THE NEW LOGIC OF INTERNATIONAL ALLIANCES

Luiz Carlos Bresser-Pereira

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In todays alliances, the criterion for the division of interests is the price of labor and the investments of multinational companies

The European Union, that chose last week its first president, is thus gradually becoming a federation of Nation-states. This way, historys greatest project of political engineering is still under way, but this extraordinary political construction takes place amid doubts and anxiety. Primarily because some of its members oppose the transformation of Europe into a multi-nation State or a multinational country.

Besides facing this crucial issue, the European Union is uncomfortable with the assumption repeated by many international analysts according to which, with the emergency of China as a world power, the EU would no longer be USAs preferential partner. This role would now be fulfilled by China, Europe occupying a secondary position.

This is, however, an incorrect assumption, since it ignores the contemporary logic of international relations. Those relations are always complex and contradictory, because national interests are intrinsically so. In the relations between countries, what is in the best interest of the rich is not always in the best interest of the poor. And this is just one of the criteria for the classification of interests that make it difficult for the relations between countries to become clear and congruent.

In todays international alliances, however, there is a fundamental criterion of division of interests. This criterion is no longer that of mere national security, as it was at the time of the balance of power diplomacy, nor is it the ideological criterion, as it was during the Cold

War, but the double criterion of the price of labor and the investment of multinational corporations.

Rich countries rely on expensive labor and, therefore, have interests that are different from those of the developing countries, with cheap labor. The fact of relying on cheap labor represents the advantage that is allowing the most competent developing countries to catch up. A process of catching up that, as everything in economics, has positive and negative effects on the gradually "catched-up" countries. Among the negative effects, the most severe is the one that, ultimately, leads some enterprises to bankruptcy and, always, to a decrease in wages or to workers unemployment.

Rich countries compensate for this catching up through direct investments of their multinational corporations. Those companies occupy the domestic markets of middle-income countries and remit profits to their headquarters without offering their own domestic markets in reciprocity. They dont do it because the multinational corporations of middle-income countries are only now appearing. Therefore, through this mechanism, rich countries are able to transfer high profits to themselves, which compensate for the losses resulting from their more expensive labor - a perverse trade-off, since it benefits the rich shareholders of multinational companies, while the entrepreneurs who did not relocate abroad and all the workers in rich countries lose.

The USA and the European Union (as well as Japan and today also Korea) are aware of their common interests - or those of their elites - as middle-income countries are understanding again their own interests. For this reason, the European Union should not be concerned with losing its position as Americas major partner. This association, which is also a military one, remains strong. It is the Europe of workers and local entrepreneurs that should be worried. And, obviously, the developing countries.