

in a 'Society of Peoples'. He argues that principles and norms of international law and practice – the 'Law of Peoples' – can be developed and shared by both liberal and non-liberal or decent hierarchical societies, without an expectation that liberal democracy is the terminus for all. The guidelines and principal basis for establishing harmonious relations between liberal and non-liberal peoples under a common Law of Peoples, takes liberal international theory in a more sophisticated direction because it explicitly acknowledges the need for utopian thought to be realistic (Rawls 1999: 11–23).

As the number of East Asian and Islamic societies which reject the normative superiority of liberal democracy grows, doubt is cast on the belief that the non-European world is seeking to imitate the Western route to political modernization. This has also been graphically illustrated in the current wave of anti-Western Islamist terror. Linklater suggests that it is not so much the spread of liberal democracy *per se* which has universal appeal, 'but the idea of limited power which is present within, but not entirely synonymous with, liberal democracy' (Linklater 1993: 33–6; Rawls 1999). The notion of limited power and respect for the rule of law contained within the idea of 'constitutionalism' may be one means of solving the exclusionary character of the liberal zone of peace. It is a less ambitious project and potentially more sensitive to the cultural and political differences among states in the current international system. It may avoid the danger of the system bifurcating into a privileged inner circle and a disadvantaged and disaffected outer circle (Linklater 1993: 33). The greatest barrier to the expansion of the zone of peace from the core is the perception within the periphery that this constitutes little more than the domination of one culture by another.

The spirit of commerce

Eighteenth- and nineteenth-century liberals felt that the spirits of war and commerce were mutually incompatible. Many wars were fought by states to achieve their mercantilist goals. According to Carr, 'the aim of mercantilism ... was not to promote the welfare of the community and its members, but to augment the power of the state, of which the sovereign was the embodiment ... wealth was the source of power, or more specifically of fitness for war'. Until the Napoleonic wars, 'wealth, conceived in its simplest form as bullion, was brought in by exports; and since, in the static conception of society prevailing at this period, export markets were a fixed quantity not susceptible of increase as a whole, the only way for a nation to expand its markets and therefore its wealth was to capture them from some other nation, if necessary by waging a trade war' (Carr 1945: 5–6).

Free trade, however, was a more peaceful means of achieving national wealth because, according to the theory of comparative advantage, each economy would be materially better off than if it had been pursuing nationalism and self-sufficiency (autarky). Free trade would also break down the divisions between states and unite individuals everywhere in one community. Artificial barriers to commerce distorted perceptions and relations between individuals, thereby causing international tension. Free trade would expand the range of contacts and levels of understanding between the peoples of the world and encourage international friendship and understanding. According to Kant, unhindered commerce between the peoples of the world would unite them in a common, peaceful enterprise. 'Trade ... would increase the wealth and power of the peace-loving, productive sections of the population at the expense of the war-orientated aristocracy, and ... would bring men of different nations into constant contact with one another; contact which would make clear to all of them their fundamental community of interests' (Howard 1978: 20; Walter 1996). Similarly Ricardo believed that free trade 'binds together, by one common tie of interest and intercourse, the universal society of nations throughout the civilised world' (Ricardo 1911: 114).

Conflicts were often caused by states erecting barriers which distorted and concealed the natural harmony of interests commonly shared by individuals across the world. The solution to the problem, argued Adam Smith and Tom Paine, was the free movement of commodities, capital and labour. 'If commerce were permitted to act to the universal extent it is capable, it would extirpate the system of war and produce a revolution in the uncivilised state of governments' (Howard 1978: 29). Writing in 1848, John Stuart Mill also claimed that free trade was the means to bring about the end of war: 'it is commerce which is rapidly rendering war obsolete, by strengthening and multiplying the personal interests which act in natural opposition to it' (Howard 1978: 37). The spread of markets would place societies on an entirely new foundation. Instead of conflicts over limited resources such as land, the industrial revolution raised the prospect of unlimited and unprecedented prosperity for all: material production, so long as it was freely exchanged, would bring human progress. Trade would create relations of mutual dependence which would foster understanding between peoples and reduce conflict. Economic self-interest would then be a powerful disincentive for war.

Liberals have always felt that unfettered commercial exchanges would encourage links across frontiers and shift loyalties away from the nation-state. Leaders would eventually come to recognize that the benefits of free trade outweighed the costs of territorial conquest and colonial expansion. The attraction of going to war to promote mercantilist interests would be weakened as societies learn that war can only disrupt trade

and therefore the prospects for economic prosperity. **Interdependence would replace national competition and defuse unilateral acts of aggression and reciprocal retaliation.**

Interdependence and liberal institutionalism

Free trade and the removal of barriers to commerce is at the heart of modern interdependency theory. The rise of regional economic integration in Europe, for example, was inspired by the belief that the likelihood of conflict between states would be reduced by creating a common interest in trade and economic collaboration among members of the same geographical region. This would encourage states, such as France and Germany, which traditionally resolved their differences militarily, to cooperate within a commonly agreed economic and political framework for their mutual benefit. States would then have a joint stake in each other's peace and prosperity. The European Union is the best example of economic integration engendering closer economic and political cooperation in a region historically bedevilled by national conflicts.

As Mitrany argued, initially cooperation between states would be achieved in technical areas where it was mutually convenient, but once successful it could 'spill over' into other functional areas where states found that mutual advantages could be gained (Mitrany 1948: 350–63). In a development of this argument, **Keohane and Nye** have explained how, via membership of international institutions, states can significantly broaden their conceptions of self-interest in order to widen the scope for cooperation. Compliance with the rules of these organizations not only discourages the narrow pursuit of national interests, it also weakens the meaning and appeal of state sovereignty (Keohane and Nye 1977). This suggests that the international system is more normatively regulated than realists would have us believe, a position further developed by **English School writers such as Wight and Bull** (see Chapter 4 in this volume).

A development of this argument can be found in liberal institutionalism which shares with neo-realism an acceptance of the **importance of the state and the anarchical condition of the international system, though liberal institutionalists argue that the prospects for cooperation, even in an anarchical world, are greater than neo-realists would have us believe** (Young 1982; Nye 1988; Powell 1994). Liberal institutionalists believe that cooperation between states can and should be organized and formalized in institutions. **'Institutions' in this sense means sets of rules which govern state behaviour in specific policy areas, such as the Law of the Sea.**

Accepting the broad structures of neo-realism, but employing rational choice and game theory to anticipate the behaviour of states, liberal institutionalists seek to demonstrate that cooperation between states can be enhanced even without the presence of a hegemonic player which can enforce compliance with agreements. For them, anarchy is mitigated by regimes and institutional cooperation which brings higher levels of regularity and predictability to international relations. Regimes constrain state behaviour by formalizing the expectations of each party to an agreement where there is a shared interest. Institutions then assume the role of encouraging cooperative habits, monitoring compliance and sanctioning defectors. Regimes also enhance trust, continuity and stability in a world of ungoverned anarchy.

Neo-realists and neo-liberals disagree about how states conceive of their own interests. Whereas neo-realists, such as Waltz, argue that states are concerned with 'relative gains' – meaning gains assessed in comparative terms (who will gain more?), neo-liberals claim that states are concerned with maximizing their 'absolute gains' – an assessment of their own welfare independent of their rivals (what will gain me the most?). Accordingly, neo-realists argue that states will balk at cooperation if they expect to gain less than their rivals. Liberal institutionalists, on the other hand, believe international relations need not be a zero-sum game, as many states feel secure enough to maximize their own gains regardless of what accrues to others. Mutual benefits arising out of cooperation are possible because states are not always preoccupied with relative gains.

Liberal institutionalists acknowledge that cooperation between states is likely to be fragile, particularly where enforcement procedures are weak. However, in an environment of growing regional and global integration, states can often discover – with or without the encouragement of a hegemon – a coincidence of strategic and economic interests which can be turned into a formalized agreement determining the rules of conduct. In areas such as environmental degradation and the threat of terrorism, the argument for formalized cooperation between states is compelling.

According to Rosecrance (1986), the growth of economic interdependency has been matched by a corresponding decline in the value of territorial conquest for states. In the contemporary world the benefits of trade and cooperation among states greatly exceed that of military competition and territorial control. Nation-states have traditionally regarded the acquisition of territory as the principal means of increasing national wealth. In recent years, however, it has become apparent that additional territory does not necessarily help states to compete in an international system where the 'trading state' rather than the 'military state' is

becoming dominant. In the 1970s state elites began to realize that wealth is determined by their share of the world market in value-added goods and services. This understanding has had two significant effects. First, the age of the independent, self-sufficient state is over. Complex layers of economic interdependency ensure that states cannot act aggressively without risking economic penalties imposed by other members of the international community, a fate even for great powers. It also makes little sense for a state to threaten its commercial partners, whose markets and capital investment are essential for its own economic growth. Secondly, territorial conquest in the nuclear age is both dangerous and costly for rogue states. The alternative – economic development through trade and foreign investment – is a much more attractive and potentially beneficial strategy (Rosecrance 1986; Strange 1991).

Neo-realists have two responses to the liberal claim that economic interdependency is pacifying international relations (Grieco 1988). First, they argue that in any struggle between competing disciplines, the anarchic environment and the insecurity it engenders will always take priority over the quest for economic prosperity. Economic interdependency will never take precedence over strategic security because states must be primarily concerned with their survival. Their capacity to explore avenues of economic cooperation will therefore be limited by how secure they feel, and the extent to which they are required to engage in military competition with others. Secondly, the idea of economic interdependence implies a misleading degree of equality and shared vulnerability to economic forces in the global economy. Interdependence does not eliminate hegemony and dependency in inter-state relations because power is very unevenly distributed throughout the world's trade and financial markets. Dominant players such as the United States have usually framed the rules under which interdependency has flourished. Conflict and cooperation is therefore unlikely to disappear, though it may be channelled into more peaceful forms.

Human rights

The advocacy of democracy and free trade foreshadows another idea which liberal internationalism introduced to international theory. Liberals have always believed that the legitimacy of domestic political orders was largely contingent upon upholding the rule of law and the state's respect for the human rights of its citizens. If it is wrong for an individual to engage in socially unacceptable or criminal behaviour, it is also wrong for states.

References to essential human needs are implicit in some of the earliest written legal codes from ancient Babylon, as well as early Buddhist,