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Peace, Economic Stability and NATO

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In 1953, Charles H. Bonesteel wrote an article in the *Annals of the American Academy of Political and Social Science* in which he said:

NATO, then, or the western civilization, or the nation-states of the West, have a twofold task. First is the present job of building a hard core of military strength as a shield for the free world. But the infinitely more difficult job is to fit the West into a greater and more constructive order of affairs within which the underdeveloped countries can also accommodate themselves, and which can better meet the aspirations, allay the fears, and develop the physical and intangible potentials of all peoples not enslaved by Communism. If this can be done, or if even the intention to do it can be made manifest, a common purpose may be given to all the free world.¹

Today, we may suspect that the relevancy of these words

is extremely doubtful. For then there was a clear common enemy, with a clear inimical purpose. We live in the aftermath of the end of the cold war and ever since the days the Berlin Wall fell that we hear all sorts of people arguing for either the dismantlement of NATO, or the need of NATO to reinvent itself. Of course, adverse political realities are taking care of all that. But everyone agrees that as soon as the enemy against which a defence alliance was formed collapses an immediate crisis is provoked within that same defence alliance. The clear and threatening existence of a common enemy is one of the fundamental conditions for the political coherence of any defence alliance, the other being some set of common political values and principles shared by the allies. However, one should also keep in mind that a defence alliance has two objectives. We can divide them in long-term objectives in contradistinction with short-term objectives. The short-term objectives are related to war,

¹ Charles H. Bonesteel, "NATO and the Underdeveloped Areas" (*The Annals of the American Academy of Political and Social Science*, vol. 288, no. 1, 1953).



that is, it is all about military protection against clear and present dangers. In this regard, guns and military organization are paramount. But long-term objectives are related not to war, but to peace, that is, the maintenance of peace or the prevention of unforeseen threats by means other than military. Again, we may be sceptical that a defence alliance such as NATO should have other than short-term objectives. It is, after all, a military alliance.

This all may sound as the illegitimate imposition of a civilian in a purely military realm, or the intromission of an academic wishing to demand more from NATO than it can possibly give. But the author of the words quoted above, Charles H. Bonesteel was a military man and a distinguished one at that. This fact should comfort us in our mild illusion of political realism when dealing with this question. If anyone still feels uncomfortable with the notion that a defensive military alliance should have economic concerns while delineating its strategy, then we have to consider article 2 of the North Atlantic Treaty which reads:

The Parties will contribute toward the further development of peaceful and friendly international relations by strengthening their free institutions, by bringing about a better understanding of the principles upon which these institutions are founded, and by promoting conditions of stability and well-being. They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them.

And in the Alliance's Strategic Concept published in 1999, it is said that "the Alliance is committed to a broad approach to security, which recognizes the importance of political, economic, social and environmental factors in addition to the indispensable defense dimension". It adds that the "Alliance seeks to preserve peace, support and promote democracy, contribute to prosperity and

progress, and foster genuine partnership with and among all democratic Euro-Atlantic countries".²

Anyone can recognize that NATO evolved into a defence alliance of democracies. In the past that was not the case. One only has to think of Portuguese membership since the very beginning of the alliance when Portugal still was an autocracy. But today it is safe to say that NATO's mission is to defend democratic countries against its enemies or stand at the service of their democratic purposes. By protecting democracies and by being at the service of democratic foreign policies NATO is building peace for the future. This is true, of course, if you believe the old assertion that democracies do not fight each other, or that one main condition of "perpetual peace"

is that all states in the peaceful sphere of the world should be republics.

Nowadays, many social scientists contest this axiom. Some argue that this is not an historical-empirical statement of fact, although they recognize that in recent times,

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2 NATO, "The Alliance's Strategic Concept", 1999, part III.



maybe due to the historical experience of NATO, it has become approximately true. Others even argue that “[non-democratic] states are likely to make the transition to democracy after alliances have been formed”, with the proviso that “border issues with all neighbouring states have been resolved”.³ One can see that NATO acts as a facilitator of democratic consolidation and even of transitions to democracy because membership in the alliance, or partnerships with it, reduce external threats, a key concern in some countries with fragile political conditions, since non-democratic regimes tend to flourish in societies fearful of external threats;⁴ it “increases the perception that NATO alliance members will honor and protect the independence and sovereignty of aligned states that are threatened”, thus acting as crucial element of internal political stability.⁵

But if international peace can be built, or prepared, or promoted, by political means, one should also consider the possibility that there is an economic

way of building or preparing peace as well. The North Atlantic Treaty, as quoted above, underscores the need to promote “conditions of stability and well-being”, the

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political imperative of eliminating “conflict in their international economic policies” encouraging “economic collaboration between any or all of them”. But, as Bonesteel insisted almost 60 years ago, NATO needs to confront a wider horizon and realize that there is a world outside NATO which must be reconciled to it, and in that regard the economic way of building peace becomes crucial.

In the eighteenth-century, it was almost a commonplace to state that commerce among nations leads to peace. As Montesquieu famously put it: “The natural effect of commerce is to lead to peace”,⁶ and men such as Adam Smith, David Hume, François Melon, Ferdinando Galiani subscribed to it almost without qualifications. Even Kant seemed to go along with it. As it happens with all political ideas it also had its own detractors. Rousseau, for example, was more than a little upset by the consensus around this idea. He saw in that consensus a symptom of, no more, no less than “political fanaticism”. I would suggest that this

comment is a good barometer of the pervasiveness of this notion that commerce produces benign effects over the international stage. For the proponents of commerce as an activity conducive to peace, this question was no mere ideological prejudice. More than a simple economic

3 Douglas M. Gibling and Jamil A. Sewell, “External Threat and Democracy: The Role of NATO Revisited” (*Journal of Peace Research*, vol. 43, no. 4, 2006), p. 413.

4 Gibling and Sewell, “External Threat and Democracy”, p. 428.

5 Gibling and Sewell, “External Threat and Democracy”, p. 416.

6 Montesquieu, *Esprit des Lois*, XX.2.



activity, commerce is an ideal of communication between men. In the eighteenth-century, in several languages – English, French, Portuguese, Spanish, the world itself – commerce – was used in many different contexts to convey the notion of communication and relationship. Commerce, it was thought, puts men in communication with each other; it creates a durable, concrete relationship where there was none. Thus, men gradually lose the feeling of strangeness towards each other. They become a “spectacle” to everyone else. Since the stranger is the enemy, or at least he is the one who can be dehumanized, harsh enmity is eroded by this attenuation of the feeling of strangeness. In Ancient China, the ancestor of today’s economic prodigy, markets represented not only the physical space where trade took place, but also the point of “encounter” and “balance” of the *yin* and of the *yang*, thereby gaining a symbolic meaning of harmony and peace. That was why revenge killings were severely prohibited in all market areas.⁷

I do not wish to compare which of the two thesis, democratic peace, on the one hand, and commerce as conducive to peace, on the other, is more robust. That would take me beyond the purposes of the present paper. Social scientists like Solomon Polacheck feel enough confidence to reach the conclusion that “democracy per se does not reduce conflict. Instead a more fundamental factor than being a democracy in causing bilateral cooperation is trade”.⁸ But a comprehensive view of this subject would have to take into consideration both empirical and philosophical arguments. Suffice it

to say that NATO shares both objectives: peace through the spread of democracy and human rights and peace through commerce and economic cooperation.

Applying this lesson to our contemporary world, we could argue that falling into the temptation of protectionism on the part of Western leaders is not only bad in economic terms; it is also a wrong security strategy. NATO is particularly good at reducing the level of military threat experienced by member states;⁹ it should also be good at reducing the level of external economic threat experienced by countries around the world, either by elimi-

inating the possibility of energetic blackmail, guaranteeing the security of economic routes or promoting free trade among nations and regarding economic prosperity as a main security variable.

But although someone attentive to present conditions may accept that commerce, that is, the actual exchange of goods and services, in fact has all those benign effects, he will hurry to point out that in our days the economic source of instability is fi-

nancial. The crisis we are experiencing worldwide should make us consider this source of economic insecurity. Let us recall that this crisis began as a financial crisis. And before that financial events have been the source of extreme economic volatility and instability. Before 2008, we had the so-called Asian crisis which extended far beyond the confines of East Asia. Financial volatility and disruption has become a central focus of concern given the effects it produces over the real side of the economy, the extreme speed with which it promotes winners and losers, the scaring way in which it changes expectations and behaviours in markets. All this combined sometimes can

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7 Chevalier, et al, *Dicionário dos Símbolos*, trad. portuguesa Cristina Rodriguez e Artur Guerra (Lisboa: Editorial Teorema, 1994), p. 449.

8 Solomon Polacheck, “Why Democracies Cooperate More and Fight Less: The Relationship Between Interantional Trade and Cooperation” (*Review of International Economics*, vol. 5, no. 3, August 1997), p. 306.

9 Gibling and Sewell, “External Threat and Democracy”, p. 414.



lead to disastrous political consequences, including lack of confidence in markets and open societies.

In a book published in 1921, Arthur Cecil Pigou, at the time one of the most reputed economists in Europe, while admitting the peaceful tendency of commerce, warned that international finance could cause, and sometimes in past actually caused, wars. Thus, for economists such as Pigou and Lionel Robbins some aspects of economic interdependence like strategic resource dependence and disruptive international financial flows could jeopardize peace.¹⁰ But the question is not

international finance as such, for financial flows are just the other side of the coin of international trade. It is rather the not so simple question of sobering up financial swings a little.

There has been a lot of discussion over whether volatility is correlated with growth, and by volatility I do not mean the usual ups and downs of the business cycle, but as generated by discrete, disruptive events linked to financial flows. For many, volatility simply reflected the necessary risk-taking of a high-growth, future-oriented economy, the mere reflection, as it were, of a Schumpeterian “creative destruction”. Therefore, “normal” volatility should be distinguished from “crisis” volatility. But today it seems to be safe to say that the correlation between volatility and economic growth is negative. “In the last four decades, at least the 40 most volatile countries in the world are developing economies”. Volatility affected economies both small and large. On the other hand, “nine of the ten least volatile countries in the world

belong to the OECD”. Moreover, in the last two decades “the negative effect of volatility on growth has become considerably larger”.¹¹ Volatility hurts especially poor countries which usually have less resilient political and social structures. Many, if not all, good aspects which could be associated to volatility are cancelled out by the impact of uncertainty on economic decisions.

Politically speaking, volatility, or rather abrupt downturns due to financial flows, has the potential of turning vast segments of the population against market-oriented

policies and governments, and, sometimes, even against democratic institutions and cooperation with the West. We saw that happening in the late 1990’s in countries like Argentina, Russia, Indonesia, Thailand, the Philippines, and Brazil. On the present crisis, as the saying goes, the jury is still out.

In recent years, especially after the collapse of the Soviet Union NATO’s institutional framework has been reinforced with these challenges in mind. In particular, its Economics Directorate has grown and it has gained strategic importance. Following several recommendations in the 1990’s, the Economics

Directorate has deepened its cooperation with other institutions such as the World Bank, the OECD and the European Union.¹²

Let us return to Bonesteel’s article. At one point, he says that “economic fear is the vulnerable point of the west-

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10 Charles H. Anderton, “Economic Theorizing of Conflict: Historical Contribution, Future Possibilities” (*Defence and Peace Economics*, vol. 14, no. 3, 2003), pp. 215-216.

11 Norman Loayza and Viktoriya Hnatkovska, “Volatility and Growth” (World Bank Policy Research Working Paper no. 3184, December 2004).

12 See John E. Tedstrom, “NATO’s Economic Challenges: Development and Reform in East-Central Europe” (*The Washington Quarterly*, vol. 20, no. 2, Spring 1997), p. 18.



ern alliance”.¹³ This resonates with our contemporary concerns, since we live in times of economic fear or at least uncertainty. Not only because we are experiencing a severe economic downturn but also because we are painfully aware that some of the threats we face aim at causing economic harm. Think of the disruption of flows in the energy market or the phenomenon of piracy. But Bonesteel was also a man of hope and vision: “Yet, in the latent aspirations of the millions who inhabit underdeveloped lands lie markets of unimaginable potentialities and an answer to the economic problems of the industrialized West. (...) But the problems to be solved in realizing these potentials are far more than economic. They present the moral and political

challenges to western civilization – and to the rest of the free world – which are implicit in the struggle for lasting peace, security, and freedom”.¹⁴ In this light, globalization, which in our days is being vilified by some in the West for being the cause of disruption, instability and ultimately insecurity, is for Bonesteel the answer to our problems. It should be embraced, and not hesitantly accepted, let alone rejected. He was worried that political leaders in the West did not clearly “recognize that the development of a spirit of common purpose within the whole free world is the surest way to the solution of its economic – and consequently to many of its political, moral, and military – problems”.¹⁵ It is up to Western leaders of the 21st century to reassure Bonesteel’s worries.

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13 Bonesteel, p. 69.

14 Bonesteel, p. 70.

15 Bonesteel, p. 70.

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