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Global Cooperation or Rival Trade Blocs ?

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Introduction

This paper examines the question of whether the world will continue to move towards a liberal, multilateral world trade system or whether it will fall apart into rival trade blocs. It starts with a short comparison of different scenarios for the development of the world economy. It then tries to illustrate the importance of developments inside the major trade blocs for the relationship between these blocs, taking as an example (a) the impact of German unification, (b) the impact of a possible break-up of China, and (c) the impact of domestic polarization within the United States.

It then discusses how different research avenues give rise to

different expectations with regard to cooperation versus rivalry. For instance, from a long waves perspective increasing rivalry can be expected. However, an analysis of strategic alliances points in the direction of more cooperation and collective management of international economic relations. And finally, analyses which give more attention to the internal restructuring of companies lead to the hypothesis that new societal demands for a more active state will be articulated, implying more frictions at the international level. An analysis in terms of "concepts of control" points in the same direction. The tentative conclusion of this paper, meanwhile, is that "managed rivalry" will characterize future relations between the main trading blocs.

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I. Globalization Versus Regionalization: Different Scenarios

We are unable to predict the future of international relations with any certainty (e.g. Van Ginneken 1993). This is not because the discipline is still underdeveloped. It is rather because

- the topic of research does not develop independently from how people think of it,
- the future is the outcome of social struggle, which is still contingent, and
- social forces interact in a dialectic way: the more the pendulum sways in one specific direction, the stronger the countervailing forces become.

Instead of trying to forecast the most probable future development, it makes more sense to elaborate a number of scenarios which cover a broader range of possible alternative developments, and then analyze the social forces that work in favor or against each of the different scenarios.

I.1. The CPB Scenarios

The present enquiry into whether the world is heading towards more globalization or more regionalization can build upon earlier work by many others. An interesting effort was made two years ago by the Dutch Central Planning Bureau (CPB) in its book "Scanning the Future," in which it describes four scenarios for the

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development of the world economy. The four scenarios were dubbed (a) "Global Shift", (b) "European Renaissance", (c) "Global Crisis", and (d) "Balanced Growth" (CPB 1992a: 22 -26, 182-207).

(a) In "Global Shift", Japan and the "Dynamic Asian Economies" (DAE's) get strongly attached to a free-market orientation. Under heavy competitive pressure, growth impeding factors in the United States (such as the low quality of basic education) are tackled by private enterprise. The resulting recovery of productivity within the United States generates the financial means by which the government deficit can be reduced. While the U.S. economy thrives again, economic reforms in Europe remain half-hearted. The European bias in favor of security, stability, and risk-averse behavior prevails once again. Economic growth slows, and important industrial sectors quickly lose ground. Social and political tensions, which have already risen sharply as a result of the

recession, are further inflamed by large migratory movements to Western Europe.

(b) In "European Renaissance", global competition increasingly leads to the emergence of world-wide oligopolies and strategic alliances, supported by governments. In a climate in which "coordination" rather than the free-market plays a dominant role in the regulation of the economy, European integration advances quickly, creating favorable conditions for European business. U.S.

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business, on the contrary, remains unable to change the success formulas of the past. Increasing U.S. trade deficits strengthen protectionist moods. Japan and the DAE's reorient their interests towards Europe and each other.

(c) In "Global Crisis," neither the U.S. nor European economies prosper. The economic rise of the Far East and the impotence of Europe and America ensure a deepening of tensions on trade issues; the major regions of the world gradually degenerate into antagonistic protectionist blocs. Unable to earn their living by producing for the world market, the demographic trap in many developing countries closes, and a worldwide crisis of food supply occurs.

(d) For "Balanced Growth," an ever stronger drive towards sustainable economic development and continuously strong technological dynamism constitute the dominating forces. Reforms practically everywhere lead to renewed economic growth, which facilitates an open and cooperative attitude in international trade negotiations. Both the free-market and the coordination element play an important role at the domestic level, as well as in the international economy.

In a follow-up study on perspectives for the Dutch economy (CPB 1992b:18), only three scenario's were kept. "Global Crisis" was skipped, because the situation for Europe and the Netherlands

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in "Global Crisis" was roughly the same as in "Global Shift". Furthermore, it is generally not advisable to work with more than three scenario's, because it becomes too difficult to compare a larger number (Schwartz 1991:29).

A number of comments can be made on the scenarios produced by the CPB. In "Global Shift," the U.S. economy is booming, while the European economy busts. In "European Renaissance," it is the other way round. This implies that the interdependence of the world economy is still limited: The economy in one major region can prosper for longer periods, while the economy in other major regions is in a deep recession. Is this plausible?

It seems to me that the economies of North America and Western Europe have become mere communicating vessels. Though differences persist, the application of new technologies will not take place at a dramatically different pace: this will differ more from company to company rather than from country to country. Strong links between companies on both sides of the Atlantic (often belonging to the same concerns) mean that demand in one region stimulates demand in the other. Protectionist measures taken by one side would also provoke protectionist measures by the other. It seems more

appropriate, then, to conceive a scenario in which the major industrial centers prosper more or less together and keep a rather liberal trade system, and another one in which regional rivalry dominates.

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I.2. The BRIE scenarios

This has been done in a recent project of the Berkeley Round Table on the International Economy (BRIE). The authors put forward three different scenarios, which are described as "managed multilateralism," "benign regionalism" and "regional rivalry" (Sandholtz et al. 1992).

Managed multilateralism "amounts to an extension of the post-war American system into a new era in which power is more evenly distributed" (Sandholtz et al. 1992: 173). Though trade will not become totally liberalized, governments will be able to agree on the rules that will govern the international trade system and these rules will be relatively liberal, leaving the market to determine the outcomes.

Regional rivalry describes a kind of "twenty-first century mercantilistic regionalism" (Sandholtz et al. 1992: 174-5). Governments will worry more about relative positions, rather than about absolute welfare gains. Relative shifts in positions will become security concerns for the great powers, thereby greatly diminishing the chances for collective coordination and leadership amongst these powers.

Benign regionalism (or "defensive protectionism"), finally, depicts a situation in which different world regions live rather independently from each other, "with low levels of sensitivity to each other's choices and low levels of vulnerability to each other's actions" (Sandholtz et al. 1992: 174). This last scenario seems to be the least likely. It does not take into account that

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international interdependence has reached such an intensity that this scenario can be discarded even in the case that world trade becomes concentrated largely on intra-regional trade. Even then, two important levels of interdependence would remain:

(a) Interdependence via international financial markets:

International financial and currency markets actually link economic developments in all parts of the world. Any kind of government policy which implies deficit spending and increases inflationary pressures, will immediately face reactions which will put that country's currency under pressure and affect domestic interest rates.

(b) Interdependence via the international ecological system:

Economic policies also affect each other even if no international transactions in the classical sense take place. Almost all economic activity, for instance, leads to the emission of polluting substances and gases which may destroy the ozone layer or contribute to global warming through the greenhouse effect. In this way, societies have become much more vulnerable to each others choices (Cf. MacNeill, Winsemius, and Yakushiji 1991).

As a result, the "benign regionalism" scenario will be dropped. Instead, we will look for a scenario that takes the increased importance of the environmental dimension into account.

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I.3. The Amsterdam scenarios

Schwartz has suggested that scenario writers should avoid depicting an optimistic scenario (like "free trade"), a pessimistic scenario (like "rivalry") and a "middle of the road" scenario, because this last scenario would probably be accepted by most readers as the most probable one, and the whole exercise of scenario writing would be devalued. He suggested that a third scenario, instead, should bring in another important factor (e.g. a fundamental social change, like a shift in basic values) which the other scenarios do not yet sufficiently take into account. The increasing importance of environmental imperatives is a case in point.

Imagine that imperatives of sustainable development get more attention around the world. This could lead to very different trade structures, and certainly to new types of trade conflicts (see Van der Wurff and Kolk 1993). We have therefore decided in favor of a third scenario in which priority is given to environmentally-friendly production and trade structures. This probably would be done in different ways in North America, Japan and Western Europe, implying new frictions between the trade blocs.

In sum, the three scenarios taken as a point of departure for future analysis are:

A) Managed multilateralism, in which the vision of a "global village" - if only for the northern half of the globe - is approached, the fast introduction of new technologies leads to another period of worldwide economic growth, and the leading trading nations are able to agree on increasingly liberal rules for world trade and production;

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B) Regional rivalry, in which slow economic growth combines with highly conflictual relations among the major trading blocs, and

C) Greening of business, in which a high priority is given to the imperatives of worldwide sustainable development, and economies are restructured in order to become less environmentally-harmful. This last scenario will not be extensively explored in the present paper, but will be considered in future research.

Before we look at the relations between the blocs, however, it is useful to look at developments within the three blocs, because these developments can have important consequences for intercontinental relations.

II. Intra-bloc Developments as a Determinant of Inter-bloc Relations

What happens with regards to relations between the blocs depends to a large extent upon developments within the three blocs. The more united and cohesive the blocs become, the higher the

chances are for inter-bloc conflicts. Conversely, the less united the blocs are internally, the less intense conflicts between the blocs tend to be.

This hypothesis will be illustrated by discussing one specific aspect of cohesiveness for each of the three blocs.

II.1. The Cohesiveness of Europe

A great deal has been published on whether the Common Market project ("1992") will lead to a "Fortress Europe" or not. Seen from within the European Union (EU), the Community seems much less of a Union than is often envisaged from the outside. Already the Union

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can hardly agree on anything, not even on the number of votes necessary for majority decisions of the European Council of Ministers, its main decision-making body. And, with every enlargement, its cohesiveness may decline even further.

It is particularly important to note that, in many instances, the United Kingdom still plays an independent role within the EU. The dominant value system within Britain often corresponds more to that put into practice in the United States than to that on the European continent (cf. Albert 1991). To some extent, General De Gaulle proved to be right when he expressed the fear that Great Britain would act as a kind of "Trojan Horse" in the European Community.

What are the preconditions for European unity? There are basically three situations which could lead to a united European stance. One is outside pressure, which has been the strongest uniting force in the past. The second could be internal dominance by either one member state (with a united Germany being the most obvious candidate), or a coalition of core states (a Paris/Bonn axis, for instance). The third possibility would result from a complicated bargaining process among the governments of the member countries. Where the latter is the case the results tend to be relatively inflexible, which can put some strain on inter-bloc bargaining because it impedes the usual process of give and take in international negotiations.

I will not discuss the first possibility, that of outside pressure leading to European unity, because I instead want to concentrate on internal developments within this bloc. I therefore

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single out the chances of future dominance of a united Germany for further discussion. The most important question thus becomes: What has been and will be the impact of German reunification on European integration?

Many observers expected (and some still expect) a stronger and even dominant role of Germany in the EU as the result of German reunification. During the first years since unification, however, this has clearly not been the case. On the contrary, optimistic expectations that the introduction of a market economy would lead to an explosion of productivity in the former GDR, and that its population would quickly reach the income level of their Western compatriots, turned out to be wishful thinking. Instead, Germany got its own "Mezzogiorno:" a large area that depends for its living standards on massive state intervention. It is this shift towards massive state intervention which might be most relevant for future inter-bloc relations.

The intensity of state intervention is one of the most contentious elements in the relations between the United States, Western Europe and Japan. The US government remains the strongest advocate of further deregulation and liberalization, while Japan has adopted a cautious stance regarding these issues. European governments, meanwhile, tend to fall somewhere in between on the question of state intervention in economic matters.

Before unification the European Community maintained a delicate balance between governments that were free-market oriented and in favor of far-reaching deregulation (mainly Great Britain and the Benelux countries), and governments with a much stronger tradition of state intervention (such as the southern European states and France). Germany used to hold a position in between, and acted as a kind of balancer. As a result of unification,

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however, Germany may lean towards more intensive state intervention for two reasons: (a) it suffers from structural internal imbalances which cannot be solved by market forces alone, but which demand state intervention to prevent these imbalances from becoming increasingly extreme, and (b) with unification the German electoral system has expanded to incorporate millions of voters who were socialized in the context of a strong state which regularly intervened in all areas of daily life. For many of these people, it is completely self-evident that the state should intervene heavily in the economy; they cannot in fact imagine otherwise. With a changing balance between the forces in favor of more rather than less state intervention in Germany, the balance of these forces in Europe in general has changed. As a result, the EU itself may become more inclined towards state intervention, with clear-cut repercussions for its future relationship with the United States.

German unification had also other, more short-term ramifications with consequences for inter-bloc relations: It delayed European recovery in the early 1990s and undermined European competitiveness. It delayed recovery because of the immense transfer payments to East Germany (of annually about 100 billion US\$). These payments (mainly for social security) helped stabilize the social and political situation in the Eastern part of the country, but at the same time constituted a large-scale shift from investment to consumption. In order to limit the impact of the financial transfers on inflation, the Bundesbank had to continue a tough monetary policy, hindering economic recovery not only in Germany, but in Europe as a whole. This is one of the reasons why Europe is emerging from the recession much more slowly than is the United States.

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Furthermore, the enormous shift from investment to transfer payments can undermine Germany's (and Europe's) long term competitiveness on the world market, thus laying the basis for further conflict between Europe on the one hand, and the United States and Japan on the other. This is because, sooner or later, a decline in competitiveness will be translated into protectionist measures against other trading blocs.

The impact of German unification on European integration and the relationship between Europe and the outside world is interesting in itself, but it is even more interesting as it provides some ideas about what the future enlargement of the European Union might imply, as Central European countries (Hungary,

Poland, Chechia and Slovakia) join in the first two decades of the 21st century.

II.2. An East Asian Trade Bloc?

In any analysis of present international trade conflicts, the role of Japan is crucial. However, if we try to develop scenarios for the development of trade patterns over the next 25 years, the position of China seems at least as relevant. This idea does not imply that the role of Japan will diminish; it only reflects the assumption that changes in Japan's international position will be much more incremental in the future. Japan's position in international trade will probably normalize somewhat with increasing domestic consumption, changes in work ethics, less pronounced productivity advantages, and less disinclination to buy foreign products.

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Destabilizing effects for the world trade system might instead come from China, for it is not the intensity of competition nor the volume of trade which leads to trade conflicts, but the rapidness of change and the resulting imbalances. Slow changes can normally be easily accommodated. Quick changes, however, leave little time to adapt and easily cause political clashes. It seems that China's trade will actually increase by large percentages for a while. While Japan has reached a wage level where rises in the value of the yen can easily nullify competitive advantages, the wage gap between China and the highly industrialized countries is such that the competitive advantage will not easily be destroyed.

If the assumption is correct that China will become one of the big players in world trade, this would imply a new generation of trade conflicts. It is highly probable that China will continue to have strong state intervention in its economy, even if it is no longer ruled by a communist regime. It will continue to show strong state intervention because of its relative level of development (compared to the highly-industrialized countries), and because high levels of internal inequalities demand a strong state.

However, it is not clear whether this important player in future world trade will be a state with the present borders of the People's Republic of China (including Hong Kong and Taiwan). Indeed, at the present the central state of the PRC no longer has effective control over some of its provinces. During the next 25 years, furthermore, the very success of certain regions within China in expanding industrial production will exacerbate internal tensions. Such increased tensions will emerge between the coastal provinces, where most capital accumulation takes place, and other provinces which are exposed to the negative consequences of this

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accumulation process (such as higher prices, a drain on qualified personnel, and large scale corruption). The inhabitants of China's less-successful provinces may also suffer from the attempts by their own polities to catch up with the coastal provinces (e.g. by imposing higher taxes to offer a better infrastructure, and by conferring other advantages to companies which are prepared to shift production there). There have always been tensions between the more urban coastal provinces and the rural provinces of the Chinese "hinterland", where many of the more revolutionary movements find their roots. Indeed, peasant revolts have already

occurred in Eastern China, perhaps foreshadowing more serious conflicts in the future.

Additionally, thriving small-scale rural industries in disadvantaged provinces will be increasingly threatened by competition from large-scale industries, which produce primarily for the world market but are coming to serve the domestic market as well. Pressures will therefore build to protect local economies against outside competition. If local authorities cannot exert enough influence at the level of the central state, or if the central government cannot or will not respond to such demands, the disadvantaged regions may break away. An ideological umbrella which would justify such a move can always easily be found.

One may even say that the break-up of China is a precondition for the integration of large parts of the Far Eastern region into the world market, because neither China nor the world market could withstand the integration of all of China at the same time.

If the factual, if not formal break-up of China is a precondition for the rapid integration of parts of this region into the world economy, much will depend on the concrete modalities of this break-up. If this turns out to be a violent process, which draws neighboring states into the conflict, the entire region may be paralyzed for a considerable period of time. This would slow

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down the development of the region itself, and the world economy as a whole, and could perhaps contribute to a worldwide recession and increasing trade conflicts as well. If, on the contrary, the internal changes take place in a comparatively smooth way, this could open the door to another period of rapid economic growth in certain parts of China which would mean stiffer international competition for foreign producers in the most affected economic sectors.

The break-up of China would add to other major recent changes in the international state system, the most important of which has been the break-up of the Soviet Union. If we are to learn something from the far-reaching and largely unforeseen changes in the last five years, it is to not take the existing state structure for granted when we speculate on future international developments. Not only may China follow the example of the Soviet Union, but other countries show similar tendencies as well. An obvious candidate is India, where the (albeit cautious) opening of the domestic market is strengthening tendencies towards unequal development, which in turn may exacerbate ever-present centrifugal tendencies in this multi-lingual, multi-religious, multi-ethnic society.

II.3. Developments in North America

Compared to the other two continents, the situation in North America seems much less complicated. There are few manifest conflicts between Canada, the United States and Mexico. What could have important repercussions for intercontinental relations, in this case, are not so much the international relations between the three countries, but internal developments within the United States, where polarization may become exacerbated by the Free Trade Agreement with Mexico.

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With about 30 per cent of the U.S. population living below the poverty line, and about as many being illiterate, the North-

South divide does not so much separate Mexico and the United States--it rather goes right through the United States itself. It may periodically lead to social eruptions, as in the case of the recent events in Los Angeles (cf. Davis 1993). These will remain temporary eruptions, however, because there is no ideology around which the disadvantaged groups of U.S. society can rally. Nevertheless, these eruptions will force the U.S. government to pay more attention to social problems at home.

Such a reorientation would not necessarily imply a more isolationist policy for the United States. During the last decades, declarations of a "war against poverty" often went hand in hand with an internationalist policy, as shown by the Kennedy, Johnson and Carter administrations. The indirect implications of domestic policy, however, might lead to new intercontinental conflicts. Increased government expenditures will, if not accompanied by tax increases (more and more difficult to accomplish in a highly internationalized world), lead to higher budget deficits, more international borrowing, a higher value of the dollar on international currency markets, and a decline in international competitiveness of the American economy - with all kinds of protectionist measures that this may entail.

With NAFTA, North America has internalized the periphery even more than before, to the extent that social stability has become increasingly questionable. Any move to improve this situation may cause additional international conflicts. In addition, the internalization of the periphery has other important side effects. It aggravates social cleavages within the United States, and it

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helps to reproduce a specific set of values and attitudes, like strong individualism at the expense of solidarity, which lays the basis for different policy orientations in the United States and European countries.

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As has been illustrated by the above examples, internal developments in all three trade blocs have tremendous consequences for relations between the blocs. They may lead to a stronger position of the state in Europe, and to centrifugal tendencies within China and the United States. Finally, all these developments may increase the intensity of conflicts among the trade blocs, and contribute to more regionalization rather than globalization of the economy.

III. Different Theoretical Approaches

In the remainder of this paper, I shall review a number of different approaches in order to see what they lead us to expect with regard to future relations between highly-developed capitalist countries. I shall start with long wave theory. I shall then try to indicate how changes in corporate structures and differences in class structures in various regions can give us some clue as to probable future developments. The main hypothesis of this part is, however, that structural and economic indicators may be of limited help in such an analysis. Instead, the following rather "soft" factors seem to play a primordial role in determining the nature of future relations: different political projects,

different "concepts of control," different ideologies, and different cultures provide the basis for political conflicts or political cooperation.

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III.1. Long Wave Theory

Writers of very different backgrounds (cf. Kennedy 1987; Mandel 1980; Modelski 1987; Wallerstein 1980) have described the history of the last 500 years as a history of the rise and fall of hegemonic powers. Typically, the rise of a new power would coincide with the spread of new technologies, in which the rising power would have some advantage. This productive advantage would be turned into a favorable position in international trade, which in turn would lead to a central position in the world financial system. The hegemonic position of this particular state would then be eroded, however, as a new generation of technologies which privilege a different core state would emerge (cf. Wallerstein 1980:38-39).

The situation of the 1970s and 1980s seemed to fit this pattern pretty well. The United States enjoyed a hegemonic position in the capitalist world-system between the Second World War and the early 1970s, due to its competitive strength in the two leading industries in the third quarter of this century: the automobile and the petrochemical industries. The U.S. position was threatened when Europe and Japan caught up during the 1970s, however, and was further eroded when Japanese companies started to take the lead in some sectors of the electronics and new materials industries.

The 1980s were characterized by a kind of "restructuring race" among the OECD countries, each of which wanted to get a strong foothold in new industries such as microelectronics and biotechnology. Governments expected that such a position would give them a strategic advantage within the world economy, and would

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not only boost their economic competitiveness but would also affect the distribution of political power over the long run. This political climate gave rise to neomercantilistic policies on technological, industrial and trade matters.

Ironically, tendencies in this direction also stimulated companies to internationalize at a rapid pace, in order to become "local players" in all major OECD markets (cf. Ohmae 1985). Foreign direct investment (FDI) flows in the few years since the second half of the 1980s have exceeded the total of all FDI flows in history up to that time, concentrating mainly on investment within the TRIAD countries (United Nations 1991; Junne 1994a).

The close ties created by FDI and by "strategic alliances" among firms from different continents have installed very effective channels for technology transfer. Fast technology transfer has made it improbable that the history of the rise and fall of hegemonic powers will continue into the future, because no country will be able to maintain a durable advantage in a whole range of new technologies for an extended period of time (which used to be the basis for a hegemonic position). Technology policies in most OECD countries have become less concentrated on the development of new technologies, and instead increasingly focus on the smooth diffusion of available technologies.

Inasmuch as not technological advantage, but military victory is held to be the basis of a hegemonic position (see Modelski

1978:217), a similar argument holds true. Given the destructiveness of modern arms, it is highly improbable that the outcome of a struggle for hegemony will again be decided by war.

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Periods of undisputed hegemony in the past have tended to be periods of free trade. Does this imply that long periods without a hegemon, which we can expect for the future, would take away the basis for free trade? This is not necessarily the case. Long wave theory (and the theory of hegemonic stability) cannot tell us whether a liberal trade regime will be maintained or not. It only suggests that the chances for liberalized global trade are slimmer in periods of disputed hegemony than in periods during which a clear hegemonic power does exist.

III.2. The Network of Strategic Alliances

To get a better idea of the societal forces that work in favor or against the maintenance of a liberal world trade system, it is necessary to look at changes at the micro-level of individual companies in order to understand the development of the international "social tissue" which underlies policies of international cooperation or conflict.

In this respect, one of the most important developments during the last twenty years has been the proliferation of "strategic alliances" between companies from different countries. The dynamics behind this development have been aptly described by Ohmae (1985): The accelerating pace of technological development shortens the life cycle of many products. While companies have to spend more on research and development to keep abreast of technological developments (they actually often spend more on R&D than on new buildings and machinery), the time period in which they can recover

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these costs is shrinking. They therefore have to launch new products in all "Triad" markets (North America, Japan, Western Europe) right from the start, in order to recover their investment before a new product replaces theirs in the market.

In order to reduce the risks involved in R&D investment decisions, to spread the costs of R&D, and to cooperate in commercializing the results in all "Triad" markets, companies have joined forces in intercontinental strategic alliances with companies with whom they may be involved in fierce competition in other fields. Global competition, according to Ohmae, will more and more often take the form of competition between international alliances, in which companies with headquarters in different trading blocs participate, rather than competition of American versus Japanese versus European companies.

It is often taken for granted that these networks of strategic alliances create a kind of safety net under the liberal world trade regime. Because it is thought that these alliances create an interest to maintain cooperative international relations, and because they provide a framework for intensive interaction between the business elites of the different trading blocs, it is thereby assumed that they could contribute to the formation of an international elite consensus which, in the absence of a hegemonic power, could assure the continuation of a liberal world trade system.

Reality, however, is probably much more complex. There are at least three reasons why strategic alliances may not (at least not always) fulfill this function of "cushioning" the liberal world trade order.

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1. Many of the alliances may have been concluded with mixed motives and are not symmetrical in nature. They often constitute a continuation of competition by other means. The individual partners often try to get as much as possible out of such coalitions, while making only modest contributions themselves. They can also have the purpose of dominating or neutralizing the partners in other countries, and can thus give rise to conflict rather than reducing international conflict.
2. If companies do succeed in becoming true "insiders" in the different Triad markets, with the help of their alliance partners, they may become less vulnerable to protectionist policies maintained by the different trading blocs. As a result, they may make fewer efforts to counter political forces which demand protection.
3. The increased intensity of contacts does not always lead to better mutual understanding. Such interaction can also create a fertile breeding ground for misunderstanding and prejudice. Much more than in usual trade contacts, alliances bring into confrontation partners with very different management styles, customs, and rigidities. As a result, managers often become more aware of their differences rather than their common interests.

Many of these alliances also have a temporary character, as they are frequently designed to last only until specific technologies have become standardized, until more competitive

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partners can be found, or until an independent sales network has been built up. In such cases, continuous parallel efforts undertaken outside existing cooperative agreements may give rise to mutual suspicion and tensions between alliance partners.

A detailed empirical study is therefore warranted on the political implications of international strategic alliances between companies. The above remarks can only give some plausibility to the idea that the proliferation of strategic alliances does not necessarily underpin the liberal world trade order. In fact, parallel developments at the company level may work in the opposite direction.

III.3. Fragmentation of Companies and a New Role for the State

The accelerated pace of technological development has not only led to a concentration of capital and closer international cooperation among companies. It has also fostered trends moving in the opposite direction: Companies split up, decentralize and concentrate on core activities, contracting out many of the

activities that used to be carried out in-house. There is not only an increasing number of small companies, but the large companies actually reorganize themselves in such a way that they increasingly resemble a bunch of relatively independent companies (or "business units"), which deal with each other at arms-length. Companies are forced to do so, because the company headquarters is no longer able to follow technological and market developments as closely as is required to continuously adapt activity to changing circumstances

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and new challenges. In the extreme, one can state that "we are approaching an economy of one-person organizations" (Fortune, 4 April 1994).

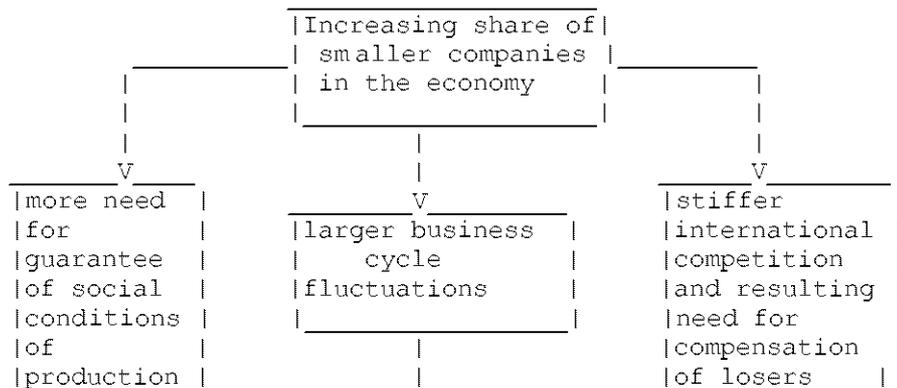
An increasing share of smaller companies in the economy (or of business units that are part of larger organizations, but behave largely as if they were independent companies) will lead to a new demand for a more active state (see Figure 1). Smaller companies are much more dependent than larger companies on the smooth functioning of the social system of which they form a part. They are also much more dependent upon the external provision of inputs of all sorts (supplies, educated labor, information, capital). They thus depend more than large companies on the state to guarantee the social conditions of production.

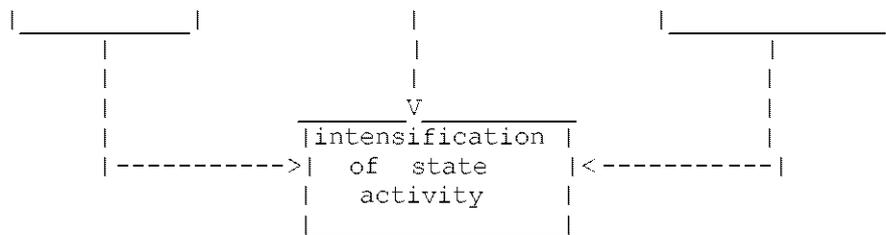
With more intensive state activity, however, the likelihood increases that the activities of different states will clash, at least insofar as there are no mechanisms to assure that state activities will remain compatible and not lead to new trade barriers.

We therefore have to turn to those ideas and traditions which inspire state activities in different world regions. It is my contention that these "soft" factors are at least as important as the "hard" factors of economic structures, industrial profiles, trade deficits, etc. Structures can be quite unbalanced, but as long as people do not regard them as a problem they will not give rise to conflicts. On the other hand, structures can be as compatible and symmetric as one might wish, but conflict could still arise if these structures are interpreted in a way that would urge the actors to take conflictive action. Such "hard" factors as the distribution of economic capabilities define the realm of the possible, "but the outcomes remain contingent on the beliefs and actions of the major protagonists" (Sandholtz et al. 1992:198).

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Figure 1: Proliferation of Small Companies and Intensification of State Activity





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III.4. Different Concepts of Control

International relations have undergone a profound change in the last hundred years. Starting early in this century, a zone of highly-developed capitalist countries has developed in which civil society is not dominated by the state, and where a myriad of interactions links different societies to each other. These societies are related to each other in such a way that the chance of warfare among them seems to be excluded. This area, to some extent modelled after the British Commonwealth (Van der Pijl 1992: 58-59), originally included Great Britain and the United States and, from the mid-1950s onwards, was slowly extended to incorporate France (with the Briand/Kellogg Pact of 1928) and other parts of Western Europe.

Kees van der Pijl (1989:19) calls this area the "Lockean heartland", because the role of the state is subordinated to civil society, and politics are oriented more towards welfare maximization rather than towards the maximization of power. Within this geographical area, the chances of war can be regarded as nil. This undermines the distinction between international and domestic politics, according to which international relations are characterized by the possibility of war, since sovereign states are not disciplined by any overarching authority. Within the "Lockean heartland" (actually roughly the OECD area), it therefore becomes more difficult to differentiate between international and national politics. International as well as national relations within this area can be conceptualized more accurately as rivalry between political projects, carried by transnational coalitions, rather than as rivalry among states.

Van der Pijl (1984) has extensively discussed those political projects ("beheersconcepties" or "comprehensive concepts of control") which (a) can be traced to specific interests dominating specific phases of capital accumulation, but (b) are broadened to such an extent that they also accommodate other interests. They can thereby qualify as possible hegemonic projects at any given point in time. "International liberalism" was such a project, and

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it was hegemonic throughout the 19th century until about 1875, when it started to become challenged by "state monopolism". It was only after the Second World War that a kind of synthesis developed in the form of "corporate liberalism", which, from the 1970s onwards, has been challenged by "neo-liberalism".

The future world order depends to a large extent on the degree to which neo-liberalism gets or remains accepted as the dominant ideology guiding economic policy, and on the alternative concepts which might come up. If neo-liberalism gets accepted everywhere,

then a multilateral free-trade system (not even a managed one) will be strengthened.

The neo-liberal recipe, however, does not lead to a stable situation. Unbridled free markets lead to backwash effects and unequal development, which sooner or later provoke protectionist reactions. Refraining from state intervention would also increase environmental problems to such a degree that the resulting pollution would enforce a replacement of the political project. The actual strength and spread of neo-liberalism is, therefore, not due to its intrinsic merits, but more to the fact that there is currently no convincing alternative around which critics of neo-liberalism could rally.

Winfried Ruigrok and Rob van Tulder (1993) have used the term "concept of control" in another way. They have tried to show how the specific ways in which companies can organize their relations with governments, trade unions, financing institutions, suppliers, distributors and competing companies, coincide with specific strategies of internationalization and specific preferences for international trade policies (Ruigrok and Van Tulder 1993:195 -204). On the basis of a detailed analysis of firm strategies, based primarily on their empirical research on the automobile industry, these authors distinguish five different "concepts of control" (i.e. coherent ways to solve different control problems which a company faces): "flexible specialization", "industrial democracy", "(macro)Fordism", "(micro-)Fordism", and "Toyotism" (Ruigrok and Van Tulder 1993:110). The links to internationalization strategies and international trade policies are as follows:

Firms which follow the "flexible specialization" concept (e.g. networks of small cooperating firms, such as are found in the

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textile and shoe industries in Italy and in the machine-building industry in Germany) tend to produce primarily for the domestic market. They do not generally internationalize their production or try to protect their domestic markets. Where they do internationalize, they do so by direct export and they therefore prefer to have foreign markets as open as possible. They therefore tend to "favor a unilateral trade regime: a combination of domestic trade barriers ... and foreign expansionist trade policy strategies" (Ruigrok and Van Tulder 1993:195 -196).

A regime of "industrial democracy," which often develops in government-dominated industries such as telecommunications, defense industries, and utilities, implies barriers to the transfer of production abroad and instead relies on exports as the dominant form of internationalization. "If faced with severe import competition, government will be inclined to establish production cartels, provide subsidies, or take antidumping measures" (Ruigrok and Van Tulder 1993:198).

"Fordist" firms, or vertically-integrated, mass-production firms, try to establish an international (intra-firm) division of labor and are therefore interested in a free trade system regulated by a multilateral trade regime.

Companies adopting a "Toyotist" concept of control, by instituting networks of dependent specialized suppliers, a dependent local government, etc., try to keep foreign markets open, if necessary via unilateral trade policy preferences. If they internationalize, they follow a pattern of "glocalization" rather than "globalization." That is, they try to insert a complete

production process (including captive suppliers) into a foreign context (without a complex inter-continental, intra-firm division of labor), and they also try to serve entire regions from the facilities in the country where the investment is placed. Once installed in all major regions, the free trade orientation will give way to more pragmatic considerations (Ruigrok and Van Tulder 1993:200).

This analysis links developments at the firm level to trade policy orientations, though the postulated relationships still need

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empirical verification. If the relationship is strong, changes in company structure and strategy could be used as a kind of "early warning indicator" for changes in international trade policy. It is not certain, however, that the trade policy establishment will always react to changes in company structures and strategies, in any case not in all sectors. Some sectors have much better access to the policy establishment than others, and some changes might not be translated into policies because they do not correspond to the overall ideological orientation of the policy makers.

III.5. Different Cultures

With the end of the Cold War, one important disciplining force has gone which in the past placed limits on the intensity of conflicts occurring among capitalist countries. Since capitalism is no longer challenged by socialism, however, more attention is being paid to the continuing differences that exist between different types of capitalism which lie at the heart of renewed international conflict. This has increased awareness that, in spite of all the possible harmonizing pressures of international capitalism, quite different traditions have developed in the capitalist world. Namely, different sets of institutions with different accompanying ideologies are tending to reproduce themselves.

A good example of such an analysis is Albert (1991), who draws a distinction between an Anglo-Saxon and a "Rhineland" version of capitalism (the latter being somewhat similar to the Japanese one). The following table summarizes the major differences which he describes:

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Differences between Anglo-Saxon and Rhineland Capitalism according to Michel Albert

	Anglo-Saxon Capitalism	Rhineland Capitalism
Income differentials	high salary differences	small salary differences
Social Security	little social security	well elaborated system of social security
Recruitment	hire and fire	conservation of "human capital"

Type of work	highly Taylorized	more versatile jobs
Source of capital	stock exchange more important than bank	banks more important than bank
Attitude toward credit	borrowing is stimulated	saving is stimulated
Regulation	comparatively little regulation	more intensive networks of regulations

One set of institutions continually fosters individualism, while the other is based upon stronger notions of solidarity. The different attitudes have a direct impact upon negotiations on international institutions. Where one government opts for greater state intervention to achieve more egalitarian structures, this can

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easily be interpreted as market interference by another. Where hire and fire attitudes prevail, companies will be less inclined to invest in their employees. Where the stock exchange plays a more important role than banks, a short-term perspective on profit making will prevail. Where borrowing is systematically stimulated rather than saving, it is no wonder that large public deficits occur.

Different basic values are not independent from the class structure that they produce, and that in turn reproduces them. Large social differences and large-scale social segregation reproduce strong individualism, which in turn tends to exacerbate large social differences. These different attitudes thus tend to perpetuate themselves, staying with us and shaping the experiences and social values norms of future generations.

In concrete terms, they imply basic differences with regard to the appropriate role of the state and the market. They create the breeding ground for diverging ideologies which will shape the perception of policy makers, and which will lie at the basis of continuous conflict between the United States, Japan and Western Europe.

IV. Conclusion

On the basis of the considerations presented in this paper, I expect that future relations between the different trade blocs will be characterized by "managed rivalry." That is, state intervention will increase again in the aftermath of neo-liberalism. Different traditions will assure that state activities take different forms in the different trade blocs, which will lead to a new generation of trade conflicts.

However, rivalry will remain contained. International interdependence has reached such a degree that protectionist measures not only hurt foreign actors, but increasingly also run

against the interests of some domestic constituencies. As a consequence, an uneasy balance between liberalism and protectionism will continue to exist, with the emphasis gradually shifting back and forth within the different trade blocs.

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