

# Market Forces and Security

Report from the Annual Symposium on the United Nations System in  
the Twenty-first Century



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## Introduction

The international system has undergone profound transformations since the late 1980s. One of the most noticeable changes took place in the arena of international security. The dissolution of the Soviet Union and the demise of the Cold War system have brought about a new strategic landscape: superpower rivalry no longer dictates the fate of international politics. Despite lingering legacies of the Cold War, the fear of nuclear catastrophe is on the wane, and greater hopefulness and optimism for peace and stability are on the rise. Cooperation and coexistence have emerged as a new norm of international interactions. In tandem with the change, the primacy of geo-strategy and military security has become increasingly obsolete, while geo-economic and other concerns begin to dominate the security agenda of nation states.

Equally dramatic are changes in the international economic system. The GATT system survived tough and protracted tests in the Uruguay Round negotiations, and evolved into the more institutionalized form of the World Trade Organization. The triumph of capitalism has become much more pronounced than ever before. The second world, framed around socialist planned economic templates, was virtually dissolved, and former socialist countries are making a hasty transition to the capitalist economy. Many developing third world countries, once captured in the mercantile closet of import-substituting industrialization, are also racing toward more open and outward-looking economies, due in part to internal necessity and in part to external pressures. As Francis Fukuyama envisages it, capitalist market forces are fostering the coming end of history, in which the entire world would be united under the rubric of free markets.<sup>1</sup>

The confluence of the post-hegemonic world order and the triumph of capitalist market forces has advanced a new view of global peace and security in that the global spread of market forces and the decreased likelihood of major wars will reinforce a virtuous cycle of economic growth, prosperity, and peace and security. Market forces will bind those who benefit from free-market transactions and turn them into formidable hegemonic coalitional forces. The proliferation of market forces and the resulting global political configuration will pave the way to a new world order in which peace and security can be ensured through the logic of *Pax Universalitas*.

This paper re-explores this ideal and optimistic vision of capitalist market forces in resolving global insecurity and crafting international peace by elucidating the dynamic and complex relationships between the two. The first part of the paper examines the evolving nature of capitalist market forces in the world. The second recasts the conventional definition of security and expands it to newly emerging non-military security domains. The third section looks into causal relationships between market forces and security by issue areas. Finally, the paper suggests new roles for the United Nations in managing market forces and security.

## Understanding the Dynamics of Market Forces

The state and the market are the two organizing principles of world society. The two have traditionally engaged in delicate patterns of conflict and cooperation on national and international levels. While the market has been driven by natural forces of individual profit motives, the state has served as an artificial regulator of market failures. On the national level, the state and the market have vied for effective economic management, resulting in a wide array of state-market mixes involving laissez-faire Anglo-American, Keynesian structuralist, late-industrialization, and even socialist planned economy models. On the international level, mercantilist forces and liberal market forces have shaped endless feuds over how to manage international trade in an efficient and equitable manner.

Approaching the twenty-first century, we begin to witness finer pictures of changing state-market entanglements in which market forces prevail over the state. The most critical evidence can be found in the global triumph of capitalist ideology. After having gone through a variety of economic ideologies and institutions, a growing number of countries have adopted the ideology of the free market in managing their economic fates. The Soviet Union, the architect of the socialist planned economy, and its former Eastern European satellite states all abandoned socialist ideology and have aggressively adopted free-market principles. Even China, which championed autarchy and self-reliance during the Cultural Revolution, has become a stellar case of successful capitalist market adoption. Socialist management of the economy has virtually become an endangered species.<sup>2</sup>

Waves of economic liberalization are not limited to the former socialist camp. Most developing countries that adopted an inward-looking development strategy have begun to opt for an outward-looking strategy following the lead of East Asian Newly Industrializing Countries (NICs). What is more interesting is that East Asian NICs, whose economic success is often attributed to the role of the developmental state, are engineering structural reforms in the direction of free-market principles of liberalization, deregulation, and rationalization.<sup>3</sup> Likewise, the state is losing its grip over national economic management, and the logic of the free market is prevailing over the state.

On the international level, the mercantilist logic of managing international trade is also on the wane. Having overcome the crisis of the liberal international trade order, as evidenced through exhausting Uruguay Round negotiations, the World Trade Organization is in a much better position to reinforce liberal norms, principles, rules, and decision-making procedures of international trade. Moreover, American bilateral pressure, wrapped in the logic of strategic reciprocity, has been able to crack the fortified shield of mercantilism in Japan and several other East Asian countries. A country can no longer remain a hermit and resist the waves of market opening.

Changes are evident even on the regional level. Integrative market forces are bringing countries regionally closer than ever before. Open regionalism has emerged as a new norm of economic cooperation among countries, while fear of closed regionalism is rapidly disappearing. After three decades of trial and error and sporadic transitional setbacks, the European Common Market

has evolved into the European Union, the highest level of economic integration, just a step short of total integration. The United States, Canada, and Mexico have also formed the North American Free Trade Area (NAFTA). NAFTA is only a preliminary stage to effective regional economic integration, but sends a formidable green signal to the liberal international economic order. Despite prevailing cynical and pessimistic projections, the Asia-Pacific Economic Cooperation (APEC) forum was launched, and it has begun to play an important role in providing a consultative mechanism to promote free trade in the Asia-Pacific region. APEC has been instrumental in downplaying recent rhetoric of East Asia-proper closed regionalism such as the Yen Bloc and the Greater China Circle.<sup>4</sup>

Global diffusion of liberal ideology and institutions, as well as regional and international movements toward the spread of the free market, have had profound impact on the development of world capitalism, and have fostered integration of nation states into the global division of labour. The most telling example can be found in the globalization of production through multinational corporations. As of 1994, there were 38,500 multinational parent corporations and 250,000 subsidiaries. Their foreign direct investments reached a total of US\$2.4 trillion, producing goods and services worth more than US\$5.5 trillion.<sup>5</sup> Such globalization of economic activities is a result partly of government macroeconomic policies regarding fiscal matters, foreign exchange rates, investment, and wages. But more important are microeconomic forces involving product life cycles, shifting market parameters, corporate strategies for survival and expansion, and related efforts to generate excess profits. Network dynamics involving international strategic alliances, international subcontracting, off-shore production, and outward processing have all facilitated globalization of production.<sup>6</sup>

The global diffusion of production through geographic and functional division of labour has also accompanied the concurrent movements of factors of production. Despite increasingly stricter regulations on immigration, transnational movements of manpower have increased more than ever. The trend can be attributed partly to growing regional integration, such as the European Union and the North American Free Trade Area, and partly to the law of supply and demand. Defying regulations on immigration, market demands for manpower have precipitated and expanded inflow of foreign workers in selected advanced industrial countries, such as the United States and Germany. Capital and financial markets are also no longer confined within national boundaries. Transnational networks of financial transactions have entailed an unprecedented global expansion of capital. The enlargement of the Eurodollar markets, the advent of financial centres in such Asian cities as Hong Kong and Singapore, and synchronized financial transactions on the global scale are testimony to the new trend. Financial flows now exceed trade in merchandise by 20 to 30 times. International currency traders engage in more than US\$1 billion daily. Capitalization (i.e., the market value of shares) on world stock markets increased from US\$2.5 trillion in 1980 to US\$8.3 trillion in 1990.<sup>7</sup> Technology has also been rapidly globalized. Strategic alliances, joint investments in research and development, and cross-licensing among multinational corporations, which transcend government control, underscore the triumph of technoglobalism over technonationalism.

Globalization of production is closely linked to the expansion of international trade. Gross world products increased by 400 per cent during the period 1970-1990, but the volume of world trade expanded by 800 per cent during the period. In 1993, the total volume of world trade reached

US\$3.7 trillion, and it is expected to increase to US\$7 trillion by the year 2000.<sup>8</sup> The growth of world trade has accompanied a deepening economic interdependence of nations as well as a globalization of national economies. Unlike in the past, today's economic interdependence is not a phenomenon confined solely to OECD countries, but it has been extended to the Newly Industrializing Countries, China, and other developing countries. Moreover, globalization of consumer products followed by expanding world trade have created a common bond of global consumer culture across nation states.

The dynamics of market forces then bear several important implications. First, globalization associated with market forces is not temporal, but a grand historical process that transforms the world into organic and functional networks of complex interdependence by tearing down artificial national boundaries. Raymond Vernon's vision of "sovereignty at bay" is no longer fictional.<sup>9</sup> It seems to constitute an integral part of today's world reality. Second, the balance of power between the state and multinational corporations (MNCs) seems to be shifting in favour of MNCs. MNCs are getting larger, more powerful, and diversified functionally and geographically. Their financial power measured in terms of net sales rivals or exceeds that of many countries. As of 1994, combined sales of the 10 largest MNCs exceeded the combined GNP of the 100 smallest countries.<sup>10</sup> The state is getting increasingly obsolete, while market forces are occupying crucial places on the world stage. Finally, the dynamics of market forces and the process of globalization have been significantly altering individuals, societies, and nation states. Openness, competition, and rationalization have emerged as central norms of domestic and international governance.

## Unravelling the Security Problematique

Will globalization of market forces then lead us to a virtuous cycle of prosperity, peace, and security? It seems essential to define the concept of peace and security before answering the question. Peace and security are often interchangeably used. In this paper, however, peace is defined as the ultimate goal to be reached through the actualization of security. Thus, security can be seen as a preliminary step toward peace. But defining the concept of security is not easy since it involves a multiplicity of level, scope, and referent.<sup>11</sup> Security concerns can arise on several levels ranging from global, regional, and national levels, to communal, regime, and even human ones. The scope of security concerns is also wide and diverse. Military and strategic affairs alone do not dominate the security agenda. Economic, ecological, communal, and societal security issues have become increasingly salient. Moreover, conceptual understanding of, and the ways and means to achieve, security have varied by different analytical perspectives.<sup>12</sup>

Nevertheless, the security problematique can be understood in two senses. One is that it is related to the deprivation of vital values of the actors involved, and the other is that national security, as opposed to global, regional, and human security, is still the dominant concern. The most common form of national security involves the physical protection of the state from external threats - violent threats that are predominantly military in nature. External aggression involving war and border conflicts, espionage, sabotage, subversion, and other threats triggers national security concerns of this type. Military security concerns are by and large dictated by the realist interpretation of international politics, where anarchy is pervasive and each state pursues its own national interests. In the vicious circle of action and reaction, self-help is the only rule of the game. For the weakest and most fragile countries, conceiving security issues in terms of Hobbesian anarchy is certainly understandable.

Diagnosing the security problematique in terms of external military threats has produced a predictable prescription in an anarchic world. Security is measured by the ability to protect state sovereignty, to preserve territorial integrity, and to maintain autonomy. The behavioural and coercive nature of external threats demands the accumulation and exercise of the same kinds of force to resist or deter attack or other hostile behaviour. Such logic dictates that each nation develop, maintain, and exercise coercive and behavioural power. Any shifts in absolute or relative coercive power, in fact or in prospect, trigger new security problems. This coercive-behavioural dimension of power is most clearly manifested in the form of military force. The capacity to coerce, kill, and destroy becomes the important source of power, and thus the pre-eminent safeguard for national security. Indeed, the military component becomes the ultimate criterion by which overall levels of power potential and national security capability are measured. Human, material, and technological resources and constraints are all tied to this military power.

The primacy of military power in considerations of national security is pervasive. However, construction of a modern military establishment is not an easy task nor inexpensive and is rarely undertaken without the presence of tension in the security environment. A state surrounded by hostile adversaries typically will build up military forces. In the absence of endogenous power adequate to deter or contain external military threats, a government may rely on coalitions or



tacit or open alliances. Such regional or international alignment and realignment could complicate the security dilemma in all the more precarious a manner.<sup>13</sup>

This interpretation of, and prescription for, security issues has merit and relevance to security. It is, however, my contention that this monolithic view framed around the realist tradition of international politics is not only too narrow in scope, but it also distorts objective reality. In reality, there is no fixed concept of national security. The operational definition of national security is largely contextual. Consequently, the diagnosis of, and prescription for, security can vary from one country to another, depending on the nature of vital national values contextually defined.

The multiplicity of national values, coupled with the precarious security context, results in diverse security dimensions.<sup>14</sup> Looked at in terms of a volatile security environment, the conventional conception of national security has a certain face validity across most countries. To many, political independence and territorial integrity are vital national values. Any threats to such values instantly invite security concerns.

Physical security represents only one aspect of overall security, however. During periods of acute economic depression or external economic disturbances, economic issues may displace other core problems in the hierarchy of national values.<sup>15</sup> Even in the Western developed countries, where economic threats may well be a matter of more or less concern, economic security has emerged as a primary policy concern. Maintaining international competitiveness and ensuring citizens' welfare have become the new vital security agenda even in the United States.<sup>16</sup> In the developing third world, economic security goes beyond being a matter of "more or less" importance; it is a life or death matter. Underdevelopment, chronic poverty, unemployment and deteriorating conditions living are all-pervasive. Escaping from the tenacious grip of underdevelopment and ensuring public welfare could certainly constitute important national values for many developing countries, to the extent that the ruling elite perceive economic issues as national security concerns.<sup>17</sup>

The economic aspect of national security is vital because of its extensive spillover effects on other national values. Persistent underdevelopment and deprivation of economic well-being degrade national morale and precipitate social unrest, thus furthering internal fragmentation. Such internal weakness can trigger hostile actions by potential or actual adversaries. As the case of the Argentine invasion of the Falkland Islands (Malvinas) illustrates, an economic crisis may trigger a legitimacy crisis, tempting the ruling regime to create an imaginary enemy and to provoke a self-induced national security crisis in order to avert internal threats to the regime. Quite often such an artificial invocation of national security gravely endangers the entire nation. Moreover, a weak economy undermines the base of military power, which is essential for even conventional national security.

Another significant national security consideration involves the growing ecological problems and the implications of this phenomenon for the organic survival of a national population.<sup>18</sup> Organic survival differs from political survival in that security of a nation state could be more related to an organic dependence of its population on its physical environment than on the physical protection of a nation state from external military threats. This reasoning derives from the reality that the national population constitutes the main component of the nation state, and this

population cannot survive without proper resource space to enable it to nourish itself and to expand. In this sense, keeping pace with rising domestic economic and resource demands either through external expansion of ecological space or by domestic adjustment is a crucial security issue. This ecological concern of national security has long been overshadowed by the anthropocentric paradigm that has dominated Western civilization since the Renaissance, even though a number of historians have reminded us of the importance of ecology by documenting the rise and decay of national populations as an interface with environmental constraints.<sup>19</sup>

Organic survival as a national security concern is more relevant for the developing countries than for the West. Today's developing countries experience constant population growth but lack domestic resources and technology to cope with population pressures. Chronic food and energy shortages are often a daily reality in these states. In addition, the level of technological innovation is low, and technological dependence on the West is growing. So, as populations expand, resources become more scarce, and technological advancement remains elusive; the organic survival of a national population is, or should be, a vital national value. As pressing as resource scarcity is environmental integrity. Environmental issues go beyond national boundaries and threaten national and global security.<sup>20</sup>

Failure to ensure social and political integration in multi-communal societies can also pose emergent threats of national and social disintegration. Traditionally, communal cleavages and attendant conflicts were not regarded in national security terms, for two reasons. First, communal conflicts have been seen as primarily internal threats to congenial social order. Second, communal conflicts, being transitional by-products of modernization, were thought curable through effective nation-building and integrative programmes.<sup>21</sup>

More recent empirical examination of the role of communalism in modernization and political and social change reveals that communal factors engender serious security vulnerabilities for many nation states. First, communal conflicts often erupt when a certain group perceives that the country's modernization will disrupt tranquillity, thus threatening the traditional authority of the communal leaders. Coupled with this perceived threat to communal identity is the perception that progress and modernization are advancing at a disproportionate rate. Some communal groups are progressing and assimilating into national modernization better than others. This perceived discrimination, warranted or not, polarizes the disenfranchised group and causes it to retract from society rather than to try and overcome the disparities.

One result emerging from communal retraction is the demand for greater autonomy. In the most profound cases, where friction between varying communal groups is most intense, one can witness a secessionist mentality developing, as the gap grows between communal groups enjoying wealth and prestige in the nation and other groups which have not been integrated by modernization. The secessionist threat does not technically affect the survival or extinction of the state, but rather its disintegration. It is the type of threat which attacks the perceived "vital" national values expressed in "state" terms, because secessionist demands may produce territorial disintegration and political fragmentation. Second, in addition to internal fracture, communal conflicts have an immediate impact on the conventional notion of national security which is more obvious. As the Lebanese, Yugoslavian, Sri Lankan and Kurdish cases, among others, indicate, such conflicts usually invite external intervention, which in turn jeopardizes the security of both

nation and state. Finally, domestic fragmentation and the ensuing social unrest weaken a state both internally and externally. In the light of these threats, communal harmony is an essential national value for the ruling elite of many countries.

As with communal security, societal security involving order, stability, and well-being in a given society has emerged as a new security agenda. These issues have traditionally belonged to the realm of domestic safety. This is no longer the case, however, since threats to social stability and well-being are increasingly transnational in their origin, and non-governmental actors have emerged as the sources of new threats. Transnational networks of organized crime, drug rings, and terrorism all underscore this new formidable threat to vital national and global values. These threats cannot be lightly dealt with because they destroy the social fabric of nation states and eventually undermine military and economic security.

In view of the above, security cannot be defined solely in terms of military and strategic concerns. Military security still remains critical, but it cannot overshadow other security concerns. In the post-Cold War era, other national values such as preservation of economic well-being and prosperity, organic survival of the national population, communal harmony, and societal stability have become as important as political and territorial survival. These values, however, are not automatically translated into security concerns. Such translation is a function largely of the patterns of threats directed against these national values, nurtured and shared contextually. In this regard, the study of "threat" becomes essential for understanding national and global security.

## Linking Market Forces and Security

Having traced several images of security, we can now meaningfully explore impacts of market forces on security. One caveat is in order, however. That is, we cannot assume a unilinear or monocausal relationship between market forces and security. Impacts of market forces on security can vary over time and by issue area. Thus, a disaggregated approach is essential in elucidating multiple impacts of market forces on dimensions of security. One of the most hotly debated issues in international politics is the causal links between market forces on the one hand and military security and peace on the other. Polarized views have prevailed. Optimists argue that the expansion of market forces and economic interdependence have a pacifying influence on international relations because increased trade and investment among and between nation states serve as an engine for international cooperation and prosperity. Raymond Vernon even projects that the expansion of economic interdependence through market transactions will eventually demolish artificial national boundaries and facilitate the birth of "sovereignty at bay," in which a unified world government would ensure perpetual global peace by removing sources of inter-state conflicts.<sup>22</sup>

In a similar vein, Rosecrance identifies two types of international system, one based on the territorial system and the other on an oceanic or trading system. In the trading system, countries are preoccupied with economic development and improvements in consumption standards and allocation of productive resources, while the territorial system is composed of states preoccupied with the accumulation of power. World peace and international security can be best ensured through the expansion of the trading system since international trade reduces conflicts while enhancing cooperation among states.<sup>23</sup> In the tradition of the Manchester school, the capitalist path to peace and security has been advocated by a growing number of scholars who argue that in the world of shared economic growth and prosperity, war has become increasingly obsolete.<sup>24</sup> More recently, the "capitalist peace" thesis has been elaborated by the idea of "democratic peace." The "democratic peace" thesis offers an intriguing secondary causation between market forces and international peace and security. Bruce Russett, its architect, advances a thesis that democracies do not go to war with each other. This is not only because of the norms of peaceful conflict resolution embedded in democratic political cultures, but also because of the structural and institutional constraints associated with democratic polity such as checks and balances, the dispersion of power, and the need for public debate.<sup>25</sup> For Russett, then, democratization is the sure way to global peace and security. How can democracy be attained? Despite some scepticism, economic development and growth can be seen as the most effective catalyst of democratization. Experiences of East Asian NICs, such as South Korea and Taiwan among others, offer telling evidence for the linkage between economic development and democracy. Judged from past performances, countries with an export-led growth strategy and economic liberalization are likely to achieve a higher level of economic growth. In view of this, expanding market forces in terms of trade, investments, and manpower can also indirectly promote international peace and security by fostering democratic transition, opening, and consolidation.

The liberal optimist perspective is based on several assumptions. The first assumption is that the primary actor in the international system is not governments, but individuals and firms that go

beyond government control. The second is that increased economic interdependence in trade and investments is mostly symmetric and benign, and promises increased welfare for all parties. Third, as with functionalists, it is often assumed that economic interdependence brings about positive spillover effects to political, social, and cultural dimensions in such a way as to enhance mutual understanding and trust. Thus, networks of economic interdependence are an indispensable prerequisite for economic and political integration since they cultivate transnational alliances through the creation of vested interests in the free market. Such alliances would serve as powerful political forces to deter any moves to engage in war. Immanuel Kant epitomizes this idea by stating that: "The spirit of commerce, which is incompatible with war, sooner or later gains the upper hand in every state. As the power of money is perhaps the most dependable of all powers (means) included under the state power, states are themselves forced, without any moral urge, to promote honorable peace and by mediation to prevent war whenever it threatens to break out."<sup>26</sup> Finally, market forces further reinforce international peace and security by crafting and spreading democratic values and institutions throughout the world.

Theories of capitalist and democratic peace are not dominant, however. Pessimistic projections are equally powerful and persuasive. Structural realists postulate that expanded market forces and economic interdependence could negatively affect international peace and security.<sup>27</sup> Their views are predicated on the primacy of politics over economy. Military power is fungible, and economic power is by and large a subset of military power or its instrument. Economic interdependence is seen as an extension of statecraft, and is conducive to national security only if it is managed within the framework of national interests. Unruly, spontaneous interdependence could, however, threaten national and regional security by transmitting unfiltered external turbulence into the domestic arena and activating hostile interactions among trading partners. The outbreak of the Second World War presents an eloquent testimonial. Unmanaged economic interdependence and the subsequent depression resulted in the exchange of hostile "beggar-my-neighbour" policy among European countries by precipitating the war of tariffs. Proliferation of naked mercantilism in turn bred hostile perceptions, leading to the rise of Nazi Germany's military adventurism. Likewise, economic interdependence can entail unintended negative consequences for international security and stability.

What attracts our attention here is the links among market forces, power cycles, and major conflicts.<sup>28</sup> The dynamics of economic interdependence and resulting global economic cycles realign ups and downs of national power, creating critical conjunctures for major wars. More specifically, economic interdependence facilitates the diffusion of economic power since increased exchanges of goods and services across national economic borders are assumed to bring about uneven economic results. Multiple poles of power followed by economic interdependence are inherently unstable because of a large number of actors and a higher level of uncertainty therefrom. Such an international system expands space for misperception, miscalculation, and escalation to overt conflicts by chance.<sup>29</sup>

Worrisome is not simply the issue of polarity. The dynamics of power transition can be more dangerous than polarity of power per se. Expanded market forces accompany uneven patterns of economic growth in which growth of major powers is stagnant due to the law of diminishing returns, while non-major powers enjoy faster rates of growth. Divergent rates of growth between major powers and non-major powers and the eventual parity of power between the two can bring

about "rear-end collision," erupting into major wars.<sup>30</sup> Empirical validity of the power transition theory is yet to be proved, but its implications are appealing. The irony of market forces is most vividly manifest in China's transformation. Link-up with capitalist market forces has turned China into a major power pole. With its sheer economic and military power, China is now posing intended or unintended threats to stability and order in East Asia.

Marxists also share a similar view, but from a different angle. According to them, economic interdependence is nothing but a disguised and deceptive expression of the capitalist international or regional division of labour. The expansion of the capitalist division of labour undermines security and peace in two important ways. One is the inevitability of hegemonic wars among imperial or neo-imperial powers in search of their market niches, and the other is the deepening of class conflicts and their eventual externalization, both of which threaten national, regional, and international security.

Lenin makes an interesting observation in this regard by postulating that imperialism as the highest stage of capitalism is bound to produce hegemonic wars among imperial powers.<sup>31</sup> Students of the *dependencia paradigm* also refute positive correlates of economic interdependence and security. For them, the term "inter" is a misnomer. Economic relations between developed and developing countries involve an asymmetric, not symmetric, interdependence, which produces structures of dominance and dependency by perpetuating unequal exchanges. Popular efforts to break the dependent ties with core capitalist countries can trigger two types of conflict. One is an internal conflict within the periphery, and the other is between the core and the periphery. In either case, economic interdependence could endanger national and regional security systems by sharpening domestic and external tensions.

In light of the above discussion, capitalist market forces cannot automatically guarantee peace and security. The contending views do not simply reflect a matter of epistemological differences, but also underscore the complexity of the real world in which market forces have indeterminate and often ambivalent impacts on peace and security.

A similar reasoning can be applied to the domain of economic security. As neo-classical economists argue, globalization of market forces can bring about a positive pay-off to economic security. It not only reduces input costs, but also facilitates an efficient allocation of scarce resources. Despite transitional traumas, market forces can foster economic growth, increase global and national welfare, and eventually ensure broadly defined economic security. The free market can be seen as the ultimate solution to inefficiency, poverty, underdevelopment, and economic insecurity.

Beneath the positive portrait of market forces lie fears and anxieties, however. A closer examination reveals that expanded market forces and globalization could also produce an array of disruption, vulnerability, and crisis which many nation states cannot easily handle. One area of concern for free market forces is systemic vulnerability that arises from the transmission of uncontrollable external shocks from the international economic system into the domestic economy. Cyclical instability of the international financial and capital markets, roller-coaster effects in international commodity markets, unstable foreign exchange markets, and global diffusion of inflation are classic sources of systemic vulnerability. They are not man-made, but

inherent in the structure and process of the international capitalist market system. The more integrated into the international system, the more vulnerable. Nevertheless, economic superpowers such as the United States can cope more effectively by altering norms, principles, and rules of the international economic system per se. But weaker nations cannot but internalize enormous social costs arising from the process of adjusting to these external shocks. Internal adjustment and the resulting social costs eventually destabilize the domestic economy and politics. Chronic economic and political instabilities in many parts of the third world can be ascribed in part to these types of threats associated with the globalization of national economies.

Relational sensitivity is another source of threats to economic security that results from expanded market forces. It refers to impacts and related adjustment costs of bilateral pressures. They can usually be managed within existing policy frameworks, yet with high domestic adjustment costs. This type of cost is more visible in trade than in other areas. A nation's trade relations cannot be constantly even across partners and sectors over time. Trade relations are bound to be skewed and fluctuating, often leading to partner and item concentration. Such concentration and resulting partner and item dependence can weaken a nation's bilateral bargaining power, which in turn makes unavoidable domestic accommodation of external pressures. Recent American bilateral initiatives present a good example in this regard. As Japan, South Korea, and Taiwan have enjoyed trade surpluses, the United States has pressed them to open their domestic markets and to correct unfair trade practices in efforts to reduce bilateral trade deficits. Such bilateral pressures can incur higher costs of domestic political and economic adjustment. Obviously, the more globalized one's economy, the greater the level of relational sensitivity and sense of economic insecurity.

Expanded market forces, especially the globalization of production, can also deepen structural dependency of selected countries. In search of low wages, new markets, and a favourable business climate, multinational corporations shift their production sites from one country to another. In the process, they wield enormous political and economic influence by forming alliances with local capital and hosting governments. Such foreign capital penetration not only limits the host nations' political autonomy and economic sovereignty, but also distorts the nature and direction of their economic development. Perpetual underdevelopment and inequality in Latin American countries are often attributed to their structural dependency on foreign capital.

Likewise, globalization of national economies through market networks would not necessarily ensure prosperity, welfare, and growth for many nations. It could be tantamount to opening Pandora's box, jeopardizing economic security. In the case of developing countries, globalization of market forces could impose insurmountable costs of economic, political, and social adjustment, primarily due to the weakening of the state. The proliferation of non-governmental actors in the international arena could easily undermine the state's traditional role of mediating, regulating, and buffering the linkages between the international system and domestic civil society, which in turn could facilitate the transmission of unfiltered external turbulence into the domestic arena.

The impact of market forces on ecological, communal, and societal security can also be subjected to diverse, and often conflicting, interpretations. Depending on analytical and normative angles, market forces can either be a solution to ecological insecurity or its root cause.

For free-market advocates, globalization of market forces is the only answer to ecological problems. The law of supply and demand, coupled with technological progress, can not only resolve the current ecological dilemma, but also expand the new horizon of cornucopia.<sup>32</sup> As for those who see sustainable development as the ultimate remedy for ecological insecurity, however, market forces are viewed as a evil which not only depletes non-renewable resources, but also undermines environmental integrity. For unregulated market forces precipitate over-consumption as well as worsen the tragedy of commons, endangering not only specific nation states, but also the entire global system.<sup>33</sup> Likewise, market forces could pose a mixed blessing to peoples and nations in the world.

It is a challenging task to establish direct causal links between market forces and communal security because, in many instances, the latter is concerned about issues of identity and recognition. Yet, the expansion of market forces can contribute to the alleviation of communal insecurity in two ways. First, it can serve as an integrative force, melting communal cleavages through increased transactions and a functional division of labour. Second, it can alleviate economic sources of communal grievances by enlarging the size of economic pies. It is for these reasons that some scholars have suggested the promotion of economic development through an export-led strategy as a solution to communal strife.<sup>34</sup> Indeed development, abundance, and cross-communal market transactions are far more desired than underdevelopment, poverty, and communal self-reliance, and they are conducive to the resolution of communal conflict and the institutionalization of communal security. But there is no guarantee that market forces bring about an even distribution of economic fruits by communal lines. The structure of economic inequality shaped by the dynamics of market forces can severely threaten communal harmony by precipitating another round of communal conflicts.

Market forces are likely to undermine societal security. Expansion of the free market is predicated on the free flow of factors of production and goods and services. An integrated market structure accompanies diverse threats to societal security. Transnational diffusion of organized crime, inter-state penetration of drug rings, unregulated migration of manpower and the problem of refugees, and growing vulnerability to international terrorism all underscore new dimensions of a security dilemma. This new type of threat is like a virus that finds its niches in the market forces, and is too grave to be dismissed simply in terms of social costs of the free market. Europe, North America, Russia, and more recently East Asia are increasingly vulnerable to this type of threat.

Finally, it should not be ignored that the process of globalization followed by expanded market forces could also precipitate and deepen cultural conflicts. The advent of a global village through dense information and communication networks has provided Western culture with new instruments to expand and penetrate the cultural sphere of the non-Western world. Unlike in the past, the non-Western world responds to the subtle form of Western cultural penetration in a resolute and even hostile manner. Samuel Huntington's warning on the clashes of civilizations is not fictional but real, clouding the future of global security.<sup>35</sup>



## Conclusion: Towards Global Governance

The above analysis indicates that elucidating the dynamics of linkages between market forces and security could be elusive. Depending on epistemological and normative positions, the causal links are differently interpreted, posing a dilemma of incommensurability. A common fallacy is a deterministic tendency built in their normative posture. In reality, however, nothing is fixed. Relationships between market forces and security are context-bound. Security implications of economic interdependence should be disaggregated by issue areas and contextualized by historical timing and spatial dimensions. Moreover, between economic interdependence and security lie human agents and their intention, will, and design. Human agents can purposefully alter or manoeuvre the links.

One message is clear here. Market forces should not be accepted as a panacea for the contemporary security dilemma. They do not and cannot ensure peace and security *sui generis*. In a sense, market forces are Janus-faced. Untamed market forces can behave like galloping horses, aggravating global peace and security issues, threatening economic security, undermining ecological and communal harmony, and jeopardizing societal well-being. It is so more because of the private nature of market forces. Agents of market forces, by definition, belong to the private sphere. Private agents are prone to seek maximization of self-interests through free-riding, predation, and rent-seeking even at the expense of collective interests, be they communal, national, or global ones. Such behaviour leads to the classic dilemma of collective action and social welfare. Impacts of market forces on security need to be deliberated in this context.

Global coordination and management are essential in coping with the contemporary security problematiques associated with market forces. No single country, no matter how hegemonic, can resolve them. Collective efforts are imperative. For example, expansion of market forces has facilitated the free flow of critical technologies, precipitating the proliferation of weapons of mass destruction. This should be avoided through collective coordination even if it violates certain principles of the free market. Following the demise of the Cold War, there have been high hopes for peace dividends through reduced defence budgets and conversion of the defence industry to a civilian one. In reality, however, these hopes are sliding into empty, wishful thinking. Peace dividends cannot be increased without corresponding shared norms among nation states and institutions to enforce them (e.g., arms control, reduction, or disarmament on the global or regional level). There must be coordinated, collective efforts. Put differently, market forces cannot help shape peace and security without the intervention and coordination by visible hands of global governance.

Collective management is not limited to military security alone. Economic insecurity cannot be resolved without global coordination. Globalization of market forces has indeed demolished the protectionist walls of nation states. International institutions such as the WTO, IMF, and the World Bank have played an important role in accelerating the pace of global economic liberalization. Regional economic integration schemes have also assisted in fostering the trend. But mercantile inertia has not vanished yet. Depending on domestic political mood, the ghost of mercantilism could resurrect itself in diverse forms. The only and most effective way to deter such a move is to strengthen the existing multilateral trade regime. Moreover, the economic

insecurity of developing countries has become all the more acute, threatening the survival of millions of lives. Market forces cannot alleviate the predicament. There must be global cooperation and coordination.

Malignant impacts of market forces on ecological and societal security seem equally serious. Pursuit of private profits through the market mechanism has been placing added strains on the global ecosystem and on social harmony. What is more problematic is the transnational nature of market-driven threats to ecological and societal security. As greenhouse gas effects, the depletion of the ozone layer, acid rain, and other phenomena illustrate, environmental degradation followed by increased economic activities cannot be easily resolved by a single country. Collective efforts on regional and global levels are imperative in coping with the environmental dilemma. In a similar vein, new sources of threats to societal security, such as transnational diffusion of organized crime, drug rings, and terrorism, cannot be tackled successfully only by efforts of individual countries. International cooperation and coordination are desperately needed. However, market forces can be utilized effectively in ensuring communal security. Most countries that are stricken with communal strife suffer from poverty and underdevelopment. In order to overcome poverty and underdevelopment, they need an outward-looking development strategy. But such a transition cannot be undertaken without international economic assistance, and no country can solely assume the burden of providing such assistance. In this regard, international cooperation seems essential.

It has now become all the more clear that national and global security dilemmas cannot be resolved by individual countries. International cooperation and coordination are urgent. In fact, there have been various international efforts to deal with these problems on intergovernmental and non-governmental levels. But such efforts have been by and large fragmented, sporadic, and ineffective, being framed around each issue area. It is time to deliberate on concerted efforts in managing global insecurity through the concept of global governance. New norms, principles, rules, and procedures that can transcend a parochial pursuit of private and national interests, are desperately needed. Unlike in the past, however, hegemonic leadership by a single nation is not sufficient for creating and sustaining a system of global governance to cope with sources of insecurity. In today's world of multipolarity and fiscal constraints, no country can, nor is willing to, assume the role of a benign hegemonic leader in dealing with global insecurity. In the absence of a benign hegemon, the role of a supranational organization becomes all the more critical. The supranational organization should go beyond private, communal, national, and regional cleavages and interests as well as offer the structure of global governance for the resolution of outstanding security dilemmas. The United Nations is the only supranational organization that can exercise an undisputed leadership in this regard. Despite its rather poor performance in the past, the United Nations is the only legitimate and viable supranational organization that can ensure global peace and security through collective efforts. As one UN official persuasively summarizes in the following passage, there is no other alternative: "Either the UN is vital to a more stable and equitable world and should be given the means to do the job, or people and governments should be encouraged to look elsewhere. But is there really an alternative?"<sup>36</sup> The role of the United Nations should be reconsidered, redefined, and strengthened in this very context.

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