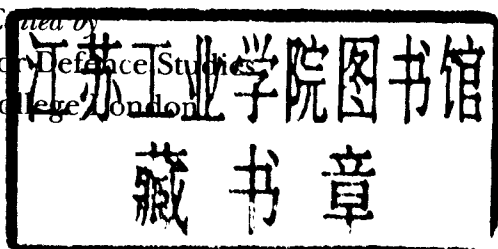


# BRASSEY'S DEFENCE YEARBOOK 1994

Centre For Defence Studies

# Brassey's Defence Yearbook 1994

*Edited by*  
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King's College London



104th Year of Publication

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# Contents

## **Introduction**

- 1 European Security and the New World Disorder 3  
LAWRENCE FREEDMAN

## **British Defence Policy**

- 2 The Role of Nuclear Weapons in UK Defence Policy 21  
MALCOLM RIFKIND
- 3 Britain's New Defence Planning Framework 36  
PHILIP SABIN
- 4 Air Power – Future Challenges and the Application  
of Technology 49  
N E TAYLOR
- 5 Western Interests in the Balkan Wars 66  
ANDREW COTTEY

## **European Security**

- 6 The Post-Soviet Strategic Space: Trends and  
Problems 83  
STEPHEN SHENFIELD
- 7 The Georgian Crisis 94  
JONATHAN AVES
- 8 NATO in Evolution: The Challenges for 1994 115  
SIMON LUNN
- 9 The Problems of Widening NATO 135  
DAVID LAW
- 10 US Defence Policy and Forces in Europe 149  
COLIN MCINNES
- 11 The Lessons of Yugoslavia 167  
CEDRIC THORNBERRY

---

12 The Peace Conference on Former Yugoslavia: The Politico-Military Interface	174
GRAHAM MESSERVY-WHITING	
13 The International Community and the Balkan War: A View from the Ground in Bosnia	192
TIHOMIR LOZA	
 <b>Regional Security</b>	
14 The New South Africa: Facing up to the Legacy of Apartheid	201
GAVIN CAWTHRA	
15 The Middle East Peace Accord	216
EFRAIM KARSH	
16 Anarchy and Tranquility in the Horn of Africa	229
ABIODUN ALAO	
17 The Korean Peninsula in the Emerging North-East Asian Order	249
STEPHEN KIRBY	
18 Light Weapons – The Forgotten Dimension of the International Arms Trade	271
CHRISTOPHER SMITH	
 <b>Arms Control and New Perspectives on Security</b>	
19 Biological Weapons: Proliferation or Control?	287
MALCOLM DANDO	
20 CFE Implementation: Is Russia Opting Out?	305
JANE M O SHARP	
21 The Banning of Nuclear Tests	322
JOHN EDMONDS	
22 Population Displacement and International Security: Practical Dilemmas	333
ROBIN STEPHENSON	
23 Boutros Ghali's Army? Proposals for a United Nations Military Force	352
DAVID CHUTER	

# **INTRODUCTION**



# Economic Security and the New World Disorder

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LAWRENCE FREEDMAN

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From the moment that George Bush began to speak in 1990 about a 'new world order', commentators began to wonder whether 'disorder' might not be a better term. With the upsurge in ethnic conflicts over the past years, disorder has indeed seemed more appropriate – especially as the limits on the ability of the international community to calm the tendencies in this direction have appeared more profound.

Many of the problems of the new disorder are bound up with relations between the Western states and post-Communist Europe. In addition, many Third World states are still struggling to develop their economies while lacking the political leverage that once could be found by playing off the first and second worlds against each other. However we can only really begin to talk about a 'new world disorder' if great power relations start to show renewed signs of stress. If there *was* an 'old world order' it was based on a classic equilibrium between East and West, which was celebrated for its stability and which allowed for the development of ordered relationships within the two blocs. This was based in the East on Soviet domination and it was here that it came apart, precisely because orderly change was not possible.

Within the West, American hegemony created the conditions for the emergence of a system of economic interdependence. One of the major consequences of the end of the Cold War has been to raise questions about the access of former Communist countries to the benefits of this system. This is particularly a

European question in that this is where the experiment with integration in the West sits uneasily with the fragmentation found eastward following the collapse of communism, and where so much depends on Russia's ability to recover from communism's wretched legacy.

Contemporary threats to the international system as a whole, therefore, depend on whether the ordered intra-Western relations as developed during the Cold War can survive, and be built upon, as well as on whether a renewal of East-West rivalries can be prevented. In this context, issues of economic relations among the advanced industrial states, and between them and neighbours aspiring to such a status, are now recognised to be central to international security.

From one perspective this should reflect a shift in the whole international agenda away from military security to what has come to be described as 'economic security', covering not only trade and investment, but also sustainable development and the safeguarding of the environment. The term itself has a double meaning. It can refer both to a sense that the successful management of issues of this nature is essential to prevent general disorder, stimulated by feelings of poverty and despair, and also to the demands on a state to protect national interests in a highly competitive economic environment, or to secure supplies in the face of producer cartels.

Economic security considerations can be seen as the source of the next generation of great power rivalries. Thus in speculations over how the vacuum left by the demise of the Soviet Union might be filled, Japan gets the most votes as the next challenger to the United States, not so much because of its greater resources – it remains dwarfed in both economic and military capacity by the combined countries of the European Union – but because of what are deemed to be its aggressive trade policies. For some China is a better long-term bet. China is still dominated by a Communist Party, if no longer any recognisably communist ideology and, unlike Russia, has been grappling with questions of economic modernisation for at least two decades. It is now starting to become an active participant in international trade, accompanied by heady rates of economic growth. This growth extrapolated into the next century, and then combined with a massive population, produces a striking

prospect. Either way, East Asia has been identified as the most economically dynamic region and therefore by extension the most politically challenging to others.

Not all accept that the future can be so readily discerned within current trends, however pronounced they may appear for the moment. Need the United States be so bothered by Japanese trade practices? Will it prove so difficult to sort out differences without a trial of strength? Can China's political system survive the strain as the entrenched Communist Party seeks to cope with the liberalising impact of economic modernisation and exposure to international communications? Will the heady growth of East Asian countries continue to be mutually reinforcing or might local rivalries start to get out of hand? Have the inherent strengths of the American economy been discounted too easily or the short-term problems faced by Europe, as it copes with the transitional problems of German unification and post-communist upheavals, led to an underestimate of the continent's long-term potential? How does the focus on regional blocs, from a trade perspective, relate to the more globalist perspective of the capital markets? What are the consequences for those on the margins of the trading blocs and the capital markets?

These questions themselves indicate the close interaction between questions of 'high politics' and international economic policy. In fact, President Clinton's foreign policy seemed to have a largely economic basis. His campaign promises to concentrate on domestic issues and not become mesmerised by foreign policy were followed through in a general reluctance to get too entangled in the problems of Bosnia and Somalia, and a consequent incoherence in policy-making in those areas, combined with activism in support of a more open trading system.

At the end of 1993, what had been the Common Market and then became the European Community metamorphosed once again into the European Union on the basis of the ratification by all member states of the Maastricht Treaty of 1991. This kept the integrationist project on the road as members struggled to come to terms with the demands of an integrated single market and the apparent delays in the schedule for full economic and monetary union. The impact of President Clinton's trade policies carried their own challenges for the new Union's attempt to

hold together past achievements. Bosnia had left hopes of an effective common foreign policy at best delayed: could the long-standing common commercial policy survive the drastic reform of the equally long-standing common agricultural policy?

The importance of these issues was inescapable during the last quarter of 1993. Most prominent was the drive to complete the Uruguay round of the General Agreement on Tariffs and Trade (GATT). In North America, a new Free Trade Agreement (NAFTA) with Mexico and Canada narrowly squeaked through the United States Congress in November 1993 after President Clinton had put his Presidency on the line. The position of Mexico provided the greatest controversy, bringing to the fore fears of producer lobbies that jobs and businesses would migrate to the low-wage economies if tariffs were not maintained at a high level. Similar fears continue to dog the debate over the extension of membership of the European Union to the more hopeful prospects among the post-Communist states.

Also in November President Clinton brought together the leaders of Japan, China and eleven other countries for a summit on 'Asian-Pacific Economic Co-operation' (APEC). He was encouraging the states of this region to think of an eventual free trade zone. Malaysia stayed away because it wanted the East-Asian countries to co-operate more among themselves, excluding the United States on one side and Australia on the other. The lack of support for this view indicated the desire of other small East Asian countries to have these non-Asian countries acting to balance the power of Japan and China.

By the end of the year the conclusion might be that the political consensus in the leading Western states still favoured opening up the trading system, yet there remained perplexing questions over whether the regional groupings could sustain their internal stability, and, if so, whether their benefits could be readily extended to their hitherto disadvantaged neighbours and whether they would then be doomed to compete with one another.

For students of security the centrality of these issues raises an even more fundamental question for their conceptual frameworks. The study of international security and international economics have proceeded along separate tracks in the past. Does the intellectual apparatus – never mind the policy



apparatus – exist to bring them together? This is an issue I touched on at some length in the 1993 Brassey's Yearbook; events over the past year require it to be considered in more detail.

### THE ECONOMIST'S CRITIQUE

Security studies are normally concerned with the measures taken by states to ensure their physical safety, especially against the use of force by other hostile states or possibly dissident groups within the state. Traditionally those concerned with defence policy have looked at the international system as a potentially threatening environment. They assess other states by their military capabilities and then consider the consequences should these states appear as adversaries or as allies. In addition to building up national capabilities, they may seek to construct a balance of power by which a potential enemy is denied a commanding position. If this can be achieved, the system is assumed to be stable, and, as in the case of the Cold War, able to endure for a number of decades. When the balance of power breaks, the result can be hot war or, as in the case with the end of the Cold War, a transformation into a completely different system with new power balances.

Such an outlook has not always been inconsistent with economic thinking, especially that of a mercantilist persuasion. In contemporary terminology, economics – like strategy – could be seen in 'zero-sum terms', in which everything gained was at the expense of someone else. At best a state would be self-sufficient in terms of agriculture, raw materials, and energy. Where there was a dependence upon external suppliers this encouraged the acquisition of colonies and the control of sea routes. In this way economics and strategy were closely integrated. National prosperity depended on the effective projection of military power: the ability to project military strength depended upon economic strength.

So close a fit between economics and strategy has come to be challenged, more by economists than strategists. Economists have become steadily more sceptical about the role of the state in economic affairs and, in consequence, more sceptical about