

# A Systematic Review of Neoliberalism and Realism in International Relations

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**Abstract.** This article gives both theoretical and practical explanations about two major theories that can be found in modern world, neoliberalism and realism. The main body of this article had been separated into two parts, each part focusing on one theory. For each part, it follows the same order, starting with history as a background to later gives the key beliefs, which is the main spotlight that leads the political decisions of countries. Types of each will also be given as a way to show that none of the theories are extreme, each one of them has varies of types that use the fundamental definitions as basis but add changes or the shift of the main focus in each different type. International relations have become unprecedentedly complicated due to Covid-19 and the war between Ukraine and Russia, and that also means the status of international organization has been highlighted in the past few years. One of the members of the World Trade Organization (WTO) is Saudi Arabia, which will be the main case used in this article to show how neoliberalism and realism has been constructed and demonstrated. From the willingness of Saudi Arabia joining the WTO and their compliance to WTO, it can find that in different scenarios, different theories were being used, which shows that no country is solely dependent on one theory. As a systematic review article, various documents, journals and articles from other scholars are being used as references and concluded their thinking in this work. In addition, evaluation can also be found as an extra thinking from the author to increase the practicability of this article, so it is not just an overview of other works but also include new understandings that might brough the precious research of these two theories into another level.

**Keywords:** International Relations, Realism, Neoliberalism, Saudi Arabia.

## 1. Introduction

International relations first emerged as an academic specialty prior to and just after the World War I, mainly focused on a healthy balance of power between nations on a global standard [1]. Neoliberalism and realism, the two of the most common used political ideology in modern international relations has become debatable as some scholars believe they can form a cooperation, whereas others believe that they are conflicted. This article provides a systematic review of both theories from a range of areas in order to find their practical use, especially through the willingness of Saudi Arabia joining and compliance to WTO.

The name neoliberalism suggest that it is a more modern convention of liberalism, which implies its historical background—from rise to fall to recovery. The classical liberalism mainly focuses on the minimalization of the state and believe the market should be left to the citizens for free dealings, while the modern liberalism believes the state need to be involved in the economy to regulate the marketplace [2]. According to Cambridge Dictionary, liberalism is the political view there ought to be free commerce, that individuals should be granted more individual liberty, and that changes and improvements should be achieved progressively [3]. In the same dictionary, neoliberalism is characterised as a policy that promotes a high level of market independence, limited government supervision or expenditure, and low taxation. [3]. These definitions need to be explored further to find out their accuracy and the meanings behind. For the first time reader of neoliberalism, it might be odd that most articles are critique about this theory, this might be due to the non-fully finished transition of neoliberalism, and there are still lack of studies on the practical use of this modern politico-economic theory.

On the other hand, realism is a much older theory which can be traced all the back to the fifth century BC, where it was being first advocated by the Greek historian Thucydides [1, 4, 5]. As one

of the most fundamental theory in the international relations, realism provides a clear and principled understanding and can be argued to be more realistic as it believes in the zero-sum game, which is that there will only be one winner in a global dispute or competition [6]. Consequently, power and egoism are the main focus of the politicians that favours this type of political ideology [4]. Furthermore, anarchy is often one of the most vital rules under realism, which was defined as there is no higher institutions other than states that held power in international relations [4]. However, it often being criticized as it can no longer fit the modern changes, such as globalization, as it is mainly created to explain a timeless pattern of behavior and repetition [4]. Nevertheless, classical realists argue that due to the fact that realism tend to find patterns from the past to explain today's scenarios, there is often similarities to be found in the old and new, which still maintain its influences on policymakers today [5].

This article will mainly examine these two theories: neoliberalism and realism, with neoliberalism being the first focus and realism being the second. Each theory will be examined in four parts: history, key beliefs, cases and criticisms. The cases for neoliberalism will mainly be the Saudi Arabia's willingness of joining the WTO, and realism being the compliance of Saudi Arabia to WTO after its accession. The aim of such examinations is to make a broad view of these two theories, which further identify their status in modern society.

## **2. Method**

In this article, the author mainly used online articles and journals from other scholars from a range of areas and time to give a systematic review of neoliberalism and realism. Also, the relation between Saudi Arabia and WTO is being used as a practical example of how these two theories are actually being showed and identified in today's world international politics.

## **3. Definitions and Practical Usage of Neoliberalism**

### **3.1. History**

In the aftermath of Keynesianism, neoliberalism has emerged as one of the most dominant political and intellectual ideology in global governance [7]. Although neoliberalism is generally recognized as a new phenomenon, its first usage can be found in an 1898 work written by Charles Gide, who is a globally effective French economist [8]. The article is mainly an evaluation toward an Italian neoliberal economist, Maffeo Pantaleoni [9]. Gide foreshadows contemporary interpretations of the word, in which it is often assumed that neoliberalism represents a return to Adam Smith's and his associates' classical liberal economic views [2]. By the 1920s and 1930s, politically and intellectually bankrupt in the nineteenth century, laissez-faire liberalism was tarnished by events such as the Great Depression and governments' incapacity to address this and other significant economic crises [10, 11]. As a result, this new intervention replaced the classical liberalism, which capitalism at that time generally believe that there should be state regulation to some extent to control the economy [11].

### **3.2. Key beliefs**

By selecting the load prediction results of 403 and 411 lines. We can see that the actual values of the lines basically match the predicted values, but there are also some errors, especially in the peak period of electricity consumption, as shown in Table.1.

One of the most important features of neoliberalism is free trade. Neoliberalism also involves the notion that freely chosen market processes are the best method to organise all commodities and service transactions [12, 13]. Free markets and free trade are believed to unlock the designing and modelling and operational platform inherent in the spontaneous order of any humankind, resulting in improved personal freedom and well-being and also more efficient utilization of resources. [2]. In addition, Friedrich Hayek, Milton Friedman, James Buchanan, Margaret Thatcher, Ronald Reagan, and Alan Greenspan are just a few of the significant intellectuals, politicians, and policymakers

connected with neoliberalism during the previous century. These neorealists argue that the market is by far the most effective and ethical establishment for organising human existence, and that it should replace all the other institutions, including the family, state, community, and society, as the primary mechanism for constructing, preserving, and increasing social order – particularly socialism and collectivist planning – as the main method for establishing, maintaining, and promoting social order. [11].

Different from classical liberalists, neoliberalists believe that the state should be involved for a healthy market maintenance, institutions are needed [14]. The state's duty is to establish and maintain an institutional structure that is compatible with these practices [10]. For instance, the state is responsible for ensuring the country's currency cleanliness and integrity. Additionally, it must construct the requisite army, military, police, and judicial systems and functions to safeguard ownership and to assure the efficient functioning of the market, using force when needed. Additionally, if markets do not exist (for instance, water, education, health care, environmental problems), they must be developed, if needed, by governmental intervention. However, the government should abstain from further responsibilities. Once established, the existence of state in marketplaces must be kept to a minimum, as the state cannot possibly have comprehensive knowledge on private market indicators, such as prices, and as powerful interest groups would always corrupt and bias state interventions in their favour. [15].

Neoliberalism mainly serves for the capitalism, so they believe that self-interest should always be the priority and people only think about their own profit, which also means that they have to take the risk by themselves. The person was portrayed in this perspective as a logical optimizer and the best judge of his or her own interests and requirements [10]. This hence indicate the phrase ‘absolute gain’, which means that actors evaluate gain solely by its own profit and it is not a zero-sum game [6]. Furthermore, people who entered the market should be prepared to embrace the risks inherent with free market engagement and to adjust to the quick changes that result from such participation [2]. Inequality and blatant social injustice are ethically acceptable, as individuals are also held solely accountable for the consequences of the choices and decisions they freely make [2]. If a person asks that the state police the market or compensates the unfortunate victim of a freely started market transaction, this is interpreted as a sign that the individual is morally perverted and undeveloped, not dissimilar to a proponent of a totalitarian regime [16].

### **3.3. Three main dominate types of neoliberalism**

Rose Friedman, the notable consequentialist neoliberalism, deregulation, privatisation, and dramatic tax cuts are among the neoliberal policies he appears to support, presumably because of the projected good implications Such political actions will have an effect on the economy as a whole. [2]. This implies that Friedman ultimately seeks to implement neoliberal policies and economic practises since he believes that people are socially produced by nature., which means that they should also be involved to organize their own society on a base of ‘free to choose’ [13].

A similar but more conservative neoliberalism was being leads by Friedrich Hayek. ‘Spontaneous order’ is the central belief of Hayek, which means that people create order by their nature rather than artificially created, and because individuals built the society on their own will, it should achieve higher liberty and well-being [2, 17].

The work of Robert Nozick represents deontological neoliberalism [2]. He used the base of Friedman and Hayek, but also gives his own understanding: the state gives a set of unchangeable inherent rights to its people, and as it is unchangeable and hard to intervene, state might be almost impossible to have any legal roles on top of that [18]. Unlike Friedman and Hayek, he desires an improvement in the government's presence and intervention in the market, and he advocates for neoliberal economic policies not for their supposedly beneficial effects, but instead and they're the most effective way of producing a civilization that complies to his dream of fairness and inalienable rights. [2].

### **3.4. The willingness of Saudi Arabia joining WTO**

Saudi Arabia holds the right of trade and exploration for upstream petroleum production and the industry was dominated by Saudi Arabian Basic Industries (SABIC). Also, this industry is also the main industry and comparative advantage of Saudi economic system. According to the SABIC, WTO accession will provide golden opportunities to restructure and upgrade itself through international cooperation [19]. The accession is helpful for entering new market and improve market diversification, the cost advantage can be maintained as well. In this case, Saudi Arabia shows its political ideology as neoliberalism as their main goal of joining the WTO is to improve its free trade of petroleum and gain more profit through cooperation. In addition, Saudi Arabia was not trying to harm other countries in terms of their own benefits, which shows one of the main beliefs in neoliberalism—absolute gain.

Another case happened in November 2005, which is that Saudi Arabia promised that they would remove restrictions on trade with Israel. Saudi Arabia had told Washington that it was abiding by its pledge to end the boycott of the Jewish state. The clear reason of removing boycott is that it can increase the chance of Saudi Arabia successfully joining the WTO [20]. This scenario shows the high willingness of Saudi Arabia of joining the WTO as they agreed to remove the boycott in order to join the WTO. In addition, this shows that institution is potent as it provides a healthier trade between Saudi Arabia and Israel, which supports the neoliberalism ideology.

However, it was found that the boycott was still not removed completely in 2006 [21]. Nevertheless, there is a certain degree of demand on the Saudi Arabia's side and Israel is pushing what they have to offer, including various products [22]. Although Saudi Arabia did remove some of the restrictions on Israel in order to join WTO, but due to various problems, such as economic situation, historical conflicts and regions, it did not fully remove. This situation shows the complexity of the relations between countries and the status of international organization.

## **4. Definitions and Practical Usage of Realism**

### **4.1. History**

In the field of international relations, realism is regarded to be the oldest theory [5]. In The Peloponnesian War, the great Greek historian Thucydides introduced the concept that force overrules justice and morality, which has a long and illustrious history that may be traced back to the fifth century BC [1]. Although realism has obtained attention from different perspectives, the 'dated' realists, such as Machiavelli in the sixteenth century and Hobbes in the mid-seventeenth century still provide challenging questions to the readers in nowadays [1, 5].

The link between realism and international relations are especially close in the twentieth century, where it also had a response to idealism. The idealists of the 1920s and 1930s had the objective to avoid the Second World War. Their view was that the establishment of an acknowledged network of global law, supported by international institutions, would be the effective way to fix inter-state conflicts. Rather than emphasising on what some may perceive as the inevitability of violence between countries and people, they chose to emphasise the common interests that may unify humanity, while also appealing to reason and morality. According to them, war started not with egoistic human psychology, but with flawed political and social settings that could be corrected. [23]. However, the Second World War still happened, which then brought the criticism toward idealism, and this formed realism. Hans J. Morgenthau, the self-identified realist, developed a close relation between realism and international relations, and set selfishness and power of a nation as the center [1, 23].

### **4.2. Key beliefs**

The first assumption of realism is state centralism, which it believes that states are the main actors of international relations, and they make rational decisions based on the current situation [1, 4, 24].

In the belief of realists, realism is that the nation-state is the principal player in international relations. Other bodies exist, such as persons and organisations, but their influence is restricted [4].

Anarchy, one of the most dominant thought of realists, is that there is the absence of government, and no actors can regulate the state [1, 4]. They believe that the absence of a unified rule-making and enforcement authority implies that the international arena is fundamentally a self-help system [23]. The frequently used example of having 'no one to call' in a global emergency serves to emphasise this idea [4]. Therefore, each state is responsible for its own survival and has the ability and independence to establish and seek its very own objectives and power. [23]. Within the state, there are actors, such as militaries, police forces, health care system that can response when there is an emergency in the state, but in a global level, there is no expectation for a response [4]. Thus, it becomes the power that shapes the relations between countries.

Due to the fact that the state needs to balance their power and somehow the only aim of countries is power, this forms relative gain [4, 6, 25]. Relative gain is that the nations evaluate gains from comparison, and it is a zero-sum game, which means that only one person can benefit from the competition or disputes [6]. Just as what Morgenthau believed, the concept of timeless principles and human nature are unaffected by temporal and geographical conditions, which implies that states should only care about themselves and prevent their power from being harmed [5]. As a result, realists often doubt the importance of ethics in world politics. This may lead them to believe that morality has no place in international relations, that there is a disagreement between ethical requirements and the requirements for effective political action, that states use their own morality differ from ordinarily morality, or that morality is used to rationalise states' actions when used at all. [23].

#### **4.3. Dominant types of realists**

According to John Herz, international anarchy ensures that the fight for power remains important even in the absence of aggression or other comparable forces [26]. This is a perfect example of structural realists, which they are strongly influenced by the idea of structuralism [1].

“Social forces are the product of human nature in action” is what Morgenthau said in his book [27]. This shows that some of the realists believe that human nature is not changeable, and wars are often caused by the selfness within mankind. The realists that trust in such theory are generally called as biological realists [1].

Hedged realists are less extreme, they agreed that anarchy and egoism do exist in international politics, but they disagree that realism should completely be the opposite of idealism, morality and peace should still be maintained [1]. This is exactly what E. H. Carr argued, which is that “we cannot ultimately find a resting place in pure realism” [28].

#### **4.4. Compliance of Saudi Arabia to WTO**

When Saudi Arabia decided to join WTO, WTO had listed varies of rules for them to join. However, Saudi Arabia did not comply to all of them and still holds their own right. One of the rules that Saudi Arabia refuse to comply is the import of goods such as pork and alcohol as it is mainly an Islam country. This religious and culture of Saudi Arabia influences its international trade and relationship between them and WTO, and they required to be respected by its trading partners. WTO did respect Saudi Arabia and comes to an agreement with them, which Saudi Arabia then successfully joined the WTO [19]. This exactly shows the main belief in realism, which is anarchy and the status of the sovereign country as the international institution, WTO cannot fully regulate and control the nation.

EU was threatened by the large production of Mono Ethylene Glycol from Saudi Arabia and are afraid of them gaining monopoly power that will then be harmful to the EU's countries. Therefore, the EU imposed an anti-dumping duty to Mono Ethylene Glycol of Saudi Arabia. However, there are no evidence shows that Mono Ethylene Glycol sold from Saudi to EU increased significantly or influenced domestic price of EU vastly [29]. Thus, Saudi Arabia seeks the help of WTO to prevent themselves from losing their comparative advantage [29]. In other words, they need the actions of

WTO for their own gain and profit, and to be more realistic, they are somehow taking the trading power of other countries in terms of their own benefit, which shows realism. Furthermore, obeying to WTO's decision and try to have a healthy trade with their partners demonstrate a more neoliberal ideology as Saudi Arabia want to achieve free trade but under the guide and protection of WTO, which shows institutionalism and cooperation.

## 5. Conclusions

Overall, this article demonstrates the two theories, neoliberalism and realism, from a range of perspectives including history, definitions, types and real-world cases. In neoliberalism, it can be traced back to the 19th century as a new convention of liberalism, which mainly focus on free trade, institutionalism and absolute gain. In addition, the three major types of neoliberalism illustrate different understanding of such theory under the same basis, with consequentialist neoliberals wanting to bring policies that incentivize free trade into the economy, conservative neoliberals believe that order is and can be created by human nature, and deontological neoliberals that want to enhance the appearance of government in the market. Furthermore, Saudi Arabia's high willingness of joining the WTO to conserve their own comparative advantage and to achieve free trade gives a real-life case of how neoliberalism can be used and identified. On the realism side, it is a more ancient theory that can be found in 5th BC, and it mainly believes in anarchy, state centralism and relative gain. Structural realists, biological realists and hedged realists believes in anarchy is the most important feature, human nature cannot be changed, and morality and peace should still be maintained respectively. The compliance and in-compliance of Saudi Arabia to WTO all shows the realists perspective as they are taking advantage from the others and there is no real control of the international organisations.

However, there are still some improvements in research that can be done neoliberals and realists to make a more robust system. Starting with neoliberalism, it is vital to understand the set of policies that had been changed, what cause those changes, who made the changes, and what does that say about the dominance of neoliberalism. These studies should also set from a level of micro to macro, such as from homeownership to international cooperation, this helps to identify how a small change within a country cause a change on the global level in different degree. Rather than thinking that the world, or at least a country is solely based on one political theory, people should understand the uncertainty and complexity, and try to determine the pros and cons of each theory in several circumstances.

For realism, it's validity should be seriously considered as it has a very long history that might means it is outdated in the 21st century. One of the main examples is anarchy, because we now live in an age full of regulations and rules, it is very hard to say whether anarchy still exists, but due to the fact that it is the center of realism, the problem whether realism still exists can be doubted. Also, idealism might not need to be fully abandoned, and in fact it shouldn't. Although realism is about taking the advantage from others for self-benefit, but under the world crisis that people face nowadays, peace and morality become incredibly important. In addition, not only does realism focus on their own interests, but all theories also do, in this case it is controversial whether realism had lost its identity or not. Follow by these criticism, realists should investigate more into those arguments and try to give an answer.

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