3.1 : The Transformations in History : A Broad Sketch

Every few hundred years in Western history there occurs a sharp transformation. Within a few short decades, society - its world view, its basic values, its social and political structures, its arts, its key institutions rearranges itself. Fifty years later there is a new world. And the people born then cannot even imagine the world in which their grandparents lived and into which their own parents were born. We are currently living through such a transformation, triggered by the post-Cold War international systemic transition.

One such transformation occurred in the thirteenth century, when the Western world suddenly became centered on the new city. There was the emergence of the city guilds as the new dominant social class; the revival of long distance trade; the appearance of the Gothic, that eminently urban new architecture; the new painting of the Sienese; the shift to Aristotle from theology as the foundation of new wisdom; the new urban universities replacing the monasteries in their rural isolation as the centres of culture; the new urban religious orders, the Dominicans and the Franciscans, the carriers of religion, of learning, of spirituality; and within a few decades the shift from Latin to the vernacular, with Dante creating a European literature.
Two hundred years later, the next transformation took place. It happened in the sixty years between Gutenberg's invention of printing with movable type and with it the printed book in 1455, and Luther's Protestant Reformation in 1517. These were the years of the blossoming of the Renaissance; of the rediscovery of Antiquity; of the discovery of America; of the first standing army (the Spanish Infantry) since the Roman Legions; of the reinvention of the study of anatomy and with it of scientific inquiry in general; and of the widespread adoption of Arabic numerals in the West (which originally is an Indian contribution) providing a new ease of computation. And again, no one living in 1520s could easily have imagined the world in which his/her grandparents had lived and into which his parents had been born.

The next transformation began in 1776 the year of the American Revolution, of Watt's perfected steam engine, and of Adam Smith's Wealth of Nations. It came to a conclusion forty years later, at Waterloo - forty years during which almost all of the modern "isms" were born. During these years capitalism, communism, and industrial revolution emerged. These forty years produced, in effect, a new European civilization. Again, no one living in 1820s could easily imagine the world in which his/her grandparents had lived and into which his parents had been born: One had to read novels to learn about that world.

Our time, about 200 years later, is again such a period of transformation. Only this time it is not confined to Western society and Western history. Indeed, one of the fundamental changes is that there is no longer a "Western" history or a "Western" civilization. There is only world history and world civilization - the creation, to be sure, of
Western history and Western civilization. We are still in the middle of this transformation - indeed, if history is any guide, it will not be completed until 2010 or 2020. But it has already changed the political, economic and moral landscape of the world. Again, no one born in 1990s will easily imagine the world in which his/her grandparents grew up, or the world into which his/her own parents (i.e. my generation) were born.

3.2 : Understanding the Post-World War II International System

At the end of the World War II, everyone's expectations of post-war international politics were influenced by the experience of World War I. Most people assumed that, as before, the war would be followed by complex negotiations that would lead to a peace treaty with the defeated countries and a reconstruction of the international system. Nearly a decade passed before it became clear that such a settlement would not take place, but soon after the end of the war it was apparent that disagreements between the U.S. and the Soviet governments about its provisions were much greater than had been anticipated. The term "Cold War" was coined by Walter Lippmann to describe that initial confusing period of conflict between the United States and the Soviet Union over the post-war world order (Lippmann 1972). This was a time of considerable debate in the United States over who was responsible for those disagreements and how serious they were; a debate that was ended by the Korean War and reopened by the war in Vietnam (Wagner 1993).

The phrase "the cold war" eventually came to stand for a vague, undifferentiated relationship of hostility between the United States and the Soviet Union. Karl von Clausewitz defined war as the continuation of diplomacy by other means. By extension, the Cold War
can be defined as warfare by other (non-lethal) means (Brzezinski 1992). Nonetheless, warfare it was. And the stakes were monumental. Geopolitically the struggle, in the first instance, was for control over the Eurasian landmass and, eventually, even for global preponderance. Each side understood that either the successful ejection of the one from the western and eastern fringes of Eurasia or the effective containment of the other would ultimately determine the geostrategic outcome of the conflicting, ideologically motivated conceptions of social organization and even of the human being itself. Not only geopolitics but philosophy in the deepest sense of the self-definition of mankind - were very much at issue.

However, the main points of dispute between the United States and the Soviet Union continued to be centred around issues about ending the second World War. The most important of these issues concerned the future of Germany and Japan. The German question proved the more intractable of the two, because Soviet troops controlled part of Germany at the end of the war, whereas there were no Soviet troops in Japan (Wagner 1980). Thus as Lippmann argued in his articles on the Cold War, the future of Germany became the main issue between the United States and the Soviet Union: “Until a settlement which results in (Russian) withdrawal is reached, the Red Army at the centre of Europe will control eastern Europe and will threaten western Europe. In these circumstances American power must be available... to hold the whole Russian military machine in check, and to exert mounting pressure in support of a diplomatic policy which has as its concrete objective a settlement that means withdrawal” (Lippmann 1972).

It took longer to achieve that objective than most people anticipated at the time when Lippmann wrote those words in a series of newspaper articles. Indeed, by the time it was achieved recently, most people across the world had come to assume that it would never happen.
The Cold War nonetheless can best be understood as a prolonged substitute for the post World War II peace conference that never took place. The partial European settlement that led to the Helsinki accords did not end the Cold War, because it did not alter the situation Lippmann described. The Cold war did end, however, when Soviet control over eastern Europe collapsed and the Soviet military threat to western Europe ceased to be such a pressing concern.

Accompanying the appearance of the Cold War was the division of the world into two hostile camps separated by an ideological divide. To many people this was an ominous development, since it implied not only that the interests of these two blocs were in conflict but also that conflict was not mitigated by any other cleavages cutting across the line dividing the two blocs. Thus the conflict was severe, and the uses of shifting alliances to redress imbalances of power between coalitions was no longer possible. Some people used the term "bipolarity" to characterize the situation (Wagner 1993).

From the very beginning the term "bipolarity" has been used in two very different ways: (1) as a shorthand for "polarization" of the world into two hostile camps as a result of the Cold War and (2) as a description of the distribution of power among individual states (Waltz 1964). It can easily lead to confusion between two different theses about the relation between bipolarity and the Cold War. According to the first meaning, bipolarity was the result of the Cold War, in that the extension of the Soviet influence led to the organization of an opposing bloc; it is not surprising, then, that bipolarity should end when the Cold War did. According to the second meaning, the Cold War was the result of bipolarity, since the positions of the United states and the Soviet Union in the international system meant that each saw the other as its principal adversary. Thus it would not be surprising if the end of bipolarity should lead to the end of the Cold War.
However be it, but the fact today is that after some forty years of political combat, including some secondary military skirmishes, the Cold War did indeed come to a final end.

Today we have advanced far enough into the new post-capitalist/post-Cold War society - because the post-industrial/post-bipolar society is really that - to review and revise the social, economic, and political history of the age of capitalism and of the nation-state. To foresee what the post-capitalist/post-Cold War world would itself look like is, however, still very risky. What new questions will arise, and where the big new issue will lie, we can, we believe, already discover with a high degree of probability. We can also, in many areas, describe what will not work. But answers are in most cases still hidden in the future. The one thing we can be sure of is that the world that is emerging out of the present transition process, which includes rearrangement of values, of beliefs, of social and economic structures, of political concepts and systems, of world views, will be different from anything anyone imagined. In some areas - especially in society and its structure - basic shifts have already happened. That the new world will be a non-socialist and a post-capitalist world seems to be practically certain. In politics we have already shifted from the 400 years of the sovereign nation-state to a pluralism in which the nation-state will be one rather than the unit of political integration in international system. It will be a component - although still a key component in what Peter Drucker calls a "post-capitalist polity", a system in which transnational, regional, nation-state and local, indeed ethnic, structures compete and coexist (Drucker 1993). It is to the whys and hows of the emergence of this "post-capitalist polity", under the post-Cold War international systemic transition, that we may now turn our analytical attention.
3. 3 : The Shifting of International Political Landscape

A metaphor popular among analysts thinking about the current re-shaping of the world is that of "tectonic motion", or the movement of the giant "plates" that make up the earth's rocky crust (Gaddis 1992). Like the tectonic forces that move continents around on the surface of the earth, the end of the Cold War suggest a massive shift in the historic tectonics of human civilization. Because tectonic movements can reshape continents and alter climates sometimes cataclysmically - through the earthquakes and volcanoes it produces, it serves as an apt analogy for the end of the Cold War and the ensuing of international systemic transition.

Systemic transition is not a new phenomenon. Infact, if viewed microscopically, transition is visible as a continuum rather than incidental. But this continuum is mostly peripheral and therefore its influence on the core structure of the system is either negligible or absorbed in course; thereby neutralizing its impact.

As elaborated in the earlier chapter (chapter 2) systemic transition may be understood as a resultant process of substantial changes in the determinants of the structure of the system, thereby leading to changes in the nature and scope of inter-influence among these determinants as constituent elements of the system. Looked at from this perspective the present progression of international systemic transition is fundamental in nature and comprehensive in scope. It is leading the world into a new era of extremely complex network of economic and political interdependence with far-reaching transformation in the organizing constructs of international order.

Our basic assumption in analysing international systemic transition in this study is that, the organizing construct of any system is a dynamic order attained as a resultant of an equillibrium reached in an
overarching systemic conflict whose nature and structure are determined by three determinants: international power configuration, number and capability of major systemic actors, and the pattern of international resource and wealth distribution. These three factors in turn, inter-influence each other in an international systemic environment.

3.3.1: The Logic of Conflict

A conflict situation is usually said to arise between parties who perceive that they possess mutually incompatible objectives. The more valuable the objectives, the more intense the conflict. The more numerous the objectives, the greater is the scope. The more parties are there in conflict, the larger its domain. The more stratified the power configuration, the more unstable the nature. The more unequal the resource and wealth distribution among conflicting parties, the more prolonged the conflict. These are the main dimensions of conflict.

Conflict is always about change. Conflict is about change in social structure and institution, in the distribution of power and resources, in relations at many levels - human, societal, national, or international. It may be about who is to play or who is to win the game, about the prizes they play for, or about the rules of the game itself! Those who promote one form of change enter into conflict with those who resist all change. At the same time each contestant seeks to pass the burden of adaptation to change onto the others. There are, therefore, always likely to be two sets of issues in any conflict: what changes shall occur and at whose expense.

In a simple view, realistic conflict can only be concluded when one side gains its objectives at the expense of the other. If the parties are evenly matched or become exhausted by dispute so that neither
side can win outright, they may agree to compromise - each gets a fraction of the loaf he wanted, which is proverbially better than no bread at all.

So universally is this thought to be the inescapable logic of conflict, that enemies develop a characteristic mentality where by a gain or a loss to one is experienced as a loss or gain by the other. Indeed, it is this feature of conflict which distinguishes it from competition or games. Competitors in a market or in a sport cooperate to engage in ritual conflict. At the level of win or loose their interests are opposed; at a higher level they share the superordinate goal of competing for its own sake. But enemies are debarred from cooperating by their zero-sum conception of their relationship.

In the light of this, we may now attempt to analyse the Cold War conflict which remained as the overarching international systemic conflict until recently.

After World War II, there were only two nation-states motivated and able to provide hegemonic leadership: the United States and the Soviet Union. During the post-war period, each superpower organized a hegemony which differed substantially from that of the other in the nature and extent of its internal integration due to the profound differences between the two hegemon’s political and economic systems and psychocultural characteristics. These differences also meant that the interactions between the two hegemonies constituted a balance-of-power or a balance-of-terror system, with the degree of integration between them very much less than that within them (Geiger 1988).

Well before the end of World War II, U.S. policymakers had outlined the kind of political and economic order they believed should be established once victory was achieved. It would be a worldwide sys-
tern of independent nation-states willing and able to respect one another's freedom, to settle disputes by peaceful means, and to carry on economic relations with only moderate, if any, barriers to the flow of goods, services and financial resources between them. Such a system, it was confidently expected, would foster the development of pluralistic democratic societies, high rate of economic growth, and rising employment and living standard in all countries.

When during the immediate post-war years the Soviet Union rejected the U.S. design and advanced its own conception of a desirable economic and political order, U.S. policymakers shifted their focus on the notion of "free world", that is the nations outside the then rapidly forming Soviet hegemony. Hence U.S. objectives also came to include the organization of the "free world" for "collective security" against possible internal communist subversion and external Soviet aggression.

Naturally, the international system constructed with these ideas was intended to serve the conceptions of U.S. political and economic interests that predominated within the United States. Moreover, the United States on occasion used its power to secure advantages for itself at the expense of other members. But, we believe that, on balance, the other nations that were willing or inadvertent participants in the system obtain greater benefits and incurred lower costs than they would have from any other design for world political and economic order that would have been within the limits of the possible in the conditions of the postwar period.

In its fully developed form, the U.S. hegemony consisted of several groups of nation-states differentiated by the degree of their economic and political integration with the United States and with one another. The most tightly integrated, both economically and politically, was the core group comprising the nation of Western Europe,
Canada, Japan, Australia, and New Zealand. They were, and continue to be, members of the Organisation for Economic Cooperation and Development (OECD) and of either the North Atlantic Treaty Organisation (NATO) or, in the case of Japan, of a bilateral mutual defence treaty with the United States. Less integrated with the U.S. and with one another were the Latin American nations associated with the United States (OAS) and the Rio Pact, a multilateral mutual defense treaty. Finally, there was a large, more heterogenous outer ring of old and new Asian and African nations, some with formal or informal defense arrangements with the United States, but all dependent on the world market economy and hence, on the integrated economic system constructed under U.S. leadership.

Political, economic and defense coordination at organizational or informal level between these countries and the United States contributed to the high growth rates, rising employment and improving living standards in these countries. Of fundamental importance was the fact that such coordination helped the United States to preserve an international environment, in which the independence of nation-states was reasonably assured. In turn, the high degree of international security and calculability gave people the confidence to take advantage of the opportunities to engage in business transactions across national borders. Without such confidence in the peacefulness and orderliness of the system it is unlikely that international trade and investment would have grown to the levels reached by the end of the cold War period. In sum, this positive-sum relationship between international integration and economic growth depended not only on the rational interests of the members in obtaining the resulting benefits, but also on the power and influence of the United States and its willingness and ability to bear a disproportionate share of the costs involved.
In contrast to the U.S. hegemony, political control and defense coordination were the major bonds within the Soviet hegemony and economic integration was of much less importance.

The design of the world order toward which the Soviet Union was working even before the beginning of World War II was of an international system of socialist states with state-controlled economies and authoritarian political system controlled by their communist parties. Among them the Soviet Union would play the dominant role, coordinating protection against outside enemies, expanding the membership as the opportunities arose and by any other means that did not put its own survival at risk. Thus, the goal of the Soviet Union was to assure the safety of the Soviet Union and to achieve hegemonic position of world paramountcy to which its ruling elites have been convinced that its historical destiny as the “Third Rome” under the Czars and the “Socialist Fatherland” under the communists entitled it.

In its fully developed form, the Soviet hegemony has consisted of a group of core states in eastern Europe and Asia contiguous to the Soviet Union and a group of widely scattered states, some (such as Cuba and Vietnam and its dependencies) firmly under communist party control and the others (such as Angola, Ethiopia, Mozambique, and South Yemen) in which communist rule has not yet been fully and securely established. In the early postwar years China, Yugoslavia, and Albania were members but then seceded at different times to escape Soviet control over their internal affairs. All of the core states became members of the Soviet hegemony owing to their occupation by the Red Army during or after World War II (or after World War I in the case of Mongolia), and the others as a result of
internal revolutions supported by the Soviet Union and their subsequent dependence on its continued assistance.

The principal instrument of Soviet control over the core members of the hegenomy whose loyalty and security it regards as essential to its own protection and the stability of its communist regime - had been the subordination of their communist parties to the Soviet party. This enabled the Soviet communist party to ensure "the leading position" of the core member's parties, that is, their unchallenged ability to direct all of their major institutional and cultural elements of their societies and to prevent the emergence of any organizations or group that might question, let alone threaten, their right and capacity to rule. Nor had the Soviet Union hesitated to intervene by force to make certain that the core members' parties would carry out their responsibilities, as it did in Hungary in 1956, Czechoslovakia in 1968, and nearly had to do in Poland in 1981.

In addition to these direct means of political control, the Soviet Union established intergovernmental organization for defense coordination and economic cooperation similar to those of the U.S. hegenomy.

For defense purpose, the east European states were bound to the Soviet Union by the Warsaw Pact, which provided for a common command, military doctrine and strategic and tactical plans, interdependent services of supply and communication, and much more standardization of armament and other military equipment than in NATO. As part of these arrangements, large Soviet Military forces were permanently stationed on the territories of the member states contiguous to the NATO countries - much bigger than the counterpart U.S. military forces - and their presence had also facilitated Soviet control over these territories.
For economic purpose, the council for Mutual Economic Cooperation (COMECON) was established, charged with planning and overseeing balanced trade and payments relations among the nonmarket economies of the member states. However, it aimed to achieve these goals not by lowering or removing barriers to the flows of goods, services, and financial resources as in the world market economy. Instead, its function was to ensure that only those exports and imports take place that are in accordance with the centrally directed production, investment and consumption plans of the Soviet Union and other members. By their nature, centrally directed nonmarket economies tend to become autarkic. The economic integration of these COMECON nations with the rest of the world was even less significant.

Thus, economic coordination rather than integration more accurately characterized the relations among the nonmarket economies. For the six east European client states, it was the economic assistance they were obtaining from the Soviet Union, rather than the degree of their integration with it, that was important. By the 1960s, the Soviet Union was increasingly subsidizing its trade with them as well as with the noncontiguous client states - not only by granting them low-cost export credits but also by charging them less than the world market price for some of its exports to them and paying them more than the world market price for some of its import from them (Geiger 1988).

In sum, the Soviet Union had relied mainly upon its power and influence to hold its hegemony together. True, the Soviet Union had borne heavy costs, principally for its large military establishment and the aid provided to its client states. However, these cost had been for the purpose of maintaining the hegemony and not for the purpose of attaining a high degree of economic integration.
In their interactions, which essentially constituted the overarching systemic conflict, the two hegemonies adopted themselves to a bipolar system of nuclear balance-of-power. The form of such a system imposed certain required capacities and actions on the two hegemons if they are to maintain the balance between them. First, each protagonist had always to support a military establishment adequate to prevent its defeat by the other. However, unlike all previous balance-of-power systems, in which war was a recognised and often used means of keeping the balance, the U.S.-Soviet system had been precluded from restoring to it, because a nuclear war could result in mutual destruction. Second, as the protagonist of a two-party system, both superpowers’ conceptions of their requirement for preserving the balance inclined them to attach as many other nations to themselves as possible, and this tendency had been powerfully reinforced by their sense of world-transforming mission and their ideological antipathy to each other. Third, any initiative by either superpower or any development within either hegemony that was perceived by the other superpower as likely to upset the balance, sooner or later had to be countered by an appropriate action. These patterns of inter-hegemony relationship is termed as the Cold War which formulated the core and overarching international systemic conflict after the end of the World War II and until about 1989.

How did the Cold War die?

Since the advent of the Cold War, policy makers and diplomatic historians have sought, unsuccessfully, to arrive at a consensus regarding its origins and determinants of its evolutionary course. Now that, to the surprise of everyone, the Cold War has abruptly ended, debate has shifted from animated disputes about the cause of its death. Presented here is a typologized summary of various postulation and propositions on the cause of Communism’s collapse and the end of the Cold War.
A Typolozied Summary Of The Cause Of the End Of The Cold War

CAUSE PROPOSITION

A : Economic Factors

1. Economic mismanagement

"No other (than the Soviet Union) industrialized state in the world for so long spent so much of its national wealth on armaments and military forces. Soviet militarism, in harness with communism, destroyed the Soviet economy and thus hastened the self destruction of the Soviet empire."

-Fred Charles Ikle (1991-92 28)

2. The economic burden of hegemonic competition

"Gorbachev's cooperative initiatives toward the United States came at a time when it was riding the wave of an inevitable communist triumph in its competition with the West and when the current and potential costs of that competition were weighing heavily on a struggling Soviet economy."

- Martin Patchen (1990 : 30)

3. A detene compelled by relative economic decline

"The metamorphosis in the U.S.-Soviet relationship was the result two interconnected factors..."
a formal recognition by the Soviet Union that to tackle its extraordinary economic difficulties it had to seek a permanent settlement with the capitalist world, and a recognition in Washington that to keep the world stable while it addressed its own economic problems (some of the results of Reagan's policies) a deal with the Soviet Union would be highly desirable."

- Michael Cox (1990 : 35)

---

B. Reform and Rethinking

1: 'Glasnost and perestroika'

"The Gorbachev-era earthquake had fundamental political causes, which were its *sine qua non.* (But) political factors do not tell the whole story. For, while the major mile posts of Soviet reform may have been initiated from above, they received crucial support... from below. The soviet intelligentsia... embraced ('glasnost and perestroika') enthusiastically and proceeded to push the boundaries of the permissible."

- Francis Fukuyama (1993 : 10-11)
Many of the demonstrators... who sought to reject communist rule looked to the American system for inspiration. But the source of that inspiration was America's reputation as a heaven for the values of limited government, not Washington's $300 billion-a-year military budget and its network of global military bases.


Russia did not lose the Cold War. The Communists did... A Democratic Russia deserves credit for delivering the knock-out blow to communism in its motherland.


In just less than seven years, Mikhail Gorbachev transformed the world. He turned his own country upside down... He tossed away the Soviet empire in eastern Europe with no more than a fare-thee-well. He ended the Cold War that dominated world politics and consumed the wealth of nations for nearly half a century. The most obvious thing that just doesn't
happen' in the Gorbachev revolution was Gorbachev himself.

-Robert G. Kaiser
(1992:11,13)

"The end of the cold War was possible) primarily because of one man-Mikhail Gorbachev. The transformations we are dealing with now would not have begun were it not for him. His place in history is secure."

- Former Secretary of State, James A. Baker (in Oberdorfer, 1991:A33)

"The Soviet Union, while manifestly in trouble as many observed, was not poised for a collapse, nor was it even in acute crisis. The Soviet Union was viable and probably could have lasted another decade or two, with good fortune and a good bit longer; but deeply flawed it was vulnerable to adverse chance events... That the invalid did not live, but died at the hands of an unlikely doctor employing untried medicine owed much to chance."

- Myron Rush(1993:19)
International Environment

1: Facilitating Political Suicide

"The hard international environment of the early 1980s obliged the Soviet leadership to consider change, but tough Western policies could not finish the job. Reagan, Thatcher, Bush and other Western leaders who dealt with Gorbachev had only limited leverage over him. What they did, in effect, was hand him a gun and suggest that he do the honourable thing. As is often true of such situations, the victim-to-be is more likely to accept the advice if it is offered in the gentlest possible way and if he concludes that his friends family and colleagues will in the end think better of him for going through with it. For Soviet communism, the international environment of the late 1980s was a relaxed setting in which, after much anguished reflection, to turn the gun on itself."

- Stephen Sestanovich
(1993: 30 - 31)

2: Centrifugal tendencies within the Soviet empire

"The acute phase of the fall of the communism started outside the Soviet Union and then spread..."
to the Union itself. By 1987, Gorbachev made it clear that he would not interfere with internal experiments in Soviet bloc countries. As it turned out, this was a vast blunder... If Poland could become independent, why not Lithuania and Georgia? Once communism fell in eastern Europe, the alternative in the Soviet Union became Civil War or dissolution. The collapse of the Soviet Union might well be called the revenge of the colonies."

- Daniel Klenbort(1993:107)

E : Domestic Environment

1 : Introspective repercussions

"It was the moral reassessment of the seventy-odd years of this socialist experiment that shook the nation, not Ronald Reagan's Star Wars."

- Vladimir Benevolenski and Andrei Kortunov(1993:100)

2 : Internal pressures

"Some conservatives argue that the Reagan defense buildup forced Gorbachev to change his policies. And, clearly, the Soviets were concerned about having to compete with U.S. technological superiority. But it seems likely that
internal pressures played as much, if not more, of a role in convincing the Soviet leader to agree to measures that cut his country's firepower more than they cut U.S. Strength."

- Carl P. Leubsdorf (1991:D3)

"The changes wrought by the thousands of people serving in the trenches (were) essential to events in recent years and at least partially responsible for (ending the Cold War)."

- David Cortright (1993: Forth coming)

"In less than two years, communism collapsed everywhere... The causes (were) the national communities, not social groups or individuals."

- Helene C d'Encausse (1993:270)

In the analysis of the Cold War's death, thus, we confront generically the difficulties associated with the well-known "level of analysis problem" (Singer 1961, Waltz 1954). The need exits, therefore, to trace the systemic conflict not only to factors operative at the systemic level but also to changes produced by actors and their activities at their respective levels through an integrated theoretical framework. The Cold War's expiration is not just a story of "how
America changed the world" (Haig and McCary 1993). If we open up the black-boxed factors, we can more piercingly investigate the ensuing international systemic transition. With the help of the framework presented earlier, we may now proceed to accomplish this task.

3.3.2: International power configuration

As argued while presenting the theoretical framework, international power configuration is the first and foremost among the determinants of an international systemic transition. The consequences of polarity configurations are not merely abstract academic cogitations. The global configuration of power actually determine the ways policymakers visualize their relative national capabilities and work out the "menu of choices" (Russett and Starr 1989).

For almost half a century it seemed that World War II was truly "the war to end wars" among the great and major powers of the world. The longest peace yet known rested on two pillars: bipolarity and nuclear weapons. During the war, Nicholas Spykman foresaw a post-war international order no different "from the old", with international society continuing "to operate within the same fundamental power patterns" (Spykman 1942). Realists generally shared his expectation. The behaviours of states, the patterns of their interactions, and the outcomes their interactions produced had been repeated again and again through the centuries despite profound changes in the internal composition of states. Spykman's expectations were historically well grounded and in part borne out. States have continued to compete in economic, military and all other ways worth of competition. The use of force has been threatened, and numerous wars have been fought on the peripheries. Yet, despite deep ideological and other differences, peace prevailed at the centre of international politics. Changes in structure, and in the weaponry available to some of the states, have combined to perpetuate a troubled peace (waltz...
1981). As the bipolar era has drawn to a close, we must ask two questions: What structural changes are in prospect? What effects may they have?

Rooted in the postwar structure of international politics, the cold war for more than four decades stubbornly refused to evolve into a warm peace. The cold war could not end until the structure that sustained it began to erode. Bipolarity worked against detente in the 1970s. The changing structure of international politics worked for detente in the 1980s.

Structural changes begin in a system's unit, and then unit-level and structural causes interact. We know from structural theory that States strive to maintain their positions in the system. Thus, in their twilight years great powers try to arrest or reverse their decline. For examples, in 1914, Austria-Hungary preferred to fight an uncompromising war rather than the internal disintegration that a greater Serbia would threaten; Britain and France continued to act as though they were great powers, and struggled to bear the expense of doing so, well in to the 1950s (The Economist 1990:101); at the end of that decade, when many Americans thought that they were losing to the soviets, John F Kennedy appealed to his nation with the slogan "Lets get the country moving again". And defense secretary Dick cheney resisted a 50 percent cut in American defense spending throught the 1990s with the argument that this "would give us the defense budget for a second-class power, the budget of an America in decline"(Gordon 1990).

The political and economic reconstruction attempted by the Soviet Union followed in part from external causes. Gorbachev's express wish to see the Soviet Union "enter the new millenium as a great
and flourishing State" (Gorbachev 1985) suggests this. Brezhnev's successors, notably Andropov and Gorbachev, realized that the Soviet Union could no longer support a first-rate military establishment on the basis of third-rate military economy. Economic reorganization, and the reduction of imperial burdens, became an externally imposed necessity, which in turn required internal reforms. For a combination of internal and external reasons, Soviet leaders tried to reverse their country's precipitous fall in international standing, but did not succeed.

In the fairly near future, say ten to twenty years, three political units may raise to great power rank: Germany, Japan, and China. In a shorter time, the Soviet Union fell from the ranks, making the international power configuration hard to define in the present and difficult to discern in the future.

The international power configuration is changing not because the United States suffered a serious decline, but because the Soviet Union did so, while Japan, China, and western Europe continued to progress impressively. For some years to come and for better or worse, the United States will be the leading country economically as well as militarily.

Changes spawn uncertainties and create difficulties when the changes are structural ones. Germany, Japan and Russia will have to relearn their old great-power roles, and the United States will have to learn a role it has never played before: namely, to coexist and interact with other great powers. The United States once reflexively isolationist, became interventionist after 1945, calling that doctrine as "internationalism" in euphemism. Whether isolationist or interventionist, however, American policies have been unilaterally made. Even when that country's involvement became global, yet most of
the decisions to act abroad were made without much prior consultation with other countries. This was entirely natural. Decisions are made collectively only among near equals. But watching the Germans directing Western policy toward the Soviet Union in the summer of 1990, Representative Lee Hamilton remarked that “this is an example of the new multi-polar world that’s going to make (Americans) learn a new meaning for the word ‘consult’. These days it doesn’t mean (Americans) going to Europe and telling them what to do.” (Apple 1990)

Because one of the two main foundations of postwar peace - nuclear weapons - will remain and the other - bipolarity - has disappeared in the post-Cold War era, we need to compare the problems of balancing the power in conventional and nuclear worlds. In a bipolar conventional world, a State has to estimate its strength only in relation to one other. In a multi-polar conventional world, difficulties multiply because a State has to compare its strength with a number of others and also has to estimate the strength of actual and potential coalitions. Moreover, in a conventional world, no one category of weapon dominates. States have to weigh their effectiveness of present weapons, while wondering about the effects that technological change may bring, and they have to prepare to cope with different strategies. “To be sure”, George Simmel (1904) remarked, “the most effective presupposition for preventing struggle, the exact knowledge of the comparative strength of the two parties, is very often only to be obtained by the actual fighting out of the conflict.” In a conventional world, miscalculation is hard to avoid.

In a nuclear world, one category of weapons dominate. Comparing the strategic strength of nations is automatically accomplished once all of them have second strike forces. Even, should some states have larger and more varied strategic forces than other, all would
effectively be at parity. The only way to move beyond second-strike forces is to create a first-strike capability or to put up an effective strategic defense. Since no one will fail to notice another state's performing either of these near-miracles, war through miscalculation is practically ruled out. Since no one has been able to figure out how to use strategic nuclear weapons other than for deterrence, nuclear weapons eliminate the thorny problems of estimating the present and future strengths of competing States and of trying to anticipate their strategies. And since nuclear States easily generate second-strike forces, they do not need one another's help at the strategic level. Strategically, nuclear weapons make alliances obsolete, just as General de Gaulle used to claim (Waltz 1990).

In a multipolar world, the United States as the strongest power will often find other states edging away from it: Germany moving toward eastern Europe and Russia, and Russia moving toward Germany and Japan (Fisher 1993). Yet despite the collapse of the Soviet Union and the dissolution of the Warsaw Pact, American policy continues to bank on NATO's continued cohesion and influence. Former U.S. Secretary of State James Baker asserted that, NATO "provides one of the indispensable foundations for a stable European security environment" (Baker 1991). But we may wonder how long NATO will last as an effective organisation. Alliance are organised against a perceived threat. We know from balance of power theory as well as from history that war-winning coalitions collapse on the morrow of victory, the more surely if it is a decisive one.

As the Soviet Union began to unravel, Josef Joffe, an astute observer of American and European affairs, saw that the United States would soon be "set to go home" (Joffe 1989/90). Europe and Russia may for a time look on NATO and on America's presence in western Europe as a stabilizing force in a time of rapid changes.
terim period, the continuation of NATO makes sense. In the long run, it does not. The presence of American forces at higher than token levels will be irritating to European states, when their security is not threatened.

How can an alliance endure in the absence of a worthy opponent? Ironically, the decline of the Soviet Union in eastern Europe entailed the decline of the United States in the West. Without a shared perception of a severe threat from Soviets, NATO would have never born. The Soviet Union 'created' NATO, and the demise of the Soviet threat 'freed' Europe, west as well as east. And freedom entails self-reliance. In this sense, both parts of Europe are now setting forth on the exhilarating but treacherous paths of freedom. In the not-very-long run they will have to learn to take care of themselves or suffer the consequences. Possibly and justifiably, American withdrawal from Europe will be slower than Soviet Union's. America with its vast and varied capabilities, can still be useful to NATO members, who may be willing to avail of such advantages. Some hope that NATO will serve as an instrument for constraining Germany. But once the new Germany finds it feet, it will no more want to be constrained by the United states acting through NATO than by any other State. So, if not days, surely NATO's years are numbered.

Peace is sometimes linked to the presence of hegemonic power, sometimes to a balance among powers. To ask which view is right misses the point. It does so for this reason: the response of other countries to one among them seeking or gaining preponderent power is to try to balance against it. Hegemony leads to balance, which is easy to see theoretically. That is now happening. But it is happening haltingly because the United States still has benefits to offer and many other countries have become accustomed to their easy lives with the United states bearing many of their burdens.
What is new in the proclaimed new world order is that the limitations and restraints now apply weakly to the United States. Yet since foreign policy behaviour can be explained only by a conjunction of external and internal conditions, one may hope that America’s internal preoccupations will produce not an isolationist policy, which has become impossible, but a forbearance that will give other countries at long last a chance to deal with their own problems and to learn from the consequences of their own mistakes. But given American temptations for adventures in chaos (Macdonald 1992), hardly anyone would bet on it!

3. 3. 3 : Capability of Major Actors

Related intrinsically to and shaped substantially by the international power configuration is the second determinant of the nature and structure of systemic conflict. In contrast to all the past situations our new situation is highly fluid in the sense that many of the stabilizing actors of international order during the past four decades are either gone or are undergoing rapid transformations.

In effect, the U.S. designed post-war system largely made possible the changes that have been transforming it. For its core and associates members, the system provided a quarter of a century of secure, orderly, and calculable international conditions. The system was free of major wars and strongly conducive to high rates of economic growth and rising living standards, and it fostered the sense of national identity and self-confidence in both old and new nations. This favourable environment was essential in bringing about the developments in the motivations and capabilities of the members of the system that, in turn, have been changing their relative positions and the ways in which they interact.
This section deals broadly with the major alterations in the capabilities of major international actors that have become increasingly apparent.

The Soviet power has indeed mellowed. The external Soviet empire in the eastern and central Europe has collapsed. The newly independent republics of the earstwhile Soviet Union are being transformed as a result of political, ethnic and national conflicts and economic distress. The baltic republics have already declared their independence and rest of the republics are slowly moving to a degree of autonomy within the framework of Commonwealth of Independent States (CIS), headquartered in the Minsk. No one can confidently predict if or how long this Commonwealth will survive as an effective force - internally as well as externally. It is obvious that as an inheritor of a mega State, the Russian republic is emerging as a dominant political force among these newly created republics.

The Soviet Union had, and Russia continues to have, impressive military capabilities. But great powers do not gain and retain their rank by excelling in one way or another. Their rank depends on how they score on the combination of the following items: management of international and domestic environments, creation and consistent enhancement of multi-faceted national capabilities, reasonable and practical conception of national objectives and relevant and capable strategy. The Soviet Union, like Czarist Russia before it, was a lopsided superpower; compensating for economic weakness with political discipline, military strength, and a rich territorial endowment.

In the new world, we may presume that the years during which Russia with its many weakness will count as a great power are numbered, and that the numbers are pretty small ones. Although Russia
has more than enough military capability, technology is advancing very rapidly, and Russia simply cannot keep pace with advancement.

The collapse of the Soviet empire has enhanced China's capability in world affairs. China is rapidly becoming a great power in almost every dimension: internal economy, external trade and military capability.

From 1965 to 1980, China's annual economic growth rate averaged 6.8 percent and from 1980 to 1990, 9.5 percent. Western economist estimate that China can sustain growth rates between 6 and 9 percent without serious inflammatory problems. An economy that grows 8 percent yearly doubles in size every nine years. The World Bank estimated that China's GDP in 1990 was $364,900 million (1992). If China manages to maintain effective government and a measure of economic freedom for its industrious people, within a decade it can be in the great-power ranks. But the western antagonism resulting from the Tiananmen Square crackdown and subsequent Chinese disregard for human rights and supression of democratic movement in china, poses a delimma for China's communist leaders as to where should they apply China's weight on the global scales of power? The communist leaders need Western technology and know-how to modernize their economy, but they may also need to repress democratic forces in China to maintain total power. Whatever China may ultimately decide, her immense population, almost virgin investment ground, large and expanding military with substantial stockpile of nuclear weapons make China a formidable international actor.

Although most Japanese now shy away from the thought that their country will once again be a world power, most Chinese do not (Waltz 1993). Balance of power politics in one way or another characterise
all self-help systems. Nations have to make choices. They can always choose not to develop counterweights to the dominant power, presently the United States, or not to balance against a rapidly growing one, such as China. India, Pakistan, Argentina, South Africa, North Korea and may be a few more perhaps wield nuclear military force like China, capable of deterring others from threatening their vital interests. Increasingly Japan, will be pressed to follow suit and also to increase its conventional abilities to protect its interests abroad. The United States, with the reduction of its forces, a Cold War weary people, and numerous neglected problems at home, can not hope to contain the growing economic and military might of a country of some 1.2 billion people, while attending to other security interests. Unless Japan responds to the growing power of China, China will dominate its region and become increasingly influential beyond it.

The rise of Japan has been an almost continuous process since the proclamation of the "Japanese Miracle" in the early 1960s. In the decade of the eighties that began with the publication of 'Japan as Number One' (Vogel 1979), Japan's economic march has expanded into high technology industrial sector and international finance - an expansion that fundamentally changed its bilateral relationship with the United States.

Much in Japan's institutions and behaviour supports the proposition that Japan will once again take its place among the great powers. In most of the century since winning its Chinese War of 1894-95, Japan has pressed for preeminence in Asia, if not beyond. From 1970s onward Japan's productivity and technology have extended its influence worldwide. Mercantilist policies enhance the role of the State, and Japan's policies have certainly been mercantilist. Miyoei
Shinohara (1982), former head of the economics section of the Japanese Economic Planning Agency, has succinctly explained Japan's policy: "The problem of classical thinking undeniably lies in the fact that it is essentially "static" and does not take into account the possibility of a dynamic change in the comparative advantage or disadvantage of industries over a coming 10-20 years period. To take the place of such a traditional theory, a new policy concept needs to be developed to deal with the possibility of intertemporal dynamic development". In a dynamic world, "competition tends to become brutal", and theories "framed in a hypothetical world when Adam Smith and David Ricardo were predominant are no longer applicable" (Shinohara 1982). Whether culturally ingrained or rooted in the structure of government, Japan's economic policy is not likely to take any new direction, even under American pressure. The United States may accuse Japan of unfair trade practices, or the United States may instead, as Bruce Scott (1985) suggests, recognize that Japan has a strategy of "creating advantages rather than accepting the status quo", simply put, its "approach may be more competitive than (that of the U.S.)".

Japan's successful management of its economy is being followed by the building of a regional economic bastion. Quite a few Japanese talk and write as though this represents their future. Other leading States have taken notice. The United States made a defensive gesture of despair by putting the "Super 301" retaliation trade-sanction clause in the 1988 Omnibus Trade and Competitive Act to be used as a lever for the opening of Japan's economy more widely to America's - and of course to others' - exports, and the European Community strove to achieve economic unity in 1992 partly out of fear that a disunited Europe can't stand up to Japanese and American Competition (Waltz 1993). Economic competition is often as keen as military competition, and since nuclear weapons limit the use of force
among great powers at strategic level, we may expect economic and technological competition among them to become more intense. Thus, as Gorbachev reminded the Central Committee of the CPSU in May of 1986, the Soviet Union "is surrounded not by invincible armies but by superior economies" (Doder and Branson 1990).

When Japan surrendered on August 15 1945, Homer Bigart of the New York Herald Tribune (Quoted in Severa 1991) wrote that, "Japan, paying for her desperate throw of the dice at Pearl Harbor, passed from the ranks of the major powers at 9:05 a.m. today". In 1957, when Carter, Hertz and Ranney (1957) published the third edition of their Major Foreign Powers, Japan was not among them. In 1964, projecting national economic growth rates to see which countries might become great power by the end of the century, Waltz (1983) failed even to consider Japan. Yet today Japan is ready to receive the mantle if only it will reach for it.

Like Japan, Germany has recently shown an inclination to play a more prominent role in the world. The new principal factor in Europe is the old principal factor Germany. A united Germany occupied almost 140,000 square miles of territory, holds a population of 78 million people, is an economic powerhouse with even greater potential, and is located in the strategic center of Europe. President Bush described the Houston meeting of heads of government held in July of 1990 as the first economic summit conference of the post-war era. Chancellor Kohl emerged at the summit as a dominant leader, and Prime Minister Thatcher noted that, "there are three regional groups at this summit, one based on the dollar, one on the yen, one on the Deutschmark" (Quoted in Rosecrance 1990).

The new unified Germany is the leading state in Europe in both economic and military power. East Germany added a GDP only one sixth as large as west Germany's, but this is far short of its potential. For some years the eastern part of Germany will be a drain on its
economy. For Germany's place in the world how much does that matter? We often underestimate the economic disparities among great powers now as we did in pre-nuclear days. To cite an example, Japan and the United States in 1940 had the GNPs of $9 billion and $100 billion, respectively, and per capita incomes of $126 and $754 (Bureau of the Census 1975). In the pre-nuclear era, a poor country aspiring to a place among the great ones had to discipline its people and harness its resources to its military aims. In the nuclear era, countries with smaller economic bases can more easily achieve great-power status. Although a united Germany's GDP is smaller than Japan's, in one sense Germany is already more of an economic presence globally than Japan, and even rivals the United States! In four of the seven years from 1986 through 1992, Germany's exports were larger than America's and they were always larger than Japan's as shown in the following table.

Exports in billions of U.S. dollars

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>227.16</td>
<td>254.12</td>
<td>322.43</td>
<td>363.81</td>
<td>393.59</td>
<td>421.73</td>
<td>447.47</td>
</tr>
<tr>
<td>Germany</td>
<td>243.33</td>
<td>294.37</td>
<td>323.32</td>
<td>341.23</td>
<td>410.10</td>
<td>402.84</td>
<td>422.47</td>
</tr>
<tr>
<td>Japan</td>
<td>210.76</td>
<td>231.29</td>
<td>264.86</td>
<td>273.93</td>
<td>287.58</td>
<td>314.79</td>
<td>340.00</td>
</tr>
</tbody>
</table>


Moreover, Germany is in the best position to play a leading role in eastern Europe, Ukraine, and Russia. *Newsweek* (1990) quoted a top adviser to Chancellor Kohl as saying, "We want to lead. Perhaps in time the United State will take care of places like central America and we will handle eastern Europe." Ironically, Japan in
Asia and Germany in eastern Europe are likely to replay roles in some ways similar to those they played earlier.

For Germany and Japan the problems of becoming a nuclear power are not economic or technological; they are political. In time, internal inhibitions can be overcome, but other countries will be made uneasy if Germany or Japan become a nuclear powers. We have been through this before. Americans treated the prospects of China's becoming a nuclear power as almost unthinkable. Yet China and other countries have become nuclear powers. Why should nuclear weapons in German and Japanese hands be especially worrisome? Nuclear weapons have encouraged cautious behaivour by their possessors and deterred any of them from threatening each other's vital interests. Some countries may fear the effects that may follow if Germany and Japan go nuclear, but who will try to stop them if they chose to go nuclear? A preventive strike, launched before any warheads can possibly have been made, would be required. Israel's destruction of Iraq's nuclear facility in June of 1981 set the precedent. Would anyone want to follow it by striking at Germany or Japan? The question answers itself.

While it is true that the United states and her allies have won the Cold War and the former remains the only genuine super power, its superness is tempered by several factors. In order to avoid repetition and deal on this aspect elaborately we propose to take it up in subsequent section and in more detail in chapter 5 where the role of the U.S. in the new world is to be discussed and analysed more critically.

Finally, we may briefly deal with the role of a host of regional organizatations and the U.N. in the post-cold War era.
The end of the Cold War bipolar conflict means that the United States and other great powers must find new ways of relating to a Third World that is growing increasingly influential and is seeking to be master of its own destinies. Over the past decade or more, there has been a marked growth in regional organizations within the Third World designed to deal with the related problems of solving internal disputes and reducing the role of outside powers in regional affairs. These organizations have mixed records, and some could pose threats to broader global interests. Nonetheless, the trend toward regionalization is pervasive, and in many cases regional organizations can deal with problems that the great powers can no longer want to handle. Therefore their general approach would be to let regional organizations carry as much of their burden as possible (Thornton 1991).

The remarkable events of the post-Cold War era has seen multilateral diplomacy result in three key phenomena: international cooperation on a broad scale, international collective security, and the efforts for revitalization of the United Nations as an international organization that can accomplish some of these tasks.

The centrepiece of this, of course, has been the Security Council. For the first time in its history, it is functioning concordantly as it was designed to, dealing with threats to and breaches of peace and with the preservation of international security.

The changes are certainly measurable, and many of them resulted from the Persian Gulf crisis. The major lesson of the Gulf crisis was that the international collective security system set up in 1945, if invoked in right spirit, was able to deal with a very large, massive aggression.
The U.N. role is likely to continue to expand beyond international security concerns into areas such as temporary government administration, election monitoring, humanitarian assistance, and disaster relief. But attention must also be on the nearly universal Third World fears focused that the U.N.'s renaissance will be dominated by a First World perspective. The concerns of developing countries - such as debt, global resource distribution pattern, and economic development - cannot be brushed aside.

In the broadest sense, the post-Cold War World will require global institutions with the power and authority to address the increasingly global issues of the new millenium. The coming decades will demand larger roles for international institution in the management of environmental degradation, population growth, energy exhaustion, and the global movement of capital, goods, services, information and people. Will the scale of management of human affairs keep up with the continuously increasing degree of global interdependence? The international community must address that question today, not tomorrow.

3.3.4: Pattern of International Resource and Wealth Distribution

The third determinant of the nature and structure of systemic conflict, namely the pattern of international resource and wealth distribution, is the most crucial of the determinants. In a sense, it is this determinant which determines to a very significant extent both - international power configuration and capability of major international actors. It is, however, true that at a later stage the pattern of international resource and wealth distribution is also influenced by international power configuration and capability of major international actors. This is so because, having attained a commanding leverage in the international system, each of those major actors seek to maintain and con-
solidate the pattern of international resource and wealth distribution which favours the continuation and enhancement of its own capabilities. In this sense, there is a kind of symbiotic relationship between the pattern of international resource and wealth distribution and capabilities of major international actors.

The most important international distributive changes have been in the world market shares and international monetary system in relation to the U.S. and other members of the system. The most important structural change has been in the economic position of the United States relative to other members of the system. True, the absolute indicators of U.S. economic capabilities have grown substantially during and since the post-war period. But the corresponding economic capabilities of other nations, especially their competitiveness in foreign trade, have increased faster. Thus, they have been able to narrow the gap between their economic positions and that of the United States - a gap that helped to make the U.S. hegemonic role possible.

Other nations have owed their strengthened economic positions to the favourable interactions between internal improvements in their economic capabilities and the growing opportunities for expanding their external economic relations as barriers to international trade and payments were steadily reduced, and in many respect abolished, during the post-war period. Indeed, after tariff reductions and other changes agreed to in the sixth round of GATT negotiations in the 1960s went fully into effect, the world market economy was closer to the free trade ideal than at any time in its history. However, from the point of view of national economies, this development had ambivalent impacts. While it continuously opened up new opportunities for trade, thereby greatly stimulating economic growth, at the same time, it meant that the world market economy was becoming
increasingly competitive, with comparative advantages shifting more rapidly between national economies as their relative factor costs changed and technological innovations were disseminated much faster than pre-war period. Thus, the more integrated the world market economy has become, the more the participants have been experiencing the adverse short-term effects of adjustments even as they have been reaping the gains of trade.

The changes in the world monetary system have been more complex. There has been a major redistribution of the shares of world monetary reserves held by the United States as compared with other countries. In 1950, U.S monetary reserves, mostly gold, comprised half of the world total; by 1980, they were only 6 percent. Dollars have continued to be the largest portion of the currency component of the monetary reserves of other component of the monetary reserves of other countries, but the proportion has been declining from more than 80 percent in the late 1970s, to less than 70 percent in the mid 1980s. (Geiger 1988) The dollar is still the currency in which most international trade is denominated, although the shares invoiced in Japanese yen and German marks have been rising. The dollar has ceased to have a fixed value in terms of gold and, hence, to be the universal standard in terms of which the exchange rate of other currencies are fixed.

The latter development, which occurred during the early 1970s marked the passing of the international monetary system established at the Bretton Woods conference. Beginning with the so called Nixon shock of August 1971, the United States took a series of actions designed to eliminate its balance-of-payments deficit and the resulting drain of gold from its monetary reserves, which were largely due to the accelerated overvaluation of dollar during the late 1960s. In
addition to imposing a temporary surcharge to discourage the im-
ports, it first devalued the dollar by doubling the price of gold and
announced that it would no longer convert dollars into gold at re-
quest of other governments. When these measures proved ineffect-
tive it got the members of the IMF to agree to a radical change in the
world monetary system. This was the elimination (1) of a fixed rate
between the dollar and gold, whose price was thereafter free to fluc-
tuate in accordance with supply and demand, and (2) of fixed rates
of exchange for other currencies in terms of dollars. Since 1973,
countries have not been required to maintain fixed exchange rates,
as they were under the Bretton Woods system.

As these changes occurred, trade and monetary flows could respond
more readily, through the medium of fluctuating exchange rates, to
the differentials in the prices and interest rates among national prod-
uct and financial markets. In consequence, major inflationary and
deflationary forces have been more rapidly and drastically transmit-
ted throughout the world market economy; witness the rapid trans-
mission to other countries of the so-called Great Inflation of the 1970s
and the deflation of the early 1980s.

The increasing integration during the 1970s and 1980s of the inter-
national financial markets has also been made possible by

technological innovations in electronics and telecommunications, by
the development of new forms of financial assets, new facilities for
trading in futures, options and indexes and computerized programs
for managing portfolio investments and speculations. Due to these
changes and the virtual abolition of controls on transborder currency
and capital movements, enormous amount of funds started being
shifted by private sector organizations between and across national
financial markets.

The other major shifts in the international resource and wealth dis-
tribution pattern that emerged from the developments of the post-
62
war period have been those with regard to Japan, the newly industrializing countries (NICs) in Asia and Latin America the members of the Organization of Petroleum Exporting Countries (OPEC).

Beginning in the early 1960's, Japan's climb to international economic preeminence was spectacular. Adept at borrowing and improving the newest and most efficient product and process technologies, Japanese enterprises have been stimulated and assisted by their government to undertake export drives targeted at vulnerable product markets in the United States and EC. Japan's exports have moved progressively up the technological scale from textiles to steel to automobiles and shipbuilding to consumer electronics and, in the 1980's, to computer, robotics and high technology capital goods. In consequence, Japan's share of the total world trade in manufactured goods rose from 5.6% in 1960 to 6.3% in 1970, to 11.3% in 1980 and 20% in the mid-1980s (Geiger 1988). By the 1980s, Japan had surpassed Western Europe as the largest source of capital for external direct and portfolio investment after the United States and by 1985, its total capital outflow exceeded that of the latter.

The NICs comprise four east Asian economics - Hong Kong, Singapore, Taiwan, and South Korea - that have been following in Japan's footsteps, as well as several Latin American nations that have succeeded in developing manufacturing industries for export, notably Brazil and Mexico. During the 1970s the NICs concentrated their export efforts in lines of production that were labour-intensive, made standard products and, hence those areas in which their abundant readily trained and low-cost labour forces gave them a substantial advantage over their high wage competitors in North America, EC and, most recently, even Japan. Over the decade of the 1970s, South Korea's manufactured exports grew at an annual average of 33%, Singapore's at 30%, Taiwan at 28%, and Hong Kong at 21%, while Brazil grew at 32% and Mexico at 14% (Geiger 1988). In the 1980s,
the East Asian NICs began to produce high technology goods for export and countries in south Asia, for eg. India, Malaysia, and Thailand and in Latin America, eg. Columbia, have been moving to join their ranks, which will undoubtedly expand further in the future.

During the 1970s, the OPEC countries were able to take advantage of temporary political and economic condition favourable to the exercise of monopoly power by an exporter's cartel to triple the real world market price of petroleum in 1973-74 and double it once again in 1979-80. These moves greatly enhanced their economic positions in the world market economy and effected the global resource distribution pattern. The resulting OPEC current-account surplus, which mounted to a peak of $ 106 billion in 1980, was largely invested in the financial markets of the OECD countries, partly in their governments' securities but mainly as short-term deposits in the big international U.S., European, and Japanese banks. In turn, the banks recycled these enormous funds as higher-interest loans to their own governments and private-sector enterprises and to governmental and private-sector borrowers in the petroleum-importing countries, thereby altering the global wealth distribution pattern.

During the first half of the 1980s, however the temporary conditions that had supported the Cartel's monopoly power disappeared. Both the rising petroleum prices and the partly resultant general inflation stimulated intensified efforts to find new sources of oil and other natural fuels of renewable kind. Energy exploration and conservation combined in the mid-1980s to increase the supply of and reduce the demand for petroleum, in relative sense, leading to lower prices. At the same time the world wide recessionary forces also contracted the demand for petroleum in general.
In sum, the developments of the post-war period bequeathed to the current period three major alterations in the pattern of international distribution of resources and wealth. The first is the change in the position of the U.S. economy relative to the world economy that has made it significantly more dependent upon the latter and, hence, more susceptible to the adverse short-term effects of the adjustment process. The second is the greatly increased importance in the world economy of the EC, Japan and the NICs, as well as of the OPEC countries whenever supply and demand conditions give the cartel sufficient monopoly power. The third is the system of fluctuating exchange rates and highly integrated financial markets that has resulted in the more rapid and drastic transmission of inflationary and deflationary pressures to the participants in the world market economy.

Transition of a system is a long, slow and difficult process. The present identification and analysis of the determinants of the post-cold war international systemic transition may be seen as a kind of an analytical spade-work. It may provide Economists, Policy-makers, statesmen and thinkers with a clue to the dimensions and imperatives of the incipient systemic transition in the post-cold war era, thus aiding to formulate a strategy to navigate through the transitional process to the direction of general human welfare and prosperity. As the forces at play are clear, we can struggle for our preferences. We can analyze probabilities. But, we cannot foretell, because we do not yet know for certain how the conjunction of forces at play will constrain the pace and direction of transition, and even less do we know what new possibilities of human liberation and prosperity will they shape. The only thing of which we may be certain is that, this transition will not result into an utopia, but into a slow construction of a relatively free and egalitarian world order. This and only this can best permit and promote each individual and the species to realize their potential in their only home, the earth.
References


East". Address to the Aspen Institute, Berlin Germany, June 18

Berzezinski, Zbigniew 1992. The cold war and its Aftermath. For 
eign Affairs, fall.

Bureau of the Census. 1975. Historical statistics of the United States 
 : U.S. Department of Commerce.

fairs. 69:1.


Cox, Michael. 1990. From the Truman Doctrine to the Second Super 
power Detente : The Rise and Fall of Cold War. 

D’ Encausse, Helen Carrere. 1993. The End of the Soviet Empire : 


Dusko, Doder, Louise Branson. 1990. Gorbachev : Heretic in the 


Interest, 31.


------. 1993. What was Bipolarity? *International Organization*, 47:1


