

GLOBAL POWER TRANSFORMATIONS: POLITICAL, ECONOMIC AND SECURITY DIMENSIONS

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ABSTRACT: International relations are in the midst of tremendous transformation; to the distribution of political, economic and military power. This work traces such changes by looking at a wide series of indicators and seeks to explain - in a predictive manner - how the international environment will settle in the decades to come. Certainly, such predictive work is not meant to provide a stubbornly defended "truth." Instead, this work should be read as a contribution to international relations scholarship which attempts to capture trends so that adequate policies may be advanced.

KEYWORDS: power transformations, China's rise, G8, G20, realignment

INTRODUCTION: THE EROSION OF THE WEST'S GLOBAL DOMINANCE

Currently, the world bears witness to a major transformation of the existing international system, a system that took form some 150 years ago when this period, Western Europe and the US consolidated their dominant international positions. The first and, second world wars challenged this dominance, most markedly by the emergence of the Soviet Union and its rise to world power after the defeat of Nazi Germany. For four decades, the world was bipolar, swayed by the rivalry between the USSR and the US. Then came the political, economic and social collapse of the former, and, in the early 1990s, the USSR as a superpower ceased to exist. But even while the bipolar world order existed, the powerful economies of the US and Western Europe were able to gain a substantial edge over the rest of the world.

The breakup of the USSR strengthened the political, economic and security superiority of the US; ushering in what has come to be known as the “unipolar moment,” a phrase coined by Krauthammer.² However, America’s superiority is already a thing of the past, mostly due to the “US-made” economic and financial crisis,³ which the global importance of the US economy helped spread wide, most markedly to the Euro-Atlantic area.

The West’s dominance should also be perceived in a wider context of global development. In *Civilization: The Six Ways the West Beat the Rest*,⁴ Fergusson attributes the West’s success in overtaking the rest of the world over the last 500 years to its ability to embrace six key areas: competition, science, private ownership, medicine, consumerism and work ethics. The seventh ingredient one may add to this formula is the technological revolution. This Western ‘monopoly’ was first challenged by Japan after the Second World War, but over the past three decades Japan has been joined by other Asian countries: China, in particular, but also India, South Korea, Indonesia, Singapore and Vietnam. The rise of Asia has been aptly characterised by the former US financial chief Lawrence Summers who noted that while the industrial revolution raised the living standard by some 50% during a person’s lifespan, Asia’s current growth rate represents an unprecedented 100-fold (that is, 10,000%) rise in standards of living during one lifetime.⁵

Economic analyses and predictions for the next two decades point to the likely trends of economic development. In 2010, the US accounted for 24% of global GDP and the EU for 27%. In twenty years time, in 2030, their respective shares are expected to halve. An even sharper decline is predicted for Japan (from 9% to 3%). Conversely, China’s share will rise from the current 9% to 24%, and India’s from 2% to 10%. According to predictions of GDP growth, China may actually draw level with the US at the end of the second decade, becoming the world’s number one economy in 2030.⁶ But global economic development will also be influenced by other dynamic economies with a large potential. One such influential actor is BRICS, grouping China and India with Brazil, Russia and South Africa (it was BRIC till 2010, with South Africa as the most developed African economy joining in December 2010).⁷ Apart from BRICS, attention is also centered on the economic development of “N 11” or “Next Eleven.”⁸

The four current centres of global power – North America (US and Canada), the EU, China and Japan – represent two large regions with a decisive influence on the global political, economic and security development: the transatlantic and the Asia-Pacific.

The shift of global power is, of course, accelerated by the consequences of the economic and financial crisis which has had immediate impact on the international economic order.

The first great crisis of “globalisation” confirmed the declining importance of nation states (especially in the West) which has been in evidence since the early 1990s. Seen as saviours of the last resort, the nation states were forced to provide assistance to the collapsing financial markets whose fate determines the income of millions; however, as soon as they did so (with enormous sums that pushed them neck deep into debt), the markets (banks, supranational economic corporations) began to attack them in their weakened position and forced them to further privatise public goods and restrict welfare benefits. At present, financial markets, e. g. through the activities of three rating agencies that have, in fact, risen to the status of key global actors,⁹ make credit so expensive that some states are being pushed to the edge of bankruptcy. But the huge transfers from state budgets and speculation raising the cost of credit for those states whose position is most precarious (or, rather, most systematically undermined) cause further collapses of the international financial system – collapses that the much-weakened nation states may no longer be able to prevent or avert.

On the other hand, there is the “Chinese model” of a large nation state with centralised administration and a free market, albeit circumscribed by the authoritarian policies of the non-liberal “state” capitalism. This model has helped China face the consequences of the crisis; another factor, however, was the country’s growth rate, a function of capital accumulation, which is faster than that of the developed economies and explains why even such a shock as the financial crisis could not push Chinese economy into recession.

It is thus not inconceivable that, for the first time since the eighties’ collapse of the Socialist bloc, the West will face an ideological challenge: a confrontation of liberal capitalism and democracy with non-liberal capitalism. In the aftermath of the economic and financial crisis in which Europe and the US have been hit hardest, this (predominantly Chinese) model is, in fact, becoming attractive for

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a number of Asian, African and Latin American countries. Uncontrolled economic liberalism seems to have discredited itself and lost much of its lustre.¹⁰ In contrast, China and other dynamic economies have remained relatively unscathed and have actually become the generators and main pillars of global economic growth.

G-20: A NEW QUALITY OF GLOBAL GOVERNANCE?

The economic crisis has also caused a relatively radical shift in the existing balance of global power. We are witnessing a historic moment: for the first time since the industrial revolution, economic power is not concentrated solely in the West. After the collapse of the Western model of economic governance, the group of the most developed Western countries and Japan (G7 and, after Russia's inclusion, G-8) is no longer regarded as the exclusive forum for tackling global political and economic challenges. The G-8 has been replaced by the G-20, the group of twenty of the most developed and fastest-growing countries, which is expected to intervene more effectively to tackle crises on a global level. Apart from the former members of G-8 (France, Italy, Japan, Canada, Germany, Russia, the US, the United Kingdom), G-20 includes Australia, which is actually a 'Western' actor, and also a number of 'non-western' actors: China, India, Argentina, Brazil, Indonesia, South Korea, Mexico, Saudi Arabia, South Africa and Turkey, all of which have become members on account of their economic performance.

Typologically, G-20 may be called a network organisation, deriving its legitimacy from its relative global economic leverage (G-20 economies represent 85% of the world's GDP, 80% of international trade and 2/3 of global population). The G-20 members have already identified the main topics and problems on the global agenda (economic agenda in particular) and tried to negotiate solutions. They are currently focused on coordinating – and reaching consensus about – measures to limit the impact of the economic crisis, and trying to define an “exit strategy.” Naturally, there are many topics on which the views of the G-20 members clash, so finding consensual solutions and common strategies is not an easy task. For example, the US-China relations are fraught with tension due to the large trade balance deficit, and both states accuse each other of currency manipulation (the undervalued Chinese Yuan vs. the

quantitative “easing” of the dollar); on a more general level, the relations between “Western” and “non-Western” G-20 members are complicated by political distrust rooted in historical reminiscences from colonial times¹¹ (this distrust undermines even negotiations about limiting the impact of climate change). On the other hand, the G-20 agenda does not, and probably will not, include human rights and discussions about the state of democracy in individual member countries. The key focus is economic and any purely political agenda that could affect the sensitive human rights topics is of secondary importance. This is not surprising as such discussions would hardly be tolerated by China as one of the key G-20 members, but also by Russia or Saudi Arabia.

It remains to be seen whether G-20 can become a nucleus of global economic reform, and, prospectively, also the fulcrum for reforming the existing institutions of global political and economic governance (United Nations, International Monetary Fund, World Bank etc.). So far it seems that many large G-20 countries will prefer maintaining their strong political and economic position in their respective regions and cementing their leadership there. The future will thus probably see further development of regional organisations, each dominated by one or two key actors. Examples include the EU with the marked dominance of Germany and France, ASEAN¹² with Indonesia as the key actor, UNASUR¹³ led by the South American regional power, Brazil, the African Union¹⁴ with the most developed African country, South Africa, in the lead, the Shanghai Cooperation Organisation¹⁵ led by Russia and China, and also the Cooperation Council for the Arab States of the Gulf,¹⁶ whose key member is Saudi Arabia. This constellation is likely to lead to a more intense communication between regional organisations; they will tend to strengthen their role in all kinds of interstate activities and will thus also have more say in settling political, economic and security disputes. Such development could further undermine the role of the United Nations. On the other hand, since regional organisations are, in a sense, turning global, considering their potential and interconnectedness through many countries’ multiple memberships, they could provide basis for the much-needed reform of the UN. This possibility is envisaged by Toffler, who suggested a transformation of the UN into a federation of pacts and blocs. The viability of this alternative is indicated by the

recent decision of the UN to transform itself from an assembly of nation states into a body that grants representation also to regional blocs (May 2011).

CEJISS 2/2012 THE US AS A WANING AND CHINA AS AN EMERGING SUPERPOWER?

Whatever the future of the UN, the political, economic and security development of the world will hinge on the direction taken by the two key global actors of the 21st century – the US and China – and their mutual relations.

Mostly due to the economic crisis, the US has all but exhausted its post-war potential and is losing its global authority. This is symbolised above all by the current level of US debt, which reached USD 14.293 trillion in 2011. It is a paradox, perhaps, that the debt has been growing most rapidly over the past twenty years after the end of the Cold War (i. e. during the “unipolar” moment of history). A well-known American diplomat, former US ambassador to the USSR Jack Matlock, comments on this paradox in his book *Superpower Illusions: How Myths and False Ideologies Led America Astray And How to Return to Reality*.¹⁷ He notes that, twenty years after George Bush Sr. announced the beginning of a new world order, the world is plunged in a deepening economic recession, the American army is trapped in two conflicts that have already outlasted the Second World War, and the US has become the world’s number one debtor.

Meanwhile, the US debt is going to grow (it is expected to reach USD 18.6 trillion in 2015) and even now it has already become a clear retarding factor, hampering the exercise of American political, economic and military power on a global scale. At present, the US government spends 8% of its income on interest payments (the overall federal debt level is 93% of GDP; the last time the US had such enormous debt was during the Second World War). According to the outlook of the House Budget Committee, however, this share is expected to rise to 17 % by the end of the 2010s. Forced to use almost one fifth of its budget to pay interest on its debt, the US may consider cuts in the still-high military budget and save on its army. It is, in fact, an economic necessity: the cost of American engagement in Afghanistan, Iraq and Pakistan has already climbed to

at least USD 3.2 trillion according to expert estimates, and has been financed almost exclusively from loans. The US has already paid USD 185 billion in interest only and will have to pay another trillion by 2020. In the future it will thus probably be unable to finance 75% of the NATO budget and the expected lowering of US funding may seriously impact the character of NATO operation.

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The impact of US debt on domestic social and economic development may be equally grave, as it is only one among numerous other retarding factors, openly identified by Zakaria. The American economy is, in many ways, still dependent on what was built and achieved in the 1950s and 1960s (highways, science and research funding, public education system, immigration policies), with no innovation in sight to take these achievements further. The infrastructure is aging (23rd ranking worldwide, far behind the world's most advanced economies); the US ranks 27th in the world in life expectancy, but is number one in obesity levels. The US crime rate is the highest among the developed countries and the country has the most guns per capita.¹⁸ But the chief problem of American society is the mass habit of living in debt, the "credit" society which is unsustainable in the long term. The consequences of its (dys)functioning in the shape of the late 2000s mortgage crisis (triggering the broader economic and financial crisis) have had truly geopolitical impact. The American elite is thus facing a major challenge in finding new drivers of post-crisis growth, since pre-crisis growth was fueled primarily by excessive household consumption, and the financial crisis can also be seen as a process of eliminating the US economy's external imbalance. However, the protracted disputes between the President and the Congress (or the Democrats and the Republicans) over raising the debt ceiling, necessary if the US is to avoid bankruptcy (one phase of these was ended by a last-minute political compromise in August 2011) indicate that the US political elite may have trouble finding new strategies for future development.

The challenge facing the US is unavoidable and complicated: it must seek to maintain its power status among increasing competition from the emerging powers, to be "the first among equals." Despite all the above-mentioned problems, however, the US still has a substantial economic, scientific and military potential with which to achieve this goal. The dollar is the world's prime reserve

currency¹⁹ and the US government bond market still has the highest liquidity worldwide. The US boasts the highest investments in research and development (approximately one-third of all funds allocated to the field in the world's most advanced countries), being a global leader in such progressive fields as nanotechnology, biotechnology and, traditionally, information technologies. With 5% of the global population, the US is home to seven or eight universities from the global "top ten." It is thus a highly attractive destination for young promising intellectuals from virtually every corner of the globe, people who, in turn, can generate the "value added" of American soft power. One manifestation of this soft power is America's prominent position on the global information and cultural market. Military power, too, remained important: for another two to three decades, at least, the US military will remain unchallenged in troop numbers, capabilities and technological sophistication. This may lead to the conclusion that the present-day world is characterised by unipolarity in the military realm (US military power) and multipolarity in other respects (the economic power of the US, EU, China, India, Japan, Russia and other emerging powers).

Thanks to the above-mentioned "development bonuses," the US is well-positioned to start using "smart power," a concept defined by Nye.²⁰ It involves a skillful combination of traditional military power (hard power) with soft power according to need, and the use of alliances and networks capable of responding to the new environment of the global information age. Nye writes that 'the network provides power to achieve preferred outcomes *with* other players rather than *over* them.'²² Translated into practical politics, this involves e.g. the building of a global system based not on the dominance of one great power, but on a balance of power between several key actors. It is this strategy that is being implemented by the Obama administration, mainly in its relations with China and Russia. In the case of China, this approach is, in fact, a bare economic necessity.

A situation like this could hardly have been foreseen forty years ago by the architects of China's return to global power politics, President Nixon and Secretary of State Henry Kissinger. Their principal motivation was to use China to counterbalance the USSR. However, over the thirty-three years since the commencement of diplomatic relations between the US and the PRC (1979), China's

extensive economic reforms have made it the world's second largest economy, with prospects not only to equal but possibly exceed the GDP of the US.

Also, China has huge dollar reserves (USD 2.85 trillion in 2010), and is currently America's largest creditor. As of 2011 China holds US government bonds worth approximately USD 1.2 trillion (the total volume of American bonds held by foreign entities is USD 4.5 trillion). The trade balance of the two countries is also markedly uneven: in 2010 American exports to China amounted to USD 81.8 billion, while Chinese exports to the US were worth USD 344.1 billion. But America's dependence on China is growing: if the Chinese government decided to stop lending money to the US, the consequences for American economy would be catastrophic, as nowadays it is, in fact, China, that finances the US army and a large share of American healthcare. Moreover, the traditional economic relations of the two countries, with China almost exclusively a producer and the US a purchaser, are beginning to change (a shift evidenced e.g. by the contract for the supply of 200 Boeings to China as well as other deals). Meanwhile, China is beginning to expand through acquisitions of major companies on the US market. The time is near when it will become the main economic partner of the US, and, with the mutual economic interconnectedness bound to increase, it is only logical that the two countries have launched the Strategic and Economic Dialogue (SED or, informally, G-2) as a framework for discussing mutual economic relations. The growing importance of Sino-American relations also influences US foreign policy priorities, as East Asia, with growing Chinese influence, gradually replaces Europe as the most important region for US foreign policy.²³

China will continue efforts to strengthen its economic power, counterbalancing the unipolar military role of the US and avoiding the mistakes of the USSR, whose efforts to keep up with US arms spending led to its economic exhaustion and significantly contributed to its eventual collapse. In many ways, the Chinese behave as an "asymmetrical great power," wielding economic power and gradually acquiring energy and other strategic resources in Asia, Africa and South America. A model example is China's monopolisation of the global market of rare earth metals, of which it controls 97%. These seventeen strategically important elements are found

somewhat abundantly in the Earth's interior, but their concentration is seldom high enough to make extraction profitable. Though not needed in large quantities, they are crucial for some industries, e. g. car and military radar producers or makers of computer parts. China can also challenge the US military dominance in some areas, e.g. in space or Internet technology – in fact, it has already started doing so. It also takes advantage of the economic crisis, now being in the position of a “more successful” country, it advises the US on ways to face the crisis. To prevent its deepening and ensure that the US does not jeopardise Chinese interests by defaulting on its obligations, the Chinese media have recommended a number of measures, including spending cuts, tax increases and lowering the military budget.²⁴

In a long-term perspective, China may continue reducing its dependence of the US, especially by weakening the position of the dollar as the global reserve currency: the Chinese President Hu Jintao has actually indicated this to be one of China's long-term goals. The Chinese efforts to “de-dollarise” the global economy²⁵ are already evident in China's trade policy: the recently signed Chinese bilateral trade deals with Brazil and Malaysia envisage payment in Yuan, and Yuan is also the currency Russia receives for the oil supplies China gets via the new Siberian pipeline (the two countries introduced full convertibility in 2010).²⁶

Notwithstanding all the above, Chinese political leaders realise that, even after thirty years of reforms, China is still a developing (though extremely fast-developing) country, going through the medium stage of industrialisation. Externally, this is a limiting factor on China's global political, economic and security ambitions; internally, it shows in the uneven distribution of economic prosperity and the corresponding life standard. In 2010 GDP per capita at PPP was, according to IMF data, USD 7,519.²⁷ Forty-three million Chinese are still below the poverty line (living on less than two dollars a day), the healthcare and social security systems are underdeveloped, investment in public education represents 2.4% of GDP, compared to the global average of 4.9%, and the precipitous economic growth entails permanent inflation pressure. Regional differences are also important: in 2008 the average income of urban population was 3.3 times higher than that of the rural population. GDP levels in the more developed eastern provinces are threefold

compared to the more backward south; GDP per capita is 2.3 fold. China's further development will depend on whether it can keep its high growth rate as a prerequisite for maintaining social cohesion and eliminating social tension. A rise of social unrest caused by inter-regional as well as inter-individual economic and social differences thus still looms on the horizon as a possible scenario. It also remains to be seen whether China can maintain the discrepancy between its political governance model – the power monopoly of the Communist party – and its market-based economy. The rising standard of living (especially among the growing middle class) will generate stronger demand for freedom and democracy, which is not quite compatible with the Communist power monopoly. But having presided over three decades of pragmatic economic reforms (best summed up in the slogan of their initiator, Deng Xiaoping, 'it doesn't matter whether a cat is black or white, so long as it catches mice'), the Communist Party may also attempt to reform the political system. The Prime Minister, Wen Jiabao, has actually called for such a reform in a CNN interview, stating that the ruling party should open itself to more criticism from the citizenry, answering the calls for 'freedom and democracy.' He said, 'Without political reform, China may lose what it has already achieved through economic restructuring.' This would entail an unprecedented attempt to develop democracy through a managed process. In this respect it is worth noting that the Communist Party itself is "opening;" its ranks are now open even for businessmen who have thus been put on an equal footing with the "traditional" social groups (workers, peasants, working intelligentsia).

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Despite all the aforementioned internal risks, the rise of China brings definite advantages for the rest of the world: as the country grows richer, its population acquires the means to buy products from all over the world and travel abroad more frequently, generating jobs in other countries. The growth and stability of the global economy are consequently less dependent on the American consumer.

Chinese political leadership also seriously considers how the country's political and economic stability may be affected by external security factors. Especially evident is the security instability in Central, South and East Asia, i.e. in China's neighbouring regions to which the country must pay special attention. There is, in

fact, a continuous “belt of insecurity” stretching from Afghanistan through Pakistan and India to the Korean Peninsula. This territory has substantial conflict potential, connected with the rise of radical Islamism and also the threat of WMD proliferation and use. The most significant threats include the possible escalation of the civil war in Afghanistan after the end of NATO and US military engagement, the political instability in Central Asian countries, e.g. Kyrgyzstan, Uzbekistan and Tajikistan, the conflict-ridden relations between India and Pakistan, the potential threat of an Islamist coup in Pakistan that would leave the country’s nuclear potential in Islamist hands, and the unpredictable behaviour of the North Korean regime. China must take note of the growing influence of radical Islamism on its territory – in the western Xinjiang Uyghur Autonomous Region and the northern Ningxia Province with its 30 million Muslims. It must also take note of other non-military threats such as drug production and trafficking (Afghanistan, Burma) or maritime piracy (not just in the Bay of Aden, but also in the Straits of Malacca, the key maritime route connecting Asia with Africa and Europe).²⁸ An escalation of these conflicts or increased security tension in the region could affect China’s economic development – which may be one of the main reasons why China defines itself more as a regional than a global security actor.²⁹ The growth of Chinese military potential, in both qualitative and quantitative terms,³⁰ thus need not be perceived just as a “Chinese threat” to the West, but also as China’s response to signs of regional security instability. At the same time it is clear that the chief reason for the strengthening of Chinese military power is the desire to eliminate US military presence in China’s neighbouring regions. However, the military predominance of the US is still substantial.

The Sino-American security relations are now ambivalent, as there are signs of, and potential for, both hostility (albeit as yet only verbal) and cooperation. China views with displeasure the substantial military presence of the US in the East Asian region, especially in the proximity of the Korean Peninsula, and US military support to Taiwan, possibly the most sensitive issue on the agenda of Sino-American relations. On the other hand, mutual economic cooperation and common economic interests lead to strategic security cooperation e.g. in WMD non-proliferation (six-party talks about the North Korean nuclear programme, negotiations about the Iran

nuclear programme), fight against terrorism or maritime piracy. The active Chinese participation in the anti-piracy operation in the Gulf of Aden is seen as an important step toward increased Chinese involvement in ensuring global security.³¹ The nature of Sino-American relations is epitomised by the newly established “hotline” for direct communication between the US and Chinese defense ministers.³² This fact, perhaps more than any other, confirms the new quality of mutual relations, considering that a similar hotline existed for communication between the two Cold War superpowers, the US and the USSR.

THE EU: THE FUZZY OUTLINES OF “GLOBAL POWER WITHOUT A STATE”

The strengthening political and economic cooperation between the US and China has prompted some influential European politicians to suggest that the trend toward the formation of a G-2 (US-China) should be countered by the establishment of a G-3 (US+China+EU),³³ as Europe should not remain outside the main “geopolitical axis” of the 21st century. This ambition may seem justified, since, from a legal and administrative viewpoint, Europe is still the most stable economic region in the world, a region without major internal conflicts, mass poverty or dictatorships, and with a high level of political, cultural, social and environmental attractiveness. Membership in a “G-3” would confirm Europe’s status as a global actor.

But can Europe really be a global actor in its own right, an equal of large nation states such as the US and China? Its potential in this respect is circumscribed by a number of factors. Despite its unique development model of political and economic integration – a process that has been going on for nearly 55 years and can perhaps be described as “saving Europe from the nation state” – the EU consists of 27 nation states exhibiting great political and economic diversity, each with its own history and past experience that inform its internal and foreign policies. All these are retarding factors, complicating the attainment of full consensus in political communication and decision making, especially in two key areas: economic policy and foreign and security policy. It is in these very areas that the functioning of the EU leaves much to be desired.

The position of the EU (as well as that of the US) has been complicated by the economic crisis, in Europe most manifest as a crisis of the EMU. The EMU crisis has exposed the limits of an integration based on political will rather than economic realities. Moreover, there is still a dilemma to be resolved at the political level, namely whether the EU can be a genuine great power without being a state. One possible resolution would be the formation of a joint government of the Eurozone. The proposal for its establishment, put forward in 2011 by Germany and France as the most influential EU members, envisages long-term closer economic integration that should lead to single budgetary, tax, economic and welfare policy. Whether this plan succeeds, or becomes rather a catalyst of further EU diffusion, remains an open question. In any case, it is already clear that the fate of the single currency, the Euro, is a key geopolitical factor. A collapse of the Euro would probably lead not just to a disintegration of the EU, but to a global economic crisis, damaging also the US and China.

This is one of the reasons why the economically booming China has made Europe a key target of its economic expansion. In late June 2010, the Chinese government held EUR 630 billion worth of Eurozone bonds (i.e. 7.4% of their total volume), and a study commissioned by the European Council on Foreign Relations estimates that 40% of Chinese investments in the EU are concentrated in Portugal, Spain, Italy, Greece and the countries of Central and Eastern Europe.³⁴ China has become the number one holder of Spanish bonds and is pursuing the same aim with Portugal. It is also making large-scale acquisitions in the economically weakened Greece, which can thus become the gateway for Chinese economic expansion in Europe. The expansion has already started, in fact: in 2010 Chinese investments in Europe rose by 12% and this trend is expected to continue. The trade relations between China and Germany as the strongest EU economy have also been growing dynamically over the past five years. The facts speak clearly: between 2006 and 2010 German exports to China rose by 95% (EUR 53.6 billion in 2010), making China the seventh largest importer of German products. As for German imports, China has already become Germany's largest trading partner; its share in German imports is 9.5% (EUR 76.5 billion in 2010), a 53% increase compared to 2006.³⁵

China thus becomes directly involved in European politics, pursuing simultaneously two related aims. First, it is helping to save the Euro as a currency counterbalancing the influence of the US dollar – an important aim for a country that wants to de-dollarise the global economy. Secondly, it is strengthening its economic and political influence in individual EU member states.³⁶

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Apart from Chinese influence, the EU must also come to terms with the importance of Russia as another influential “non-western” actor. Relations with Russia have direct bearing on the military, economic and energy security of the EU, but a viable model of co-operation between the EU and the two above-mentioned countries is still being sought.

The question of security, in particular, is a very sensitive one. Russia, a regional and global power that stands outside both the EU and NATO, wants to put an end to the current situation when it feels excluded from the decision making concerning European and transatlantic security, despite being involved in its provision (e. g. by working with the US and NATO on the Afghan conflict, or assisting in the resolution of problems with the Iranian nuclear programme). This is why Russia put forward a proposal for a new model of European security architecture.

This strategy was first outlined on 5 June 2008, in Medvedev’s Berlin speech before the members of the Bundestag and German public officials. In Berlin, Medvedev mentioned the idea of a ‘pan-European security document’ and at a Russia-EU summit in Khanty-Mansiysk later that month he suggested the possibility of a closer security cooperation between the EU and Russia, including a potential signing of a pan-European security treaty. Medvedev’s proposal gradually took on a more concrete shape, while the first versions did not envisage the inclusion of the US and Canada, the later variants did. The proposal was subsequently presented as a security pact for the area between Vancouver and Vladivostok. The final draft of the Pan-European Security Pact was published in Moscow on 29 November 2009.³⁷

The draft contains five key tenets:

1. Security in Europe should be indivisible.
2. The signatories should not try to ensure their security at the expense of others.

3. The signatories that are members of military blocs or alliances should act in full conformity with international commitments ensuing from the UN Charter, the Helsinki Final Act and other international agreements.
4. No signatory should allow the use of its own territory for aggression against another signatory.
5. Each of the signatories undertakes to consult and explain its steps if requested to do so by the other signatories.

The covert aim of the Pan-European Security Pact is threefold: prevent further NATO enlargement, equalise Russia's status in political communication and decision-making with that of regular NATO members, and undermine the role of NATO in transatlantic and global security. Russian political leaders must have known from the very start that the proposal in its original form would not be viable; it is evident that its aim was simply to initiate a debate in which Russia could have its say. This is confirmed by a leading Russian political science expert, Kortunov. In an article written for the influential Russian foreign policy journal, *Mezhdunarodnaya zhizn*, and tellingly entitled 'Uniform Rules for the Euro-Atlantic,' he writes: 'Whatever the result, Russia's initiative concerning the new European security architecture is currently at the epicentre of European political debates. This in itself is a great achievement of Russian diplomacy.'³⁰

Kortunov may have been exaggerating a little with his 'epicentre of debates,' but Russians did succeed in stirring up debate and thus exposing the differences between NATO member states in relation to Russia and Russian policy. Three years after President Medvedev's Berlin speech, it can be said that Russian proposals have met with a relatively positive response in Germany, France and Spain, but the US reaction has been negative. Secretary of State Clinton expressed it clearly on 22 February 2010 when she spoke at a Washington seminar dedicated to preparing the new NATO strategic concept: 'The United States does not see the need for new treaties and we believe discussions of European security should take place within existing forums for European security such as the OSCE and the NATO-Russia Council.'³¹ The Russian proposal was also rejected in Central European countries (Czech Republic, Poland) and, understandably, in the Baltic states. Notwithstanding these negative responses,

the OSCE in June 2009 initiated an informal dialogue about the Russian proposals, now known as the “Corfu process.”

Meanwhile, Russia is deepening its political, economic and military cooperation with the two leading EU states, France and Germany. This extremely important cooperation is linked to another strategic aim of Russian political leadership, which is the economic modernisation of Russia to enable its departure from the model of a resource-dependent economy. Both Germany and France expect the cooperation will bring significant economic, but also political dividends, as evidenced by the words of German Minister of Foreign Affairs, Guido Westerwelle: ‘We see Russia as a strategic partner not just in economic and trade relations. We also need partnership in other areas: climate protection, energy, or issues of European security, especially arms control or resolution of international conflicts, e. g. in the case of Iran.’³²

Both Germany and France have truly large-scale economic interests in Russia. The volume of German investment in Russia has reached USD 20.2 billion in 2010 and the number of German companies operating in Russia exceeds 6,000. Many of them, especially the large ones (E.ON Ruhrgas, Daimler, Siemens, Volkswagen), are involved in the implementation of strategic energy projects (one example being the Nord Stream gas pipeline), but also projects in other fields: car industry, railway transport, municipal economy and regional development. Another impulse for Russo-German economic cooperation may be the establishment of a joint energy enterprise, envisaged in a preliminary strategic partnership agreement and currently the subject of negotiations between the Russian gas giant, Gazprom, and the second largest German energy concern, RWE.

France, too, tries to strengthen its economic relations with Russia. Examples are the growing share of the French energy company Total in Russian gas extraction or cooperation in space research. In addition, Thales, the partially state-owned French military technology company, is entering the privatisation of the state-owned military-industrial holding Russian Technologies.

But two contracts are still more important from the military-political and strategic viewpoint. One concerns Russia’s purchase of two modern French amphibious assault ships (Mistral-class vessels, a deal worth USD 1.7 billion).⁴¹ The other is a construction

project under way in Molino near Moscow where German Rheinmetall is building a modern combat training centre for Russian land troops (worth USD 398 million).⁴² Both contracts represent breaking a kind of “security taboo” that has existed between NATO/EU and Russia, as two important members of both organisations now supply Russia with modern military technology. In the case of the two Mistral-class vessels it is, moreover, the largest sale of western military technology to Russia since the end of the Second World War – or the establishment of NATO in 1949.⁴³

What do these contracts and the strengthening economic ties between Germany, France and Russia indicate? One motive behind them is surely economic profit, especially important during the economic crisis. But there are also strategic aspects. The French diplomacy traditionally considers France and Russia, the two continental nuclear powers, to be pillars of European security. The German contract is simply a confirmation of the country’s strong economic relations with Russia, but France and Germany also jointly realise that a partnership with Russia can help the EU⁴⁴ successfully face the increasing competition from other global actors, especially in the context of the declining American interest in Europe and the global rise of China. Conversely, Russia may need the partnership with the EU to balance the growing influence of China, which, despite the officially declared “strategic alliance,” is Russia’s rival in the global competition with regard to both its geographical location and demographic situation.

However, relations with Russia cause, and will continue to cause, cleavages within the EU and its Common Foreign and Security Policy as well as within NATO. For all its oversimplification, the famous distinction between “old” and “new” Europe, drawn by the former US Secretary of Defense, Donald Rumsfeld, does hold some measure of truth. “New Europe” – the former Socialist countries or parts of the USSR – still see Russia as a potential danger. This view is removed from reality though. Russia is plagued by a number of its own political, economic, social and ethnic problems that prevent it from being a relevant threat. Moreover, it has vital economic ties with Europe: it needs a stable market for its natural resources, especially oil and gas, as its only economically competitive commodities and, consequently, a major source of income for the state budget.

The European Union and NATO are also divided on the issue of the US role in transatlantic security and on relations with the US generally. The United Kingdom, a traditionally pro-American EU member, together with the states of “new Europe” saw and partly still see the US as a key ally that should guarantee their security. But the US is facing new geopolitical realities (the rise of China) as well as its own security and economic problems (engagement in the Iraqi and Afghan conflicts, the impact of the crisis). In view of these factors, it is forced to redefine its foreign policy and security priorities, abandoning some of those rooted in the Cold War era and the subsequent twenty years of “unipolarity.” One of the new priorities is closer security cooperation with Russia on a number of global security issues – European anti-missile defense, the Iranian nuclear programme or Afghanistan. Another change is the envisaged lowering of US share in providing EU defense: in the mid-term perspective, it is untenable for the US to cover 75% of NATO budget.

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One signal that the US is becoming at best “a part-time European power” was sent during the NATO Libyan operation against the Gaddafi regime. The US refused to become actively involved in what would be its third war conflict in the Muslim world after 11 September 2001, seeing the operation as a defense of values rather than interests, i. e. as an intervention that is possible, but not necessary. NATO thus, for the first time in its history, acted without the leadership of the global superpower that had been the initiator and principal pillar of its existence. The NATO operation in Libya, with the key role of France and the UK, did help the insurgents topple the Gaddafi regime, but also revealed serious problems within the Alliance. Only eight out of the twenty-eight members took part in the Libyan military actions. Germany, one of the most important European members, distanced itself from the conflict, e.g. by abstaining during the Security Council vote on the Libyan operation. In contrast to Iraq and Afghanistan, the Libyan operation was marked by the absence of “new Europe” states, including Poland (however, this was mostly due to the state of their armies, hit by budget cuts). Problems occurred even in the very course of military actions; despite being the only real European military powers, France and the UK have shown a deficit of certain military resources and capabilities⁴⁵ (presumably also because of budgetary restrictions).⁴⁶ In the end, the capabilities deficit had to be covered by the US.

From the above it is clear that if the EU is to do without US support, it will need a joint centre of operational command – a European general staff. This idea is strongly supported by France and Poland, but the UK has rejected it and Germany's attitude is as yet unclear. Still, "Europeanisation" of European defense and security is gradually becoming a categorical imperative, e. g. because Europe will have to take a coordinated stand on the turbulent situation in its immediate vicinity, the Arab world that is experiencing a series of upheavals and revolts against the decades-old autocratic and dictatorial *status quo*. This will require not only economic and political support of the changes, but also effective provision of humanitarian aid, and possibly (in case of strong migration waves) even deployment and interventions of military and police forces. All this will be the responsibility of a Europe that will no longer be able to rely on extensive US help.

A WORLD WITHOUT SUPERPOWERS?

The picture presented here of the often ambiguous and contradictory changes in the global power architecture and of development trends in the policies of key world powers brings up a fundamental question: after forty years of post-war bipolarity and less than two decades of post-Cold War unipolarity, are we not facing a kind of global power vacuum?

Mainly due to economic problems, the US is forced to relinquish its position of the world's only superpower. In comparison with his predecessors, Barack Obama has much less chance to declare confidently that, in case of need, the US will intervene anywhere in the world, using all political, economic and military resources at its disposal. This will be equally true for his successor. For him or her, too, the greatest threat to US security will be the country's budget deficit (this fact is acknowledged even by the leaders of the US army or intelligence services).⁴⁷

China is already in its fourth decade of dramatic economic growth. In the medium term, at least, its economic power is unchallengeable, but in many ways it is still a developing country whose social and economic contrasts loom large and can generate substantial social tension. It is therefore wary of taking on larger global responsibilities, its priority still being the Asian region.

As it struggles with the economic crisis, the European Union is trying to answer key questions about its future: what will the Eurozone – the present core of the integration project – look like in the upcoming years and what will be the fate of the euro? What capacity the EU has left for external engagement is therefore more likely to be invested regionally than globally; in its relations with southern (North Africa and the Arab world) and eastern neighbours (relations with Russia and its modernisation, Eastern Partnership countries).

The other major actors have more of a “regional potential,” too. Russia is a global natural resources power, but it is almost fatally dependent on the raw resource-exporting model of economy. Also, it has too small a population for its huge territory, with a prospect of further population decline. It has preserved the instinct to “think globally” that had been characteristic of the USSR, but lacks the resources to translate it into practical policies. India, the future most populous country of the world, has great potential, but also many internal problems: it needs to stabilise its political system and reform its overcomplicated and over-hierarchical economy; another problem is the still high level of socially devastating poverty. Brazil is an uncontested South American power with a dynamic economic development, but also a number of economic problems.

The question formulated above can be answered to the effect that the threat of a power vacuum is not yet imminent, despite the aforementioned “weaknesses” of the key powers. Such a situation is prevented by their economic interdependence, projected into communication within G-20. But even this communication may break down under the deepened impact of another wave (or waves) of the economic crisis with its potentially devastating effects. Such a trend could, indeed, eventually lead to a “G-o format,” i.e. a state of global political, economic and security anarchy. So far it is probably just a scenario or, rather, a wild card. Still, this possibility cannot be ruled out completely.

THE CZECH REPUBLIC IN THE NEW REALITY: MORE
EUROPE AND CLOSER ATTENTION TO NON-WESTERN
ACTORS

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After the Cold War, the Czech Republic, notwithstanding all its political, economic and social problems, successfully joined West still exercises major influence on world affairs. However, it is also being confronted with the turbulent development in Europe and the world, which corrects the somewhat idealised notions about the “end of Czech history,” envisaged as the definitive and unproblematic attainment of economic prosperity and security through accession to NATO (1999) and the European Union (2004). These two strongest organisations of the West have to cope with the impact of the economic crisis, the growth of strong non-western actors (BRICS) and re-configuration of US global political priorities. Under the influence of these factors, EU and NATO policies are bound to change, even in ways that the Czech political elites could not have foreseen at the time of our accession (e. g. the weakening of NATO and Europeanisation of security policy, or the related acceleration of the European integration process). But a state occupying 0.05% of Earth’s surface, with a population producing 0.352% of global GDP and an economy crucially dependent on exports (the exports-to-GDP ratio reaches 80%), has no alternative but to adapt itself to new European integration trends and to changes in western policies generally if it is to maintain its development rate and prosperity. “More Europe” in practical policies can help the Czech Republic to remain a relevant and fully-fledged actor within the European Union, an entity that is and will be capable of maintaining its position in the global competition for political, economic and security leverage. The current EU share in global GDP – 20.45% – speaks volumes. On the other hand, the Czech Republic will have to adapt to the new global realities, seeking new ways of economic and political cooperation with the ever stronger non-western actors, especially BRICS, and partly diversifying its export portfolio. However, this will also require a “mental shift” within the Czech society – a deeper perception of the growing political, economic and also cultural influence of “non-western actors,” reflected not only in the activities of Czech diplomacy (not necessarily just economic diplomacy), but also in the education system (greater focus

on territorial studies related to non-western actors, including language teaching). It will be the adaptability of the Czech Republic and its political elites that will determine its future status, its relative economic prosperity and long-term security.

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NOTES TO PAGES 209-230

- 1 This study was prepared in the Framework of the Research, development and innovations project ‘Trends, risks and scenarios of security development in the World, Europe and the Czech Republic – impacts on security policy and security system of CR,’ VG20102013009.
- 2 ‘The Unipolar Moment,’ *Foreign Affairs*, Vol. 70, No. 1, America and the World 1990, pp. 23-33, available at: http://www.comunicazione.uniroma1.it/materiali/14.34.27_Charles%20Krauthammer%20The%20Unipolar-Moment.pdf.
- 3 The fall of Lehman Brothers (as the symbol of American capitalism) in September 2008 can be seen as the symbolic end of the unipolar moment.
- 4 Fergusson, N. (2011), ‘Civilization: The Six Ways the West Beat the Rest,’ Allen Lane, London.
- 5 Mahbubani, K. (2008), Ringing in the Asian Century, Los Angeles Times, 19 January 2008, available at: <http://internet-search-marketing.com/ringing-inthe-asian-century-the-west-needs-to-get-used-to-the-end-of-its-eraof-world-domination.php>.
- 6 For more information on the economic growth of new powers see <http://www.standardchartered.com/media-centre/press-releases/2010/documents/20101115/The_Super-cycle_Report.pdf> and Grant, Ch. (2008), *Can Europe and China shape a new world order*, London: Centre for European Reform; <http://www.cer.org.uk/pdf/p_837.pdf>.
- 7 Goldman Sachs analyst, Jim O’Neill, in 2001 was the first to identify the economic potential of the BRIC countries also predicts that, by the end of the current decade, the BRIC economies taken together will have bettered the US economy and the Chinese economy alone will represent two-thirds of that of the US. The four BRIC economies will also account for at least 50% of global GDP growth in the second decade, and even a 70% share is considered possible by O’Neill (“Why

we must stop talking about ‘emerging markets’”), available at: <http://www.europesworld.org/NewEnglish/Home_old/Article/tabid/191/ArticleType/ArticleView/ArticleID/21780/Whywemuststoptalkingaboutemergingmarkets.aspx>.

- 8 This group includes, once again according to Goldman Sachs, Bangladesh, Egypt, the Philippines, South Korea, Indonesia, Iran, Mexico, Nigeria, Pakistan, Turkey and Vietnam.
- 9 The three agencies are US-based Standard & Poor’s, Moody’s Investors Service and Fitch Ratings.
- 10 Expert and political discussions have focused *inter alia* on the “Beijing Consensus,” a model according to which developing countries should develop their economies while keeping key assets in the hands of the state, and political and cultural changes should be preceded by well-prepared market reforms. This model is thus the very opposite of the long-dominant Washington Consensus which urged the governments of poorer states to privatize state companies as soon as possible, promote free market at any cost, deregulate, and limit public spending. In fact, one of the consequences of the global economic and financial crisis is that it has prompted the representatives of the “Third” World to challenge the principles of the Washington Consensus.
- 11 A typical response was that of the former Brazilian president, Luis da Silva, who did not hesitate to claim that ‘this is a crisis that was caused by people, white with blue eyes. And before the crisis they looked as if they knew everything about economics.’
- 12 ASEAN (Association of South East Asian Nations) is an international regional organization founded in 1967. Its members are Brunei, the Philippines, Indonesia, Cambodia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam.
- 13 UNASUR (Union de Naciones Suramericanas – the Union of South American Nations) is a supranational and intergovernmental union uniting the two existing customs unions – MERCOSUR and the Andean Community. The aim of UNASUR is to build a social, political and economic union of South American states, similar to the European Union. Its member states are Argentina, Bolivia, Brazil, Ecuador, Guyana, Chile, Columbia, Paraguay, Peru, Surinam, Uruguay and Venezuela.
- 14 The African Union serves the political, economic and security cooperation of African countries. It groups together 53 states (the only non-member African state is Morocco, which boycotts the AU due to its admission and *de facto* recognition of Western Sahara – the Saharawi Democratic Arab Republic – whose territory Morocco itself claims).

- The African Union is modeled on the European Union and tries to copy it in both structure and activities.
- 15 The Shanghai Cooperation Organization (SCO, ШОС in Russian) is an international organization for regional security and economic cooperation, grouping together China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan; India Iran, Mongolia and Pakistan have observer status.
 - 16 The Cooperation Council for the Arab States of the Gulf, also known as the Gulf Cooperation Council (GCC), is an economic and political union of six Arab states that have access to the Persian Gulf. Its member states are Kuwait, Saudi Arabia, Qatar, United Arab Emirates, Bahrain and Oman.
 - 17 Matlock, J. (2010), 'Superpower Illusions: How Myths and False Ideologies Led America Astray and How to Return to Reality,' Yale University Press, 2011.
 - 18 Zakaria, F. (2011), 'Are America's Best Days Behind Us?,' *Time*, 3 March 2011, available at: <<http://www.time.com/time/magazine/article/0,9171,2056723,00.html>>.
 - 19 The former FRS chairman Alan Greenspan has said in this context that 'the United States can pay any debt it has because we can always print money to do that. So, there is zero probability of default.' (Perhaps a trifle arrogant statement, but probably still true.)
 - 20 Nye, S. J. (2011), 'The Future of Power,' *Public Affairs*, 2011.
 - 21 For example, a commentator of the China Daily news server, Han Dongping, wrote: 'What the US can afford to cut is its military spending. The American elite should realize that the age of imperialism and colonialism is over.'
 - 22 BRIC responded to the global financial and economic crisis and the US role in triggering it at the first summit of BRIC heads of state and government in Yekaterinburg, Russia (2009), where Russia and China put forward a proposal for reducing the dependence on the dollar as the global reserve currency. An interesting and much-cited analysis of this issue – "De-Dollarization and the Ending of America's Financial-Military Hegemony. The Yekaterinburg Turning Point" – was made by the American economist Michael Hudson, who claims e. g. that Yekaterinburg will be known to history as the death place of the last Russian tsar, but also of American hegemony. The analysis is available at: <<http://www.globalresearch.ca/index.php?context=va&aid=13969>>; a modified version was published on 15 June 2009 in *Financial Times*, available at: <http://www.ft.com/cms/s/0/16e9f3e8-5944-11de-80b3-00144feabdco.html?nclink_check=1>.

- 23 Since the beginning of the 21st century, the Chinese military budget has been growing rapidly, as evidenced by the data of Stockholm International Peace Research Institute – SIPRI (estimates in billions of USD): 2000: 32.100, 2001: 39.500, 2002: 45.900, 2003: 49.800, 2004: 55.200, 2005: 62.100, 2006: 72.900, 2007: 84.100, 2008: 92.700, 2009: 110.100, 2010: 114.30.
- 24 The “hotline” was set up in 2008 to enable direct contact between the defense ministers of China and the US in matters of common interest and emergencies.
- 25 At the EU Council meeting in December 2010, Catherine Ashton, First Vice President of the European Commission and EU High Representative for Foreign Affairs and Security Policy, has called for a closer cooperation with China and the establishment of a new “triangle,” EU – US – China. The UK ex-minister of foreign affairs, David Milliband, has also stated earlier that it is in Europe’s interest to become part of a G-3 arrangement, forming a trio with the US and China, rather than watch the potential emergence of G-2.
- 26 Godement, F.; Parello-Plesner, J. (2011), *Scramble for Europe*, available at: <http://www.ecfr.eu/page/-/ECFR37_Scramble_For_Europe_AW_v4.pdf>.
- 27 Data taken from the Central European Weekly, 23 February 2011, available at: <<http://www.osw.waw.pl/en/publikacje/ceweekly/2011-02-23/germany-enhancing-trade-co-operation-emerging-economies>>. The data provided above are also very important for the Czech Republic, considering its close economic ties with Germany (in 2010, Czech exports to Germany were worth EUR 29.6 billion, representing a 3.7% share of German imports, while Czech imports were worth EUR 27.4 billion, a 2.7% of German exports).
- 28 One of the examples is Germany’s reaction to the proposal to set up an EU institution charged with monitoring foreign, especially Chinese, investments in strategic European firms. German rejection of the proposal, which was put forward by Antonio Tajani, the Commission Vice President and Commissioner for Industry and Entrepreneurship, is no doubt due to Germany’s growing economic cooperation with China.
- 29 ‘Proyekt dogovora o yevropeiskoy bezopasnosti,’ available at: <<http://kremlin.ru/news/6152>>.
- 30 Kortunov, S. (2011), ‘Yedinye pravila dlya Evro-Atlantiki,’ *Mezhdunarodnaya zhizn*, no. 11/2009, p. 16.
- 31 Clinton, H. (2010), *Remarks at the NATO Strategic Concept Seminar*, 22 February 2010, available at: <<http://www.state.gov/secretary/rm/2010/02/137118.htm>>.

- 32 Available at: <<http://www.dwelle.de/dw/article/0,4997826,00.html>>.
- 33 A Mistral-class ship is able to carry a fully-armed battalion-sized unit (450 soldiers, 40 tanks and 16 heavy helicopters). The vessels will be built by a Franco-Russian consortium in the French Saint Nazaire shipyard. Russia should receive the first ship in late 2013 or early 2014 and the second a year later.
- 34 A logical step in this direction is the joint Russo-German proposal from June 2010 to form an EU-Russia political and security committee, a proposal that can be interpreted as a response to Medvedev's Pan-European Security Pact. The Russo-German proposal highlights the importance of discussing controversial security issues at the level of cabinet ministers: the committee should be composed of EU foreign affairs ministers, the Russian minister of foreign affairs and the EU High Representative for Foreign and Security Policy. The aim of the proposal, which was also consulted with France, is to set rules for cooperation in conflict resolution using both military and civilian instruments.
- 35 E.g. France is to lower its planned military budget by 10% by 2014; the UK wants to make a 7,5% reduction by 2016.
- 36 The former US Director of National Intelligence, Dennis Blair, said during a congressional hearing on 12 February 2009 that the economic and financial crisis was the principal threat to US national security.

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