

# Assessing the Role of the International System on the Global Economy

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## Abstract

This research endeavors to explore the intricate relationship between the international system and the global economy. It seeks to dissect how the international system, comprising international organizations, treaties, trade agreements, and political alliances, influences the dynamics, growth, and stability of the global economy. This study is motivated by the need to comprehend the evolving global economic landscape in the context of the international system and to provide insights that can guide policymakers and economists in promoting a more equitable and sustainable global economic order. An engagement with international relations seeks to underscore the historical development of the concept of the sovereign state, the international system, and the global economy. In addition, there are discussions on the cultural, political, and moral arguments that are used in international relations. In essence, a study in international relations is the bedrock upon which successful studies into world politics are based on.

**Keywords:** international system, economic inequality, trade tensions, protectionism, multilateralism, liberal internationalism, international trade agreements, economic growth

## 1. Introduction

The existing international system, despite its noble intentions of fostering cooperation and peace, is marred by structural flaws that perpetuate economic inequality. These inequalities are deeply rooted in historical injustices, trade imbalances, unequal access to resources, and power asymmetries that persist within the global arena (Breuning, 2017). Addressing these systemic issues requires comprehensive reform and a commitment to more equitable international policies that prioritize the well-being of all nations, rather

than perpetuating the advantages of a privileged few. Only through concerted efforts can the world move towards a more just and balanced global economic order. Moreover, the assertion that the international system can be a source of trade tensions and protectionist policies that hinder global economic growth is substantiated by the intricate dynamics of international trade and the divergent interests of nations. While international systems aim to promote cooperation and integration, they are not immune to conflicts. Addressing these tensions requires diplomatic efforts, a commitment to the principles of free trade, and an understanding of

the shared benefits that open and fair international trade can bring to the global economy.

## 2. Trade Tensions and Protectionism

While international systems are designed to promote cooperation and economic integration, they are not immune to conflicts and disputes, often driven by the competing interests of nations. Trade tensions arise within the international system primarily due to disparities in economic power, diverse national priorities, and varying levels of economic development. Major economies often have distinct trade agendas, and when their interests clash, it can lead to friction. For instance, disputes over intellectual property rights, currency manipulation, or market access can escalate into trade tensions.

Protectionist policies are another consequence of the international system's inherent complexities. Protectionism involves the use of trade barriers, such as tariffs, import quotas, and subsidies, to shield domestic industries from foreign competition (Neumann, 2018). While these policies might be pursued for domestic economic or political reasons, they can have adverse effects on global trade.

Trade tensions and protectionism can hinder the growth of the global economy in several ways. First, they disrupt the smooth flow of goods and services across borders. Tariffs and import quotas increase the cost of imported goods, making them less competitive in domestic markets. This can lead to reduced consumer choices and higher prices, ultimately impacting consumer welfare.

Second, protectionist measures can provoke retaliation from trading partners. When one country imposes tariffs, others may respond in kind. This tit-for-tat escalation can lead to a trade war, where multiple countries raise trade barriers, causing significant disruptions in global supply chains and trade flows.

Third, protectionism undermines the principles of free trade that underpin the international trading system. The World Trade Organization (WTO) and various regional trade agreements promote open markets and fair competition. When protectionist policies are adopted, they challenge these principles and erode the trust and predictability of international trade.

Furthermore, trade tensions and protectionism

can hinder foreign direct investment (FDI). Uncertainty and instability resulting from trade disputes can deter investors from committing capital to markets where protectionist measures are in place or expected. This reduction in FDI can slow economic growth and development.

Lastly, trade tensions and protectionist policies can exacerbate global economic inequality. Developing countries often bear the brunt of protectionist measures imposed by more advanced economies, limiting their access to international markets and stifling their economic progress.

## 3. Rethinking Multilateralism

In understanding the interplay between the international system and the global economy, the notion of multilateralism is of critical importance. First, Multilateralism makes use of unequal power relations within the membership of the United Nations to ensure that not only is there consensus in decision-making, but the voice of each member state is heard. Secondly, multilateralism makes it possible to ensure that states, and in effect state leaders, are held accountable for the excesses and other wrongful actions; mainly in line with UN treaties, conventions and general abuse of human rights.

Third, multilateralism helps international politics address social and economic issues. This is mainly done through the Economic and Social Council (ECOSOC) which has given rise to special agencies such as the World Bank, IMF, International Labour Organization and the World Health Organization (Gray, 2016). It also addresses socio-economic issues through organizations such as UNDP, WFP, UNHCR, and UNICEF. Further to these, the management of the global economy is possible through the IMF, World Bank and World Trade Organization.

Multilateralism also makes it possible for the reconfiguration of power and authority in world politics through global governance. This is in reference to the many and different layers of authority that exist in an increasingly complex world. Global governance ensures that reform and expansion of the powers of intergovernmental organizations is realized so as to address the challenges of a global order. It also ensures that problems of global significance are addressed through the inter-play of state, intergovernmental and non-state actors.

## 4. Liberal Internationalism

With the ending of WWI, there were calls for responsibility to be levied against individuals: to the populace, a person was behind the carnage and should be punished. This thought was guided by the English and American victors with its impact being evidenced in the signing of the Versailles Peace Conference in 1919. The thought process that influenced these actions was known as liberal internationalism; the adaptation of broadly liberal political principles to the management of the international system.

Liberal internationalism was fueled by two opinions; domestic politics and international institutional structures. In their arguments on domestic politics, they opined that the populace did not cause war; it was caused by militant or dictatorial leaders (Qin, 2016). This would be avoided by the adoption of democracy in their political systems. Hence, if nations were nationalist and liberal—democratic, there would be very low chances of war among them. Secondly, they were of the opinion that the international institutions structures prior to 1914 diluted the prospects of peace (Neumann, 2018). Alliances were made of secret pacts and this led to declaration and engagement in war without parliamentary approval. The inefficacy of the liberal mindset saw the world plunge into war in the 1930s; this called for a reconsideration of international relations.

Post WWII, a shift in the thinking in international relations theories emerged. Principal among these was the opinion held by E. H. Carr who posited that the real conflict was that between the 'haves and the have-nots'. Hence, the push and pull that characterized class politics would also be descriptive of international politics; they would be led by the seeking of a scarce commodity, in this case, power. This was clearly seen by the domination of world politics post WWI by England and France; their colonial endeavours had not only been evidence of their status as powerful nations but cemented this status (Gray, 2016).

Later on, realism received a rebranding with Morgenthau opining that the power plays were a product of nature; that states were naturally and progressively power seeking. Hence, international relations were defined by the states pursuing their interests through clamour for power. Since there was no authoritative system that controlled states, they were obliged to look after themselves.

In reaction to realism's positing, other theorists were of the opinion that other than power, states were pushed by other issues in their relations with each other. Such issues include movements of money, people, goods and information. Thus, states would be led to control these engagements rather than seek brute power (Qin, 2016). This school of thought was of the positing that there existed multiple channels of access between societies and not the one upheld by realism that propounded the unitary state. Secondly, to the proponents, power was a secondary rather than primary concern of states. Thirdly, contrary to realists who contended that security was of primary need to the state, proponents of complex interdependence held that any issue would be of primary concern.

Cognisant of world upheavals, the state needs to retain its identity and existence. From this viewpoint, states thereby become concentrations of power; brute strength and military might. The expression of power can well describe the affairs of 16<sup>th</sup> century Europe where states concentrated on raising taxes and engaging in military conquests (Neumann, 2018). States that were able to raise more funds as compared to others were able to conquer more territory which in turn increased their tax bases; the richer a state was, the greater expansion it was capable of.

The state is also seen as a society; the glory of power is no longer acquired for the monarch but for national interests. The next morph is the state aligning itself with national wellbeing instead of national honour. Hence, states are described as peaceful, non-threatening, cooperative, and good neighbours; the current description of the Scandinavian countries.

Marxism conceptualises the state as an extension of the bourgeoisie; the state is used as a means of extending capitalist domination since it is a representation of some interests. In this regard, the state is, as per the perception of the 'hard' realists, a concentration of power.

In trying to explain the relationship between states, various foreign policy theories have been posited. Central to these is the assumption that the state as a social institution exists in a dual environment; the internal and external. The internal state is confined to the territory and the institutions confined therein. The external concerns itself with the interaction with other states (Neumann, 2018). When viewed from a realist perspective, these two policies are

inherently different. The state, in dealing with internal policy, has the requisite power and authority to decide and follow through on a certain course of action. On the other hand, the outcome of foreign policy is dependent on the willingness and interests of other states.

It has been opined that anarchy is central to the concept of state centred international relations because it is co-regent with sovereignty (Gray, 2016). Sovereignty is central to a state internally as there is only one supreme ruler of that state. Concomitantly, among states, sovereignty is expressed in the fact that there is no supreme ruler who is subservient to another or to a system of fellow supreme rulers. The absence of an external superior points out to the lack of government; the quintessential definition of anarchy.

Statehood is understood to be both a juridical and political concept. As a juridical status, a state is regarded as a legal entity; it recognises no legal superior (Gray, 2016). In its political conceptualisation, a state is taken to possess certain capacities and hence be able to perform certain tasks. On the one hand a state either possesses legality and on the other, it has powers and capacities which can grow larger or reduce.

A state's responsibility to realise its internal social goals might lead it to cede some of its sovereignty to a pool of like-minded states; or in some instances to a world body (Neumann, 2018). This ensures that international cooperation is central to well-being of a country in matters such as economy. Since the development of large-scale manufacturing brought about the need for expanded markets, states have had to cede some of their 'economic' sovereignty to a world body for the sake of not only their development but also the uplifting of the global economy. As such, the state is governed by principals and individuals who are not only eternal but decide in which way global business will be run.

This process of institutionalised regulation goes further than police world social and economic issues; even the manner in which states behave militarily is under the ambit of this regulation. Through the various conventions under the UN ambit and the emergence, development, and implementation of restraints to the use of force, the world, though lacking in a central government is essentially under a system of

global governance (Sutch & Elias, 2017).

In order to achieve the above, states have ceded their sovereignty and adopt collective security. This leaves them with room enough to decide when legality suits them and thence adopt it or disregard it altogether since it does not augur well with their self-interests. Thus, a state will cede those functions that are necessary for its expansion and also for the cohesion of the global political body. This is known as functionalism.

On the other hand, integration theory posits that instead of states creating a new world order in taking a back seat, as opined by functionalism, states will collapse into a new state; regional at first then morph into a global state in the future (Stuenkel, 2016). A good example is the coming together of European countries into the European Union. The other variant is the development of federalism. Different from the well-known concept of federalism that takes power from the region and centralizes it, the nascent concept is based on having the central body exercise certain powers without deferring to lower levels and vice versa.

The relative ceding by states to federalism, integration theory, and functionalism has given birth to global economic institutions; namely the Bretton Woods institutions (Stuenkel, 2016). This was realised twofold. Through the depoliticization of international economy and the formation of specific bodies to deal with specific aspects of the economy; and the introduction of regulatory rather than managerial responsibilities to such organisations.

Other than economic concerns, world politics is keenly engaged in security matters. As such the doctrine of Collective Security was adopted. It follows the mantra 'one for all and all for one'. States are the ones to determine when the obligations of collective security are binding on them; a departure from an earlier proposal that a central body make the decision.

## **5. International Trade Agreements and Economic Growth**

The impact of international trade agreements on economic growth has been a subject of extensive debate and analysis in the realm of global economics. These agreements, which govern the terms of trade and commerce between nations, have the potential to significantly influence the economic trajectories of participating countries. While their effects can vary depending on the



specific terms and circumstances of each agreement, it is undeniable that they play a crucial role in shaping the dynamics of the global economy.

International trade agreements serve as catalysts for economic growth by opening up new avenues for businesses to engage in cross-border commerce. When nations lower trade barriers, such as tariffs and import quotas, it becomes easier for goods and services to flow across borders. This expanded market access is a fundamental driver of economic growth.

One of the key mechanisms through which international trade agreements foster growth is by providing businesses with access to larger consumer markets. When companies can sell their products or services to a broader audience, they often experience increased demand. In response, they may ramp up production, invest in expanding their operations, and hire more workers. This surge in economic activity can lead to an uptick in GDP and overall prosperity.

Moreover, trade agreements introduce the element of competition on a global scale. As domestic industries face the challenge of competing with foreign counterparts, they are compelled to become more efficient and innovative. This drive for efficiency and innovation can result in productivity gains, which, in turn, contribute to economic growth.

Trade agreements also promote specialization. Nations tend to focus on producing goods and services in which they have a comparative advantage, meaning they can produce them more efficiently than others. This specialization leads to resource allocation that maximizes productivity, further enhancing economic growth.

Furthermore, international trade agreements facilitate foreign direct investment (FDI). Investors are attracted to countries that offer stable and predictable environments for investment. As FDI flows into a country, it brings with it capital, technology, and expertise. These inflows can boost economic growth by fueling the expansion of domestic industries and facilitating the development of new ones.

However, it is essential to recognize that the impact of international trade agreements on economic growth is not without challenges. Income inequality can widen as some industries thrive while others face job losses or wage stagnation. Additionally, overreliance on

international markets can make countries susceptible to global economic downturns and external shocks. Environmental concerns, such as resource depletion and pollution, may also arise as a result of rapid economic growth driven by trade.

International trade agreements can have a substantial impact on economic growth, fostering efficiency, specialization, and market expansion. However, their effects can be complex, with potential drawbacks such as income inequality, environmental concerns, and trade imbalances. To maximize the benefits of trade agreements while mitigating their negative consequences, careful policy planning, regulation, and consideration of the unique circumstances of each nation are essential. Ultimately, the role of international trade agreements in driving economic growth continues to be a subject of debate and ongoing research in the field of economics and international relations.

International trade agreements are significant drivers of economic growth, fostering efficiency, specialization, and market expansion. While they offer numerous benefits, it is crucial for policymakers to address the challenges and disparities that can arise from the uneven distribution of these gains. Careful policy planning and regulation are essential to maximize the positive impact of international trade agreements on economic growth while mitigating their potential negative consequences.

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