may develop the rules and approaches which they apply to the market. And the international standards, such as ISO 26000, are also developed with participation of many companies. The standards of CSR, compliance, anticorruption, stakeholder engagement and so on make business involved into the solving social problems of the world under the New World Order, not to mention lobbying the interests of the business in governments and among politicians.

#### *2.4 Russia as a Regional Actor in North-East Asia in the 21<sup>st</sup> century*

It's difficult to say that in the 21<sup>st</sup> century our world has become more unified. “The current situation of global uncertainty in the development of the world economy leads to the formation of multilevel and multidimensional economic multipolarity” [3]. We may consider Russia as one of the points of growth in the global economy. And in North-East Asia we know several regional powers apart from Russia – Japan, both Koreas and China.

### **3. Russian professional communities in the business field**

If we consider a businessman to be a profession (specialization), we must admit that businessmen started to unite into the unions and Associations in Russia in 1990s. We mentioned above the national movement in business circles to promote fair business. For example, at RSPP there is a Committee on Corporate Social Responsibility and Demographic Policies headed by David Iakobachvili, President of Orion Heritage LLC. However, in newly appeared independent business associations some are exactly focused on business ethics and CSR. The example is in the next part of the paper.

### **4. Russian Business Ethics Network**

Association of business ethics, compliance and corporate social responsibility (Russian Business Ethics the Network - RBEN) is a professional community of Russian researchers in the above fields, as well as representatives of business [4]. We unite those who share the values of the association and are interested in the development of fair business in our country. The Association is a member of European Business Ethics the Network - a European network of national associations in the field of business ethics. RBEN was founded in 2016 and now consists of more than 80 individuals.

The mission of RBEN is a research and promotion of the principles of ethical and socially responsible business and sustainable development in Russia and the world.

The main projects of RBEN are:

- 1) Development of new educational case studies on business ethics, compliance, CSR and sustainable development on Russian companies' materials;
- 2) The annual competition for student research;
- 3) Educational products for advanced training in the field of business ethics for employees;
- 4) Ethical audit - professional independent assessment of business ethics management systems in companies and organizations

## **Conclusions**

The civil society in different countries plays an important role in the New World Order formation in the 21<sup>st</sup> century. Through communication between NPOs internationally professionals may contribute their expertise to solve the problems of poverty, disease and unemployment independently from governments.

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## **Chapter V : Regional Collaboration and Good Governance**

### **5-1: ASEAN’s Governance of Labor Migration: Progress of Institutionalization and Challenges”**

Motoko SHUTO

#### **Introduction**

This paper discusses the emerging dynamism of ASEAN’s regional governance on labor migration from three aspects. First, it reviews the new development during the past decade in norm-setting and norm-sharing processes on protection and promotion of migrant workers’ rights at the regional level, Second, it focuses on new multi-layered schemes of policy discussions with multi-stakeholders, and more specifically, norm-sharing and principle-sharing processes at the ASEAN Forum on Migrant Labour (AFML) and examines to what extent the proposals approved at the AFML meetings have been reflected in the ASEAN Consensus on the Protection and Promotion of the Rights of Migrant Workers (hereafter, ASEAN Consensus) which was approved at the ASEAN Summit Meeting in November 2017. Third, it discusses the function and challenges of ASEAN cooperation for regional governance of labor migration.

The AFML process is an unprecedented regional platform of policy discussions and reviews of implementation with a variety of stakeholders from respective governments, associations of employers, labor unions and NGOs that have been working for migrant workers, in addition to the UN organizations and the ASEAN Secretariat. It is an unprecedented platform not only in terms of its variety but in the sense that such multi-stakeholders’ participation has been regularly held at the regional and national levels in advance since the early 2010s. It means that such NGOs are no longer the target of governance but one of the participating members in constructing a new type of regional governance on labor migration in the ASEAN countries.

Along with this AFML process, at the governmental level the ASEAN Consensus was adopted in November 2017, and accordingly new laws/regulations have been adopted at the national level. This means once the regional norms have turned to regional action plans, there is no excuse for “non-intervention principle in domestic matters,” which used to be one of the basic principles of ASEAN. Particularly since ASEAN adopted the ASEAN Concord II (2003) which declared that ASEAN would create an ASEAN

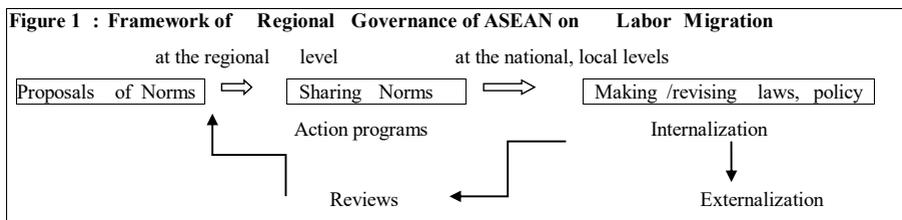
community that consists of three pillars, the ASEAN Political Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community. It explicitly shows that the nature of regionalism has greatly changed since ASEAN was established, and particularly since the 1990s according to the changes of international political settings.

This paper aims to discuss how such new institutionalization with multi-stakeholders’ participation both at the national and regional levels can contribute to enhancing the quality of governance in protecting and promoting migrants workers’ rights in the region which has declared to materialize an ASEAN Community.

### 1. Framework of regional governance of ASEAN on labor migration

After the ASEAN Concord II was adopted in 2003, ASEAN started its preparatory activities in the Vientiane Action Programme (VAP) in 2004, which was to be implemented for the period between 2004 and 2010. In VAP, a number of interesting agendas were adopted, such as “strengthening the rule of law, judiciary systems and legal structure, effective and efficient civil services, and good governance in public and private sectors (1.1.iv),” “increase the participation of non-governmental organizations (1.1.v).” Moreover, the summit meeting agreed to charge their Ministers to start the “elaboration of an ASEAN instrument on the protection and promotion of the rights of migrant workers,” (Annex 1.1.4.6). After this VAP, ASEAN started a new dynamism for starting new institutionalization to protect and promote the rights of migrant workers.

The process of policy dialogues of ASEAN on labor migration can be seen in Figure 1 below.



(source: by author)

In the process above, there are three crucial aspects: the pattern, contents of discussion and regional action programs which turn to policy guidelines and new legislations in each member state. Regarding the pattern, there is a new pattern of multi-stakeholders’ participation as mentioned earlier. In this sense, ASEAN has provided a

platform for such multi-stakeholders' participation, and institutionalization since the mid-2000s. Concerning the contents of discussion, what matters is how norm-setting and norm-sharing discussions at the AFML can lead to providing common policy guidelines of ASEAN.

## **2. Proposals of Norms from the Civil Society Groups**

In reality, however, the initial stage for proposals of norms in Fig 2 had started much earlier through a series of consecutive advocacy activities by different types of NGOs or civil society groups in the 1990s. In a chronological order, the earlier type was NGOs working for the rights of migrants workers at the regional level, such as Forum Asia (established in 1991), Asian Migrant Center (AMC, est.1991) and Migrant Forum in Asia (MFA, est. 1994). While they had been active since the early 1990s, the important turning point was the Asia Pacific NGO Conference on Human Rights in Bangkok as a regional preparatory meeting for the UN World Conference on Human Rights in Vienna. Through this meeting the NGOs had started to make networking activities at the regional level. The focus during the 1990s and early 2000s was fundamental human rights in general. For instance, the Bangkok Declaration in 1993 referred to the importance of protecting human rights and freedoms of “vulnerable groups such as ethnic, national, racial, religious and linguistic minorities, migrant workers, disabled persons, indigenous peoples, refugees and displaced persons<sup>1</sup>.”

After the Vienna Human Rights Conference in 1993, there emerged three types of new dynamism to advocate the ASEAN Ministerial meetings. Chronologically, the first type was the Working Group for an ASEAN Human Rights Mechanism (hereafter, WG-AHRM) which was established at the meeting held by LAWASIA, which is the regional group of law experts and professionals. It was this WG-AHRM that kept advocating the importance and responsibility of ASEAN for establishing a regional mechanism on human rights.

The second type was the ASEAN People's Assembly (APA), which was a regional meeting organized by ASEAN-ISIS, which is an ASEAN affiliated think-tank. In November 2020 when the first ASA was held in Batam, Indonesia, it was an epoch-making regional meeting by the NGOs to discuss the problems from the aspect of people. One of the speakers from Singapore, S.Samydorai, argued an importance of social dialogue for creating an ASEAN community and particularly the rights of workers should be guaranteed at the ASEAN level. His initiative eventually played a crucial role in the institutionalization of the AFML. In this way from the initiative of NGOs, the

concept of “people’s ASEAN” has turned into one of the key concepts of an ASEAN Community after the 2000s, and in the ASEAN Charter which came into effect in 2008.

Nevertheless, as APA generally took a positive stance on liberalization of market economy, those who took more critical stance against it organized alternative NGO networks such as ASEAN Civil Society Conference(ACSC) and ASEAN People’s Forum(APF), and when such reform-oriented NGOs held the regional meeting in February 2006, another regional network called SAPA(Solidarity for Asian People’s Advocacy) was set up.

As mentioned earlier, since ASEAN explicitly declared in the VAP that it would promote participation of NGOs in the policy dialogues, civil society groups became more active in advocacy activities on the agenda of ASEAN. It was against such new trends of “alternative regionalism<sup>2</sup>” that SAPA set up a working group on rights of migrant workers and an activist of a Singapore-based NGO, Samydorai, took the leadership in such preparation. He was a member from Singapore for the WG-AHRM during the period 2003-2007 when the VAP was adopted and human rights NGOs were appealing the concept of “people-oriented ASEAN” and to establish an ASEAN Human Rights institutional mechanism.

In this way, since the early 1990s until the VAP was adopted, advocacy activities on human rights issues and building a regional institution of ASEAN began to be proposed by various types of NGOs. Protection and promotion of the rights of migrant workers was one of such human rights issues. As ASEAN became more responsive to proposals of the NGOs, it turned from a target of their advocacy activities to an important partner to work with.

In addition, Samyodorai was committed with WG-AFRM, APA and SAPA. As the appendix of the VAP imposed ASEAN to elaborate “an ASEAN instrument on the protection and promotion of the rights of migrant workers,” then Secretary General of ASEAN, Ong Keng Yong, asked him to take the initiative in preparing for the institutionalization. Thus, the function of three types of NGOs above converged through him into the formation of the Task Force of ASEAN Migrant Workers (TF-AMW) which plays a crucial role in the AFML process, as shown below.

### **3. Sharing norms at the regional level**

While there had been Labor Ministers’ meetings once every two year since 1975, except for the issues on Indochina refugees and human trafficking, it is since 2000 that they agreed to establish ASEAN-OSH(Occupational Safety and Health) Network in the

ASEAN Secretariat that they started to deal with labor issues at the regional level. Much less, the issues related to labor migration did not become an agenda of ASEAN ministerial meetings till the early 2000s.

After the Secretary General of ASEAN asked Samydorai, a Singaporean member of the WG-AHRM, to construct a meeting platform to discuss the issues on migrant workers, he coordinated a number of meetings with NGOs and the Task Force of ASEAN Migrant Workers (TF-AMW) was established in April 2006. In addition to regionally active NGOs, there regional branches of international associations of labor unions; Union Network International–APRO, Public Services International, and Building and Woodworkers International joined the TF-AMW, and later there three regional branches established ASEAN Service Employees Trade Union Council (ASETUC) in March 2007 primarily to make advocacy activities in the ASEAN meetings.

TF-AMW submitted a set of 15 proposals for protection of the rights of migrant workers to the ASEAN Senior Labor Official Meetings in December 2006.

Immediately after that, the ASEAN Declaration on the protection and promotion of the rights of migrant workers (hereafter, Cebu Declaration) was adopted in January 2007. This was the first regional labor migration arrangement. It consists of four parts (22 articles): General Principles, Obligations of Receiving States (6 articles), Obligations of Sending States (4 articles) and Commitments by ASEAN (8 articles). ASEAN member states are to “promote decent, humane, productive, dignified and remunerative employment for migrant workers” (Article 15) , ASEAN was tasked with following up on the Cebu Declaration and develop an ASEAN instrument on the protection and promotion of the rights of migrant workers. .

The implementation of all the commitment, however, is left to each member state “in accordance with national laws, regulations and policies.” It was the limitation of harmonization through AFML. Also, while TF-AMW proposed much further the scope of protection including family of migrant workers and undocumented workers, the Cebu Declaration kept them outside of the target of protection, except for a section that both receiving and sending states “shall, for humanitarian reasons closely cooperate to resolve the cases of migrant workers who, through no fault of their own, have subsequently become undocumented.”

At the same time, the draft of ASEAN Charter was adopted at the Summit meeting in November 2007 (ratified in December 2008). At the top of the Charter, it was stated as part of the purposes of ASEAN to “strengthen democracy, enhance good governance

and the rule of law, and to promote and protect human rights and fundamental freedoms.” and “to promote a people-oriented ASEAN.” This is a remarkable change, considering that ASEAN used to restrict its principles to state-state relations only and keeping away from such domestic state-society relations as democracy and human rights.

Based on the ASEAN Charter, the first ASCC Blueprint (2009-2015) was approved in 2009, and in its C2 part, “Protection and Promotion of the Rights of Migrant Workers” based on the Cebu Declaration was put as policy goals. Then, the ASEAN Committee on the implementation of the Cebu Declaration was set up under the Senior Labor Official Meeting (SLOM).

At the same time, other important development was that after the 4<sup>th</sup> ASEAN–UN Summit meeting in 2011, the UN organizations and ASEAN started comprehensive collaboration institutionally, especially in the socio-cultural sectors. The close collaboration throughout the processes of making, implementing and monitoring programs of ASCC was crucial for the first ASCC Blue Print (2009-2015) and the second one (2016-2025). On the other hand, for the UN organizations, too, such close collaboration with ASEAN for the ASCC-related programs have been part of implementation of MDGs and then SDGs at the regional level. In other words, once ASEAN declared to realize an ASEAN Community, it has become a partner with a solid foundation and shared goals for the MDGs/ SDGs from the UN side. This new development means that, for purposes of global governance, a regional organization can play a significant complementary role, when they share the same goals and need technical cooperation.

#### **4. Institutionalization for sharing the principles through AFML**

##### **(1) Setting up AFML**

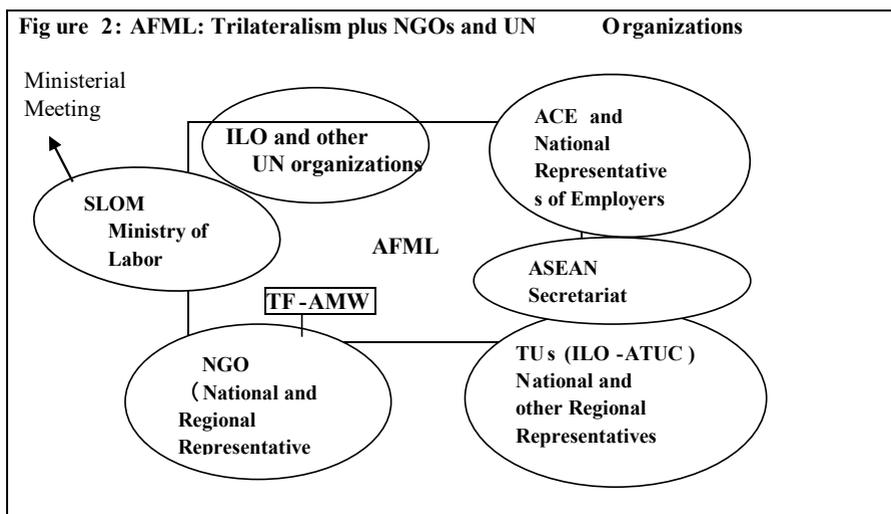
The ASEAN Ministerial Meeting in July 2007 agreed to set up the ASEAN Committee on the Implementation of the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers (ACMW). And in March 2008 the ASEAN Forum on Migrant Labour (AFML) was held in Manila to follow up the Cebu Declaration, particularly focusing on Protection and promotion of the rights of migrant workers, and Enhancement of governance of labor migration. At the same time, since early 2007 TF-AMW has made continuous efforts by holding bilateral meetings with the ASEAN secretariat, each member country except Brunei and Myanmar, on the agenda of the 22 Articles of the Cebu Declaration from the national aspects. The outputs of the meetings were submitted to the ACMW and became the basis of policy

discussions of the AFML. In this way, a bottom-up approach was taken for starting the dialogues of AFML, largely due to the contribution of the TF-AMW.

## (2) Institutional Features of AFML

The purpose of AFML is to examine the principles for implementation of the Cebu Declaration and submit the annual reports to the ACMW. After the meeting in 2008, AFML has been held annually at the host Ministry of Labor of the ASEAN Ministerial Meetings. The scheme of the AFML is remarkable in the following points.

First, the AFML is based on trilateralism, namely, representatives from each Government, the ASEAN Confederation of Employers (ACE) or the CCIs. ASEAN Trade Union Council (ATCU) which is a member of ITUC that is closely linked to the ILO, and NGOs, in addition to the ILO and other UN organizations. Concerning participating NGOs, those who wish to attend contact the TF-AMW first, and the TF-AMW compiles the list of NGOs to the ACWO which endorses the list. In this sense, the TF-AMW is regarded as a “gate-keeper<sup>3</sup>” of the AFML (see Figure 2)



(source: by author)

Notes: ACE: ASEAN Confederation of Employers,  
ATUC: ASEAN Trade Union Council, TU: Trade Union

The other institutional feature is that since 2012 under the ILO coordination the similar trilateral national dialogue has been held several weeks before the AFML meeting. For such national preparatory meetings, government officials also attend. They usually attend the SLMO meetings or report what was discussed to their seniors who

will attend the SLMO.

### (3) Policy Proposals of AFML

As mentioned above, the policy discussions of AFML are conducted in an unprecedented scheme in a multi-layered way. Nevertheless, its decision is made on a consensus-making style. (Table 1) shows the policy agendas that have been approved by AFML and submitted to the ACMW. The topic of each AFML is made primarily by the host government. As it shows, a wide range of issues have been discussed and after the 7<sup>th</sup> meeting, they discussed more specific agendas for institutional reforms of pre-departure administrative procedure such as “One Stop Services, and Portability of health insurance for migrant workers.

Among the 171 proposals submitted during the 12 ASML meetings in (Table 1), 54 proposals are related to agenda of decent work such as safety, social security, portability of insurance and freedom of association of migrant workers. These issues are directly related to one of the 17 Goals of SDGs, in the context of “decent work for all.”

**Table 1: Dates, Places and Main Agendas of AFML**

Year/Month/Date	Place	Chairperson	Main agenda
1. 2008.4.24-25	Manila	Department of Labor and Employment	Start up meeting
2. 2009.7.30-31	Bangkok	TF-AMW, Thai Ministry of Labor	Institutionalization of ASEAN to fulfill a mission of ACMW
3. 2010.7.19-20	Hanoi	Ministry of Labour, Vietnam	Enhancing Awareness to protect the rights of migrant workers
4. 2011.10. 24-25	Bali	Indonesian Ministry of Labor	Promotion of a public campaign on the rights of migrant workers by providing information
5. 2012. 10. 9-10	Siem Riap	Ministry of Labour and Vocational Training	Effective recruitment practices and regulations
6. 2013.11. 26-27	Bandar Sri Bugawan	Brunei, Ministry of Labor	Enhancing policy and protection of migrant workers through data collection and sharing
7. 2014 11.20-21	Naypyidaw	Myanmar, Ministry of Labor, Immigration and Population)	Promotion of fair and appropriate employment protection, coordination of key stakeholders
8. 2015. 10, 26-27	Kuala Lumpur	Malaysia, Ministry of Human Resources	Empowering the ASEAN Community through protection and promotion of the rights of migrant workers: occupational health and safety, labour inspection
9. 2016. 11.9-10	Vientiane	Ministry of Labour and Social Welfare	Social protection of migrant workers, Portability of Social Security of migrant workers in ASEAN
10. 2017. 10.25-26	Manila	Department of Labor and Employment, and POEA**	Achieving decent work for domestic workers
11. 2018.10.29-30	Singapore	Ministry of Manpower	Digitalization of information control, digital service for migrant workers
12. 2019.9.25-26	Bangkok	Ministry of Labour	Social protection, Enhance Employability of migrant workers

(Source: the Annual Reports from [https://www.ilo.org/asia/WCMS\\_214213/lang-en/index.htm](https://www.ilo.org/asia/WCMS_214213/lang-en/index.htm) )

#### **(4) Evaluation of AFML**

Most of the participating members in AFML have positive comments on the outputs of the discussion, though some said that the responses are not enough from the Mekong basin countries. Also, NGOs have positive evaluation that AFML works as “facilitator” or “solidarity maker” for the protection of the right of migrant works, while the employers’ association takes it as a useful opportunity to get information that is directly related to them. What is impressive is that Trade Unions, which used to pay little attention to migrant workers who are not members, have become active in monitoring the situation and reviewing feedback. In addition, ATUC and the ILO-Bureau for Workers’ Activities (ILO-ACTRAV) conduct an on-line survey twice a year on the development of the policy agendas from the previous year. Moreover, ILO has been conducting the Triangle in ASEAN Programme with the five GMS countries plus Malaysia during the period 2015-2025, and member trade unions of the ATUC are committed with this Programme both at the regional and national levels.

#### **5 . The ASEAN Consensus in 2017**

On the other hand, at the governmental level important Declaration and Guidelines on human rights were adopted. For instance, in the ASEAN Human Rights Declaration (AHRD) signed in November 2012, the rights of migrant workers are stated as “integral and indivisible part of human rights and fundamental freedoms” (Article 4). Then, as an ASEAN instrument which was assigned in the Cebu Declaration, based on the recommendations of AFML, the ASEAN Consensus on the Protection and Promotion of the Rights of Migrant Workers was adopted in November 2017. Accordingly, at the ASEAN level, Action Plan (2018 – 2025) to Implement the ASEAN Consensus on the Protection and Promotion of the Rights of Migrant Workers is now the common platform of policy implementation for the ASEAN Labor Ministers.

The ASEAN Consensus consists of 60 Articles, which refers to all the stages of placement, protection and promotion of the rights of migrant workers, from pre-departure procedure up to the social reintegration after returning home from abroad. Among them, 14 Articles are related to the obligations of receiving states, while 9 Articles are related to the obligations of sending states. Moreover, 17 Articles clarify “Commitments of ASEAN Member States.” It means that the member states are responsible for implementing these points, even though the ASEAN Consensus remains to be a consensus which has no legal binding force. Thus, it is crucial how each member state is willing and capable of fulfilling the responsibilities. This is the dimension of

national and local governance in Fig 1.

## **6 . Linkage with National and Local governance**

What is important then is how such new principles can be linked to new laws/regulations at the national level to facilitate the implementation of the ASEAN Consensus. The policy agenda can be categorized into the following three stages.

The first stage focuses on improvement of services in information, clear and efficient administrative procedures, pre-departure training and new regulations on the recruitment agencies. The second stage is related to agendas on protection of migrant workers while they are working abroad. The third stage is the agenda related to the re-integration and social welfare after they return to the country after their contract ended. All such issues have actually been discussed at the AFML and recommendations have been submitted to the ACMW which submitted them to the SLOM.

Though the space is limited here to introduce the domestic development, three points can be picked up here. First, a variety of results are reported by the ILO's "Triangle in ASEAN" Programme together with ATUC and other local stakeholder, such as setting up 35 Migrant Resource Centers (MRCs) and providing information to the people or technical assistance to the officials<sup>4</sup>. Second, in many member states, the laws have been revised or newly enacted in accordance with the recommendations of the AFML and the ASEAN Consensus. One of the major labor receiving countries, Thailand, revised the law in 2016 to impose deposit to recruitment agencies. Indonesia enacted a new law in 2017 to protect migrant workers and at the same time, the One-Stop Services System has been established rapidly, from one in 2014 to 33 places in 2019. The administrative procedure is now faster and cheaper than before. Moreover, a national policy of a village development program with former migrant workers, called Desmigratif program, started in 120 villages in 2017 and in 2019 in 400 villages of 33 provinces.

Nevertheless, according to survey reports by NGOs a great number of people in Myanmar, Laos, Cambodia and Vietnam answered they received no pre-departure orientation or training. They often go abroad without basic knowledge and information about their rights to protect themselves.

## **7. Conclusion**

As shown above, concerning the protection and promotion of the rights of migrant workers, a new scheme with multiple stakeholders has been institutionalized in ASEAN based on the platform of AFML during the past decade. NGOs took the initiative for

protecting migrant workers since the 1990s. Then, the ASEAN changed to take a more open and responsive attitude to such proposals since the early 2000s, particularly after it declared to establish an ASEAN Community. In connecting social dynamism of NGOs and the ASEAN formal institutions, some individual leaders played a crucial role to facilitate and coordinate the new mechanism of policy dialogues. In addition, after ASEAN became a regional organization through the ASEAN Charter and launched long term Blueprints, the UN Organizations actively joined the programs to coordinate the trilateral policy dialogues at the regional and national levels. This technical cooperation greatly supported the development of AFML during the 2010s. In short, such various stakeholders actively joined the process of creating new regional governance on labor migration.

Nevertheless, how it can enhance quality of governance at the national level greatly depends on the will and capacity of each government, integrity of employers and migrant workers. At present there is a gap between labor sending and receiving states in fulfilling the obligations mentioned in the ASEAN Consensus. Moreover, there is a wide gap among the member states in terms of the political openness, transparency and free public space for NGOs. In short, due to such wide gaps, challenges still remain for full implementation and standardization of regional governance on labor migration which is a highly divisive issue particularly both between the labor sending and receiving states and within the domestic context of ASEAN member states.

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<sup>1</sup> Coordinating Committee for Follow-up, *Asia Pacific NGO Conference on Human Rights, Our Voice: Bangkok NGO Declaration on Human Rights*, Bangkok: Asian Cultural Forum on Development (ACFOD), 1993, p. 245.

<sup>2</sup> Rother S and N. Piper, “Alternative Regionalism from below: Democratizing ASEAN’s migration governance”, *International Migration*, vol. 53, no. 3, 2015, pp.36-49.

<sup>3</sup> Rother, S., “ASEAN Forum on Migrant Labour: A space for civil society in migration governance at the regional level?”, *Asia Pacific Viewpoint*, March 2018, p. 8.

<sup>4</sup> ILO, “Triangle in ASEAN, Key Results” [https://www.ilo.org/asia/projects/WCMS\\_718233/lang-en/index.htm](https://www.ilo.org/asia/projects/WCMS_718233/lang-en/index.htm) (last accessed in February 29, 2020)

## **5-2: Regional Collaboration in Europe and Asia; learning from the European Union Strategy for the Danube Region (EUSR) and the Greater Mekong Sub-region (GMS)**

Soavapa NGAMPRAUN

### **Introduction**

The objective of this research is to compare the elements of sub-regional cooperation between the European Union Strategy for the Danube Region (EUSDR) and the Greater Mekong Sub-region (GMS). While they can both be regarded as sub-regional projects, they are different in their character. It is worth pointing out that there exists an exchange between both sub-regions, as dialogue and cooperation between EU and ASEAN were formalized firstly in 1996, the Asia-Europe Meeting (ASEM) marked another step in interregional relationships to link the theme of EU cohesion and development policies with the Initiative for ASEAN Integration. Later at the 10th Asia-Europe Meeting (ASEM) Foreign Ministers' Meeting held on 6-7 June 2011 in Hungary, a Danube-Mekong cooperation initiative was initiated by focusing on the prospects and challenges of sub-regional cooperation within international river basins, offering a good strategic approach for cooperation within the ASEAM framework. The ministers noted that large rivers like the Mekong in Asia and the Danube in Europe have common features because of their size, and as a consequence, their international character. They also emphasized that those involved in the Danube Region Strategy and the Greater Mekong Sub-region have important experience and knowledge to share, which would assist in terms of capacity-building, and help them face their common challenges and their destiny to collaborate to make the best of the vast economic and social potential of the river basins. As a result, gaining knowledge of cooperation in a comparative perspective will provide a deeper understanding of sub-regionalism in current international systems.

### **Understanding sub-regional development**

This research takes into account different levels of regional integration processes, like regional and sub-regional, and the dynamics behind them need to be distinguished from each other. Comparing sub-regional contexts should consider characteristics of sub-regions both in Europe and Asia. According to existing literature reviews of sub-regionalism, it may be assumed that contemporary sub-regionalism represents a new pattern of international relations, fostered by forces related to the end of the Cold War,

globalization, and changes in domestic political economies (Hook and Kearns 1999 and Cottey 2009, 16). In addition, a balance between domestic and inter-state cross-border cooperation should be established in the study of sub-regional building; in order to compare features of sub-regional development between EUSDR and GMS synthesis inductions of sub-regionalism will be employed as follows:

- a) Geographical indicators with cross border cooperation
- b) Economic development and non-traditional security
- c) Internal policy and domestic actors
- d) Loose institutional forms and multilevel governance
- e) External actors

## **Comparative sub-regional development between EUSDR and GMS**

### **a) Geographical indicators and cross border cooperation**

Geographic proximity remains a central element of any sub-region that has been formed in territorial spaces based on a significant geographic or physical characteristic such as a natural physical border of river or sea (Manoli 2012, 19 and Dangerfield 2014, 25). It can be seen that EUSDR and GMS represent an enlarged geographic area consisting of a number of different countries along the river, Danube River and Mekong River respectively. Moreover, Osborne (2000, 259) called Mekong that “River Danube of the Orient” as the longest international river in Asia. Similarly, both sub-regions have been extensively used to delineate grouping of states in post-Cold War having a geographic connotation.

EUSDR can be defined as constituting following groups and political relation to the dominant actor like the EU in a range of integration schemes on the border. EUSDR consists partly from several states of EU member including Austria, Bulgaria, Croatia, Czech Republic, Germany (Bavaria and Baden-Württemberg), Hungary, Romania, Slovakia, Slovenia, while Bosnia-Herzegovina, Moldova and Ukraine are non-EU countries and Serbia and Montenegro, which are EU candidates, join together in dominant regional integration with geographically or politically close countries on its outer border. A process of eastern enlargement focused on the geographical and political relation to the dominant EU integration can be seen. The aspect of sub-regional integration on the periphery of EUSDR often coheres with the process of enlargement

and thus prepares way for the enlargement process in some contemporaneous respects. However, it is different from GMS. Five states of GMS followed by Myanmar, Laos, Thailand, Cambodia and Vietnam are members of ASEAN but China (Yunnan province and Guangxi Region) did not join in order to prepare for the enlargement process of ASEAN.

Sub-regionalism can be defined as a structured relationship between geographically adjacent entities to facilitate both inter-state and sub-state level cooperation. Only Bavaria and Baden-Württemberg of Germany joined EUSDR and only Yunnan province and Guangxi Region of China joined GMS. That both EUSDR and GMS can be presented as sub-regionalism is one of the venues where both sub-regions target specific areas within their boundaries of development. Additionally, the contiguous areas have prior interactions with the state's blessing to promote a borderless environment. The Chinese government sought Yunnan that is a landlocked area but shares borders with Southeast Asian countries used Mekong as a gateway to South China sea and development of border trade with neighboring countries such as Myanmar, Laos and Vietnam, and Thailand according to Chinese economic export-oriented policies.

Sub-regional cooperation in one area may spill-over into other areas; for instance, EUSDR hopes economic principles gain impact on policy-making in security, transnational border control of migration and crime, while PA11 aims to foster security and to fight serious and organized crime. Or else, the sub-region shares problems particularly in terms of environmental degradation which can only be resolved through substantial interdependence. While one pillar of EUSDR focuses on environmental protection in the Danube Region by way of PA4 aims to Restore and safeguard the quality of the water in Danube, PA5 targets to manage environmental risks and PA6 attempts to preserve biodiversity, landscapes and the quality of air and soil of Danube.

Likewise, EUSDR and GMS similarly intend to focus on cross-border collaboration among member states in their natural boundaries of sub-regionalism such as the river coinciding with national borders. It can be seen when EUSDR and GMS cover a portion of a country include sub-state actors as Bavaria and Baden-Württemberg in Germany, and GMS included only Yunnan and Guangxi province in China. The element of these two sub-regions' dependence on cross-border process in circumstance geographic proximity. It can be seen plainly from objectives and goals of both sub-regional programs.

However, geographical indication is not only an essential component to construct sub-regional integration. The sub-region is dominated by geo-economic and national

strategies through a strategic network of transnational and trans-local actors. Sub-region could be also built to aim for strengthening interdependence and developing networks to economic cooperation and non-traditional security.

### **b) Economic cooperation and non-traditional security**

Sub- regional integration of EUSDR and GMS are dominated by geo-economic priorities of state. For instance, EU cross border program and European Territorial Cooperation (ETC) funding are employed for EUSDR in order to forge alliances on connecting the Danube Region for infrastructure and innovative services; development corridors; development of rail, inland water way and maritime transport in PA1 in order to improve mobility and multi-modality in inland waterways, rail, road and air. Moreover, Interreg and external EU Policy are involved with EUSDR as financial resource in order to implement join cross-border and transnational strategies and development programs within member countries.

In GMS, economic corridors strategy was adopted to improve and enhance investments, focused on infrastructure transport development. When road access is available, it will help to reduce poverty and bring economic prosperity to the area. Three major roads under economic corridors projects, namely the East-West Economic Corridor (EWEC), the North-South Economic Corridor (NSEC) and the Southern Economic Corridor (SEC) brought an important issue for private businesses development in the Mekong River basin. It can be seen that the scope of those economic corridor projects are dominated by geo-economic factor by focusing more on supporting multi-sectoral investment, greater transfer of urban development to rural areas, and supporting a unified development of the economic corridor concept.

Additionally, Tang and Thant (1994) claimed that apart from the geo-economic aspect, GMS is also dictated by nationalist discourse strategies through a strategic network of transnational and trans-local actors to localized economic cooperation zone. Trade and cooperation agreements seem to be an important component of liberalizing economic activity and export promoting. In 2015, Special Economic Zones (SEZs) were initiated along the economic corridors. SEZs are aimed to offer a competitive business environment to support global supply chains for foreign direct investment's attraction.

For this point of view, the difference can be seen of GMS from EUSDR, SEZs of GMS are involved with some parts of states which are related to geographic commonality, as Mekong river, flowing through the specific areas that launch a program (non-treaty based) to enhance economic activity of subset areas of the states. It shows

as sub-regional cooperation to expand flows of foreign direct investment in order to activate management and integrate corporate functions. As a result, the economic weak states like Cambodia, Laos, Myanmar and Vietnam (CLMV) need to share increasing trade and investment in their immediate environment, practical economic cooperation in most the promising area for sub-regional development between them. Consequently, external factor of FDI attracted member states to increase sub-regional integration and hope to spur social and economic development through collaborative efforts. The FDI also attracted to increase employment opportunities and industrial development in the participating localities, though distribution of benefits may not always be equitable across GMS region. Furthermore, GMS member states, especially CLMV states expected that participating in GMS might lead to the improvements and development of infrastructures such as roads, railways, airlines, bridges, ports, rivers transportation and power plants. As a result, local and sub-regional stakeholders as well as the private business sector have supported sub-regional integration dynamic. The widening and deepening of GMS economic corridors through development and construction of SEZs intend to enhance capacity development and knowledge generation and management through competitiveness of border zones with respect to transforming transport corridors into economic corridors.

Member states in the EUSDR, particularly economic weak states aimed to join this sub-regional economic cooperation because of benefit from the other rich member states or EU facilitation. However, they do not aim at higher levels of economic integration or achieve union. They considered that a pragmatic solution to increase trade and trade facilitation of member states are highly interlinked in production networks, especially infrastructure development and cross border economic activities in free trade specific agreements. Some also need industrial investment such as new car industries from Germany and Austria invested in Romania and Croatia etc. Besides, a new effort to promote non-traditional security concerns such as transnational organized crime, drug trafficking, terrorism and the ever-increasing flows of illegal migration were discussed in EUSDR tasks and goals. In addition, sub-regional cooperation in EUSDR was target to solve trans-border problems like border security e.g. environmental harms, migration and against organized crime. It can be seen from 12 priority areas involved related to cross border cooperation in economic development education, transport, tourism, culture, science and technology, environment, organized crime and border management. For instance, Austrian government is worried about the possibility of a huge immigration movement of workers from Central and Eastern Europe towards Austria.

It would be more helpful to support economic development within the lesser developed parts of the Danube region by direct investment. Austrian and German business sectors also provide business opportunities for investment and transfer knowledge and technology to poorer states, especially SMEs for reducing development gap and creating jobs in the areas. However, it is different from these two sub-regions. In EUSDR, rich states like Germany and Austria can provide financial support for business opportunities and transfer knowledge and technology to weaker states.

Whereas GMS, member states also promoted sub-regional cooperation with economic development as the primary goal, but other dimensions, such as the environment protection, tourism, or to support poverty reduction are indicated as concern factors. As GMS, main goals included transportation, telecommunication, energy, human resource, environment, trade, investment, tourism and agriculture. Nevertheless, most states in GMS need loans from multilateral banks or private funding especially for infrastructure. The fastest growing economic state, like China has been accompanied other GMS member states with the new special funds for infrastructure, but it still in early stage and high demand.

Thus, it can be surmised that both EUSDR and GMS do not aim at higher levels of economic integration or trade bloc. Each member state considers a practical solution in low politics that linked in production networks especially infrastructure development and cross border economic activities including new effort to promote non-traditional security concerns such as economy, culture, navigation and environment protection.

### **c) Internal policy and domestic actors**

It can be seen that both sub-regionalism in EUSDR and GMS are promoted by national and sub-national actors. Especially, EUSDR was supported by Austrian and Romanian national governments and the Baden-Württemberg provincial government to formulate at the EU level since 2009. Both Austria and Baden-Württemberg hope the EUSDR can serve as an instrument of monitoring and coordinating the co-operation between different countries, to support activities and policies which should be benefit to the whole Danube region. While, GMS was supported strongly from ADB to found GMS projects. Then member countries agreed to the benefit of joining the GMS. Six member states, especially CLMV aim for the same goal to integrate in the sub-region in order to get financial and technical assistance from ADB and private donors. As all GMS member states are developing countries, their national interests need to survive in

the context of the new world economy. They need to increase flows of labors, exchanges of technology and resources, and greater capitals by external trade and investment.

#### **d) Loose institutional form with multi-level of governance**

Although both EUSDR and GMS are primarily intergovernmental arrangements, they do not focus on absolute gains or formal institutionalized regional integration. Both of them aim to increase social and economic interdependence and minimize institutionalized function. There are two range of administrations. The High Level Group of All Member States for international level and national coordinator is national level. Both sub-regions work depend mainly on the task of coordination. Two member states are assigned to get in charge of each coordinated policy field such as launching ideas, supporting policy implementation, and providing technical assistance and advice. Annual forums and summits are arranged each year as supreme meetings. EUSDR is coordinated to meeting by the European Commission, and the non-member states should be invited as appropriate. But GMS Summit and forum are arrange by GMS Secretariat that is established by ADB. Secondly, the national contact point is set up at the national level to facilitate and support co-operation among the members.

In particular, EUSDR based on EU macro-regional strategy that strict with the three “No” rules (no new EU legislation, no new EU institutions, no new EU funds). EUSDR focuses on coordinating existing financial resources, a coherent implementation of existing regulations and legislation and on minimal formal structures by using the existing institutions for the benefit of the region, although PA 10 is involved with institutional capacity and cooperation. It is concerned about cooperation regarding public services in order to support institution and companies in project formulation and project financing. PA 10 aims to distribute information to member states, particularly to let the governments facilitate financial policy efficiency especially members from Eastern Europe.

Moreover, the most important thing that make sub-regionalism different from regionalism is the accumulation of bottom-up projects, led by non-state actors. It is shown plainly in EUSDR goals since its establishment that civil society like NGOs and working groups play important roles. It bases this on the process of cooperation between provincial states and civil society. EUSDR was initiated by Baden-Württemberg and Vienna provincial governments including working groups and civil society such as ARGE Donaulaender, the Council of Danube Cities and Regions, etc. The EUSDR is reputable with a strong emphasis on local and regional potential and actors, as well as

on the participation of civil society on cross border cooperation that is form of collaboration of member countries intended to yield common goals and benefits. It can be said that EUSDR sub-regionalism is involved with multilevel actors and is designed on a bottom-up approach of macro-regional strategies involving national, regional and local actors. EUSDR sub-regional integration processes underline both national systems and subnational authorities and international or transnational bodies, as well as civil society, administrative and corporate structures.

The GMS was initiated by suggestion and support of international development bank like ADB, but central government of member states still mostly manage and control transnational cooperation. The business sector can perform only as advisor but may deliver some of their agendas to government to negotiated in sub-regional level. This point is totally different from EUSDR. There is no power of non-state actors involve with the sub-regional integration process. Only Yunnan and Guangxi provincial governments relate to sub-national responsibilities of trans-national control or natural borders. Nevertheless, the main authority remains with the central government in Beijing. Civil society actors in GMS hardly play any role in sub-regional integration processes or corporate structures. In spite of this, there is less formal schemes of institutionalization, GMS sub-regionalism is intergovernmental arrangements, controlled with top-down processes particular to national governments.

#### **e) Dominant external actors**

The importance of sub-regionalism phenomenon in the 1990s is dominated by external factors from the international system or outsiders. It can be specific states, international organizations or other regions. Both EUSDR and GMS have been constrained by external actors since their establishment. However, while EUSDR has depended on regional institution, GMS has been influenced by international organization.

The EU is still the center of EUSDR sub-regional process. The relationship between EU and EUSDR has remained and involved as the subordinate status to wider regionalism. EUSDR embedded in the case of EU cross border programs. Austria, Bulgaria, Croatia, Czech Republic, Germany (Bavaria and Baden-Württemberg), Hungary, Romania, Slovakia, Slovenia are also members of the EU. The role of the EU can be a driver of economic transformation of developing national economies especially financial support in developing states to candidate countries such as Montenegro and Serbia or. In addition, EU neighboring policy was represented a relatively strong tool

in EU's external relations to Bosnia-Herzegovina, Moldova and Ukraine. As a result, the EU decided to formulate EUSDR under a macro-regional strategy in order to include territory from a number of different member states. It can be seen that the most significant EUSDR dominant player is European institution including multi-lateralizing Danube neighborly relations and added value interdependence by taking part in partnership schemes led by European institution. EUSDR can be seen as a superstructure category, which broadens the study of main tendencies in EU integration.

It is obviously opposite to GMS, whose member states just transformed the national productive structure from agricultural and primary to industrialized economies while development policies were to be coordinated through centralized governance through coordination among governments and public authorities like Asian Development Bank (ADB). ADB has played a crucial role in GMS as financial donors and technical supporter. ADB continually facilitates to create and support the communication between member countries and stakeholders at both political and operational levels within the GMS area, consequently providing assistance in re-enforcing a sub-regional consultation process. ASEAN has barely been involved with GMS. If compared to EUSDR, EU seem to be soft hegemonic regional power in EUSDR, but ASEAN gets involve with GMS to closer the region by supporting various aspects of connectivity such as road and railways linkage. ASEAN also likes to employ GMS as a bridge to assist CLMV to develop their economic growth for reducing the gap from old ASEAN member states.

## **Conclusion**

At the level of sub- regionalism between EUSDR and GMS, there are both similarities and differentiations. Both sub-regional mechanisms do not aim for political integration or trade bloc, but EUSDR rather focuses on the promotion of cooperation in low politics (economy, culture, navigation and environment protection, investment in people and education. EUSDR emphasizes on increasing growth potential, in a way of the new growth strategy by digital economy, innovation and services for people. GMS concentrates on improving sub-regional infrastructure such as road, rail, airport, power grid, expand trade and investment cooperation for FDI. EUSDR and GMS both highlight sub-regional cooperation on connection for mobility, trade and energy, but EUSDR focuses action more on environment protection and risk management with cooperation on non-traditional security issues; e.g., organized crime, migration. The most important point of EUSDR is to connect people to people through culture and

tourism. Whereas, GMS supports the flow of people, goods, and vehicles, infrastructure development for FDI. GMS attempts to improve tourism and disease control for the business sector and FDI too. Both sub-regions hoped sub-regional cooperation in one area might spill-over into other areas. For instance, conflict according to water management of level of water between upper and lower Mekong areas and water degradation may be solved with GMS cooperation. EUSDR may improve the water quality of the rivers and apply wastewater treatment in Danube. The sub-region shared problems particularly in terms of environmental degradation which can only be resolved through substantial interdependence.

For different angles of political system of member states, all member states of EUSDR have the commonality of a democratic political system, but there is big difference in the economic gap between rich and poor states. There are political and economic differences among the GMS members. The important driver of EUSDR's establishment is a combination of historical awareness of belonging and the prospect of local and regional economic benefits. GMS is motivated for economic benefits only. In addition, initiative formation of EUSDR was introduced by internal factors such as Austria and sub-national level of Germany, as well as non-state actor such as civil society. On the other hand, the foundation of the GMS was introduced by financial organization like ADB. The highlight of application of EUSDR depends on legal security, transparency, democracy, market economy and general political stability. It is composed by soft" and "hard areas of objectives that are based on four policy areas, 11 priority areas: environmental protection, economic development, infrastructure improvement, research development, education and information technology, tourism, institutional capacity and cooperation in soft security; e.g. organized crime, migration. A strong sense can be felt of EU Danube identity creation of the EUSDR as a new symbol of Europe to strengthening the unity of Europe in order to create a new fragmentation of sub-grouping. This is in contrast with GMS, which emphasizes trade and FDI from industrial states. GMS goals are covered to soft" and "hard areas of co-operations that are transportation, trade and transportation facilitation, energy, agriculture, environmental protection, human resource development, tourism, information and communication technology, health collaboration, in particular AIDS, urban development and illegal drugs. All objectives aim for FDI and economic cooperation. Member states remain in political instability and no awareness of democracy or transparency with state centric control.

It can be surmised that trying to compare sub-regional contexts of these two sub-

regions should consider sub-regional factors and conditions in the context of the various sub-regions. One sub-region does not fit to explain the phenomenon of complexity of another part of the world. In order to understand sub-regional phenomena, other regions should be examined and we should learn to share similarities and differences as a lesson to each other.

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## **5-3: The Belt and Road Initiative and China-Eastern European Relations -How Much the “New Type of International Relations” can Achieve-**

Shixin DU

### **Introduction**

Since initiated in 2013, the Belt and Road Initiative (BRI) has been widely focused on and debated in the context of political science and international relations. Given the character of the rise of China, which remains one of the most profound factors in East Asia and the global world, BRI has been strongly promoted by the Chinese perspective and officially supported by involved countries, though whether this initiative could reshape international order in the 21<sup>st</sup> century remains debatable. In this paper, I will examine the narrative of the “New Type of International Relations” claimed by China, by the methodology of a case study of the BRI in the Central Eastern European (CEE) area, especially focusing on the case of the significance of the Hungary-Serbia Railway project.

The “New Type of International Relations” was firstly introduced by Xi Jinping, the top leader of the 5<sup>th</sup> generation leadership of China, while he made a visit and gave a speech at Moscow. According to the “New Type of International Relations,” the conquering of the cold war zero sum game and the pursuit of “Win-Win” relations has been the main character of the world order of the 21<sup>st</sup> century. After Xi’s visit to Moscow, he made several speeches in Central Asia and Asian countries to further introduce the BRI, or “One Belt, One Road,” which drew the world’s attention.

What was the real meaning of the “New Type of International Relations”, and what kind of relations has been achieved in the BRI? To answer these questions, the historical background of the relations with CEE before the introduction of BRI should be analyzed, and I argue in this paper, that the area of CEE remains one of the most significant aspects to understand BRI, because the fruitful achievements of the CEE countries is not the outcome of BRI; on the contrary, BRI was motivated by the cooperation with CEE area. In this meaning, an analysis of the CEE area will enlarge the scale of the picture of the real characters of the “New Type of International Relations” in the BRI.

In focusing on the relations with BRI, the facts multi countries’ diplomacy and the infrastructure constructions must inevitably be discussed. In this paper, I will firstly analyze the 16 (17) +1 mechanism of China and the CEE area. Then, I will analyze the

case of the Hungary-Serbia Railway, one of the significant cases of BRI in the CEE, to clarify the current characters of CEE-China cooperation. Finally, I will conclude the empirical character of BRI from the CEE perspective that instead of a liberal cooperation, and the mutual state-centered cooperation is the basic character of CEE and China. Chinese foreign policy towards CEE has been an extension of Chinese domestic policy as well, and it is unclear whether the narrative of Win-Win cooperation could be a new international order is a future question to be discussed.

This paper takes advantage of the official documents from the government of China, the government of Serbia and the government of Hungary. Although most of the sources are online, a large picture of the major actors enrolled in the BRI can be found. Despite a lack of further and deeper information of current events, it is conceivable that this paper can give a general guidance of the further study of BRI.

### **The Origin of BRI**

The origin of BRI is widely recognized from 2013, Xi Jinping, the president of China, made speeches in Central and South Eastern Asia, which indicate China's initiative in regional cooperation, and the official document for BRI, *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* was issued in 2015, by the Ministry of Foreign Affairs, and the Ministry of Commerce of China, in 2015. However, by focusing on the relations between CEE countries and China, it is conceivable that relations between CEE countries might be the significant underlying factor of the origin of BRI.

Historically, CEE countries have had a close relationship with China and China's opening policy. After the establishment of the PRC, CEE countries, on the influence of the Soviet Union, became the first group of countries which recognized the status of China and had cooperation with China during the Cold War era. It is conceivable that the relations between China and the CEE could be mutual understanding, mutual learning and cooperating with each other. Especially in the case of Poland and Hungary, in 1956, while China supported the crackdown of the mass movement in Hungary, China still showed efforts to learn the market mechanism from Poland<sup>1</sup>. In the 1980s, China sent delegations to Hungary to learn the market economy mechanism for the opening policy<sup>2</sup>. In the 1990s, China generally insisted the opening policy from Deng Xiaoping, Jiang Zemin, and in Hu Jintao's era, in which year China's GDP became the 2<sup>nd</sup> largest in the world, in 2011, Poland and China built strategic relationships. In April 2012, the first 16+1 meeting was held in Poland, which remains the mechanism of the current

China-CEE cooperative mechanism.

The 16+1 format is an initiative by China aimed at intensifying and 11 EU Member States and 5 Balkan countries (**Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia**); with Greece joining 16+1, it has become 17+1. It is said that the cooperation is “In the fields of investments, transport, finance, science, education, and culture.” And “In the framework of the initiative, China has defined three potential priority areas for economic cooperation: infrastructure, high technologies, and green technologies.”<sup>3</sup>

The 17+1 China CEE Cooperation meeting was firstly held in 2012 in Warsaw, Poland; in that year Xi Jinping was elected as the fifth leader of the Communist Party of China (CPC). The meeting then began to be held once a year, in each of the China CEE countries. In 2013, 17+1 was held in Bucharest, Romania. Xi Jinping made his speeches in Moscow to introduce “the New Model of IR,” well known as “Win-Win Cooperation,” and in Asia to announce the initiative of Belt and Road cooperation. In 2014, the meeting was held in Belgrade, Serbia. In 2015, it was held in Suzhou, China, when in that year, the official document of BRI was issued by Ministry of Foreign Affairs and Ministry of Commerce. In 2015, the leaders of Hungary (Orban), Serbia (Vučić), and China (Li), signed the railway construction cooperation between Budapest and Belgrade.

It is conceivable that even before the opening announcement of BRI in 2013 and 2015, CEE-China cooperation, which later became one of the fruits of BRI, was already on track. In this perspective, it is assumed that the CEE-China relationship motivated the origin of BRI, and then became one of the most important cooperation mechanisms in the grand thinking of China.

The 17+1 cooperation has remained sustainable from the first meeting in Poland. After 2015, in 2016, 17+1 was held in Riga, Latvia, and in 2017, in Budapest, Hungary. In 2018, the meeting was in Bulgaria, and in 2019, in the meeting held in Croatia; Greece became the new member of 16+1, and 16+1 became the 17+1.

## **Case Study: Hungary-Serbia Railway**

### *Introduction*

Motivated by CEE-China relations, what kind of character has BRI achieved? In other words, what is the real meaning of Xi’s formula of BRI, the “Win-Win

Cooperation?” To answer this question, analyzing the case of BRI in CEE-China relations is helpful, and one of the most important cases in BRI and CEE-China cooperation is the Hungary-Serbia Railway. This case is important because this railway project is a very fruitful one in the 17+1 meeting, supported by three main participants in the cooperation: China, Hungary, and Serbia.

The project of the Hungary-Serbia Railway was signed by the leaders of Hungary, Serbia, and China in 2015. Two years later, in May of 2017, the funding bank, Export-Import Bank of China and Serbia government signed the loan between Belgrade and Stara Pazova, and 6 months later, in November of 2017, construction began. Two years later, in 2019, the first train from Ji Nan, China arrived in Belgrade, Serbia, and in January, 2020, it is said that the Export-Import Bank of China will provide about \$1.04b in loans between the railway construction between Novi Sad, Serbia and Kelebia, Hungary.

It is said that the length of the railway will be 260km, and top speed will be 200km per hour (160km per hour, by Hungarian media), and it will shorten the time between Belgrade and Budapest from 8 hours to 3 hours. The whole project is supposed to finish in 2023.

#### *National Development and Reform Commission of China (Fa Gai Wei)*

Among numbers of actors who actually participate in the train project, one of the most important is the *National Development and Reform Commission* of China. National Development and Reform Commission, also called *Fa Gai Wei* in Chinese, is a directly led by the *State Council (Guo Wu Yuan)*, and its most important function is national economic growth and plans, rather than foreign policy or foreign investment<sup>4</sup>. The central role of Fa Gai Wei in the railway project and the function of Fa Gai Wei in China, indicate that the goal of railway project has a strong domestic context.

Fa Gai Wei remains the center of the Hungary-Serbia Railway project. Before 24<sup>th</sup> November 2015, when the leaders of Serbia, Hungary and China signed the official document on the railway project in 16+1 meetings, January of 2015, the deputy director of Fa Gai Wei, along with the Ministry of Foreign Affairs, the Ministry of Finance, China Railway, visited Hungary, and Export-Import Bank of China, visited Hungary, Serbia and Macedonia for the preparation of the Hungary-Serbia Railway project. The director of Fa Gai Wei is the presenter of China who actually signed the contract with the Hungarian government<sup>5</sup> on the witness of the leaders of Hungary, Serbia and China in the 16+1 meeting in 2015. And in December, when the project starting ceremony was

held in Novi Sad, Serbia, the deputy director of Fa Gai Wei presented himself in the ceremony and read the congratulating letter from the prime minister, Li Keqiang.

The Reason for Fa Gai Wei to promote the railway project is related to the policy of “Railway Going Out Strategy” (Tie Lu Zou Chu Qu). The Railway Going Out Strategy is a grand strategy of Chinese infrastructure, which contains not only the Hungary-Serbia Railway, but also the Indonesia High-Speed Railway, Chinese-Laos Railway, Chinese-Thailand Railway as well, which promotes the building of infrastructure connection in the peripheral countries of China<sup>6</sup>.

The Railway Going Out Strategy led by Fa Gai Wei, indicates the significance of railway project in China’s national economy. According to Fa Gai Wei’s document, by the year 2015, the length of China’s railway had achieved 121 thousand kilometers, and the high-speed train had achieved 191 thousand kilometers, which remains 60% of the world’s high-speed train length. It is conceivable that the success of China’s domestic railway is the motivation of the Railway Going Out policy<sup>7</sup>.

#### *China State Railway Group Co., Ltd. (China Railway)*

While Fa Gai Wei is a governmental agency which takes the responsibility of the going out policy of China’s railway project, the main non-governmental actor which is involved in the railway construction is the China State Railway Group., Ltd. (China Railway).

In 2013, the Ministry of Railway was abolished by the National People’s Congress of China, and China Railway Agency was established to take the administrative responsibility of formal Ministry of China, while China Railway Corp. was established at the same time to continue the corporate responsibility of the formal Ministry of China. And in 2019, China Railway Corp. was reformed to a new cooperation as China State Railway Group Co., Ltd. From 2015, the beginning of the construction of Hungary-Serbia Railway, China Railway Corp. and China State Railway Group Co., Ltd (both are known as China Railway) have been the main actors taking responsibility for the railway construction.

China Railway takes on both domestic and international railway projects. Currently, China Railway has undertaken five overseas projects: Pakistan Lahore Orange Line Rail Transit Project, China-Thailand Railway Cooperation Project, Hungary-Serbia Railway Project, China-Lao Railway Project, Jakarta-Bandung HSR Project in Indonesia, and Hungary-Serbia Railway. According to the official documents of China Railway, China Railway must implement the national strategy of “BRI” and “going out”, to achieve the

goal of “Railway Going Out”.

### *The government of Serbia*

The government of Serbia supported the project of Hungary-Serbia Railway and has motivation to build a close relationship with China, partly because China’s railway project can benefit Serbia so that Serbia can connect to European countries more conveniently. In September of 2019, President Vucic attended a ceremony marking the 70<sup>th</sup> anniversary of the founding of China, and he said “he is proud that Serbia is a significant link in the implementation of the One Belt, One Road project”, and he also said “China has no partner that is more reliable than Serbia, or a friend that is more sincere<sup>8</sup>”.

In the following month, October of 2019, when the first cargo train from China arrived in Serbia, President Vucic attended the ceremony and said his idea is “to criss-cross and cover Serbia with all the modern communications, roads, railways, internet, and that thus Serbia joins in the developed economies with solved infrastructural issues”. He also said that the railway project “will be a perfect connection with Europe”, and “Serbia is not a stop-by station for the Chinese trains anymore, but rather a destination<sup>9</sup>”.

### *The Government of Hungary*

The same as the government of Serbia, The Government of Hungary strongly supports BRI and the relations between China and Hungary. In September 2019, Peter Szijarto, the Minister of Foreign Affairs and Trade held talks with Wang Yi, member of the State Council of China, and emphasized in a joint press conference: “Hungarian-Chinese political, economic, trade and cultural relations are exceptionally good”. He said China is the number one trade partner outside the EU and “Chinese companies continue to view Hungary as an attractive investment destination, and their investments are bringing new technologies to Hungary with which they are greatly facilitating the Hungarian economy in the success of its dimensional transition”, as well he recalled that Hungary “was the first EU member state to join the bilateral agreement linked to the One Belt, One Road strategy, and we regard the initiative as “the foundation for new Eurasian cooperation”<sup>10</sup>. In the according meeting, the minister also explained the contract on the Hungary Serbia railway is being realized with Chinese loan assistance<sup>11</sup>.

The railway construction has been recognized as “one of the Central and Eastern European region’s most important infrastructure projects,” and the contract of the project in Hungary is signed and the implementation will be taken with the approval of

the credit contract entered into with China Exim Bank where 85 per cent will be supplied (the remaining 15 per cent will be supplied by the Hungarian state own resources)<sup>12</sup>.

### **Conclusion: 17+1 cooperation and railway project as a new type of IR?**

Through the analysis of the actors involved in the Hungary-Serbia Railway project and the international interactions between Serbia, Hungary and China, such characters can be observed:

- (1) As well as the railway project being recognized as a foreign policy of China, the main actors in China, especially Fa Gai Wei and China Railway indicate the project is also an enlargement of Chinese domestic industrial policy. The success of high-speed trains in China motivate the Chinese government to introduce the railway project business as a foreign policy such as “Railway Going Out.”
- (2) Though the railway project is international economic cooperation between CEE and China, it retains strongly governmental characteristics. The enrollers in the three countries are generally state sectors. The main funding and construction actors are from China, and China Railway, China Export and Import Bank have a strong background of Chinese government. The government of Serbia and Hungary support the project and see this project an opportunity to accelerate further mutual relations and cooperation with China. Mutual governmental diplomacy can be observed during the negotiation and construction of the railway project.

Will this pattern of international cooperation be a new type of IR as Xi Jinping announced during the implementation of BRI? Will Chinese state sector export and investment function in a sustainable way that can achieve healthy international relations between CEE countries and China, and be an example to other areas of BRI? That remains an arguable question. Some scholars criticized on the railway project, indicating that whether the project will really benefit CEE countries is unclear<sup>13</sup>, and even scholars from China indicate the risk of the BRI project; meanwhile the government of Serbia, Hungary, China support the BRI project as well as a majority of Chinese scholars<sup>14</sup>.

The critique of the BRI project, regarding the train project discussed above, is especially focusing the loans provided by China. As Zoltan indicates, “the Hungarian section will cost 750 billion forints” (roughly \$3 billion). Of this, 85 percent will be financed by Chinese loans, with interest between 132 and 200 billion forints (\$500 and \$800 million) and 15 percent by the Hungarian government. Potentially, then, the whole

project will cost around 950 billion forints (\$3.7 billion). “Is it beneficial for Hungary to construct this railway with Chinese help? It seems that the project is more ideal for China than for Hungary.”<sup>15</sup> The pro-BRI scholars focus on the larger picture of geopolitical effect of the project. “The Hungary-Serbia Train Project in the cooperation of China-Central Eastern Europe, is precisely the important project of pan-European Communication Corridor, and also one of the ten projects which motivate the whole of Europe from west to east, and from south to north.”<sup>16</sup> Remaining debatable, the mutual governmental cooperation between CEE countries and China will still be the hot spot of exploring the nature of BRI and the rise of China in the global world.

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<sup>2</sup> *New Historical Documents, Sino-Soviet-Eastern European relations (Xin Shi Liao, Xin Faxian: Zhong Guo Yu Su Dong Guan XI)* China Social Academy, Edited by Hu Lifu, Vámos Péter, Li Rui, 2014.

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<sup>4</sup> National Development and Reform Commission <https://www.ndrc.gov.cn/fzggw/bnpz/>.

<sup>5</sup> National Development and Reform Commission [https://www.ndrc.gov.cn/fzggw/jgsj/gjs/sjdt/201511/t20151125\\_1106321.html](https://www.ndrc.gov.cn/fzggw/jgsj/gjs/sjdt/201511/t20151125_1106321.html).

<sup>6</sup> National Development and Reform Commission [https://www.ndrc.gov.cn/xwdt/xwfb/201602/t20160214\\_955410.html](https://www.ndrc.gov.cn/xwdt/xwfb/201602/t20160214_955410.html).

<sup>7</sup> National Development and Reform Commission [https://www.ndrc.gov.cn/xwdt/xwfb/201607/t20160705\\_955571.html](https://www.ndrc.gov.cn/xwdt/xwfb/201607/t20160705_955571.html).

<sup>8</sup> The Government of the Republic of Serbia <https://www.srbija.gov.rs/vest/en/145452/serbia-most-reliable-partner-most-sincere-friend-of-china.php>

<sup>9</sup> The President of the republic of Serbia <https://www.predsednik.rs/en/press-center/news/president-vucic-attends-the-arrival-of-the-first-cargo-train-from-china-to-serbia>

<sup>10</sup> The Government of Hungary <https://www.kormany.hu/en/ministry-of-foreign-affairs-and-trade/news/hungarian-chinese-relations-have-never-been-as-good-as-they-are-today->

<sup>11</sup> The Government of Hungary <https://www.kormany.hu/en/ministry-of-foreign-affairs-and-trade/news/loan-agreement-negotiations-with-china-concerning-the-construction-of-the-budapest-belgrade-railway-line-to-be-accelerated>

<sup>12</sup> The Government of Hungary <https://www.kormany.hu/en/ministry-for-national-economy/news/construction-of-budapest-belgrade-railway-line-could-begin-soon>

<sup>13</sup> Dr. Zoltán Vörös, <https://thediplomat.com/2018/01/who-benefits-from-the-chinese-built-hungary-serbia-railway/>

<sup>14</sup> Shixin DU, “The Regionalism of Europe and Asia: Will OBOR be a solution?” *Aoyama journal of international studies* (5), 179-190, 2018

<sup>15</sup> Dr. Zoltán Vörös, <https://thediplomat.com/2018/01/who-benefits-from-the-chinese-built->

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<sup>16</sup> Liu, Zuokui, “Europe and the initiative of OBOR”, OBOR Cooperation and Win-Win, edited by WANG Lei and WANG Liqiang, 2017.

## **5-4: Demand of Regional Cooperation in New World Order: Case Study of France and Germany towards EU Formation Focusing on Energy Security**

Akanksha SINGH

### **Abstract**

The 21<sup>st</sup> century has witnessed the biggest wave of globalization in history. Predominantly the breakthrough of internet (digital globalization) has made this world a global village in reality. On the contrary, due to the increasing worldwide trend of nationalism, in spite of becoming more liberal and open to others, nations are developing a rather conservative approach. According to the Japan Institute of International Affairs' (JIIA) Strategic Annual Report 2019 "liberal international order" developed in post-World War II era may come to an end due to the lack of interest in multilateralism. Thus, the significance of regional cooperation and integration among states increases manifold in order to maintain a rule based international order and promote the rule of law and the peaceful resolution of disputes in the international community. This paper examines how countries, after an era of much hate and suspicion towards each other during World Wars reconciled for the common cause. Consequently, this paper analyses Franco-German reconciliation as a paradigm for present-day leaderships to come together in cooperation to tackle global problems such as climate change, terrorism, nuclear threats, and poverty.

This paper mainly touts energy as one of the essential cornerstones of European integration. As the significant element of world order, energy has materialized as the most persuasive tool in global geopolitics and has gradually been instrumental in designing world politics and international relations. Under the "Schuman Declaration" France and Germany agreed to pool their coal and steel resources under a cooperative framework, resulting in the formation of the European Coal and Steel Community (ECSC) making the European integration process practically feasible. Through this paper, the author aims to foster regional cooperation in the present international order via the tool of energy security.

### **Introduction**

Regional cooperation and integration is a way through which countries can achieve national interest in cooperation with each other (ADB 2013). Well-integrated markets

are more secure against economic shocks, and tend to avail more investment in high risk and high return assets since there is opportunity to diversify and share the risk (Obstfeld 1994; ADB 2013). With deeper connectivity and balancing in resource distribution across the region, the integration process stimulates economic growth, thereby increasing employment opportunities. However, benefit distribution is an essential element to take into consideration towards the fostering the integration for future (ADB 2013).

The process of regionalization and globalization are intimately intertwined and because of this close relationship, contemporary regionalism is fundamentally different from the regional cooperation and integration, which emerged after the World War II (Soderbaum and Hettne 2006).

Classical regional integration theories between the 1950s and 1960s focused mainly upon European integration. It was the time when regional cooperation under the influence of national interest was determined by the governments (Soderbaum and Hettne 2006). Thus, a lesson, which can be learned from the European experience is the need to lay an early institutional foundation for financial policy cumulation. The European regional integration model, due to its strong focus on the role of institutions in Europe's own integration process and on the importance of institutionalized interregional relations, represents a potential world order (ibid).

### **Franco-German Reconciliation**

France and Germany are the two largest economies of the European Union (EU) with leading positions in the European politics. During World War II, France on one hand was an allied power and on the other hand Germany was an important axis power, at the end of the war France emerged victorious and Germany with defeat became even more isolated (Sudholter 2014). War left economies with the problem of reconstruction; at that time coal and steel industries emerged as the key sector of the economy whose growth was necessary in order to grow economy.

For a long time the Ruhr basin situated on the France and German border had been an area of conflict between both states. Ruhr was the major mining field supporting the heavy industries and traditionally, it was considered as Germany's armoury (Piodi 2010). After World War II, allies placed this critical territory which was the back bone of the Germany's most established steel industry, on the underside of an exclusive International Ruhr Authority responsible for managing regulation and distribution of coal and steel production between domestic consumption and exports (ibid).

In the post war period, the Schuman Declaration was the first and the most significant breakthrough towards Franco-German reconciliation (Hitchcock 1998; Gillingham 2004). Schuman Declaration on 9 May 1950 proposed that “*Franco-German production of coal and steel as a whole be placed under a common High Authority, within the framework of an organization open to the participation of the other countries of Europe*”, in order to setup a common foundation for economic development of European states. Schuman viewed that in order to make war “*not merely unthinkable but materially impossible between France and Germany*,” it was essential to setup up a production unit in consensus with both states with the basic element of industrial production on the same term. There was fear that Germany may misuse its dominant position in the market and prevent other European states from rebuilding their industries. Thus, the European Coal and Steel Community (ECSC) was proposed to avoid German sovereign control over the coal reserves of Ruhr Basin and the steel industry (Milward 1984; Alter & Steinberg 2006). The plan intended to setup a single European market for “community development” of coal and steel where raw material consumers would be approved free access to production sources (Sethur 1952).

Under the “Schuman Declaration” France and Germany agreed to pool their coal and steel resources under a cooperative framework, resulting in the formation of the European Coal and Steel Community (ECSC) making the European integration process practically feasible.

Political will, personal connections and ceremonial events have been pivotal in fostering Franco-German reconciliation (Krotz and Schild 2013; Druol 2017). It happened after that personal invitation, when French president Charles De Gaulle invited his German counterpart to his personal family home in Colombey-les-deux-Eglises in Eastern France instead of Elysee Palace in Paris, making the German chancellor the only leader to have visited the French president’s family home. It was under this intimate setting when De Gaulle conveyed his intentions to end the old age hostilities between the two countries. Moreover, there was time to start a relationship based on mutual trust, respect and understanding to foster this bilateral relationship (Druol 2017). This personal entente between both leaders led to the signing of the Elysee Treaty on January 22 in 1963 to establish a new level of cooperation between France and Germany with the idea of lasting friendship between two former rivals (ibid).

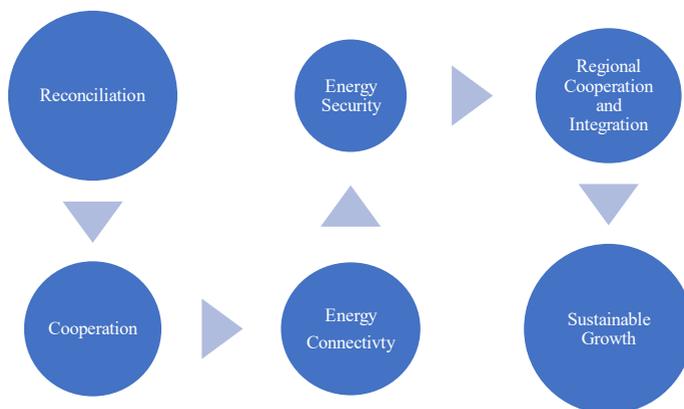
## **Regional Cooperation and Integration Need of the Hour**

The formation of the European Union has set up a unique level of economic and political integration and an example for others to learn from it. As of 2018, 512 million people move freely with security of freedom and equality in the region. Such kind of sustained model requires strong institutions to handle legal and political mechanism. Starting from the Schuman declaration in 1950, then formation of the ECSC (1952), European Economic Community, European Atomic Community (1957), Single European Act (1986) and the Maastricht Treaty (1992). Thus, these were the sustained political efforts for a long time to carve out the picture of a highly integrated European Union (Cuyvers 2017).

Taking an example from European integration, there have been numerous initiatives from groupings in Africa, Asia, the Middle East and South and Central America to achieve regional integration through cooperation such as – the African Union (AU), the Association of South East Asian Nations (ASEAN), Mercosur in South America, the South Asian Association for Regional Cooperation (SAARC), Gulf Cooperation Council (GCC) and others. However, despite the initial enthusiasm the desired level of cooperation could not be achieved and no other regional association is near to the EU in terms of political and economic cooperation. After the European Union, the best model of regional cooperation has been obtained by ASEAN. However, unlike the European Union, ASEAN is an intergovernmental organization with no clear interest in sharing sovereignty (Cameron 2010).

Despite the clear ambitions of regional integration, there are no leadership efforts in this direction from states to resolve problems and suspicion towards each other. For example, in East Asia integration will be impossible without reconciliation between China and Japan. Similarly, in South Asia leaders from India and Pakistan must learn to leave behind the past and reconcile for a better and more secure future. It is possible only through the reconciliation as shown in Figure 1. In this direction, countries can go ahead above on the steps mandatory to create a regional community such as custom union, free trade area and single market (Cameron 2010). As one of the most important commodities which can drive countries to come together for mutual cooperation is the “energy” which is an unescapable necessity of the modern globalized world. In the post-world war time, it was coal and steel which acted as the chief material force for progressive and pragmatic cooperation among the European countries (Tripathi 2012). Now it can be power grids and multi-national pipelines, which can inspire states to connect for sustainable growth and progressive future.

**Figure 1: Relationship from Reconciliation to Sustainable Growth**



Source: Author

Figure 1 shows that reconciliation led to an increase in cooperation among states; this cooperation enhances multinational infrastructure development which enhances connectivity, the unhindered connectivity nurtures the flow of energy from energy surplus states to energy deficient states, hereby fostering energy security for all. Once the energy security of a state is maintained it then directly affects the economy of state, and deepens the prospects of regional cooperation and integration. Regional cooperation and integration not only fosters stability in the region through democratic reforms but also enhances the economic sustainability via efficient usage of scarce resources (Edoho 1997).

In order to nurture deeper regional cooperation and integration, world leaders on September 25<sup>th</sup>, 2015 decided to adopt a new framework, which is titled as “*Transforming our World: The 2030 Agenda for Sustainable Development*” and reiterated that “*The 2030 Agenda compels us to look beyond national boundaries and short-term interest and act in solidarity for the long term. We can no longer afford to think and work in silos*” (UN ESCAP 2016). It is high time to work together, use available energy reserve and address global challenges such as terrorism, climate change in cooperation with each other.

Because of the lack of political will, capital investment and mutual trust among countries, the course of action for regional cooperation is undoubtedly slow despite the enormous potential benefits which can be garnered from regional cooperation and integration (Lee 2003).



intra and inter regional connectivity of energy guarantees the availability of energy resources at economic prices in a sustainable manner.

As an example, figure 2 depicts the several energy connectivity initiatives of Asia, who are struggling to find out sustained path of integration, overlapping each other. In order to secure energy security and sustainable growth for the upcoming decades, regional cooperation will be imperative for sustainable growth, such as sub-regional power trade can help meet energy demands while maximizing scarce natural resources. Usage of different peak times for different states in an inter-regional power grid can reduce the need to build a new power generation plant all together in each country (ADB 2013).

With greater cooperation and energy connectivity, there is huge potential for energy security improvements via addressing energy challenges with enhanced energy cooperation. Most of the times, energy connectivity links together effectively indigenous energy sources to demand centres through trade, cross border investment and technical cooperation (UN ESCAP 2017).

## **Conclusion**

The process of regional integration also promotes peace and security, but for that, political will and commitment are of utmost necessity. In the present global scenario, to maintain political and global significance, integration is a feasible option for each state. Since the inception of digital globalization, markets and companies have transcended borders, so must countries rise above their own borders and cooperate to retain their relevance.

From European experience, it can be derived that historical reconciliation is a chief component for developing the crucial political will for cooperation and ultimate integration. The cornerstone of EU integration was the Franco-German reconciliation, which was achieved by the sustained political efforts of leaders from both countries. As stated by Charles Lyell, "*the Past is the Key to the Present*" this is a lesson which present leaderships can learn from their predecessors, that it is high time we all should move forward on one path to provide a sustained future to our future generations.

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