5 The World Economy

In the previous lecture we looked at the United Nations as the principal institutional expression of modern interdependence and the leading vehicle of the 'New Diplomacy'. The range of its activities is wide, the range of its deliberations and concerns wider still. It is apparent that the United Nations, however much reformed or restructured, is unable on its own to manage interdependence. There is an enormous amount of business which must be transacted internationally yet which, for one reason or another, cannot be handled by or through the UN. As was explained at the end of Lecture 1, a practical means of assessing this requirement is to look at the reality of the world economy and the arrangements which governments need in tackling it.

As ever, precision is required. What do we mean by 'the world economy', a phrase which has long been in existence? We do not mean simply the internationalising of the economic process per se, important though this is. On the other hand, we should be cautious about the use of such all-embracing phrases as 'the Global Village' or 'Planet Earth'. While they have a useful role in stimulating thought and, indeed, aspiration, they may distract attention from the transaction of more detailed, but none the less essential, business at local, national or regional level. What we are concerned with is something in between, which is comprehensive yet specific: namely the ensemble of factors which enter into the international pursuit of economic and social progress, one of the key objectives of mankind, as set forth in the Charter of the United Nations. We pursue this objective, moreover, not only in its own right, but also as a concomitant of the other key objective of foreign policy, namely, ensuring peace and security. The 'world economy', on this definition, extends to virtually the whole range of human concerns in an interdependent world. The 'Old Diplomacy' would be quite unable to cope with such a task. The 'New Diplomacy' needs a variety of mechanisms with which to meet it. It must deal with international society as it is today, as described in Lecture 2. It must accept the limitations on the capacities of governments, as explored in Lecture 3. It must use to the maximum the scope which the UN offers, not only for keeping the peace, but also for advancing human welfare, as discussed in Lecture 4.
'PRIMARY' AND 'SECONDARY' GLOBALISATION

The word 'globalisation' is much in use as an expression of world-wide interdependence. Once again, it is a word which suffers from imprecision. By 1914, that is, during the lifetime of the 'Old Diplomacy', the world had reached an advanced stage of cross-boundary activity, as measured by standard criteria such as exports as a percentage of gross national product, the volume of direct foreign investment, and the scale of migration. International flows of goods, services, capital and people had been encouraged for centuries, not least through the classic device of concluding treaties of friendship, navigation and commerce. Colonial expansion was likewise related to economic development: 'trade follows the flag'. Two world wars, separated only by 20 years of troubled peace, caused a sharp set-back to the process of globalisation. The share of trade in GDP did not return to 1913 levels until 1970 in the case of OECD countries generally. In the case of the United States this did not occur until the late 1980s. For many Latin American and Asian countries the current share is lower than it was 80 years ago. As regards direct foreign investment, the total stock was 9 per cent of GDP in 1913, a figure not regained as late as 1990. There has, however, been a very rapid increase in direct foreign investment since the mid-1980s. The movement of people is another story. Migration from Europe to the United States, Canada, Australia, Argentina and Brazil in the 30 years or so before 1914 was far greater proportionately than it is now. Present controls on migration stand in stark contrast to the scale and speed in the international movement of other factors of production.

It is clear that when we look at the 'world economy' as an institutional feature of diplomacy, it is not 'globalisation' per se which concerns us, but rather the depth and the quality of interaction. The 'world economy' of 1914 was, broadly speaking, commercial and imperial. The twentieth century, in its multifaceted interdependence, has produced a far more intricate form of 'globalisation' - 'secondary', rather than 'primary' globalisation. In Lecture 1 we considered a series of 'invasions' of the political foreground which explained the transition from the 'Old Diplomacy' to the 'New'. There has been an overlapping series of invasions of the commercial and imperial foreground of the world economy. This series, subject to all the reservations applying to its predecessor, with which it naturally bears a close relationship, might be set out as follows: