

Europe and the United States in the “Asian” 21st Century: The Political, Economic and Security Context¹

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Introduction

While, at the western end of Eurasia, most European states are taking part in a great experiment; broadening and deepening their political, economic and security integration within the EU, at the eastern end of Eurasia, an experiment of no less importance is underway. China, the world’s most populous great power (a relatively poor, centrally controlled country) is being transformed – in a historically short time – into a politically and economically powerful, mature and respected global actor. Over the past three decades, from the beginning of economic reforms in 1978, China has gradually risen to become the third strongest economy in the world (as per GDP), and it can be expected that within the next 20 years it will, by the same measurement, become the world’s leading economy (see Table I).

Table 1: Shares in global GDP (in % using PPP)

Country	1995	2007	2020	2030
USA	21.7	19.4	18.3	16.6
China	5.5	10.1	17.7	22.7
Japan	8.3	6.0	4.6	3.6
India	3.1	4.3	6.9	8.7
Russia	2.8	2.9	3.1	2.7

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EU-27	24.5	20.8	18.6	15.6
France	3.6	3.0	2.5	2.1
Germany	5.3	3.9	3.2	2.5
United Kingdom	3.4	3.1	2.9	2.5

Source: *The Economics Intelligence Unit – taken from Charles Grant’s “Can Europe and China shape a new world order?” London, Centre for European Reform, 2008.*

However, as in the case of many other countries, China’s success also has negative implications. Still, it is clear that whatever happens in a country with an estimated 1.4 billion inhabitants it will decisively impact the future of the international political and physical environment. While some 400 million people have been *rescued* from the trap of poverty and joined the growing army of the middle class – demonstrating an attractive example of Chinese soft power; one which a number of developing countries look up to – the rapid rise of China greatly strains the country’s industrial, agricultural, transportation and welfare infrastructure, and further degrades the natural environment. Moreover, economic change often results in social and ethnic tensions. Still, due to China’s centralised political system its development strategy seems to be working and is likely to remain manageable over the long term.³

A number of projections and economic forecasts for the next 20-25 years indicate that the rise of China may be symptomatic of a larger phenomenon: the rise of new global and regional actors outside the transatlantic area which has dominated world politics and economics for roughly 500 years. This primarily concerns the countries of South and East Asia, as this is the region where the most profound changes are unfolding. Japan is no longer the only Asian economic marvel. It has been joined by India, Vietnam, Singapore, South Korea and Indonesia. The rise of Asia was thoughtfully explored by Lawrence Summers (economist and former US Treasury Secretary) who noted that during the industrial revolution the standard of living rose at a rate of 50% (est.) during a person’s life span, Asia’s current growth rate represents an unprecedented 100-fold (that is, 10,000%) rise in standards of living during one life span.⁴

The overall shift of the global centre of gravity is likely to be further accentuated by the impact of the global economic crisis since forecasts estimate that the US and European 60% share of the total volume of the global economy will

³ For more information on the internal and economic development of China see Balabán, M. (2008): *Megatrendy světového vývoje* < http://publication.fsv.cuni.cz/attachments/281_031%20-%20Balaban.pdf>, p. 9, 13-19.

⁴ Mahbubani, K (2008): *Ring in the Asian Century*, Los Angeles Times, 19 February 2008, <<http://articles.latimes.com/2008/feb/19/opinion/oe-mahbubani19>>.

be significantly reduced. 2009 became the first year in which the economies of developing countries took credit for nearly 100% of global economic growth.⁵

The End of Unipolarity and the Diffusion of International Influence

Political punditry supported by statistical data shows that the so-called *unipolar moment*; the period characterised by the US's global hegemony following the end of the Cold War and the breakup of its main Cold War rival, the Soviet Union, is finally over.⁶ The present world is moving towards a multipolar configuration due to the emergence of new global and regional centres of power. While the US remains the strongest world power, its position is increasingly becoming a "first among equals." The *unipolar moment* ended because of serious mistakes and failures of American foreign policy throughout much of the 2000s. These include the dubious war in Iraq, mismanagement in the Global War on Terror (GWOT), the protracted conflict in Afghanistan and the closely related issue of Pakistani stability, the rejection of the Kyoto Protocol on greenhouse gas reduction, excessive consumption of mineral resources and America's key role in triggering the global economic crisis. Indeed, Henry Kissinger's prognosis, in *Does America Need a Foreign Policy?* that American dominance would remain a reality of life both in the short and medium-term perspective, is no longer self-evident.⁷

Yet, the US still plays an important role in the formation of the multipolar world and it would be a simplification to call the current stage of international relations "post-American." That the interests of today's main powers are, more or less, in harmony brings an element of stability to the not-quite-conflict-free process of transforming the international system into one marked by multipolarity. This is underscored by the fact that, taken together, the key powers – the US, China, the EU, Japan, Russia and India – have over half of the world's total population, generate about 65% of the global GDP and have an 80% share in worldwide arms spending. At the same time, as Richard Haass points out, the present world no longer operates according to the traditional multipolar model.⁸ More players are visible: in addition to states there are global international organisations, especially the UN, but also the International Monetary Fund (IMF), the World Bank (WB), and even the Organisation of Petroleum

⁵ Alliance Reborn: An Atlantic Compact for the 21st Century, p. 2, <http://transatlantic.saisjhu.edu/Publications/nato_report_final.pdf>.

⁶ The term *unipolar moment* was coined in 1990 by Charles Krauthammer in "The Unipolar Moment," *Foreign Affairs*, Vol. 70, No. 1, America and the World 1990, pp. 23-33.

⁷ Kissinger, H. (2002): *Does America Need a Foreign Policy?* (Czech transl.), Jiří Buchal, BB Art, Prague, 2002. p. 234.

⁸ Haass, N.R. (2008): The Age of Nonpolarity, *Foreign Affairs*, May/June 2008, <<http://www.foreignaffairs.org/20080501faessay87304/richard-n-haass/the-age-of-nonpolarity.html>>.

Exporting Countries (OPEC), whose ability to determine the price of oil lends it significant leverage.

Regional integration processes are also gaining momentum, a fact reflected in the emergence and strengthening of political, economic and military integration blocs. The most obvious examples are the EU and NATO, but they should not overshadow the rising influence of non-Western actors' associations such as the Association of Southeast Asian Nations (ASEAN), the Shanghai Cooperation Organisation (SCO), the African Union (AU), the League of Arab States (LAS), the Cooperation Council for the Arab States of the Gulf (CCASG), the Economic Community of West African States (ECOWAS), or the South American Common Market (MERCOSUR).

The range of international actors is broader still and the global economy is heavily influenced by the activities of transnational corporations (TMCs) whose economic power is often greater than individual states.⁹ Moreover, TMCs have established a system of economic relations through which they regulate global investment, finances and trade flows, giving them significant global political leverage. This is especially evident of companies active in oil and gas mining and transportation (e.g. Exxon Mobil), banking (e.g. ING Group) and the automobile industry (e.g. Toyota Motors). Influence is also wielded by some global NGOs (Greenpeace, Transparency International), the media (including Internet portals) which shape political attitudes and opinions of political communities (e.g. CNN, BBC, Al-Jazeera, You Tube) and armed movements with varying degree of hierarchy, centralisation and coordination, which can impact the security and economic situation on global as well as regional scale (e.g. Al Qaeda, pirates). On the whole, influence is more diffused than ever.

Despite the above, the influence of states, and especially the principal world powers, is still dominant. The deepening of global economic interactions substantially heightens these powers interdependence, which may reduce the risk of major conflicts or confrontations between them. Of course, the pursuit of national interests may lead to political and even military tensions, however, mutual dependence and growing linkages between the principal international powers are cemented by the fact that they are almost forced to cooperate in tackling the global challenges which invariably affect them all such as: environmental degradation, the proliferation of nuclear, biological and chemical weapons (NBC), regional conflicts, and the dangers of transnational organised crime (TOC) and international terrorism. A strong example of dialogue between the world powers is the current Strategic Economic Dialogue (SED) between the US and China, which is not a *strategic partnership* – China, it seems, does not yet aspire for greater geopolitical responsibilities – but rather a set of bilateral

⁹ See the *Fortune Global's* list of the world's top 500 largest companies (available at < http://money.cnn.com/magazines/fortune/global500/2006/full_list/>).

negotiations meant to better coordinate Sino-US policies of mutual benefit.¹⁰ Such dialogue and the recognition of shared (among the great powers) interests does not imply the harmonisation of foreign policies and there remains many controversial issues that cloud relations between Western and non-Western actors, primarily between the West and Russia and China and their allies.

Indeed, many Western political circles continue to promote the idea of a “Greater West,”¹¹ reflecting the relative success, over the past fifty (+) years, of the model of Western-style liberal democracy which has spread far beyond the transatlantic region and became the basis of political legitimacy in places like Japan, India, South Korea, and throughout Latin America and specialists, such as Garton Ash, termed such an ideological proliferation as depicting a *post-West* chapter of international relations.¹²

In contrast however, Russian and Chinese political orientations and concepts stress that the “Greater West” model cannot be seen as the *only* model, and that the current multipolar world offers alternative approaches. For instance, the Russian and Chinese approach of *state capitalism* or the idea behind the “Beijing Consensus,” which encourages developing countries to cultivate their economies more gradually; with the state maintaining controlling stakes, and that political and cultural changes should be preceded by well-organised market reforms. This approach is the very opposite of the long-dominant “Washington Consensus” whereby the governments of developing states attempt to rapidly privatise state-owned businesses, unconditionally support the free-market, deregulate, and reduce public spending. Representatives of developing states tend to view the latter more sceptically, especially in light of the global economic crisis. Brazilian President, Luis de Silva, even said that “this crisis was caused by the irrational behaviour of white people with blue eyes, who before the crisis appeared to know everything and now demonstrate that they know nothing.”¹³

It is yet unclear as to whether the economic crisis will prove the accuracy of Kagan’s prediction that the multipolar world will witness the emergence of two hostile alliances: one encompassing the Western democracies which will continue to promote liberal democracy; and an “axis of autocracies” led by China and Russia, with the rivalry between these two blocs reminiscent of the Cold War.¹⁴

At present, Kagan’s prediction seems well off-the-mark considering the economic interdependence of the West (US, EU) to both Russia and China.

¹⁰ This framework of US-Chinese relations has also been informally called G2.

¹¹ Russian Foreign Affairs Minister, Sergei Lavrov, has called this concept a version of the “end of history.”

¹² Ash, G.T. (2006): *Free World* (Czech transl.). Paseka, Prague – Litomyšl 2006.

¹³ Blackwill, D.R.: *The Geopolitical Consequences of the World Economic Recession – A Caution*, p. 2.

¹⁴ Kagan, R. (2007): *End of Dreams*, Policy Review, August – September 2007, Hoover Institution.

Moreover, the West, like Russia and China, pragmatically collaborate with many autocratic regimes in the Middle East and Central Asia to ensure the steady supply of energy resources, particularly oil and natural gas. Kagan's "axis of autocracies" is further devalued when viewed in light of Russia's and China's increasing cooperation with the democratic states of India and Brazil in the BRIC grouping. Finally, a new Cold War within this multipolar world would be a very unwelcome scenario for a number of new regional powers whose rise depended, and continues to depend, on peaceful international interactions.

The Second World

The list of emerging regional powers is long and includes countries in the Middle East (Turkey, Egypt, Israel, Saudi Arabia, Iran), Central, Eastern and Southern Asia (India, Pakistan, South Korea, Indonesia), Latin America (Mexico, Brazil, Argentina, Venezuela, Chile) and Africa (Nigeria, South Africa). The rising importance of these countries in global politics is also due to many of their inclusion to the Group of 20 (G20) platform of the world's most advanced and dynamically developing states (Argentina, Brazil, India, Indonesia, South Korea, Mexico, Saudi Arabia, South Africa, Turkey). For Khanna, these countries represent the "Second World,"¹⁵ located somewhere between the First World of economically developed states (where he places the US, EU and China), and the Third World of poverty. According to Khanna, the Second World is seeing heightened rivalry between individual powers competing for influence, however traditional geopolitical rivalry has largely been replaced by a system of *free* competition where Second World countries can choose the great power they align themselves to, and often vacillate between two or more. Here, a parallel may be drawn to the Non-Aligned Movement (NAM) during the Cold War, whose ambition was to pursue policies that would not be wholly dependent on either the US or USSR, or the blocs controlled by them.

When seeking working alternatives to the two Western centres of power (the US and EU), the Second World countries may increasingly turn to BRIC, the association of **B**razil, **R**ussia, **I**ndia and **C**hina which, when taken together, represent 25% of the world's landmass and 40% of the global population. The term 'BRIC' was first used in 2001 by O'Neill, and his concept, theoretical at the time, has (in the course of a few years) become a geopolitical and economic reality, confirmed on 16 June 2009 by the premier summit of the four countries' heads of state and government in Yekaterinburg, Russia. It is predicted that these four should, within between two and five decades, catch up with, and in some respects even overtake, the most developed countries of the world in economic terms. According to data from the International Monetary Fund (IMF) in 2007, the economic potential of the BRIC states represents some 12%

¹⁵ Khanna, P. (2008) *The Second World*, Random House, New York, 2008.

of global GDP (compared to 8% in 2000), and by 2040-2050 their GDP will be higher than the (then – 1997) G7 (the US, Canada, the UK, France, Germany, Italy and Japan).¹⁶ It is worth delving deeper into the BRIC countries actual and potential impact on international economics and, by extension, political structures to be able to fully appreciate the international dynamics at play.

BRIC: Inversed and Assessed

China

China is likely, by the late 2020s, to emerge as the world's leading economic and military power. At present, China produces two thirds of global output in industrial and household products such as: copying machines, shoes, toys and microwave ovens; it produces half the world production of cement, DVD players, digital cameras and textiles; one third of the global output of steel, DVD-ROM discs and desktop computers; and one fourth of all mobile phones, television sets and car radios. Additionally, China heavily invests into science and research seen through data on the growth of Chinese scientific and research potential. In 2006 the US bore a 32% share of global R&D expenses, compared to China's (relatively) modest 13%, but currently the average yearly growth in R&D spending is 17% in China as opposed to 4-5% in the US, Japan and the EU.¹⁷ An OECD report notes that China has already overtaken Japan in R&D spending, and is now second, trailing the US.¹⁸

There are a number of clear indicators of China's growing investment into R&D, which are beginning to bear fruit. For instance, China is a leader of **clean technologies**¹⁹ – which is internationally important since it is also one of the world's main polluters – is a positive step and speaks of the focus of Chinese R&D projects; maintains an **independent space programme** – it is only the third state, after the USSR (Russia) and the US to independently launch manned space flights (2003, 2005, 2008) – and its **Internet usage**, which is quickly spreading throughout China, testifies to the formation of “soft infrastructure”, important for fostering business and spreading information (see Table 2).

¹⁶ Global Trends 2025: A Transformed World. The National Intelligence Council's 2025 Project (2008).

¹⁷ A poll taken among 104 “business leaders” who were asked to identify the three most attractive target countries for R&D investment lists: 1) China 39%, 2) the US 29%, 3) India 28%, 4) the UK 24%, 5) Germany 19%, 6) Brazil 11%, 7) Japan 10%, 8 and 9) France 9%, Italy 9%, and 10) Czech Republic 8%. See: The Rise of the Multi-Polar World, Accenture, <http://www.accenture.com/NR/rdonlyres/FDE9A8E7-6839-472B-8C9E-957DD6DF1B76/0/MultiPolar_World_final.pdf>, p. 26.

¹⁸ See Financial Times 3 December 2006.

¹⁹ Interesting comments on this trend were made by Thomas L. Friedman, in New York Times, 26 September 2009 <http://www.nytimes.com/2009/09/27/opinion/27friedman.html?_r=1>.

Table 2: Number of Internet users in China

Year	Number of users	% population
2000	22,500,000	1.7%
2001	33,700,000	2.6%
2002	59,100,000	4.6%
2003	69,000,000	5.4%
2004	94,000,000	7.3%
2005	103,000,000	7.9%
2006	137,000,000	10.4%
2007	162,000,000	12.3%
2008	253,000,000	19.0%
2009	338,000,000	25.3%

Source: < <http://www.internetworldstats.com/asia/cn.htm> >.

Finally, the volume of China's foreign currency reserves, which makes up more than one-fourth of global reserves (\$2.13 trillion dollars in July 2009), indicates the power of the Chinese economy. It is estimated that nearly half of this money is allocated in US government bonds, which makes China the US's biggest creditor. It also has large gold reserves (1054 tonnes). A key medium and long-term question for China is over how to secure the necessary oil supplies, as oil consumption grows at the annual rate of 7.5%; seven times faster than in the US.²⁰ This question is being answered in the geopolitical awareness of China, which is quickly translating its economic power into political partnerships with both established (Saudi Arabia, Iran) and relatively new (Sudan, Nigeria, Kazakhstan) oil producing states.

India

Although less organised and markedly slower than China, India too is cornering a niche within the international economic and political realm and in contrast to China is forging economic growth through the development of cutting-edge sectors of the economy – information and communication technologies and business outsourcing.²¹ A number of large Western firms have transferred their

²⁰ Since 1993 the People's Republic of China is no longer self-sufficient as oil producer. As early as 2005 it covered 43% of all its needs from imports, with its daily consumption (6.5 million barrels) ranking second (since 2004) after that of the United States .

²¹ This segment of the service sector represents about one third of the GDP; services as a whole make up approximately 60% GDP, agriculture accounts for approx. 20% GDP and industry for the remaining 20% (CIA World Factbook).

production capabilities, especially in Information Technologies (IT), to India and expert estimates suggest that the country currently has a 28% share in the global “outsourced” labour in this area. India’s geopolitical influence is also growing due to its potential role as a bridge between the West and the East, as Mahhubani, predicts in *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East*.²² These roles are coupled with the prediction (all things being equal) that by around 2025, India will become the most populous country of the world. In short, cornering the high-technology sectors, filling an important geopolitical position between the West and East and boasting a huge, youthful population, conspire to foster the political influence of India on both regional and international levels.

Russia

Russia has a considerable potential based largely on its huge energy wealth which are being used to achieve some of its strategic economic and political goals, particularly industrial diversification and, ironically, reducing its dependence on the energy sector. Russia’s energy supplies can cushion the impact of the global economic crisis, as Russia has been the hardest hit from among the BRIC countries. Here it is worth mentioning the sheer volume of Russian energy resources. According to experts, Russia has between 10-20 billion tonnes of proven oil resources (with the present intensity of exploitation these would last for another 22-45 years) and 47 trillion cubic metres of surveyed natural gas resources (enough for the next 75 years).²³ This data is significant not only for understanding Russia’s importance in international energy security, but also to understand Russia’s prospects of long-term cooperation with China and India in satisfying their increasing energy needs (in the case of China they are expected to increase by 150% until 2020),²⁴ and must thus be understood as producing a strong incentive for cooperation between these powers.

²² Mahhubani, K., (2008): *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East*, Public Affairs, 2008.

²³ Musatov, V. (2008): “O sovremennoi energeticheskoi politike Rossii, Mezhdunarodnaya zhizn,” no. 11/2008, p. 98. In the same article, Musatov provides the volume of predicted oil and gas resources: 44 billion tonnes of oil and 127 trillion cubic metres of natural gas. If these prognoses are confirmed by drilling, its oil resources would last Russia for another 100 and its gas resources for 200 years.

²⁴ This cooperation may be significantly strengthened by China’s participation in the project of the East Siberia – Pacific Ocean (VSTO) oil pipeline from Taishet in East Siberia to Kozmino on the Pacific coast. Based on a Russo-Chinese agreement from February 2009, the pipeline should branch off to the Chinese city of Daqing. To secure the construction of the branch, China lent the Russian companies Rosneft and Transneft \$15 and \$10 million (USD) respectively for this purpose. In return, Russia will supply China with an annual 15 million tonnes of oil from 2013 to 2030.

Brazil

Similar to Russia, Brazil is rich in natural resources. In 2006 it gained autarky in the production and consumption of oil and oil products so that the Brazilian economy is not directly affected by fluctuating oil price in the global market-place; an advantage further supported by the widespread use of bio-ethanol for car fuel. It is predicted that if Brazil successfully develops some major Santos Basin oil fields, that would yield dozens of billion tonnes of oil, it may become the world premier exporter of oil by 2020.²⁵ Brazil is also attempting to strengthen its position as a regional leader in Latin America, a role justified by its economic and geopolitical leverage.

Expanding the Role of BRIC

The growing geopolitical and economic role of BRIC, and the closer co-operation of the four powers, symbolises the potential of large non-Western actors to increasingly promote their own political and economic agendas on the international level. Indeed, one of the BRIC responses to the global economic crisis (and the role the US played in its commencement) was a proposal to reduce dependence on the US Dollar as the recognised global reserve currency, which was proposed by Russia and China at the Yekaterinburg Summit. Given the global economic order, this was a political gesture, since neither the Chinese Yuan, nor the Russian Rouble is, as yet, able to replace the US Dollar in purchasing power or convertibility. Still, the growing economic power of BRIC, especially of China, may conceivably cause a decline in the US Dollar's international significance.²⁶

The BRIC countries can increasingly be expected to follow their own, independent policies in relation to key global issues such as energy security, the mitigation of climate change, the proliferation of NBC and the fight against terrorism.

Turning to some of more geopolitical indicators of the growing power of BRIC, it is necessary to consider the growing military potential of this group. The *2009 SIPRI Yearbook* contains a top ten list of states with the highest arms spending from 2008 which ranks: China (2), Russia (5) and India (10), whose

²⁵ Global Trends 2025: A Transformed World. The National Intelligence Council's 2025 Project (2008). <http://www.dni.gov/nic/PDF_2025/2025_Global_Trends_Final_Report.pdf>, p. 35.

²⁶ An interesting analysis of this problem (and one that has provoked many responses) was published by the American economist Michael Hudson ("De-Dollarization and the Ending of America's Financial-Military Hegemony. The Yekaterinburg Turning Point"). He says e.g. that Yekaterinburg will come down in history as the place of death not only of the last Russian tsar, but also of the American empire. The analysis is available at <<http://www.globalresearch.ca/index.php?context=va&aid=13969>>. Its edited version was published on 15 June 2009 in Financial Times <http://www.ft.com/cms/s/0/16e9f3e8-5944-11de-80b3-00144feabdc0.html?nclick_check=1>.

arms spending figures together represent almost 12% of the global total.²⁷ As for Brazil, it maintains the largest army in Latin America (it ranks 62 in arms expenses and in 2008 it spent \$15,477 million (USD) on defence). The rapid increase of China's military capabilities is particularly remarkable; reflected by both a qualitative and a quantitative (double-digit) growth of military spending and also by the restructuring of the Chinese People's Liberation Army (CPLA).²⁸ Special emphasis is being placed on the development of China's air and naval forces; a signal that China is beginning to consider potential military engagement beyond its territory; in the Pacific, the South China Sea and the Indian Ocean.

The Shanghai Cooperation Organisation (SCO)

Any discussion of the military-strategic potential of the three Eurasian BRIC powers (Russia, China and India) is incomplete without gauging the impact of the Shanghai Cooperation Organisation (SCO). Founded in 2001, the SCO includes Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan and India, Iran, Pakistan and Mongolia, have observer status. The SCO, in its present form, includes nearly half of the world's population and a very significant geographical portion of Eurasia, three giant economies, huge energy resources, and four countries with nuclear arsenals. Leonid Ivashov (President of the Russian Academy of Geopolitical Issues and a former official of the Russian Defence Ministry) noted that the SCO could become the basis of a "continental geopolitical union."²⁹ Even at present, it forms a kind of geopolitical axis in Russian and Chinese international relations; enabling the two countries to enhance their political, economic and military influence on a large part of Eurasian territory, despite the fact that their approaches differ in relation to certain SCO aims.³⁰ In any case, the geopolitical potential of the SCO is

²⁷ The top ten list of countries with highest arms spending: 1. USA (USD 607 billion, 41.5% of the total arms spending worldwide), 2. China (84.9/ 5.8% – a SIPRI estimate), 3. France (65.7/4.5%), 4. United Kingdom (65.3/4.5%), 5. Russia (58.6/4.0% – a SIPRI estimate), 6. Germany (46.8/3.3%), 7. Japan (46.3/3.2%), 8. Italy (40.6/2.8%), 9. Saudi Arabia (38.2/2.6%), 10. India (30.0/2.1%).

²⁸ The rise in Chinese military spending (in millions of USD – estimate) is documented also by SIPRI data(< <http://milexdata.sipri.org>>): 1995: 14,987; 2000: 44,911; 2005: 52,199; 2006: 52,199; 2008: 63,643. According to the prognostic study of the US National Intelligence Council, "Mapping Global Future" (2004), the Chinese military budget may reach USD 250 billion in 2025, thus becoming the second largest in the world after the US

²⁹ Ivashov, L.: *Geopoliticheskiye gorizonty Rossii*. *Mezhdunarodnaya zhizn* no. 5/2007, p. 46).

³⁰ The main controversy concerns the balance between the security and economic dimension of the SCO. There a clear trend toward "economisation" of the organization's activities, but this trend is favoured mainly by China, which wants to use SCO to penetrate Central Asian markets to ensure new stable supplies of energy resources and markets for its products, an effort that can be clearly seen even today. This brings China into a certain conflict with Russia. While Russia does not deny the importance of strengthening the economic dimension of the

mentioned in one of the scenarios put forward in a November 2008 study of the US National Intelligence Council, “Global Trends 2025: A Transformed World,” which sees the SCO as one of the possible alternatives to the West, more specifically to NATO, for ensuring security in Central Asia.³¹

Economic Meltdown and Cooperative Blocs

International relations are also transforming due to the current economic crisis, which Dennis Blair (Chief of the US Central Intelligence Service), called the number-one threat to the country’s national security. This is clearly connected to the fact that China, as a principal strategic rival to the US, has taken advantage of its comparatively favourable economic situation to further strengthen its global economic (and, by extension, political and security) influence (China increased its GDP by 6% in 2009, while the US GDP dropped by 2.8%). China invests its billion-dollar reserves in major business acquisitions around the world. From May 2008 to January 2009, Chinese firms invested more than €10 billion to purchase controlling stakes in about 130 foreign companies. Thanks to the declining market value of many Western companies, China now ranks second on the list of mergers and acquisitions, having overtaken Germany and the US. It focuses primarily on acquisitions in strategic areas such as information technologies, financial services and energy.³²

China is not the only non-Western actor focusing on foreign acquisitions. Russian statistics also reflect this trend: in 2008 Russian individuals and corporations invested \$114 billion (USD) abroad, even though direct investment was less than 20% of this sum (70% were in the form of business loans).³³ For

SCO (here it is worth mentioning e.g. the proposal of Russian ex-president and current prime minister, Vladimir Putin, to form a SCO “energy club” that would coordinate the energy policies of the SCO member states, both suppliers and importers), within this framework it prefers the vision of the SCO as a primarily military-strategic organization, a concept that would strengthen the Russian role in Central Asia, a priority area of Russian economic and security interests. For more details see Balabán, M (2008): *Zahraniční a bezpečnostní politika Ruské federace v závěru první dekády 21. století a její předpokládaný vývoj (Foreign and security policy of the Russian Federation in the late 2000s and its prospective development)*, *Vojenské rozhledy* no.4/2008, p 79-93.

³¹ Global Trends 2025: A Transformed World. The National Intelligence Council’s 2025 Project (2008), < http://www.dni.gov/nic/PDF_2025/2025_Global_Trends_Final_Report.pdf >, p. 4, 38-39.

³² As early as 2005, the Chinese company Lenovo bought IBM’s PC production for \$1.25 billion (USD). In 2007 the Chinese invested billions of dollars in Morgan Stanley and the Blackstone Group. In February 2009 the Chinese state company Minmetals bought the world’s second largest zinc producer, the Australian mining firm Oz Minerals, for USD 2.6 billion. Having declared bankruptcy in June 2009, the biggest American automobile company, General Motors will sell its well-known brand, Hummer, to a Chinese firm, Sichuan Tengzhong Heavy Industrial Machinery.

³³ Central European Weekly (Analytical Newsletter for Central Europe, Germany, The Balkan & The Baltic States), no. 21/2009.

example, Gazprom, Russia's largest company (ranked 14 in the top 500 of the world's largest firms) invested its capital in energy companies in Germany, France, Austria, Bulgaria and Serbia.

Such non-Western actors also form other influential economic groups. The Association of South East Asian Nations (ASEAN), which includes 10 Asian countries,³⁴ has taken inspiration from the EU, and is planning to create a single market with the free movement of goods, services and investment capital by 2020, and is not ruling out the prospect of a single currency.³⁵ Mahbubani highlights that ASEAN functions as a kind of integration nucleus for other platforms of regional political and economic cooperation such as ASEAN Regional Forum (ARF), Asia-Pacific Economic Cooperation (APEC) and East Asia Summit (EAS), thus balancing the influence of China in the region. However, ASEAN does communicate with China, and other important Asian states, Japan and South Korea, within the ASEAN+3 platform.

China is also supportive of the creation of a pan-Asian free-trade zone that would include, in addition to the ASEAN countries and China,³⁶ India, Japan, South Korea, Australia and New Zealand. With a population of 2 billion people, such a zone would be of greater economic importance than either the EU, or the integrated markets of the US, Canada, Mexico and Chile within the North America Free Trade Agreement (NAFTA).

The global economic crisis has sped-up the transformation of international relations which has resulted in a redistribution of global economic and political power. However, the ultimate 'settling of the dust' will take a relatively long time. Rogov came to the conclusion that the shocks experienced by the US economy would lead to a major restructuring of the US financial and economic systems, which could take between 10-20 years. Despite this, the US would no longer be able to play the same leading role (in the global economy) as it had done after WWII.³⁷ Indeed, as argued throughout this work, a new configuration of international authority is emerging in the shape and activities of informal, but influential associations of the world's key economies.

It may be argued that the new era of global governance began with the transformation of the originally informal platform of the twenty most advanced and dynamically developing countries, the G20,³⁸ into a new centre of global

³⁴ ASEAN groups together Brunei, the Philippines, Indonesia, Cambodia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam.

³⁵ However, compared to the EU, ASEAN is still a much weaker bloc. Its aggregate annual GDP is USD 883 billion, while the Union's GDP reaches USD 13.5 trillion.

³⁶ Mahbubani also concludes that China's focus on strengthening economic ties with the ASEAN countries is meant to prevent the US from using ASEAN to besiege and "contain" China.

³⁷ Krizis kak katarzis, *Mezhdunarodnaya zhizn* no.12/2008, p. 10.

³⁸ G20 groups together Argentina, Australia, Brazil, China, France, Germany, India, Indonesia, Italy, Japan, Canada, Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United

economic governance. This was reflected in the results of two G20 summits: the December 2008 Washington Summit, and the April 2009 London Summit. The principal outcome of these two summits was the recognition of the developing countries' political and economic equality vis-à-vis the developed world, whenever political decisions are made on the future course of the global economy. The participants of the London Summit agreed on concrete measures to stabilise global financial markets, on economic stimuli to encourage growth, and a series of reforms that should prevent another financial and economic crisis. It was also decided to speed up reforms of international financial institutions such as the IMF and World Bank, which must take greater account of the economic power of China and other developing economies. It is no longer acceptable that the EU's voting power within the IMF should be nine times that of China.³⁹

The rising importance of the G20 raises the question of the future role of the G8; the existing group of the major Western countries and Russia. The G8 and G7 undoubtedly played an important part in shaping the post-Cold War global political agenda, including the management of crises within the global economy.⁴⁰ This was reflected in the annual G8 meetings of heads of state and government. However, given the trends of global development, it has become increasingly relevant to ask whether G8 is not a closed club, representing Western culture and approaches, but which does not reflect global realities, especially the rising economic importance of China and India.⁴¹ In fact, the Chinese economy has already eclipsed the economies of two G8 members, Italy and Canada, and the combined population of China and India is almost three times the size of that of all the G8 members combined. The global economic crisis has shown that the involvement of China in particular – but also of the other developing economies – is vital for tackling the key economic problems of global development. Former Canadian Prime Minister, Paul Martin, partially responsible for initiating the G20, concluded that it is time for the G20 to take over the mission of the G8.⁴² Such a transformation is unlikely to be an automatic or even smooth process. The G8 is still a vitally important political platform for debating and deciding on the right course of international action

Kingdom and the United States. The EU is also represented by the presiding country and the European Central Bank.

³⁹ At present China has 3.7% votes in the IMF compared to the French 4.9%, although the Chinese economy is now 50% larger than that of France.

⁴⁰ Until 1997 the G7 included the US, Canada, United Kingdom, France, Germany, Italy and Japan. In 1997 it changed to the G8 with the accession of Russia, supported by the then-President of the US, Bill Clinton.

⁴¹ Hoge, F.J. (2004): A Global Power Shift. Is the United States Ready? *Foreign Affairs*, no. 4/2004, <<http://www.foreignaffairs.org/20040701facomment83401/james-f-hoge-jr/a-global-power-shift-in-the-making.html?mode=print>> p. 4.

⁴² Martin, P. (2008): Time for the G20 to take the mantle from G8. In Kitton, J., Koch, A.: *Growth, innovation, inclusion: The G20 at ten*. University of Toronto, Mark Centre for International Studies, 2008.

on a wide range of issues such as: alleviating the impact of environmental degradation, the non-proliferation of NBC weapons, reducing global poverty, the fight against AIDS and counter-terrorism. On the other hand, the G20 focuses primarily on global economic issues. But the problem of greater G8 representativeness *is* on the agenda. The G8 is itself divided as to the best way to better reflect the changed international environment. The first proposal is for the G8 to undergo a radical and rapid enlargement process. Italy, as the host of the 2009 G8 Summit, suggested the creation of a G14 or a “super G8,” which would be formed by granting full membership to the five fastest developing economies: China, India, South Africa, Mexico and Brazil. Another approach, “engagement rather than expansion,” using the G8 + 5 format, is preferred by Germany, which suggests inviting the above countries to G8 summits, but refrain from granting them full membership. In any case, the legitimacy of the G8 will no longer depend on the political decisions of existing members, but on the approach adopted by the two fastest rising powers – China and India. If they reach for full membership, the G8’s legitimacy would be enhanced; if they prefer not to, it may be assumed that the importance of the G8 in its current form would likely decline.

The above conclusion may be taken as another indicator of global changes; forcing the EU and US to adapt to new geopolitical and geo-economic realities. Meanwhile, a realistic estimate of the situation is, notwithstanding the West’s diminished importance and many internal political and economic problems, that there are still numerous empowering factors that can enable it, even in the long term, to be an equal partner to the states and blocs in the “rising East.” The remainder of this work is devoted to gauging the attributes of the EU and US and surmise their longevity.

Down but not Out: The US and EU into the 21st Century

The US

The US remains the world’s leader in science and research, and since R&D is among the key indicators of a country’s level of economic development and its prospects within the global economy, it is clear that the US should not be so rapidly discounted. In 2007, the US spent \$342 billion (USD) on science and research, a sum representing one third of all spending allocated to this field in the world’s most developed countries. 65% of this money came from the private sector, 29% from federal and local budgets, and 6% from universities and non-profit organisations. 44% of Nobel Prizes go to American scientists.

It is also revealing that the US share of futuristic industries is immense and forms a major part of its economy. Industries such as nanotechnology are led

by the US where there are more specialised nanotechnology centres than in all the world's other nanotechnology leaders (Germany, the UK, and China) combined. The US is also a biotechnology leader and in 2005 profits from the practical use of biotechnologies reached almost \$50 billion (USD). These reflect a part of the competitive advantage enjoyed by the US in the quality of its tertiary education. A 2006 analysis by the London Centre for European Reform noted that the US invests some 2.6% of its GDP into college and university education, compared to the average 1.2% in Europe, and 1.1% in Japan.⁴³ The US, whose population makes up only 5% of the world's total, have 7-8 universities in the world's top-ten list.

Additionally, it is worth mentioning some example from the Obama administration, which when faced with the need to alleviate the deep economic crisis, recognised how crucial investment into R&D is for maintaining the US's international position. Attention is being centred on the transition to, and incorporation of, new technologies, with an emphasis on environmental aspects, renewable energy resources, healthcare, education and information technologies. In his speech at the National Academy of Sciences (27 April 2009), Obama announced his intention to spend an annual 3% of the US GDP on science and research. To paraphrase his words, this percentage is to be the largest investment into scientific and technological progress in the whole of US history. Obama also promised to double the budgets of federal research institutions and provide tax breaks to support research. The focus is on research into energy resources, a logical concomitant of the effort to rebuild the traditional energy architecture that has depended mainly on oil and gas. This is a key long-term task. The November 2008 study of the US National Intelligence Council, "Global Trends 2025: A Transformed World", estimates that it will take 25 years before the new technologies are developed and can be put to broader practical use.⁴⁴

In line with the above-mentioned goals, the Obama administration also announced its intention to gradually lower arms spending from the current 4.8% to 3% of the GDP. This approach is in-sync with Obama's larger budgetary strategy which not only envisages a rise in government spending, but also restructuring how the money is spent, favouring welfare functions (welfare policy, education, healthcare) over more traditional functions (defence, homeland security). By contrast, in most EU countries the "welfare-to-traditional" ratio is about 10:1, in the US under Bush it was 3:1, and Obama's declared aim is to bring it to 7:1. Obama seems to realise that maintaining the US's global status requires a strengthening of, or in the US case, the *creation* of the welfare state: if the US comes to be identified by an increasing debt burden, poor healthcare or rather

⁴³ Lambert, R., Butler, N. (2006): The future of European universities. Renaissance or Decay. Centre for European Reform, London, 2006.

⁴⁴ Global Trends 2025: A Transformed World. The National Intelligence Council's 2025 Project (2008). <http://www.dni.gov/nic/PDF_2025/2025_Global_Trends_Final_Report.pdf>, pp. viii – ix, 47, 49.

its virtual inaccessibility for millions of people, a deteriorating or non-existent public services sector and growing social inequality, then US soft power could be greatly diminished.

The EU

Conversely, the EU's soft power approach is a great asset in the competition between the principal global players. Political and economic stability, a working welfare state model, emphasis on a clean environment, and security for its approximately 500 million citizens, makes the EU an attractive social, political and economic model. Ranking the US as 1, the Global Competitiveness Index (2008-2009) compiled by the World Economic Forum includes five EU members among its ten most competitive countries: Denmark (3), Sweden (4), Finland (6), Germany (7), and the Netherlands (8). To put these rankings into perspective, the four BRIC countries were ranked as: China (33), India (53), Russia (54), and Brazil (67).⁴⁵

The EU is also playing an indispensable role in the fight against environmental degradation, and the impacts of climate change. The formation of a post-Kyoto system is a key challenge, high on the scale of urgency. The EU is also a leading provider of development and humanitarian aid, accounting for more than 50% of its global volume. Another significant feature of European integration – one that has global repercussions and has not perhaps been fully appreciated by Europeans – is the development of global standards for producing a wide range of goods, from cars to children's toys. Its effect has been enhanced by the fact that the EU is the world's largest goods importer. Exporting countries (in Asia for example) are being forced to conform to often very strict EU standards, which can be seen as another manifestation of the European soft power and security since some business practises, such as the use of child labour, are outlawed.⁴⁶

As a process that has been going on for more than fifty years, European integration seems to be the strongest tool that can assist the EU and Europeans succeed in the competition between global and regional powers, both in the near and more distant future. In fact, the EU already serves as a model for the integration of other regions such as Asia, Latin America and Africa. Deepening and broadening integration, and reaching consensus among the current 27 members is an extremely complex process when it comes to such issues as the best model of economic development (and currently another closely related issue, namely what type of measures should be taken to eliminate the impact of the economic crisis), foreign and security policy, relations with the

⁴⁵ <<http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>>.

⁴⁶ Grant, C. (2009): *Is Europe doomed to fail as a power?*, Centre for European Reform, London, 2009, p.3.

US, Russia and China or the best way to achieve energy security. There is no scope here for analysing thoroughly all the aspects of the above problems, but it is necessary to keep in mind the challenges presented by the creation of a unified Europe as a full-fledged world power. Robert Cooper, advisor to Javier Solana, the EU High Representative for Foreign and Security Policy, believes that the key question is whether **the EU may be a world power without being a state.**⁴⁷ The adoption of the Lisbon Treaty in all EU countries is another step enhancing the political and security integration of Europe, but even this will not be enough to equalise the Union's status with that of the other global powers. Especially compared to the US, China and Russia, the Union is likely to remain at a disadvantage, even in the more remote future.

Conclusion

While this work surveyed some of the trends in international political and economic relations, its main objective was to demonstrate the acute changes underway; changes that are reshaping the contours of the international system and the dynamics of interaction. While it is clear that the 21st century is shaping up to be centred in Asia, the EU and US still maintain important positions within the new multipolar configuration and are able to contribute to its stability and prosperity while protecting their values and material interests. That said, this work pointed to some worrying trends that need to be addressed by the EU and US and it was the main goal of this work to act as an inspiration for further debate on the particular roles that could and should be played by the West in international relations largely determined by non-Western states.

⁴⁷ Grant, C. (2009): *Is Europe doomed to fail as a power?*, Centre for European Reform, London, 2009, p. 33.

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