Liberal Order in a Post-Western World

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Transatlantic Academy

About the Transatlantic Academy

The Transatlantic Academy is a research institution devoted to creating common approaches to the long-term challenges facing Europe and North America. The Academy does this by each year bringing together scholars, policy experts, and authors from both sides of the Atlantic and from different disciplinary perspectives to research and analyze a distinct policy theme of transatlantic interest. The Academy was created in 2007 as a partnership between the German Marshall Fund of the United States (GMF) and the ZEIT-Stiftung Ebelin und Gerd Bucerius. The Robert Bosch Stiftung and the Lynde and Harry Bradley Foundation joined as full partners beginning in 2008, and the Fritz Thyssen Stiftung joined as a full partner in 2011. The Joachim Herz Stiftung joined in providing additional support in 2011, as did the Aurea Foundation and the Hungary Initiatives Foundation in 2013.

On the cover: Dubai in the clouds at sunrise. © Nicole Luettecke/Corbis

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Table of Contents

From the Executive Director

Over the past six years, fellows at the Transatlantic Academy have examined a number of themes central to the transatlantic relationship, including immigration, Turkey's new foreign policy, the rise of China, the growing global competition for natural resources, and the future of the Western liberal order. Last year, Academy fellows examined the future of the liberal order in its more domestic sense. *The Democratic Disconnect: Citizenship and Accountability in the Transatlantic Community* provided a description and assessment of the new challenges, dangers, and opportunities facing Western democracies as they try to balance a liberal order with a democratic one. This year's group looked at the future of the liberal order at the international level and how the transatlantic community can respond to the rise of non-Western powers.

The international liberal order that emerged from the ashes of World War II was the creation of the United States and Britain and later also continental Western Europe. This began with the founding of the World Bank, International Monetary Fund, and United Nations in 1944 and 1945, and deepened with the creation of NATO and the organization that eventually became the European Union. This order is now coming into question with the rise of a number of non-Western powers, most notably China, but also India, Brazil, South Africa, and to some extent Russia. Others like Turkey, South Korea, Nigeria, and Indonesia are also likely to have a significant impact on the emerging international system of the 21st century. Some of these countries share liberal norms while others clearly do not. The issue addressed in *Liberal Order in a Post-Western World* is the ways transatlantic nations can maintain and extend the liberal order they have created while at the same time shaping a rules-based system with those who do not share liberal values.

This report represents the collective efforts of the sixth group of Transatlantic Academy fellows. It is the product of the research of the full-time academic fellows, and the collaborative portions and most of the chapters were authored by them. It is informed by contributions and perspectives of the Academy's Bosch Public Policy Fellows — Yannos Papantoniou, Ash Jain, Bernardo Sorj, and Annegret Bendiek — who were in residence at the Academy for shorter periods. The insights of three of our non-resident fellows, Thomas Straubhaar, Klaus Scharioth, and Nathalie Tocci, were also helpful. The fellows engaged in an intensive collaborative research environment in which they presented their work and critiqued the work of their colleagues. They interacted with a wide range of experts and policymakers in the United States, Canada, and Europe as they shaped the research for this report. Special thanks to Ted Reinert, the Academy's program officer, who oversaw the project and did a great deal of its editing, and to Nicholas Siegel, who helped shape it in its initial stages.

The Academy would like to acknowledge the support of its donors in making this study and the broader Academy possible. It was thanks to their support that the fellows were able to spend nine months in Washington working in collaboration on this theme, in numerous workshops and discussions with academics, policy analysts, business people, journalists, and government officials, and to participate in study trips to Brussels and London. A special thanks goes to our colleagues at the Munk School at the University of Toronto for their critiques and suggestions as the manuscript was developed. As was the case with the previous reports, we hope this report helps bridge the Atlantic policy and academic communities, and makes a contribution to the transatlantic dialogue on the nature and implications of these substantial challenges confronting the liberal order.
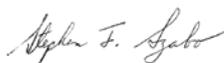
Stephen F. Szabo

Stephen F. Szabo
Executive Director
The Transatlantic Academy

Acknowledgements

When arriving in Washington in the late summer of 2013 to study "The Future of the International Liberal Order," few of us had imagined that Russia would play more than a marginal role in our discussions, and we thought that "the future" was some years ahead. Yet as the events in Ukraine unfolded, it became clear that the future had become the present much sooner than anticipated and that Russia's behavior in Ukraine reinforced all our worries about order in a world where liberal rules are no longer (almost) universally accepted. Moreover, the surprising number of abstentions in the UN General Assembly's vote to condemn the annexation of Crimea seemed to vindicate the urgency of the report's objective of finding a global consensus on how best to maintain a rules-based international system as global change proceeds.

Our discussions on all the many issues that inevitably are connected in one way or another to a large topic such as ours would not have been possible without the diligent direction of Stephen Szabo, who led our discussions and continuously challenged us to think ever deeper and broader. We also benefitted from the support of Nicholas Siegel and later Ted Reinert. Both offered their incisive analytical and diplomatic skills and Ted was indispensable in the final process of editing and fine-tuning the text of different authors into a coherent whole. We all owe Jessica Hirsch a big thank you for her never failing energy and competence in keeping us all connected, organized, and up-to-date, both in our daily work and on our travels. Finally our two interns, Konstantinos A. Kanellopoulos and Leonie Willenbrink, provided much appreciated research assistance towards the end of the project.

The report, and our discussions in the making of it, has also benefitted from the participation of short term fellows who spent time at the Academy and offered their sometimes very specific expertise, and took part in our many discussions. We thank Annegret Bendiek, Bernardo Sorj, Ash Jain, Klaus Scharioth, Nathalie Tocci, Yannos Papantoniou, Thomas Straubhaar, and Tamás Fellegi. We also owe our gratitude to Sumit Ganguly, Gilbert Khadiagala, Joseph Quinlan, and Michael Bell, who provided the additional expertise and contributed chapters and boxes on areas that we could not otherwise have covered.

Our thinking about liberal order's future has benefitted enormously from the input and thoughts of many different distinguished scholars and practitioners who either came to the Academy for an informal coffee, where they shared their views and offered their advice, or who gave their time at a large number of open seminars at the Transatlantic Academy. We express our thanks to Robert M. Kimmitt, Robert Wexler, Ronald Linden, Ali Çarkoğlu, Ahmet Evin, Kemal Kirişci, Beatrice Covassi, David Sanger, Milton Mueller, Ian Wallace, Robert Daly, Evan Ellis, Phil Midland, Dan Blumenthal, Andrew Small, Shengyu Yuan, Mark Plotkin, Mat Burrows, Jonas Parello-Plesner, Luis Bitencourt, Thomas Shannon, Julia E. Sweig, Albert Fishlow, Paulo Sotero, Riordan Roett, William McIlhenny, Harold Trinkunas, Ralph Espach, Christopher Sabatini, Daniel Deudney, Matthew Rojansky, Ariel Cohen, Andranik Migranyan, Jörg Friedrichs, Michael Barnett, Dieter Dettke, Alyssa Ayres, Surupa Gupta, Daniel Kliman, Subrata Mitra, George Schöpflin, Daniel Hamilton, Daniela Schwarzer, Rod Hunter, Tyson Barker, Jeffrey Werner, Cameron Kerry, Milton Mueller, Philip D. Murphy, Hiddo Houben, and Henry R. Nau.

In January 2014, the whole group went to Brussels and London. In Brussels, we met with people at NATO, the European Union's External Action Service, the European Parliament, the European Commission, the University of Leuven, the Egmont Institute, and the Center for European Policy Studies. In London, we had meetings at Downing Street, the Foreign and Commonwealth Office, Chatham House, the International Institute

Executive Summary

This report examines how best to maintain a rules-based international system as the material and ideological hegemony of the West wanes. As Europe's and North America's share of the global economy shrinks, the emerging powers, both democratic and non-democratic, remain reluctant to align themselves with the West and with the rules of the liberal order it constructed after World War II. We argue that the West must take steps to solidify itself as a "liberal anchor" to protect an order that has proved remarkably successful in advancing the cause of peace, freedom, and prosperity. However, Western democracies must recognize that their own liberal international order will not be universalized, and should seek to find common ground with emerging powers and forge a normative consensus on a new rules-based order. Peacefully managing the onset of a polycentric world will require compromise, tolerance, and recognition of political diversity.

The West needs to re-establish the global allure of its model — the best way to protect and to spread liberal practices. It also must continue to have the resources and the will to provide the public goods that have advanced peace, freedom, and prosperity globally. Strengthening the economies of the European Union and the United States is essential, and we submit that the conclusion of a Transatlantic Trade and Investment Partnership (TTIP), open for additional countries to join provided they meet its requirements, would provide an important boost to the world's two largest economies, to the larger system of international trade, and to transatlantic solidarity. NATO remains a valuable tool and its original core mission of collective defense remains important, as recent events in Ukraine have illustrated. But Europe must be willing to more effectively share defense burdens with the United States, and the Alliance should openly adopt a geographical division of labor in which the United States is more engaged in Asia, while Europe takes on greater responsibility for crisis management in its wider neighborhood.

A global rules-based order is essential in an interconnected world, and the West will need to make compromises to build consensus on the norms that would underpin global governance in the 21st century. Several chapters of the report focus on how emerging powers, including China, India, Brazil, South Africa, and Nigeria, view the international liberal order and these powers' conditions for cooperation with the West. We conclude that emerging powers, rather seeking to overturn the current international order, want to modify it in ways that advance their interests and ideological preferences. The West should respond by seeking ways to accommodate their desire for such modifications.

A number of areas are ripe for cooperation and confidence building. In the development aid sphere, the United States and EU should not only cooperate more closely with each other, but also with China and others who have become increasingly important players. China's interests are on the rise in the Mediterranean Basin, which opens an opportunity for Western security cooperation with Beijing. More broadly, Europe and North America should put renewed emphasis on nurturing partnerships with emerging powers, recognizing that their establishment is difficult and prone to setbacks — but nonetheless a critical strategy for the long term. As it seeks to widen the cooperative coalition of liberal states, the West should work toward a meeting of minds with democratic emerging powers in particular. Informal consultative groupings among the democratic states could seek consensus on issues such as Internet governance and modifying the evolving norm of Responsibility to Protect (R2P). In global organizations such as the International Monetary Fund and World Bank, the West must also be prepared to cede some of its power to the "Rest" in the interests of fairness. In exchange, the "Rest" must be willing to take greater responsibility in providing global public goods. Meanwhile, regional organizations are likely to become more salient,

providing emerging powers greater autonomy. Increasing regionalism is inevitable in a polycentric world. Nonetheless, the West should work with emerging powers to coordinate regional initiatives at the global level.

The two objectives of strengthening the liberal anchor and building a new rules-based order for a post-Western world are admittedly in tension. A more integrated and tighter Atlantic order will have higher barriers to entry, making it less likely that emerging powers will join, while cooperating more closely with illiberal emerging powers requires compromises that will fall short of Western aspirations. However, the liberal international order designed during the era of Western hegemony is in flux, and a world in which the established and emerging powers fail to build working relationships or fall into zero-sum thinking would be a dangerous world indeed. The United States and Europe can best shape a rules-based world order for the future by consolidating their internal strength and allure as an anchor of liberal values and practices, while also actively engaging emerging actors to set new rules of the road.

One

Reordering Order: Global Change and the Need for a New Normative Consensus

Charles A. Kupchan

Photo: G20 leaders pose at the 2012 Los Cabos summit. © JASON REED/Reuters/Corbis

The West has been the main provider and anchor of international order for the better part of 200 years. After the end of the Napoleonic Wars in 1815, Europe's great powers stopped fighting each other and instead focused on extending and consolidating their overseas empires. The Concert of Europe preserved stability on the continent. Fueled by the Industrial Revolution, Great Britain came to enjoy both economic and naval primacy, and London deployed its superior power in the service of an open trading order. Over the course of the 19th century, a globalized international economy took shape under the auspices of *Pax Britannica*. After World War II, the United States took over from Europe the mantle of global leadership. Washington defended free trade, insisted on the dismantling of European empires in the name of self-determination, and embarked on programmatic efforts to spread democracy. First under *Pax Britannica*, then under *Pax Americana*, Europe and North America have together designed, underwritten, maintained, and enforced a globalized international order.

This order was constructed by and for the West and, especially since World War II, was meant to serve and to spread liberal values and practices. The defining features of the post-World War II order include liberal democracy, industrial capitalism, secular nationalism, and open trade. In order to defend and expand democracy, the rule of law, and free markets, the United States and its Western allies institutionalized this liberal, multilateral order, and then worked hard to extend the reach of Western institutions once the Cold War ended. NATO, the European Union, the World Trade Organization — these and other institutions born of Western initiative remain pillars of a liberal international order.

There have, of course, been significant changes to the Western order over time; the shift from *Pax Britannica* to *Pax Americana*, for example, precipitated the end of European imperialism and the evolution of a more multilateral and institutionalized economic order. Nonetheless, Europeans and Americans have been the world's trend-setters for the last two centuries; together,

they forged the rules-based international order that has anchored a globalized and interdependent world.

The long run of the West's material and ideological hegemony appears to be coming to an end. The liberal international order erected during the West's watch will face increasing challenges in the years ahead. The collective wealth of the developing world has surpassed that of the developed West, limiting the capacity of the advanced industrialized economies to set the terms of a rules-based order. In addition, expectations that the end of the Cold War would readily clear the way for the global spread of liberal democracy have proved illusory. State capitalism is alive and well in China,

The long run of the West's material and ideological hegemony appears to be coming to an end.

Russia, Vietnam, Saudi Arabia, and a host of other countries. In much of Central Asia, the Middle East, and Africa, democracy has yet to put down firm roots. Emerging powers that are liberal democracies, such as India and Brazil, seem at best ambivalent about aligning themselves with the West. They may share a commitment to democratic politics, but, like other emerging powers, they tend to see the current order as an extension of Western hegemony, and they favor a more equitable distribution of international authority. It no longer seems plausible, as many analysts initially expected, that emerging powers, democracies and non-democracies alike, will readily embrace the rules of the liberal order on offer from the West.

The purpose of this report is to explore how best to maintain a rules-based international system as global change proceeds. The Western democracies must strike a fine balance as they pursue this objective. On one hand, they should defend and protect the liberal order that has

proved remarkably successful in advancing the cause of peace, freedom, and prosperity. The West needs to ensure that it remains a global anchor of liberal values and practices. On the other hand, the Western democracies will have to recognize that emerging powers do not share Western perspectives on fundamental international norms, including the determinants of political legitimacy, the circumstances warranting military intervention and the compromise of territorial sovereignty, and the appropriateness of promoting democracy and a liberal conception of political rights. Accordingly, the Western democracies will have to scale back aspirations of universalizing the liberal international order and instead work with emerging powers to find common ground and forge a consensus on the norms underpinning a new rules-based order. Peacefully managing the onset of a polycentric world will require compromise, tolerance, and recognition of political diversity.

Peacefully managing the onset of a polycentric world will require compromise, tolerance, and recognition of political diversity.

The remainder of this introductory chapter justifies the need for this inquiry into the outlines of a new rules-based order. It examines the nature of material and ideological change in the contemporary world, explaining why such change necessitates efforts to forge a broad consensus on order-producing norms. Thereafter, the report examines ten specific issue areas, outlining the perspectives of the West and of select emerging powers. The subjects covered are: global economic governance; transatlantic economic relations; foreign development assistance; cybersecurity and Internet governance; Brazil and liberal order; India and liberal order; South Africa, Nigeria, and

liberal order; China and liberal order; the potential for security cooperation between China and the Western democracies in the greater Middle East; and multilateralism and partnerships. Each chapter identifies areas of convergence and divergence among Western countries and emerging states and maps out the prospects for building common ground.

In chapter two, Bartlomiej E. Nowak explores how to encourage the provision of global public goods in the economic realm, studying how the Western democracies should adapt to a more decentralized and regionalized economic order.

Thomas Straubhaar uses chapter three to examine how to adapt today's global trade order to a world in which Western principles are increasingly coming under pressure due to the diffusion of wealth and the growing heterogeneity of values, norms, and interests.

In chapter four, Patrick W. Quirk explores how the Western democracies, which long dominated the provision of foreign assistance, should adapt to the increasing role played by emerging powers in delivering development aid.

Annegret Bendiek devotes chapter five to governance of the Internet. In the wake of the NSA spying scandal and other concerns about privacy and Internet freedom, she investigates how best to arrive at new rules of the road for dealing with cybersecurity and Internet governance.

In chapter six, Bernardo Sorj argues that emerging powers are not a homogeneous block. Brazil and Latin America in general are part of Western political culture and their societies identify with an international order based on liberal values. However, their historical experience with various flawed Western foreign policies makes them particularly sensitive to respecting national sovereignty. Brazil has a leading role in the region but its economic model and the idiosyncrasies of its last government have produced standstills in its foreign policy.

In chapter seven, Sumit Ganguly focuses on India's evolving views toward the International Criminal Court, the emerging norm of the Responsibility to Protect (R2P), and the question of democracy promotion. Despite its adherence to and support for democratic principles and institutions at home, he argues that India has been a hesitant player in all these arenas. Its reluctance to embrace these norms and institutions, in his view, stems from its misgivings about the robustness of the country's democratic deficits and a concomitant fears that a ready acceptance thereof might expose it to possible future censure.

Gilbert M. Khadiagala examines the attitudes of South Africa and Nigeria toward the liberal international order in chapter eight. He argues that as sub-Saharan Africa's leading powers, these countries have both been beneficiaries and challengers of the values and norms that undergird the liberal international order. They have successfully managed these contradictory roles because they serve as critical interlocutors between Africa and the global order while also responding to the demands of their African allies.

In chapter nine, Lanxin Xiang makes the case for cultural dialogue between the West and China, drawing on the Catholic Church's historical *accomodatio* approach. This dialogue is a necessary precursor to the peaceful adjustment of the international system to China's rise.

Christina Lin uses chapter ten to examine China's emergence as a strategic player in the Mediterranean region and explores how the transatlantic community can constructively draw China into a regional security architecture that is anchored in liberal values and practices.

In chapter eleven, Trine Flockhart studies the need for the Atlantic community to forge pragmatic strategic partnerships with emerging powers. She outlines how the Atlantic democracies can draw on their past experience of building partnerships across political divides to promote a cooperative global architecture that includes a widening and politically diverse circle of power centers.

The concluding chapter, written collaboratively by this report's co-authors, lays out policy recommendations. Our hope is that this study helps stimulate a global conversation about the normative foundations of order in a polycentric world, helping to facilitate peaceful change in the 21st century.

The Diffusion of Power and Norms

The Diffusion of Power

The world is in the midst of a defining change in the distribution of global power. During the Cold War era, the industrialized democracies consistently accounted for at least two-thirds of global output. Today, their share of economic output has fallen below 50 percent, and will continue to diminish in the years ahead. As of 2010, four of the top five economies in the world were still from the developed world (the United States, Japan, Germany, and France). From the developing world, only China made the grade, occupying second place. By 2050, according to Goldman Sachs, four of the top five economies will come from the developing world (China, India, Brazil, and Russia). Only the United States will still make the cut; it will rank second, and its economy will be about half the size of China's. Moreover, the turnabout will be rapid: Goldman Sachs predicts that the collective economic output of the top four developing countries will match that of the G7 countries by 2032.[1]

> *Goldman Sachs predicts that the collective economic output of the top four developing countries will match that of the G7 countries by 2032.*

[1] C. A. Kupchan, *No One's World: The West, the Rising Rest, and the Coming Global Turn* (New York: Oxford University Press, 2012), pp. 75-76.

Trends in trade and finance reveal a similar picture. According to Citibank, "Emerging markets are set to gain much more prominence in world trade relative to advanced economies. By 2030, trade between Advanced Asia and Emerging Asia is forecast to be by far the largest trade corridor, accounting for 16 percent of world trade, up from 10 percent in 2010."[2] The World Bank predicts a relatively rapid decline in the dollar's dominance as a global reserve currency, foreseeing a three-currency world — the dollar, euro, and renminbi — by 2025.[3] The Bank of International Settlements reports a surge in role of the renminbi in global currency trading, rising from $34 billion per day in 2010 to $134 billion per day in 2013.[4] The renminbi is now among the top ten most traded currencies in the world.

The military balance of power is shifting more slowly than the economic balance due to the United States' outsized military establishment. Despite the fiscal constraints imposed on the Pentagon by the budget sequester, the U.S. defense budget represents over 40 percent of the global total. Its size, technological superiority, operational experience, control of naval chokepoints, and global reach ensure that the United States' military superiority will remain unchallenged for decades to come. In this respect, the world is becoming multipolar in economic terms much more quickly than in military terms.

Nonetheless, the historical record makes clear that when the economic balance of power shifts, the military balance follows suit — even if with a significant time lag. As one indicator of emerging trends, Asian countries already outspend their European counterparts on defense. It is also the case that the military balance can change with unexpected rapidity. Britain arguably reached the pinnacle of its power in 1870, but its naval primacy began to erode quite quickly over the course of the

1890s due to other countries' economic growth and ambitious naval programs. Even while U.S. military superiority remains intact now, the inconclusive wars in Iraq and Afghanistan have already demonstrated the limits of the United States' hard power, especially when it comes to confronting asymmetric threats. As discussed below, so, too, might the United States' diminishing appetite for projecting its power abroad hasten the erosion of an international order historically defended by the U.S. military.

Normative Diversity

International order is not just about the distribution of material power and the hierarchy and authority structures that follow from it. Orders rest on norms and rules that guide state behavior and govern their relations with other states. Different powers bring different views of the content of these ordering norms and rules to the table. The norms that a great power seeks to push outward to the international system are often reflective of its unique historical, cultural, and socio-economic trajectories. As the distribution of power shifts, rising states as a matter of course seek to revise the international system in a manner consistent with their own interests and ideological proclivities.

A founding principle of *Pax Americana* is that the United States should use its preponderant material power to ensure that its ideology is shared and universalized. Indeed, since the time of the Founding Fathers, Americans have believed their

The norms that a great power seeks to push outward to the international system are often reflective of its unique historical, cultural, and socio-economic trajectories.

[2] W. Buiter and E. Rahbari, "Trade Transformed: The Emerging New Corridors of Trade Power," Citi GPS: Global Perspectives & Solutions (October 18, 2011).

[3] J. Politi, "World Bank Sees End to Dollar's Hegemony," *Financial Times* (May 18, 2011).

[4] Bank for International Settlements, "Triennial Central Bank Survey," (September 2013), http://www.bis.org/publ/rpfx13fx.pdf.

nation to be a model of liberal democracy worthy of worldwide emulation. Anticipation of the global spread of liberal values and practices has long been part of the U.S. creed.

Such anticipation is, however, proving illusory. Capitalism has certainly spread globally, removing one of the most significant ideological cleavages of the 20th century. Nonetheless, the ongoing diffusion of power is poised to lead to a world of growing ideological diversity, not one of ideological convergence. Emerging powers are bent on resisting, not embracing, the rules of the road associated with *Pax Americana.* China, Russia, and other non-democracies look with suspicion at the West's determined push to ensure that all countries hold multiparty elections and honor the full exercise of civil and political rights. Even emerging powers that are democracies, such as India and Brazil, express discomfort with what they see as the West's paternalistic approach to democracy promotion and its unwanted interference in the domestic affairs of other states. India and Brazil also share the unease of China and Russia with the Responsibility to Protect (R2P), fearful that the new doctrine erodes sovereignty and provides a pretext for Western intervention.

In the Middle East, the "Arab Awakening" has strengthened political Islam, challenging the West's preference for demarcating a boundary between the realms of politics and religion. Participatory politics may well be arriving in the region. But, if so, the new regimes that emerge may well part company with the West on fundamental issues of both domestic and international governance. The Middle East is following its own path to modernity — and it is not one that portends ideological convergence with the Western democracies.

Even within the West, important differences in normative orientation are emerging. The United States and many of its European allies do not see eye to eye on a host of issues, including the conditions under which military intervention is justified, the legality and morality of drone strikes, the appropriateness of espionage among allies, and the urgency of action to combat climate change.

The Western democracies remain closely aligned, both geopolitically and ideologically, but ideational cracks are widening.

Accordingly, the emerging era of international politics will be one of considerable contestation over the norms and rules that provide order. Managing peaceful change will thus require searching deliberation about fundamental dimensions of order, including legitimacy, sovereignty, intervention, democracy promotion, international justice, economic equity, the role of international law and institutions, and the balance between privacy and security. This report does not aim to provide an exhaustive analysis of the full range of norms that will be in play. Rather, it examines select issues as entry points into the emerging debate over how to construct a rules-based international order for the 21st century.

We do not envisage this emerging debate as entailing a clash between the West and "the Rising Rest." Indeed, we actively discourage that narrative and believe it to be both inaccurate and counterproductive. As mentioned, Western democracies firmly lodged in the liberal international order differ with each other on important international norms. Meanwhile, emerging powers — despite new groupings such as the BRICS (Brazil, Russia, India, China, South Africa), IBSA (India, Brazil, South Africa), and the Shanghai Cooperation Organization (China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan) — hardly enjoy a unified position on what set of norms should replace those that anchor the Western liberal order. Emerging powers are in agreement about what they do *not* want — the universalization of the liberal order. But they by no means enjoy a consensus on what alternative

We do not envisage this emerging debate as entailing a clash between the West and "the Rising Rest."

norms they would prefer. Indeed, there is as much normative divergence among emerging powers as there is between emerging powers and the Western democracies. The challenge ahead is to search for common ground and to prepare for a more pluralistic and diverse normative environment.

The Weakening of the Western Anchor

The West's diminishing ability to anchor a liberal international order is a product not only of a relative decline in its share of global wealth and the rise of emerging powers that are challenging prevailing norms. The West is also experiencing a stubborn economic downturn coupled with unprecedented political polarization and dysfunction. As a consequence, the Western model has lost some of its luster. Domestic difficulties have also hampered the conduct of statecraft and prompted an inward turn at the very moment that the West needs to be fully engaged in the task of managing peaceful change.

This downturn in the West's fortunes represents a new and surprising development. The West's economic success and political stability have long given it global allure and encouraged developing nations to emulate the Western path of development. Indeed, initial confidence about the likely universalization of a liberal international order was predicated upon a process of convergence that would over time bring the developed and developing world into institutional and ideological alignment. The Western model worked; developing nations would follow it, convergence would take place, and they would gradually integrate into the Western liberal order.

But the prospects for such convergence have considerably dimmed. The U.S. economy appears to be on the road to recovery, and European economies are also showing new signs of growth. Nonetheless, the United States' political system remains profoundly polarized, and the European Union is experiencing its own crisis of governance resulting from the populism and discontent stoked by the eurozone crisis. The declining fortunes of the U.S. and European middle classes appear to be

a significant source of the political discontent. Even as the U.S. economy returns to respectable levels of growth and the EU enjoys greater financial stability, it remains to be seen whether ordinary workers on both sides of the Atlantic will be able to recover the significant ground they have lost over the past two decades. In the United States, growing economic inequality is stoking ideological and class cleavages that are roiling the nation's politics. Populist parties on the left and right are similarly remaking Europe's political landscape.

In the meantime, China's brand of state capitalism has produced impressive results. Beijing has brought hundreds of millions of Chinese citizens out of poverty, and the Chinese economy weathered the recent financial crisis far more successfully than Western economies. Chinese firms and development agencies are increasingly present throughout the developing world, undercutting Western efforts to tie aid and trade to liberal reforms. At least for now, the Western model no longer has a monopoly on the aspirations and plans of nations seeking to better their economic and political futures. The Chinese model is not about to overtake the world. But its success indicates that multiple versions of modernity will be vying with each other in the marketplace of ideas.

The West's economic and political troubles have also produced a diminishing appetite for international engagement. For the foreseeable future, the EU will be focused on recovering financial stability and repairing the project of European integration; Europe will rarely be looking beyond its own neighborhood. The U.S. public

The Western model no longer has a monopoly on the aspirations and plans of nations seeking to better their economic and political futures.

and its elected representatives are weary and wary after more than a decade of war in the greater Middle East. Washington will be choosing its fights very carefully, as made clear by the fact that U.S. President Barack Obama has kept his distance from the civil war in Syria. In the meantime, partisan polarization will continue to take a toll on U.S. statecraft. After Obama decided to retaliate against the Assad regime for its use of chemical weapons, he was effectively blocked by a recalcitrant Congress. The shutdown of the U.S. government in the fall of 2013 prevented Obama from attending key summits in Southeast Asia, undercutting his effort to "pivot" U.S. policy toward Asia. A U.S. trade delegation destined for Brussels to negotiate a transatlantic free trade pact also had to cancel due to the shutdown.

Pax Americana has rested on the readiness of the United States and Europe to provide public goods and serve as the global providers of last resort. Recent economic and political trends within the West appear to be limiting its capacity and willingness to continue playing that role, suggesting that the liberal order will suffer from lack of enforcement and maintenance.

Global Governance: The Mounting Gap Between Demand and Supply

The demand for global governance is outpacing its supply, a shortfall that promises only to increase in the years ahead. Many international challenges require collective solutions, including combatting terrorism, arresting the proliferation of weapons of mass destruction (WMD), slowing climate change, promoting stability and balance in the global economy, and advancing global health and education. But securing the collective effort needed to address these tasks is proving increasingly difficult. The Western democracies are no longer willing and able to underwrite the provision of collective goods. Global councils are growing in size, making them more unwieldy. The G8 has already expanded into the G20, and discussions continue about enlarging the UN Security Council. More seats at the table mean more free riding and

> *The demand for global governance is outpacing its supply, a shortfall that promises only to increase in the years ahead.*

a diversity of opinion that makes consensus more elusive.

Growing interdependence has also contributed to gridlock, in part because "the global institutional landscape has grown more crowded and fragmented."[5] Globalization has made traditional policy levers less effective and given national governments less control over outputs. When it comes to jobs and economic growth in the United States and Europe, for example, decisions taken in Beijing can matter more than decisions made in Washington or Brussels. Meanwhile, non-state actors (corporations, NGOs, social movements, migrants, militant groups) are rooting around states and multilateral institutions as well as penetrating national boundaries, making it more difficult for national governments to design and implement effective policies.

This dynamic has led to a vicious circle. Especially among the Western democracies, the inability of states to provide effective governance is fueling public discontent. Voters in industrialized democracies are looking to their governments to redress the stagnation in middle class incomes and the growing inequality resulting from unprecedented global flows of goods, services, and capital. They also expect their elected representatives to deal with surging immigration, global warming, and other knock-on effects of a globalized world. But Western governments are not up to the task. The inability of democratic governments to address the needs of their broader

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[5] T. Hale, D. Held, and K. Young, *Gridlock: Why Global Cooperation Is Failing When We Need It Most* (Cambridge: Polity Press, 2013), pp. 9.

publics has, in turn, only increased popular disaffection, further undermining the legitimacy and efficacy of representative institutions.[6]

The urgency of redressing the growing gap between the supply of and the demand for global governance elevates the need for a new normative consensus. Thus far, most efforts have focused on the reallocation of authority — moving from the G8 to the G20, altering voting weights in the World Bank and IMF, expanding the UN Security Council. A more important conversation entails the reallocation of responsibility — identifying in what issue areas and in what ways emerging powers will contribute more to the provision of collective goods. When and under what conditions will rising states shoulder greater burdens when it comes to tasks such as conflict resolution and peacekeeping, humanitarian assistance, and reducing emissions? Teamwork and burden-sharing among the Western democracies and emerging powers will be crucial to providing public goods in the years ahead. Such teamwork requires a consensus on new rules of the road and an appropriate allocation of rights and responsibilities.

Looking Ahead

The need to forge a new and more pluralistic rules-based order lies ahead. The Western democracies and emerging powers will both have to compromise if a global consensus is to evolve. At the same time, the West should ensure that it remains the West — that is, that the Atlantic democracies continue to hold themselves to the highest standards of democracy, transparency, civil rights, and open commerce. Indeed, a key conclusion of this report is that the Western democracies must deepen their own internal consensus and habits of cooperation even as they seek a broader global consensus. Especially if a more pluralistic and diverse international order looms on the horizon, the

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[6] The Transatlantic Academy examined these issues in last year's collaborative report: S. Benhabib, D. Cameron, A. Dolidze, G. Halmai, G. Hellmann, K. Pishchikova, and R. Youngs, *The Democratic Disconnect. Citizenship and Accountability in the Transatlantic Community*, Transatlantic Academy (May 2013). http://www.transatlanticacademy.org/publications/us-european-countries-taken-task-democratic-polarization-backsliding.

Western democracies must remain an unshakable anchor of liberal values and interests.

Much of the hard work needed to revitalize the West will be at home. Only by restoring economic growth and breathing new life into democratic institutions will the West have the wherewithal to play an effective role in managing peaceful change. Strength at home is a necessary precondition for strength abroad.

Especially if a more pluralistic and diverse international order looms on the horizon, the Western democracies must remain an unshakable anchor of liberal values and interests.

Nonetheless, the Western democracies cannot allow the travails of domestic renewal to distract them from the urgent task of working with emerging powers to forge a new normative consensus. Although the West should seek to retain important elements of the liberal international order as it does so, it should not expect emerging states to embrace the full range of Western rules and norms. Emerging states are at varying phases of development and represent diverse political cultures and historical trajectories; they bring to the table their own interests and ideological orientations.

With the aim of helping to shape a new normative consensus, this report identifies areas of divergence as well as potential areas of common ground between the Western democracies and emerging powers. The following insights represent some of the main findings:

- Nowak argues that there is growing demand for the provision of public economic goods on

many fronts, including financial and monetary stability, macroeconomic balance, food supply, environmental safety, and the resilience of supply chains. To meet this growing demand for public goods, he contends that the Western democracies need to scale back their dominance of multilateral institutions while working with emerging powers to encourage their readiness to be responsible stakeholders.

- Straubhaar calls for a more regionalized economic order, with the Transatlantic Trade and Investment Partnership (TTIP) currently under negotiation serving to deepen liberal practices among the Western democracies while other regions forge rules and institutions tailored to their own interests and preferences. Instead of aspiring toward a universal and uniform global framework, a "regional multilateralism" consisting of different modes of cross-regional cooperation might become the new paradigm for a world economic order.

- Quirk concludes that the United States and Europe cannot curb emerging power participation in an aid sphere that they have dominated for 50 years. However, by strategically engaging rising assistance providers, further institutionalizing foreign aid cooperation, and adjusting aid packages to be more competitive, the transatlantic allies can secure their core interests as well as reinforce and continue to project liberal principles.

- Bendiek calls for the formation of a coalition of liberal states tasked with forging new rules to govern the Internet. This coalition would deal not only with cybersecurity, but also with domestic privacy and surveillance, competition policy, Internet freedom, and Internet commerce.

- Sorj argues that Brazil has an important role in keeping Latin America as a pacified region, participating in UN peacekeeping missions, taking a more important stake in international cooperation both in the region and with Africa, being a central actor on global

environment negotiations, and promoting its soft power based on its example of a society in which different cultures and religions coexist peacefully.

- Ganguly argues that if India's institutions acquire greater robustness in the future, it may well depart from its very circumspect positions on the questions of democracy promotion, support for the International Criminal Court, and the norm of the Responsibility to Protect (R2P). In the foreseeable future, however, it is likely to maintain its current cautious posture.

- Khadiagala observes that both South Africa and Nigeria, while cognizant that liberal international norms were forged in the context of asymmetrical power relations, have largely bought into their basic parameters and exploited opportunities to fortify their positions in world affairs. However, alliance obligations in Africa have also forced Pretoria and Abuja to contest some values and principles of international order. He concludes that more consistent and uniform application of international norms may be one way of improving acceptance of their leadership among African states.

- Xiang argues that China will neither integrate fully with nor seriously undermine the existing liberal order. It will take the middle road: partial integration and partial resistance. However, if the West pursues an agenda of regime change in the name of democratization, the result promises to be worse, pushing China to engage in Westphalian power balancing and to ramp up nationalism against Western intrusion. The Chinese leadership proposes a *new type of great power relations*, and its top priority is strengthening legitimacy at home and on the international stage. Xiang contends that it is time for the West to start treating China as an equal political partner and cultural interlocutor.

- Lin observes that despite differences between China and the Western democracies over

issues such as the rule of law, human rights, and R2P, China and the Atlantic community share convergent interests in the Middle East on matters of energy and maritime security, counter-terrorism, WMD proliferation, and crisis management. The Atlantic democracies should capitalize on these shared interests in the Middle East to develop with China confidence-building measures and cooperative security practices. If they succeed in working with China in the Middle East, the United States and its allies can export important lessons to East Asia in the hope of nurturing cooperative security practices in China's own neighborhood.

- Flockhart concludes that the United States, despite the Obama administration's frustrations on this front, should take the lead in building cooperative partnerships with emerging powers. Even as TTIP and its counterpart, the Trans-Pacific Partnership (TPP), could help extend liberal practices in the economic realm, Washington needs to forge limited and pragmatic partnerships — based on shared interests and functional cooperation — with illiberal states such as China and Russia.

- The final chapter presents this report's main conclusions and policy recommendations. It spells out how the Western democracies can reinforce their own liberal order while at the same time working with emerging powers to fashion a new rules-based order at the global level. That global order will certainly be informed by liberal principles, but it will also have to reflect the interests and ideological preferences of newly powerful states if it is to enjoy efficacy and legitimacy.

This effort to stimulate debate about the fashioning of a new rules-based system will hopefully advance the cause of effective global governance and the provision of global public goods in a world of dispersed power and normative diversity.

Two

Economic Governance for a Diffusing Global Order

Bartlomiej E. Nowak

The changing Western liberal order is most apparent and important in economics, with the rise of the BRICS (Brazil, Russia, India, China, and South Africa) and other emerging economies at the table of world economic governance system, which was established at the founding of the International Monetary Fund (IMF) in 1945 when the United States was world's largest creditor. Today the United States is the largest debtor, along with European Union member states. Furthermore, the advanced Western economies were damaged the most by the global economic crisis that began in 2008. It would not be exaggeration to state that we are on the way to a new global economic division of power. Therefore, this chapter argues that effective global economic governance for a much more diffused and regionalized order requires the West to make real adjustments in its share of power in global multilateral organizations.

There are two major reasons for this. First, regionalization of multilateral economic governance is unavoidable and observable in all major public policy areas. This can lead us to "No One's World" — as Charles A. Kupchan titled his book[7] —characterized by stronger competition between regions or nations and a growing global ungovernability and chaos. However, this scenario can be altered if we reframe the debate and start building a more inclusive global economic governance setup. This requires much more innovative thinking about the nature of new problems that appear on world agenda. Instead of using the popular lens of "regionalism vs. global multilateralism," it is now time to start thinking about how to manage variable geometry networks. We should aim to find a new combination of different global and regional multilateral frameworks.

Second, this chapter contends that we confront a very new type of interdependence. It implies new types of global public goods that cannot be addressed only on the regional level or through loose forms of cooperation that include financial

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regulation, currency wars, macroeconomic imbalances, food crises, climate change, and resilience of supply chains. Unresolved global problems strongly affect the wealth of nations. It is in the core interest of states to contribute to solve them. Free-riding is not an effective option. However, this new interdependence demands that the emerging countries be willing to be responsible stakeholders of global governance system. This will surely not happen until the West scales down its share of formal institutional power.

The World We Live In

It would be premature to draw too far-reaching conclusions from the sole fact of the changing balance of world economic power. Change does not happen in a day. The BRICS and the so-called "Next 11"[8] may soon face the middle income trap. The emerging countries do not together create any alternative vision of global order. Their diverse economic systems do not lean on any set of commonly agreed political values. There is no specific "Asian Way" or "Beijing Consensus" that would ensure economic success in the 21st century. The fact that some countries — i.e. China, Taiwan, Japan, South Korea, Singapore — are prosperous because their policies were not based on the "Washington Consensus" cannot be overestimated.[9]

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[7] C.A. Kupchan, *No One's World: The West, the Rising Rest, and the Coming Global Turn* (New York: Oxford University Press, 2012).

[8] According to Goldman Sachs: Bangladesh, Egypt, Indonesia, Iran, South Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey, and Vietnam.

[9] As it is done by D. Rodrik. See D. Rodrik, *The Globalization Paradox. Democracy and the Future of the World Economy* (New York: W.W. Norton & Company, 2011).

The financial crisis of 2008 and beyond proved that the world is so interdependent that it strongly needs global international cooperation. In finance, it became evident that the borders between global, regional, and national policymaking are completely blurred. Nonetheless, the overwhelming trend in world trade, development aid and finance is *regionalization*. For example, the biggest post-crisis capital infusions were directed by the emerging countries to regional financial institutions (i.e. the African Development Bank or the Asian Development Bank) instead of the World Bank. Realizing that IMF financial support would go to European countries, the emerging economies became very reluctant to extend their credit lines to the Fund, which constitute its biggest source of financing.[10] In order to avoid reliance on Western-led Bretton Woods institutions, in 2009 the ASEAN+3 (a forum of the 10 member states of the Association of Southeast Asian Nations plus China, Japan, and South Korea) developed the Chiang Mai Initiative Multilateralization (CMIM), worth $240 billion, and two years later established the ASEAN+3 Macroeconomic Research Office (AMRO).[11] Furthermore, the emerging economies were not interested in IMF's advice on financial sector reforms and made it clear that they are not willing to submit again to the IMF's adjustment programs.[12] In fact, the IMF became simply a Euro-Atlantic Fund.

Today, non-Western regions and countries are attempting to bypass the institutions of global economic governance. At the same time, they are pushing for more power and influence in the structures of international multilateral organizations, but with very limited success. The recent refusal by the U.S. Congress to authorize a long-negotiated IMF reform is a clear mark of this.

Today, non-Western regions and countries are attempting to bypass the institutions of global economic governance.

The reform entailed funding for the IMF and was part of package that included further reallocation of votes in the institution. Such behavior by the U.S. Congress strongly contributes to further erosion of the currently existing global multilateral framework.

Consequently we are witnessing the emergence of a new, more fragmented and decentralized global economic order, in which global multilateral institutions — such as the IMF or World Bank — play only a limited role alongside regional organizations and national strategies. The key question remains whether this trend will inhibit the delivery of global public goods at a time when the supply of public goods will be increasingly more important. The 2010 collaborative report of the U.S. National Intelligence Council (NIC) and EU Institute for Security Studies (ISS), *Global Governance 2025: At a Critical Juncture*, argued that there is a growing demand for effective global governance, which arises from the facts of increasingly deeper interdependence and interconnectedness of problems and the ever deepening links between domestic and international politics.[13]

New Challenges Looming on the Horizon

For more than half a century, the United States has been playing the role of stabilizer in terms of monetary policy and open trade routes. Alternatively, the EU invented a new model and became an economic regulatory giant, but in a way that is to a large extent cooperative with the United States. If Western power wanes, who will oversee

[10] N. Woods, "Global Governance After the Financial Crisis: A New Multilateralism or the Last Gasp of the Great Powers?" *Global Policy* 1:1 (2010).

[11] The CMIM replaced the Chiang Mai Initiative (CMI), which was created in 2000 after the financial crisis in East Asia. The aims of the CMI included cooperation in four major areas: monitoring capital flows, regional surveillance, swap networks, and training personnel.

[12] M. S. Khan, "Asia: Stepping Up from Regional Influence to a Global Role," *East Asia Forum Quarterly* (October 2011).

[13] National Intelligence Council/European Union Institute for Security Studies, *Global Governance 2025: At a Critical Juncture*, Washington, DC/Paris (September 2010), pp. 4.

the provision of global public goods in a new diffused order of the 21st century? Surely, the West cannot lead alone.

In general, multilateral institutions can deliver public goods in a way that is not attainable in other frameworks of cooperation. Regional orders can provide economic self-sufficiency only to a limited extent. The enormous volatility that emerging markets have experienced due to the U.S. Federal Reserve's "tempering" policy triggered calls for more international cooperation and solidarity.[14]

New forms of governance will not be sustainable without common norms, institutional experience, and resources. Though the latter can be achieved over time, the new settings will not produce the needed manageable robustness without common underlying values. As for now, there is more competition among the emerging powers than cooperation. Kishore Mahbubani's suggestion of a "Great Convergence" based on commonly shared values is at best a distant future.[15]

For example, one of the underlying reasons for the failure of the World Trade Organization (WTO)'s Doha Round was the reluctance of other emerging economies to become more open and exposed to competition from China.[16] Contrary to the popular picture, the BRICS countries do not have any single stance toward the most important issue for which they most obviously should form an alliance: leadership in organizations of global economic governance. It seemed recently that for the first time there was a real chance for the overthrow of the West's leadership of the Bretton Woods institutions. The pressure was enormous and the non-Western candidates for office were better qualified that their Western counterparts. But in the cases of both the World Bank and the IMF, the West played the emerging powers against each other through a "divide and conquer" strategy.

Ultimately the national self-interests of challengers prevailed. As one observer noted, the irony is that "solvent Asians still don't have the power and the near-insolvent West still rules."[17]

The BRICS are frequently pictured as a flagship example of rising powers' aspiration. The acronym was coined purposefully by Goldman Sachs to attract the attention of global investors.[18] But until now, these countries have opposed existing norms rather than attempting to create new ones, reflecting the fact that the BRICS consists of states that have very different political and economic systems acting like a self-appointed club that excludes (Indonesia) or co-opts (South Africa) aspirants without any particular criteria.

In the cases of both the World Bank and the IMF, the West played the emerging powers against each other through a "divide and conquer" strategy.

However, to the surprise of many, the club became ripe for institutionalization and created a BRICS Development Bank that is aimed at making funding for infrastructure in developing countries more accessible with much less conditionality attached. Another BRICS initiative aims at creating a foreign exchange contingency reserve instrument worth $100 billion that would be an alternative financial source to the IMF during a financial crisis. The BRICS countries have also supported China during the discussion on global imbalances and currency "manipulation." They have even labeled the West (the U.S. Federal Reserve, European Central

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[14] See *Financial Times*, "India's central bank chief hits at west. Policy co-operation needed says Rajan," (January 31, 2014).

[15] K. Mahbubani, *The Great Convergence: Asia, the West, and the Logic of One World* (New York: Public Affairs, 2013).

[16] A. Subramanian and M. Kessler, "The Hyperglobalization of Trade and Its Future," Working Paper 13-6, Peterson Institute for International Economics (July 2013).

[17] A. Subramanian, "Asia, Europe, and the IMF," *Business Standard* (May 26, 2010).

[18] See J. O'Neill, "Building Better Global Economic BRICs," Global Economic Papers no. 66, Goldman Sachs (2001).

Bank, and the Bank of England) as an offender of international currency management standards.

One should not underestimate the new forms of cooperation. But it shouldn't be overestimated either. As Armijo and Roberts argue, China is likely to treat the BRICS formula as an "outside option" that would allow for exerting greater pressure on current global economic governance settings.[19] Furthermore, BRICS do not intend to create a revolution, rather they pursue evolution. The emerging powers are aware that they benefit, though to different extent, by engaging in the Western-led global economic order. Thus replacement is not an option for them. It would be too costly. Even challenging the existing order would require much greater burden-sharing in provision of global public goods. None of the emerging powers is willing and capable of that burden-sharing today, nor will they be in the foreseeable future.

The Western countries have benefited from the postwar global economic governance order as it reflected their own preferences in distribution of benefits. They openly pursued a policy of exceptionalism when the rules infringed too much on their own interests. In such circumstances, they could simply threaten an exit and withhold global public goods delivery, which implied a much worse situation for the rest of the world. For the West, this situation was natural and reflected the division of power of the time. In order to compensate the weaker states, the West used to make side payments in the form of finance, development aid, or trade.[20] However the "rest" saw this as arrogance.

The collapse of communism triggered a wave of triumphalism for the Western liberal model and the "Washington Consensus." But for the other parts of the world, the formative experience was rather that of the Asian financial crisis several years later, which fundamentally called into question not only

the way in which global economic governance was exercised, but also contributed to the erosion of trust and resulted in the complete stalemate of the Doha Development Round. The number of regional preferential trade agreements has since skyrocketed, creating what Jagdish Bhagwati calls a "spaghetti bowl" of international trade, and effectively undermined the push for completion of further WTO agreements. In fact, the WTO became the victim of its own success, i.e. the continuing liberalization of world trade. It approached the point where trade-related issues were too difficult to resolve globally. Today the WTO applauds as a great success a modest package that facilitates trade agreed at the Ninth Ministerial Conference in Bali in December 2013.[21] But the agreement has also been called "Doha Lite and Decaffeinated."[22]

The WTO became the victim of its own success, i.e. the continuing liberalization of world trade.

Can the Diffused Order Be Sustainable?

The advantage of global multilateral organizations is that they are open and based on rules. The change of distribution of economic power in the world is indisputable but it has not been followed by an adjustment of power within the organizations governing the world system. The emerging countries have continuously called for the democratization of international governance and greater equality. If their voice is rarely successfully heard, the "exit" option is still unfavorable to them,

[19] L. E. Armijo and C. Roberts, "The Emerging Powers and Global Governance: Why the BRICS Matter," in R. Looney (ed.), *Handbook of Emerging Economies* (New York: Routledge, 2014), forthcoming.

[20] R.W. Stone, *Controlling Institutions: International Organizations and the Global Economy* (Cambridge: Cambridge University Press, 2011).

[21] S. Donnan, "WTO comes back to life with signing of trade deal," *Financial Times* (December 9, 2013).

[22] S. Donnan, "Up in the air: A failure to reach an agreement in Bali would threaten the future of multilateral trade," *Financial Times*, Analysis (December 3, 2013).

so they have chosen to weaken their "loyalty" to the existing system.[23]

Therefore global economic governance will be increasingly addressed through new channels, where the dominant position of the West will be diffused. The consequences of creeping de-Westernization are difficult to foresee, especially in the world of finance. The global economic crisis casts a long shadow on the West's capabilities for getting things done. Furthermore, the pace of reform in the highly institutionalized Bretton Woods setting is very slow and not flexible enough, while the purposes that it used to serve have been evolving fast within the last decade. Although the institutions are trying to adjust, new forms of international cooperation have already emerged.

The consequences of creeping de-Westernization are difficult to foresee, especially in the world of finance.

For example, the G20, which assembles 85 percent of global economic output, 80 percent of global trade, and 66 percent of global population, is a loose form of cooperation that superseded the old G8 relatively quickly when the financial crisis struck in 2008-09 and started to delegate tasks and resources to existing multilateral institutions. It crowned itself as the "premier forum for […] international economic cooperation."[24] According to some analysis, compliance with G20 commitments has been growing over time,[25] although there is no

formalized decision-making process. The Financial Stability Board (FSB), established after the 2009 G20 London summit, is also a very specific institution that does not have a legal mandate, coercive power, or any formal process, which would include all countries. But the FSB pretends to be one of the key institutions of global economic setting. In many ways, the emerging new forms of global economic cooperation resemble the classical "club model" of multilateral cooperation, where the lack of involvement of functional outsiders was a key political efficacy, or as last year's Transatlantic Academy report argued, it may be reminiscent of "minilateralism."[26]

Shall we assume that these loose forms of international economic coordination will be sustainable? Not necessarily. In the 21st century, the demand for global public goods will grow exponentially. With the growing interdependence and interrelatedness of problems, the cost of extending currently existing multilateral regimes could prove to be lower than the cost of creating new ones.[27]

New forms of international cooperation usually develop through trial and error. Historically, they naturally arise under the circumstances of shifts in power. However, their successful institutionalization depends on the profundity of the preceding crisis. In fact, the global economic crisis of 2008 onward has proven both the resiliency of and the need for international economic cooperation.[28] For example, Western central banks have for the first time coordinated their management of interest rates. In the assessment of the Bank of International Settlements, the decisive action of central banks was "probably crucial in preventing a repeat of the experiences of the Great

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[23] On the links between exit, voice, and loyalty, see A.O. Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge and London: Harvard University Press, 1970).

[24] Final declaration of the G20 Summit in Pittsburgh (September 25, 2009).

[25] G20 Information Centre, "G20 Summit Final Compliance Report," University of Toronto, pp. 12.

[26] S. Benhabib, D. Cameron, A. Dolidze, G. Halmai, G. Hellmann, K. Pishchikova, and R. Youngs, *The Democratic Disconnect. Citizenship and Accountability in the Transatlantic Community*, Transatlantic Academy (May 2013), http://www.transatlanticacademy.org/publications/us-european-countries-taken-task-democratic-polarization-backsliding.

[27] W. Molle, *Governing the World Economy* (London and New York: Routledge, 2014), pp. 33.

[28] D.W. Drezner, "The Irony of Global Economic Governance: The System Worked," Working Paper, Council on Foreign Relations (2012).

Depression."[29] Many analysts warned that the crisis will cause renationalization of state's policies. But with hindsight, the vision of "every nation for itself" — as Ian Bremmer titled his book[30] — is far from being real.

The reshaped and diffused global economic order will not ensure that the existing problems will be solved. The non-institutionalized G20 failed in its role as the coordinator of global undertakings once the feeling of crisis urgency had waned. It is a long way from effective *ad hoc* crisis response to successful management of medium-term problems that are looming on the horizon. For example, without global cooperation, the problem of currency manipulation or "currency wars" cannot be tackled, and regionalism is not a response. The paradox is that the potential challenger of today's global currency order, China, is very cautions in making the renminbi (RMB) a global currency, as privilege and power are followed by greater obligations and responsibility. Beijing has carefully studied the prices paid[31] by the U.S. dollar and the euro.

The non-institutionalized G20 failed in its role as the coordinator of global undertakings once the feeling of crisis urgency had waned.

There are many more problems that can only be tackled globally. One has to remember that the crisis of 2008 would not have been possible if there had not been huge global macroeconomic imbalances. It is ironic that this long-known

problem of imbalances, which Keynes warned about decades ago, remains without a workable solution today. A reformed IMF would probably be the institution best suited to manage this and a range of other issues. For example, global finance needs a real dispute settlement system between nations. Thanks to the WTO, such a mechanism works effectively in world trade. Maybe it is time to think outside of the finance box.

For all states, the immensely rapid mobility of capital and attempts to avoid tax constitute another challenge directly affecting their national economic systems. The EU wanted to tackle this problem regionally, but the closer cooperation of only 11 countries[32] cannot resolve the issue and will rather undermine their own competitiveness. This problem should rather be addressed at least at the transatlantic level, if not at the global.

The nature of the current interdependence is that there are many national problems that can only be solved globally, but the keys to solving global problems are on the domestic level. Tackling global challenges is in the profound national interest of countries. It implies also that there is a new nature of global public goods. However, their delivery demands certain level of trust and legitimacy, which are both strongly undermined. In that context, former WTO chief Pascal Lamy's call for a "declaration of global rights and responsibilities"[33] is objectively correct. But it is neither the only remedy nor necessarily attainable.

The key question is whether the new forms of global economic cooperation combined with growing regionalism will supplement the multilateral global framework or compete with it? Hale, Held, and Young point out four factors

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[29] Bank of International Settlements, *82nd Annual Report* (February 24, 2012), pp. 41.

[30] I. Bremmer, *Every Nation for Itself. What Happens When No One Leads the World* (New York: Portfolio/Penguin, 2013).

[31] For example, the loss of control over exchange rate policy.

[32] In January 2013, the group of 11 countries (France, Germany, Spain, Portugal, Italy, Belgium, Austria, Slovakia, Slovenia, Greece, and Estonia) decided that they would establish the so-called "closer cooperation," based on the Lisbon Treaty rules, which would allow them to charge 0.1 percent of the value of any trade in shares or bonds and 0.01 percent of any financial derivate contract. Other countries argued that unless the tax is not of transatlantic range (EU-U.S.) it makes no sense, as it would simply decrease capital flows to Europe. The U.K. was the most vocal opponent of the idea.

[33] P. Lamy, "Global governance requires localizing global issues," speech at the Oxford Martin School (March 8, 2012).

that caused global multilateral gridlock: growing multipolarity, more difficult problems, institutional inertia, and fragmentation.[34] They explain it by so-called self-reinforcing interdependence: "existing institutions solve some problems they were initially designed to address, but also fail to address problems which have emerged from the very global economic system they have enabled."[35]

The advantage of regional economic governance is the proximity of problems to be tackled and much better understanding of their context. But regional governance is still very loose. The EU is a noble exception in delegating sovereignty from member states to the community level. The future of the world does not look like a triumph of "supra-national" mentality. ASEAN is rather a useful network of cooperation but it has not yet delivered in terms of solving problems of regional public goods. The original Chiang Mai Initiative, the predecessor of the CMIM, was completely ineffective due to its loose form of coordination, while the Asian Monetary Fund advocated by Japan never got off the ground in the face of U.S. opposition. Furthermore, the shift of relative power in the world is not just the issue between the West and the "rest." It takes place on the regional level as well, which effectively complicates the more collaborative actions by the "rest."

Building Beyond Multilateral Gridlock

The aforementioned U.S. NIC/EU ISS report argues that the future of a new order depends on three factors: a shared knowledge on the global problems, a way in which the interaction between old and new forms of governance develops, and the problem of legitimacy (understood as an appropriate balance between effectiveness and inclusiveness).[36]

Will the new diffused and loose order be more legitimized? Some optimistically argue that the

The advantage of regional economic governance is the proximity of problems to be tackled and much better understanding of their context.

G20 membership is based on systemic significance and that its countries have both connectivity and capability in global economic governance and therefore could become the primary forum of global cooperation.[37] Indeed, it became an effective preventer of deeper financial crisis, not just a responder. But G20 decisions are non-binding. The EU, which is the most developed form of cooperation between nations and is based on common values, introduced the so-called Lisbon strategy to make its economy "the most competitive and dynamic knowledge-based economy in the world capable of sustained economic growth with more and better jobs and greater social cohesion" within a decade.[38] It was supposed to be implemented through an "open method of coordination." Brussels is embarrassed when you remind it of that project today.

Furthermore, the evolution of the G8 to the G20 has rather proved its resiliency and West's adaptability to new reality. There is no reason to assume that the Bretton Woods institutions will remain stagnant or gridlocked once they discover how difficult economic governance is in a much more dispersed world order. There is also no risk that regional solutions will replace global multilateral actions. Whatever the dynamics of regionalization, the emerging countries are quite determined to maintain their ties with the existing multilateral order. For example, in order

[34] T. Hale, D. Held, and K. Young, *Gridlock. Why Global Cooperation is Failing When We Need It Most* (Cambridge U.K. — Malden USA: Polity Press, 2013).

[35] Ibid., pp. 10.

[36] National Intelligence Council/European Union Institute for Security Studies, *Global Governance 2025: at a Critical Juncture*, Washington, DC/Paris (September 2010), pp. 19.

[37] J. Kirton, *G20 Governance for a Globalized World* (Farnham-Burlington: Ashgate, 2013).

[38] *Presidency Conclusions*, Lisbon European Council, doc. 100/1/00 (March, 24-25, 2000).

to obtain CMIM funds, a potential borrower is obliged first to negotiate the IMF's assistance. In this context, the fact that the financing of the crisis response was decentralized does not have to lead to gloomy prophecies. The EU also created its own European Financial Stability Facility, and we should be happy for that. The economic crisis has simply demanded financial "bazookas" that were not at the IMF's disposal. Mobilizing finance at the regional level was a much easier approach. As long as the regional organizations cooperate with their global multilateral counterparts, there is no reason to worry. The regional frameworks can not only be helpful but even desirable as they are more acquainted with the problems of their region. Many externalities that demand international cooperation occur at the regional level. Apart from this, the trust between members of established regional "clubs" like the EU and ASEAN is also higher than between members of global multilateral organizations. Additionally, competitive liberalization of trade via regional frameworks can push further liberalization and serve as a pilot for global solutions. In other words, mega-regional trade rules should be harmonized and consolidated globally, though it will not be an easy task. But global economic governance through "variable geometry" networks can be quite effective and should frame the debate. The popular juxtaposition of multilateralism vs. regionalism is misleading and useless.

The WTO can also bounce back. For critics, it is easy to imply that the WTO suffered because of too much democratization and handover of power from the West to the rest.[39] As a matter of fact, the recent success of the Bali meeting — though small — would probably not have happened if the WTO chairmanship had not been handed over to emerging powers. The Doha Round is outdated. The WTO should focus on its deliberative and dispute-settlement functions and on effectively managing the liberalization of world trade via regional blocs, in order to consolidate them into global framework at some later point of time. Those who lament the failure of global multilateral

trade liberalization overlook the key fact that the nature of world trade has enormously changed since 2001. The key to understanding trade today is in investigating the world and regional supply chains of production[40] and the flow of foreign direct investments (FDI). As Bernard Hoekman estimates, reductions in supply chain barriers would bring six times more benefits in terms of global GDP growth than the removal of all import tariffs.[41] From this perspective, the WTO Bali meeting was quite successful. Apart from that, one has to remember that the WTO's biggest barriers are the EU Common Agricultural Policy and an equally protectionist U.S. agricultural policy. The transatlantic partners should finally look at themselves and stop blaming others for the stalemate.

To sum up, the Bretton Woods institutions used to be the transmitter of liberal values. That time is over. The economies of the "rest" now grow at much faster rate and have achieved tremendous success in lifting people out of poverty, while the West tries to tackle the problem of its indebtedness and reregulate international finance, which it failed to do earlier. The West should wake up and adjust to the new reality. Otherwise, global governance will plunge into chaos.

It's time for the West to move down on the bench of global economic governance and co-opt rising stakeholders. Reform or decay! The management of readjusted global economic organizations will be more challenging than in the past, but the alternative scenario is even worse.

The leadership of the Bretton Woods institutions should be based on merit, not on Euro-Atlantic origin. The U.S.-EU informal deal on the IMF and World Bank's leadership, which is prohibitive for the most qualified candidates from the rest of the world, must finally come to an end. These institutions should follow the example of the WTO, now run by Brazilian diplomat Roberto Azevêdo. If

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[39] See A. Subramanian, "Too Much Legitimacy Can Hurt Global Trade," *Financial Times* (January 13, 2013).

[40] R. Baldwin, M. Kawai, and G. Wignaraja (eds.), *The Future of the World Trading System: Asian Perspectives*, Centre for Economic Policy Research, Asian Development Bank Institute, (London 2013).

[41] B. Hoekman, *Enabling Trade: Valuing Growth Opportunities*, World Economic Forum, (Davos 2013), p. 13.

Back to the Future: The Reordering of the Global Monetary Order

Joseph Quinlan[1]

> "Aside from the very peculiar second half of the 20th century, there has always been more than one international currency." — *Barry Eichengreen*[2]

The aftershocks of the United States-led financial meltdown of 2008 and financial crisis in Europe have eroded trust in the standard bearers of the postwar financial system — the United States and Europe, along with multilateral institutions like the International Monetary Fund and World Bank. This backdrop, combined with the redistribution of global wealth toward the developing nations, has triggered calls for the re-examination of the Western-led global financial order and the role of the U.S. dollar as the world's reserve currency.

The dollar's postwar monopoly as the world's premier currency has peaked; even before the financial crisis, the dollar was losing ground to a host of other currencies. Looking ahead, the future of the global monetary order will look similar to the past.

As noted by Arvind Subramanian and others, there was never just one reserve currency until the postwar era.[3] *While British pound sterling accounted for 38 percent of all official reserve holdings in 1913, the comparable shares for the French franc and the German mark were 24 percent and 13 percent, respectively. Roughly a decade earlier, in 1899, the sterling's share of official holdings was 43 percent, versus an 11 percent share for the franc and 10 percent for the mark.*[4]

The dollar became the world's undisputed world currency following the creation of the Bretton Woods system. Today, according to figures from the Bank of International Settlements, trading in the world's foreign exchange markets now averages a staggering $5.3 trillion a day, with the U.S. dollar on one side of 87 percent of all trades.

Given the above figures, it is too early to write the dollar's obituary. However, the dollar-centric global monetary order of the past half-century is being reconfigured, with the pace more evolutionary than revolutionary.

For instance, the dollar's share of central bank holdings has declined by roughly 11 percentage points since 2000, falling to 61 percent in 2013. This decline reflects many variables, including the United States' sliding share of world output and trade. Large deficits — federal and the current account — along with the attendant decline in the relative value of the dollar against other major currencies have also eroded the appeal of the greenback.

So has emergence of the euro. While the euro share of central bank holdings has declined over the past few years, the euro still accounted for roughly 24 percent of total holdings in the first quarter of 2013, up from 17.5 percent at the start of 2000.

Beside the euro, the only serious contender to the dollar as the world's reserve currency comes from the Chinese renminbi (RMB). The growing global importance of the renminbi reflects many

variables, including China's expanding role in global trade (the nation is now the world's largest trading nation), China's growing influence in trade finance (the RMB is the second most heavily used currency in international trade finance) and the rising use of the RMB in foreign exchange trading (the RMB is now the world's ninth most traded currency). Add in China's economic ascent since 1980, and the prospects of the RNB becoming a legitimate world reserve currency become more credible.

However, much work remains to be done. China has to first modernize and open its financial sector so that private and public investors can buy and sell the RMB as they see fit. That is not possible at the moment — China's financial sector still lacks the breadth, depth, and liquidity to make the RMB attractive to either central banks or private investors. China's capital account is not open, nor is its currency traded freely, prerequisites for a currency to have premier status in the global financial markets.

Beijing clearly understands this and has taken a number of steps over the past few years to gradually liberalize its capital account and to internationalize the RMB — steps that may or may not lead to world reserve currency status. An offshore market, for instance, for RMB transactions has been established in Hong Kong and other global financial centers like London. China has also entered into a number of currency swaps with nations like South Korea, Indonesia, Malaysia, and Hong Kong, and has agreed to price bilateral trade with Brazil and Argentina in local currency, moves that will further underpin the global use of the renminbi. Settling trades in renminbi is becoming more common, as is the issuance of renminbi-denominated bonds, known as dim sum bonds.

In general, Beijing has charted a cautious course that will ultimately elevate the global stature of the RMB. Less clear is the pace by which all of this will happen, and whether or not the RMB will challenge the greenback as the world's top reserve currency over the long term.

The international role of both the renminbi and euro will expand over the coming decade, but the process will be glacial. Meanwhile, the use of other currencies in global commerce and central bank holdings will continue to rise, chipping away at the preeminence of the greenback. Secondary reserve currencies will include the British pound sterling, the Swiss franc, the Australian dollar, the Singaporean dollar, the Brazilian real, and perhaps the Indian rupee.

In the end, the world monetary order is slowing being reconfigured, with the U.S. dollar, while still first among equals, no longer enjoying the monopoly of the past. The dollar's uni-polar moment — like that of the United States in general — is over.

the IMF loses its relevance *vis-à-vis* other regional organizations, it is the fault of the United States. The IMF should also decide to undertake new roles (e.g. financial dispute settlement, dealing with currency manipulation and beggar-thy-neighbor policies) as well, because global finance has evolved greatly within the last decade. In the not too distant future, the EU should seriously take into consideration having a single seat in institutions like the IMF or the UN Security Council while the United States should give up its veto power in the

IMF. It would give the West powerful leverage to start a far-reaching reform of the institutions of global governance and make them more adjusted to the realities of the 21st century. These steps will obviously not guarantee a better delivery of global public goods from the side of emerging powers — they are not necessarily willing and ready to make a strong contribution. But the West should open the door widely for the engagement of the rest in order to contain the continuing marginalization of global institutions.

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The Transatlantic Trade and Investment Partnership (TTIP): From Global to Regional Multilateralism

Thomas Straubhaar
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Since World War II, world economic order has followed the concept of global multilateralism. Universality ("one world, one law"), uniformity ("one size has to fit all"), and equal treatment of states ("one country, one vote") were the guidelines of multinational treaties. The aspiration was to invite all (or at least most) countries to join and to implement common generalized principles of conduct for all trade relevant issues. And the aim was to break the power of large, strong economies in bilateral relations and to strengthen the smaller and weaker countries. That is why the multilateral concept was and is attractive for small(er) countries: multilateralism makes them big(ger).

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The United Nations, International Court of Justice, the Bretton Woods institutions i.e. the IMF and the World Bank, the General Agreement on Tariffs and Trade (GATT), and later the WTO were the most important political offspring of the concept of multilateralism. They reflected more or less the Western understanding of universalism and of internationally respected and protected rule of law, human rights, and individual responsibility and liability. Open markets, specialization, and a division of work according to comparative advantages combined with free trade and international competition were the fundamental ingredients of the world economic order that led to more and more globalizing national economies.

In the postwar era the industrialized countries, led by the United States and Europe, were the centers of gravity in the global economy, not only economically but also politically. Consequently, the West defined the rules of the multilateral game. The "Washington Consensus" set the tone to secure and increase economic growth according to Western principles. The Global South had to accept the concept of multilateralism (based on the Western understanding of universalism) and to play by Western rules. However, the situation has changed dramatically in recent years. Emerging economies have grown up. And they are challenging the existing economic order.

As a consequence of this power shift from the West to the other areas of the world, the speed and further development of global multilateralism threatens to lead in a direction that does not necessarily correspond to the goals of the United States and the European Union. Therefore, the West should search for alternatives to global multilateralism and move toward a transatlantic regional agreement.

Globalization and Multilateralism Under Pressure

What has been labeled as "era of new globalization" is "a combination of breakthrough technologies and changes in geopolitics (that) has created a far more intensive set of economic interconnections than ever before."[42] It has led to a tremendous increase of cross-border activities, especially trade in goods and services. A growing share of production is now being sold on world markets. In the mid-1980s, only 18 percent of world production (goods and services) were traded internationally. In 2012, it grew to 32 percent.[43] And emerging markets, especially in Southeast Asia but also in Latin America and the Near East, have gained substantially greater shares in world trade flows. Migration flows[44] and foreign direct investments have also increased strongly.[45]

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[42] J. D. Sachs, *The Price of Civilization* (New York: Random House, 2011), pp. 86.

[43] World Trade Organization (WTO), World Trade Report 2013. Geneva (WTO) 2013, pp. 23.

[44] See International Organization for Migration (IOM), World Migration Report 2013.

[45] See United Nations Conference on Trade and Development (UNCTAD), World Investment Report 2013.

All in all, the pace of globalization has slowed down in the wake of the financial crisis. Neither the share of internationally traded goods and services relative to total world production nor foreign direct investment has reached pre-crisis levels. This is especially true for the global capital flows that have collapsed from $11 trillion in 2007 to barely one-third of that figure in 2012.[46] Similarly, the current volume of world trade lies well below the long-term trend from 1990 to 2008.[47] The world economy is now less globally connected than in 2007. "Governments increasingly pick and choose whom they trade with, what sort of capital they welcome and how much freedom they allow for doing business abroad,"[48] *The Economist* wrote in an October 2013 report. The consequence of the return of protectionism is simple: the pressure on globalization leads to pressure on multilateralism.

The GATT and later the WTO have followed the principle of global trade multilateralism. They dealt mainly with reductions in tariffs that had been erected at national borders (border measures). In the Kennedy Round of trade negotiations (1963-1967), non-tariff trade barriers such as anti-dumping measures advanced to the agenda. In the Tokyo Round (1973-1979), domestic economic measures (behind-the-border measures) that strongly affect international trade became more prominent. The development of "positive regulation" — what governments should do (for example, reduce subsidies) — was in the focus of the Uruguay Round (1986-1994), which also included negotiations about the service sector and the protection of intellectual property rights.

The latest round of trade negotiations among the WTO membership was officially launched at the WTO's Fourth Ministerial Conference in Doha, Qatar, in November 2001.[49] Its aim was to achieve major reform of the international trading system through the introduction of lower trade barriers and revised trade rules. In Doha, ministers also approved a decision on how to address the specific problems developing countries face in implementing the current WTO agreements.

The agenda of the Doha Round focused on competition policy, foreign direct investment, transparency in public procurement, and facilitation of trade execution. But from the very beginning, it was dominated by negotiations in the agricultural and the service sectors. It turned out national interests had become so diverse that a compromise was impossible to find. As a consequence, the Doha Round has been blocked for years. Only the Ninth Ministerial Conference of the WTO in Bali, Indonesia in December 2013 has brought some small movement.

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When, after years of negotiations, the trade ministers of about 160 countries settled on an agreement in Bali, they just demonstrated how small the common understanding for the liberal postwar economic order has become. They just adopted some general goals and intentions without making clear how and when to reach them precisely.[50] How far the promises will in fact be implemented remains open. The timeline for specification, implementation, and ratification of the Bali Agreement has wide margins.

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[46] *The Economist*, "The gated globe," (October 12, 2013).

[47] World Trade Organization (WTO), World Trade Report 2013, pp. 23.

[48] *The Economist*, "The gated globe," (October 12, 2013).

[49] See World Trade Organization (WTO) 2014: The Doha Round. http://www.wto.org/english/tratop_e/dda_e/dda_e.htm.

[50] They adopted a) trade facilitation for all through a reduction of bureaucratic barriers to imports, b) additional trade benefits for developing countries in the agricultural sector through the elimination of export subsidies, and c) an additional financial (trade) promotion in favor of the least developed countries, thanks to a better access to the markets of developed and emerging countries. For further information on the Bali declaration and decisions see World Trade Organization (WTO) 2014: The Doha Round. http://www.wto.org/english/tratop_e/dda_e/dda_e.htm.

The Bali declaration and decisions show that the concept of unanimity has no future. If the only options for negotiations are "all or nothing," a stepwise procedure is hardly feasible. In the WTO negotiations, every individual sector or theme is treated separately, but all the files are decided in a large final vote en bloc. Thus, a single country can stop everything, even if all the others have agreed. The mechanism of the "single undertaking" as well as the principle of consensus makes negotiations difficult. It is time to limit excessive vetoes by individual countries. Decisions should be allowed with qualified majorities. However, because a transition to a majority decision process requires unanimity, such reform is unlikely.[51]

Exceptions ("peace clauses"), such as have been made for India, gain — as a consequence of the unanimity principle — almost eternal character. If India does not agree, the temporary becomes a kind of permanent solution, which cannot be the rule for other countries or themes.

The world has changed dramatically in the last 20 years — but not the structures of the WTO. Bali has made clear that the global multilateral path of the postwar area has come under pressure. A fast de-blocking is not probable. Some suggest "that with the multinational trade negotiations leg practically broken, damage to the other two legs — rule making and dispute settlement — (should) be avoided" by concentrating on these two issues.[52] Others are looking for a "bespoke multilateralism" — a pragmatic way of tailoring special and differential treatment for developing countries to national circumstances.[53]

However, the more fundamental problem for the multilateral approach of the WTO is that the world economy and its players have become much more heterogeneous since many more countries and many more economic activities have become more globalized. Furthermore, the emerging economies have gained economic power and therefore political influence. They are not willing to accept the rules of the game that have been set by others (i.e. the "West"). They want more participation and less (Western) paternalism. They want to (re)shape the world economic order actively according to their interests, socio-economic conditions, social norms, preferences, and cultural views.

All this makes it clear that a further extension of the postwar global multilateral path will be possible only with great difficulty and little progress. For a faster process of further liberalization of international trade in goods and services, foreign direct investment, and mobility of business activities, more than just a gradual modernization of the global multilateral order is required. A new approach is needed.

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Regional Multilateralism as a New Approach

Both of the liberal twins of the postwar era — globalization (with a commonly shared understanding of opening up national goods, labor and capital markets) and global multilateralism (with the worldwide acceptance of commonly agreed rules of the game) — are under pressure. A pragmatic approach to adapt the concepts of a liberal economic order to the new political, economic, and demographic realities of the 21st century is to downsize the universal, uniform, and

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[51] Another reason for the rather gloomy perspectives for the principle of unanimity could be found in three cultural factors that offer at the same time an argument for more particularism instead of today's universalism: different *prioritizing* and *justification* of rights as well as *distinctive* political practices and institutions among different cultures. See D. Bell, *Beyond Liberal Democracy: Political Thinking for an East Asian Context* (Princeton: Princeton University Press, 2006).

[52] See J. Bhagwati, "Dawn of a New System." *Finance & Development*, vol. 50 (December 2013), pp. 11.

[53] See S. J. Evenett and A. Jara, *Building on Bali - A Work Programme for the WTO* (December 2013). A VoxEU.org eBook (http://www.voxeu.org/sites/default/files/Building_on_Bali.pdf).

equal framework of multilateralism to a regional scale. Search for similarities within a group of countries but accept differences between them — this should be the new strategy. Countries that share common ground, principles, values, rules, and interests should integrate more closely with one another, searching for different modes of cross-regional cooperation with other groups of countries. This is the basic idea of the well-established concept of "regionalism,"[54] and the advice the United States and the EU should follow in finding a new transatlantic order.

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Regional trading agreements have become more popular since the mid-1980s.[55] Richard E. Baldwin and Patrick Low estimate that about 350 regional trading agreements exist, "some of them involving several countries, many of them bilateral. Some have been local, within regions, others have stretched across regions. Some have involved deep integration, going beyond the WTO, while others have been quite light and superficial."[56] Paul

Krugman indicates four forces for the emerging regionalism: 1) The sheer number of participants in multilateral trade negotiations reduces the costs of non-cooperation and fosters greater rigidity in negotiations; 2) the changing character of trade barriers makes multilateral bargaining harder and renders monitoring increasingly difficult; 3) the decline in the relative economic dominance of the United States makes the world trade system harder to run, as suggested by the theory of hegemonic stability; and 4) institutional, social, political, and economic differences between the Atlantic economies and Asia makes it much harder to find multilateral solutions acceptable for both sides.[57] Regional trading arrangements offer an opportunity to overcome the weaknesses of the multilateral bargaining process because they involve smaller groups of countries, they are much more similar in their institutional settings, and the problem of finding a hegemon is eliminated.

The consequences of regionalism are well researched and many references could be given.[58] Basically the analysis focuses on "trade diversion," "trade creation," and "trade expansion." According to the trade diversion school, regional agreements divert trade from non-members to members. Too much inefficient intra-bloc trade, inter-bloc trade war, and greater dominance by hegemonic powers might lower the welfare of both non-members and members. The proponents of regionalism argue that some liberalization within the bloc is better than no liberalization at all. Furthermore they expect that trade creation and trade expansion exceed trade diversion, and not only regional but also global dynamic growth effects are stimulated. As argued

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[54] See for example R. E. Baldwin, "The Causes of Regionalism." *The World Economy* 20:7 (1997), pp. 865-888.

[55] Jagdish Bhagwati sees a revival of regionalism in the 1980s as a consequence of the conversion of the United States from a defender of multilateralism through the postwar years to a traveller of the regional route. See J. Bhagwati, "Regionalism versus Multilateralism: Analytic Notes," in J. De Melo and A. Panagariya (eds.), *New Dimensions in Regional Integration* (Cambridge: Cambridge University Press, 1993). According to Theresa Carpenter, the deepening (toward a single common market) and widening (by Greece, Spain, and Portugal) of the EU also played an important role. See T. Carpenter, "A historical perspective on regionalism," in R. Baldwin and P. Low (eds.), *Multilateralizing Regionalism: Challenges for the Global Trading System*. Geneva (WTO) 2009, pp. 13-27, esp. p. 20.

[56] R. Baldwin and P. Low, "Introduction," in R. Baldwin and P. Low (eds.), *Multilateralizing Regionalism: Challenges for the Global Trading System*. Geneva (WTO) 2008, pp. 1.

[57] See P. Krugman, "Regionalism versus Multilateralism: Analytic Notes," in J. De Melo and A. Panagariya (eds.), *New Dimensions in Regional Integration* (Cambridge: Cambridge University Press,1993), pp. 72-75. And even if an acceptable solution is found, it is likely that this outcome is so abstract and general that it "fails to resolve actual disputes over contested rights." See D. Bell, "Communitarianism," *The Stanford Encyclopedia of Philosophy* (Fall 2013 Edition), E.N. Zalta (ed.), http://plato.stanford.edu/archives/fall2013/entries/communitarianism/.

[58] See, for example, the articles in J. De Melo and A. Panagariya (eds.), *New Dimensions in Regional Integration* (Cambridge: Cambridge University, 1993) or in R. Baldwin and P. Low (eds.), *Multilateralizing Regionalism: Challenges for the Global Trading System*. Geneva (WTO) 2008.

above, with far fewer negotiating partners, regional arrangements can be negotiated both more easily and more extensively than global arrangements.

Whether "regional multilateralism" harms or stimulates "global multilateralism" and whether it increases or decreases welfare remains an open question that cannot be answered theoretically. At best, empirical evidence can be given for specific cases and for certain periods. In his survey, Baldwin comes to a very clear summary: "Almost all empirical studies of European and North American arrangements find positive impacts on members' living standards and inconsequential impacts on non-members' living standards. Empirical work on smaller arrangements is scarce, but there is little evidence that *bona fide* regional liberalisation has significantly lowered the living standard of any nation."[59] In other words: "regionalism may be a powerful force for multilateral liberalisation … regional deals are not building blocks or stumbling blocks. Regionalism is half of the trade liberalisation 'wheel' that has been rolling toward global free trade since 1958."[60]

TTIP as a Nucleus for a New Liberal Economic Order

The United States and Europe have been the forerunners of the postwar liberal world economic order. They have believed in the iron laws of international trade, by which the opening up of national markets allows for welfare enhancing specialization, international division of labor, and an efficient reallocation of production factors. Consequently, both the United States and the EU have pioneered establishing a global multilateral system (i.e. firstly the GATT and later the WTO)

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with a universal, uniform, and equal treatment of countries (and people).

However, in the wake of Bali, an alternative is needed and can be found in a regional agreement between the United States and the EU. The Transatlantic Trade and Investment Partnership (TTIP) might become the starting point for the new strategy of regional multilateralism.

As the title indicates, TTIP is a trade and investment agreement under negotiation between the United States and the EU in order to remove trade barriers — both tariffs and non-tariff trade barriers (NTBs) like differences in technical regulations, approval procedures and recognition of technical standards, and product admission — in a wide range of economic sectors in order to facilitate the buying and selling of goods and services between the United States and the EU.[61]

TTIP would amalgamate the world's two largest economies and would help alleviate European

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[59] R. E. Baldwin, "The Causes of Regionalism," *The World Economy* 20:7 (1997), pp. 865. Baldwin's insight corresponds with the conclusion of F.C. Bergsten, "Open Regionalism." *The World Economy* 20:7 (1997), pp. 545–565, esp. pp. 550: "Most analyses of most FTAs, including most importantly by far the European Union, conclude that trade creation has dominated trade diversion. … Most renditions of the recent history agree that regional and global liberalization have proceeded together, that they have tended to reinforce each other, and that … the balance of evidence suggests that the interactions have been largely positive throughout the postwar period."

[60] R. E. Baldwin, "The Causes of Regionalism," *The World Economy* 20:7 (1997), pp. 885-886.

[61] When TTIP was launched by U.S. President Barack Obama, European Council President Herman Van Rompuy, and European Commission President José Manuel Barroso at the G8 Summit in Northern Ireland in June 2013, the founders of the idea left open just how far they would like to go. They just declared that the United States and the EU aim to deepen their bilateral relationship, assert their trade policy leadership, and advance a rules-based system of global economic governance that reflects their shared values and interests.

concerns about a Trans-Pacific Partnership (TPP).[62] Measured in purchasing power parity, the United States and the EU together are responsible for almost 40 percent of global GDP and for almost 60 percent of worldwide foreign direct investment.[63] Additionally, one-third of worldwide trade in goods and services is processed by the United States and the EU.[64]

TTIP's goal is to eliminate all impediments in bilateral trade in goods and investments based on origin. For trade in services, the aim is to obtain improved market access and to address the operation of any designated monopolies and state-owned enterprises. Of course, there will be disputes between the United States and the EU about several issues, including agriculture,[65] media,[66] health, the environment, government procurement, and privacy.[67]

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The expected economic effects of TTIP are well analyzed in theory.[68] They can be summarized as: a) trade creation, b) trade expansion, and c) trade diversion effects. While the first two impacts are clearly positive, the third one is negative. Trade diversion leads to discrimination against third countries. As a result, there might arise a feeling of unfair treatment in third countries, culminating in anti-liberal tendencies or even an aversion to the Western economic order.

In contrast to other bilateral agreements, the economic impacts of TTIP for the United States and Europe would be tremendously positive.[69] The optimistic expectations are caused by the fact

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[62] The TPP could become a free trade agreement that is currently negotiated between 12 countries (the United States, Canada, Mexico, Peru, Chile, New Zealand, Australia, Singapore, Malaysia, Brunei, Vietnam, and Japan). The threat to the EU is that TPP could generate serious trade diversion effects for the EU economies.

[63] See United Nations Conference on Trade and Development (UNCTAD), World Investment Report 2013.

[64] See World Trade Organization (WTO), World Trade Report 2013.

[65] Americans might see genetically modified food as a solution to the problem of starvation, Europeans might see it as a source for new problems. See J. Kolbe, "Alice in Trade-Land: The Politics of TTIP," Policy Brief, German Marshall Fund of the United States (February 2014), http://www.gmfus.org/wp-content/blogs.dir/1/files_mf/1392316139Kolbe_AliceTradeLand_Feb14.pdf.

[66] Europeans want to protect their cultural heritage against an unwanted and unbeloved "Americanization." Americans see this goal as a (poorly disguised) demand for protection. See J. Kolbe, "Alice in Trade-Land: The Politics of TTIP," Policy Brief, German Marshall Fund of the United States (February 2014).

[67] The recent PRISM spying affair has kicked off a political firestorm in Europe. Concerns have been raised that unless there is a trans-atlantic agreement on a privacy deal, the European Parliament might not sign off on TTIP. Going forward, both sides will need to have a serious discussion about where to set the balance between security and privacy and liberty, a contentious debate that has been ongoing since September 11, 2001. A U.S.-EU working group has been set up on the issue; both sides must use this mechanism to reach some agreement, otherwise it is doubtful that the European Parliament will ratify the TTIP. See Annegret Bendiek's discussion of a liberal order of the Internet in chapter five of this volume.

[68] As an example, see the seminal book by J. Viner, *The Customs Union Issue* (New York: Carnegie Endowment for International Peace, 1950), newly edited and with an introduction by P. Oslington, *The Customs Union Issue* (New York: Oxford University Press, 2014). The World Trade Report 2011 presents an exhaustive survey about the literature and the recent state of the art in both theory and empirics. (See World Trade Organization (WTO), World Trade Report 2011. Geneva (WTO) 2011.

[69] The economic consequences of TTIP have been analyzed broadly in a study by the Centre for Economic Policy Research (CEPR), "Reducing Trans-Atlantic Barriers to Trade and Investment" (project leader J. Francois) (March 2013), http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf, and in several articles by the Ifo Institute in Munich. See G.J. Felbermayr, and M. Larch, "The Transatlantic Trade and Investment Partnership: Potentials, Problems and Perspectives," CESifo Forum , 14:2 (June 2013), pp. 49-60, some of them published together with the Bertelsmann Stiftung; see G. J. Felbermayr, B. Heid, and S. Lehwald, "Transatlantic Trade and Investment Partnership (TTIP) Who benefits from a free trade deal? Part 1: Macroeconomic Effects," Bertelsmann Stiftung (Gütersloh) 2013, http://www.ged-project.de/studies/study/who-benefits-from-a-transatlantic-free-trade-deal/.

that the United States and the EU are each other's most important trading partner. They have similar cost and production structures, similar levels of economic development, deep political relations, and strong cultural similarities. Therefore the reduction of trade frictions could help to reallocate production factors more efficiently (especially capital, i.e. firms and their production sites) and to make use of comparative advantages, economies of scale, and joint research activities to develop new technologies.

TTIP would generate significant economic gains on both sides of the Atlantic. Because the levels of tariffs between the United States and the EU are already very low, the dismantling of NTBs between them has a much bigger influence on the growth process and on the employment rate than the dismantling of tariffs. A Centre for Economic Policy Research study simulates the potential impact of a TTIP in a couple of liberalization scenarios.[70] In one "limited" scenario, where only tariffs are eliminated (98 percent of all tariffs), a growth stimulus of 0.1 percent per year for the EU ($31.7 billion) is anticipated, whereas the expected growth stimulus for the United States amounts to 0.04 percent per year ($12.5 billion). However, in a second "comprehensive/ambitious" scenario, where 98 percent of all tariffs and 25 percent of NTBs on goods and services and 50 percent of procurements NTBs are abolished, the benefits would be much higher. Annually, EU GDP was estimated to increase by 0.48 percent ($158.5 billion), and U.S. GDP by 0.39 percent ($126.2 billion).

The general view is that 70-80 percent of TTIP benefits will come through aligning U.S. and EU approaches to regulation. The goal will be an agreement stating that while domestic rules and regulations across many sectors may be different in the United States and European Union, there is no need for harmonization. Rather, both sides can identify sectors in which they recognize the essential equivalence of each other's regulatory

systems. This would be a cost-saving measure and help avoid duplications or contradictions across the Atlantic. To do this successfully, however, equal treatment independent of nationality will be crucial. Domestic and foreign certifications have to be treated the same way.

However, and for the long run even more importantly, TTIP would also allow the United States and EU to define basic standards for open flows of investment, which could have a major effect on opening growth markets elsewhere in the world. This is of special importance because investment will drive the dynamics of transatlantic activities, just as trade drives the transpacific relationships. TTIP would allow U.S. and European firms to more efficiently construct their value chains, to better profit from economies of scale and scope on a larger scale, and to be able to more easily exchange ideas, skills, and firm-specific knowledge across the Atlantic. This would not only bring some static costs savings, as in the case of trade, it would also allow for new forms of production and processing that stimulate growth rates and not just cost levels.

The United States and the EU together are already by far the most important players in the world's financial markets. "Achieving convergence or common regulatory standards could leave in its wake an explosion of growth in these markets,"[71]

TTIP would also allow the United States and EU to define basic standards for open flows of investment, which could have a major effect on opening growth markets elsewhere in the world.

[70] CEPR and Ifo both base their economic assessments on a simulation of a computable general equilibrium (CGE) model. To obtain a detailed explanation of the model used by the CEPR and the Ifo Institute see Francois, et al. (2011) 3: 21-25 and 105-112 and Felbermayr, et al. (2013): 57-63 and 140-147.

[71] J. Kolbe, "Alice in Trade-Land: The Politics of TTIP," Policy Brief, German Marshall Fund of the United States (February 2014), pp. 3.

Jim Kolbe wrote in a recent German Marshall Fund of the United States policy brief on TTIP. If successfully done, TTIP could become the rule setter for new global standards — with a first-mover advantage for the United States and the EU.

While the effects of TTIP might become tremendously positive for the United States and the EU, the consequences for the rest of the world would be rather negative in the short run. Especially those countries that are geographically close to the United States or to the EU, countries that already maintain free trade agreements with the United States and/or the EU, and countries that have a high trade volume with either one or both of the transatlantic giants must expect to lose trade flows through the trade diverting effects of a TTIP in the short run.

The simulation studies confirm the intuitive expectation that trade diversion would have a strong impact on neighbors and major trading partners. TTIP would lead to strong trade-diverting effects within the North American Free Trade Agreement (NAFTA) area. U.S. trade with Canada and Mexico would fall substantially and, consequently, per capita income in these countries would fall dramatically (in the worst case by about a total of 7 percent for Mexico and 9.5 percent for Canada in the long run). Turkey, a close EU neighbor, would lose about 2.5 percent (real per capita income). This would be a $20 billion loss of income based on Turkey's GDP in 2012, an amount roughly equivalent to the current Turkish trade with the United States.[72] But the highest declines in the trade flows would be seen between the United States and China. According to an Ifo Institute study, U.S.-China trade flows in both directions would be expected to decline by about one-third.[73]

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[72] K. Kirişci, "Turkey and the Transatlantic Trade and Investment Partnership: Boosting the Model Partnership with the United States," The Brookings Institution (September 2013), http://www.brookings.edu/research/papers/2013/09/turkey-transatlantic-trade-and-investment-partnership-kirisci.

[73] G. J. Felbermayr, B. Heid, and S. Lehwald, "Transatlantic Trade and Investment Partnership (TTIP) Who benefits from a free trade deal? Part 1: Macroeconomic Effects," Bertelsmann Foundation (Gütersloh) 2013, http://www.ged-project.de/studies/study/who-benefits-from-a-transatlantic-free-trade-deal/.

TTIP should serve as an open club, whereby those who want to join would be able to do so. If TTIP establishes common standards, reduces regulatory divergences, and invites other countries to join, the likelihood is high that third countries might profit and will experience a decline in trade costs and an increase in their GDP as well. Therefore, TTIP has the chance to promote economic growth worldwide.

TTIP should serve as an open club, whereby those who want to join would be able to do so.

This is important and should be clearly communicated to partners beyond the transatlantic area, particularly those in the TPP, who might be concerned that TTIP is designed to be an exclusive arrangement. The only precondition for joining TTIP would be the acceptance of a "TTIP Acquis Atlantique" by the date of accession. This means that joining would be an all or nothing decision for new members. They would have to accept all TTIP norms and requirements in order to join, without any ability to negotiate changes to the TTIP Acquis.

TTIP should start with negotiations about transatlantic trade, investment, and regulatory cooperation. However, it should be ready to include additional themes like financial services, energy, environmental issues, or corruption. Eventually, it could serve as a single economic area for all kinds of businesses. While an opt-out from the Acquis should not be possible, an opt-in approach should be possible for countries that wish to go ahead with cooperation in certain areas.

Conclusion: Be Realistic Not Nostalgic!

The era of new globalization is fundamentally changing the world economy and global politics. Many more players with many more different

interests have joined the game of international exchange. Homogeneity has gone. Heterogeneity is in. And this challenges the global multilateral approach that has regulated international economic activities since World War II. Universality, uniformity, and equal treatment of states cannot be reached anymore. A more tailor-made approach is needed. This is especially true for the transatlantic area. The United States and the EU have been the parents of the global multilateral order in the postwar era. Now they see this period of Western dominance in setting the rules of the game coming to an end. Liberalization and globalization are challenged by new powers outside the transatlantic rim.

The only viable way for the United States and EU to further develop a liberal economic order is to start small rather than big and to go regional rather than global. Further steps to liberalize international economic activities have to be negotiated among a few rather homogeneous partners with a broad range of common goals and not among heterogeneous actors with widely different interests. Regional not global multilateralism is the answer to the changes in the world economy, politics, and social (non-)acceptance of the outcome of the new globalization.

While global multilateralism would generate the greatest economic benefits (at least theoretically), regional multilateralism has a higher likelihood to get the benefits faster in practice. It follows the pragmatic judgment that some liberalization is better than no liberalization, independent of whether it is regional or global.

TTIP is the pragmatic answer of the United States and the EU to the shift from global to regional multilateralism. It is an effort to find common ground among transatlantic partners with a long common history. They are relatively close in the shared understanding of fundamental values like individualism, liberalism, constitutionalism, human rights, liberty, rule of law, and democracy. Therefore win-win agreements, compromises, and further steps toward liberalization and an opening up of national goods, labor, and capital markets

TTIP is the pragmatic answer of the United States and the EU to the shift from global to regional multilateralism.

might be reached easier than on a global level where national interests differ much more.

TTIP could spur growth, translate into millions of new jobs in the United States and Europe, and improve both earnings and competitiveness for many companies, particularly small and medium-sized enterprises on both sides of the Atlantic. The ambition and eagerness among current U.S. and European leaders to make TTIP a success represent a window of opportunity that should not be wasted.

In the short run, TTIP will be beneficial for the United States and the EU but it might harm the outsiders. Neighborhood countries that have strong trade connections with the United States and the EU would suffer especially from rather strong trade diversion effects.

However, in the long(er) run, the higher growth, additional jobs, and increase in the standard of living in the United States and the EU will lead to benefits in the rest of the world. Empirical evidence from existing regional trade arrangements shows that in the past, regional and global liberalization have proceeded together and have tended to reinforce each other in a largely positive fashion throughout the postwar period.

To lower concerns in the rest of the world that TTIP might be the end of global multilateralism, it should be open for other countries to join in principle. In practice, however, not many other countries might be willing or able to accept the "Acquis Atlantique" of TTIP without having the chance to change it according to specific national preferences. But for the neighbors of the United States and the EU, accession could be realistic. Being outsiders, they would be harmed most in the short run and could

The Eurozone Crisis and Europe's South

Yannos Papantoniou[1]

The eurozone's economic prospects look better than a year ago, although performance is still lagging behind global partners. The economies of the eurozone's core have started to show signs of recovery while the financial position of the overindebted countries of the periphery is improving — partly as a result of the emerging economies' current crisis. Even Greece is considering a return to financial markets for long-term borrowing later this year — admittedly at unsustainably high rates, reflecting the urge to get rid of the supervision of the troika (the IMF, European Commission, and European Central Bank).

However, there are other factors working underneath the surface that point to more uncertain outcomes for the ongoing processes. The recession may be hitting bottom in the peripheral economies, but output and employment losses incurred during the crisis in these countries have been huge. Aggregate per capita income for the euro area as a whole in 2013 reached the level obtained in 2007, but in Greece, it hovers around the level of 2000 while in Italy it remains at the level of 1997. Unemployment is about 12 percent on average. In Spain, more than one-quarter of the labor force is jobless, while in Italy, youth unemployment stands at 42 percent. In Greece, unemployment is 28 percent and, among young people, it exceeds 60 percent.

Recovering from such losses requires a speedy return to sustainable high rates of growth. Large amounts of capital need to be invested, but this is unlikely to be forthcoming:

Public investment is continuously falling, as a result of fiscal austerity, and represents historically low levels as a share of GDP. The eurozone authorities, having already committed substantial rescue funds, do not seem disposed to inject fresh investment capital.

Private domestic capital resources are also limited by the recession itself, the related weakness of balance sheets, the fall of asset prices including real estate, and the rise of taxation, particularly on high incomes and on capital.

Bank lending has been reduced as a result of the weakness of the banks' capital position, which is further threatened by low levels of deposits and the recession-related rise of non-performing loans. Currently, enterprises in the periphery of the eurozone borrow at substantially higher rates than the enterprises in the core economies. In bank loans, the relation is close to two to one while in long-term financing it may reach ten to one.

Trust among investors will not be restored until debt sustainability is secured. However, moves to mutualize debt and strengthen fiscal unification are consistently blocked by Germany and the other countries of eurozone's core. Eurobonds, a single European Finance Ministry, and adequate capitalization of the common rescue fund (the European Stability Mechanism) are not yet contemplated. The same non-integrationist approach applies to the recently instituted "banking union." The Single Bank Resolution Fund is under-capitalized so that part of the cost of returning banks to solvency in the event of a new financial crash will continue to be borne by governments. The link between banking and state indebtedness, which lies at the heart of the eurozone's vulnerability to crises, has not been broken.

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Besides the lack of capital, there will also be a shortage of demand as austerity policies continue to be universally applied. If these policies are not relaxed or compensated by more expansionary policies in the stronger economies of the eurozone's core, demand will remain depressed, discouraging investment initiatives.

Lastly, on the reform front, precious time has been lost. The reform effort in the over-indebted countries of Europe's South has been weak over the last several years. Governments have been reluctant to confront the special interests — protected businesses, public-sector trade unions, and influential lobbies — that block reforms. Liberalizing the labor market, privatizing state-run enterprises, opening up the services' sector, and abolishing restrictive practices are measures that have proceeded at a slow and hesitant pace, without exerting much effect on productivity and growth prospects.

Under present policies, peripheral economies are unlikely to restore conditions for strong growth. Social rifts risk spreading instability and creating political strains that may soon reach critical levels. With European Parliament elections just around the corner, the prospect of populist anti-austerity parties prevailing in peripheral countries, alongside anti-euro/anti-bailout parties prevailing in the core, is very real. Financial turbulence could return, setting the scene for a new eurozone crisis threatening the monetary union's cohesion. Greece and Italy, in particular, face serious risks of political instability that may provide the spark for renewed turmoil.

Structural reforms, less austerity, more demand stimulus, investment support, and fiscal union could continue to underwrite a prosperous and cohesive monetary union. It remains uncertain whether, or when, European politicians will feel confident enough to adopt them.

profit most becoming a member of TTIP in the long run.

The United States and the EU should move quickly or there will be no liberal order anymore. They should not wait for a common global understanding of what should be done. Such global agreement will not happen soon, and even if it did, it would be a compromise that might contradict the economic interests and liberal values of the "West."

TTIP is a very pragmatic strategy to adapt the transatlantic economic order to the reality of the 21st century. Liberalism is no longer seen as a universal recipe. Instead it is seen as a further step on a long road to more open markets and lower transaction costs for doing international business. It follows the empirical evidence of the past that more liberalization is better than less and that regional multilateralism is better than no multilateralism.

So the expectation is that TTIP is a good strategy not only for the transatlantic area but for the world economy as a whole.

In spring 2014, it looks like the negotiations about TTIP are stuck for several reasons. The disputes about agriculture (genetically modified organisms), media ("cultural exception"), government procurement, and privacy (NSA/PRISM) have delayed progress. The elections for the European Parliament in May 2014 and the Congress's reluctance to grant "fast track" authority to President Obama make the negotiations even more complex. However, there is no doubt that it would be worthwhile to overcome the difficulties and to avoid further delays. It would go a long way to strengthening the Western anchor of the emerging international order.

Four

Calibrating U.S. and European Development Aid for the Reshaping World Order

Patrick W. Quirk

Photo: USAID supplied blankets, water containers, and other
materials arrive in Osh, Kyrgyzstan, on June 26, 2010.
© U.S. State Department

For more than 50 years, development aid has been a core form of Western engagement in the developing world.[74] In order to further U.S. and European economic and national security interests, the transatlantic allies have provided loans, technical assistance, and direct budget support to developing nations to promote economic growth and more representative forms of governance.[75] Representing roughly 80 percent of global development assistance, the United States and Europe have invested heavily to secure transatlantic priorities in these areas.[76] As U.S. Secretary of State John Kerry said in 2013, foreign aid "is not a giveaway" or "charity" but instead "an investment in a strong America and in a free world" that "lifts other people up and then reinforces their willingness to link arms with us in common endeavors."[77]

Though differences exist between the United States and Europe, the foreign policy logic underpinning their provision of development aid in both cases is essentially two-fold: *economic* in that it can increase the number of free-market-oriented polities and swell the ranks of viable trading partners, destinations for Western goods, and sources for commodities; and *security* related in that aid can help transition weaker states into reliable allies and enhance regional stability.[78] Western development aid has been a pillar of liberal world order by directly or indirectly bringing peripheral

polities closer to Western forms of governance and development. [79]

The United States and Europe have not only been the "go to" sources for such aid but also dominated the architecture that governs this realm. This includes largely defining the scope, norms, and rules that oversee development aid through their leadership in the OECD's Development Assistance Committee (DAC), a group of aid-providing countries that adheres to stringent guidelines on aid objectives and transparency.

Western development aid has been a pillar of liberal world order by directly or indirectly bringing peripheral polities closer to Western forms of governance and development.

[74] I would like to thank Leonie Willenbrink, Transatlantic Academy intern, for her research assistance in the preparation of this paper.

[75] OECD, "Official development assistance — definition and coverage," see http://www.oecd.org/dac/.

[76] "The European Union and the United States," *EU in Focus¸* (Washington, DC: January 2013).

[77] U.S. Secretary of State John Kerry, "Address at the University of Virginia," (February 20, 2013). Per the 2010 U.S. National Security Strategy: "Through an aggressive and affirmative development agenda and commensurate resources, we can strengthen the regional partners we need to help us stop conflict and counter global criminal networks; build a stable, inclusive global economy with new sources of prosperity; advance democracy and human rights; and ultimately position ourselves to better address key global challenges by growing the ranks of prosperous, capable and democratic states that can be our partners in the decades ahead."

[78] Some also make a moral argument for aid — that lifting people out of poverty and expanding their freedoms is the "right thing to do."

[79] The United States has provided foreign aid for decades; however, it was not until Barack Obama's 2010 Presidential Policy Directive on Global Development that this form of engagement was elevated as a "core pillar of American power" that along with diplomacy and defense "mutually reinforce each other and complement one another in an integrated comprehensive approach to national security." The EU grants foreign aid similar importance as part of its Common Foreign and Security Policy and associated "external policy." As the EU Consensus on Development says: "Combating global poverty is not only a moral obligation," but "will also help to build a more stable, peaceful, prosperous and equitable world, reflecting the interdependency of its richer and poorer countries." And much the same as the United States, the EU's spending is guided by a commitment to achieve the Millennium Development Goals and eradicate poverty in so far as doing so is in the interests of its 28 member states. On the United States, see The White House, "Presidential Policy Directive on Global Development," September 22, 2010, http://www.whitehouse.gov/the-press-office/2010/09/22/fact-sheet-us-global-development-policy. And for the EU see "The European Consensus on Development," (2006/C 46/01), http://ec.europa.eu/development/icenter/repository/european_consensus_2005_en.pdf.

The world in which the United States and Europe are providing such aid, however, is changing.[80] As their economies and material strength swell, rising powers such as China and India are also "investing" with aid abroad. Bilaterally, China has expanded development assistance several fold, Turkey's development agency is operational in 33 countries, and India will soon launch an aid provider. Other middle tier emerging economies — from Mexico to Indonesia — are also augmenting aid provision. Multilaterally, the BRICS announced they will launch a development bank to rival the World Bank[81] and the China- and Russia-dominated Shanghai Cooperation Agency (SCO) declared plans for a comparable initiative.[82]

Similar to U.S. and European motivations, the "Rising Rest" are doling out development aid to advance their political, security, and economic interests. This convergence in motivation aside, it is less clear whether emerging powers seek a so-called "free" world stemming from their aid and engagement overseas. Where Western aid has generally been tied to recipients making internal reforms toward the OECD-preferred "market economies backed by democratic institutions," for example, it is increasingly clear that new (or resurgent[83]) donors have fewer such qualms. As Chinese President Xi Jinping said during his inaugural trip to Africa, there will be "no political strings attached" to China's "assistance" to states on the continent.[84]

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[80] From 2000 to 2009, aid flows from non-traditional (non-Western) providers increased ten-fold to $53.22 billion or 30 percent of global development assistance. R. Greenhill, A. Prizzon, and A. Rogerson, "The age of choice: developing countries in the new aid landscape," (London, U.K.: Overseas Development Institute, Working Paper 364, January 2013).

[81] M. Cohen and I. Arkhipov, "BRICS Nations Plan New Bank to Bypass World Bank, IMF," *Bloomberg* (March 26, 2013).

[82] L. Xiaokun, "SCO to set up a development bank," *China Daily News* (May 29, 2012).

[83] Though much has been made lately of China and India's recent surge in involvement in the development sphere, this actually began much earlier. China began providing *ad hoc* aid in the late 1950s and expanded this assistance to African states in 1963. As for India, it established an Indian Technical and Economic Cooperation Programme in 1964.

[84] P. Boghani and E. Conway-Smith "China's New President Offers Africa 'No Strings' Aid," *Global Post* (March 26, 2013).

Similar to U.S and European motivations, the "Rising Rest" are doling out development aid to advance their political, security, and economic interests.

These development aid alternatives have yet to seriously rival, let alone supplant, the Western-devised and dominated aid architecture. At the same time, such changes signal that the transatlantic allies' hold on the development assistance agenda is being challenged in three ways with implications for U.S./European interests and the liberal world order's future. First, as the primary *source* of development financing and aid. Second, as the preferred *model* for development aid provision and objectives. And third, as a *means to tether* developing states to and then bring them fully into the liberal world order.

In light of these developments, the transatlantic community needs to assess the implications of rising power engagement in the aid world and adjust their strategies accordingly. This chapter provides analysis and policy recommendations to help in this effort. Its central argument is that the United States and Europe cannot curb emerging power participation in an aid sphere they have dominated for more than half a century. However, by strategically engaging rising assistance providers, further institutionalizing transatlantic foreign aid cooperation, and adjusting aid packages to be more competitive, the allies can secure their core interests as well as reinforce and continue to project principles undergirding liberal world order.

Focusing on bilateral development aid, this chapter proceeds in three core sections. Following a brief overview of U.S./European aid, the second section discusses assistance provided by China, India, and Turkey including opportunities and challenges

presented by their involvement and areas of convergence and divergence with the West. Based on this analysis, the final section presents policy recommendations for the transatlantic community to re-calibrate its aid strategies and partnerships for this reshaping world order.

United States and Europe: Engineers of the Bilateral Aid Architecture

Commensurate with the OECD's DAC, the United States and EU member states have allocated foreign aid based on a "shared commitment to market economies backed by democratic institutions and focused on the wellbeing of all citizens" and desire to "make life harder for the terrorists" and other actors who "undermine a fair and open society."[85] In pursuing these objectives, the United States and EU account for more than two-thirds of development aid spending worldwide.[86] For fiscal year 2011, the United States spent $27.7 billion[87] while EU institutions allocated $17 billion and the member states doled out $73 billion.[88]

Bilateral aid from the United States and EU goes to more than 150 countries, primarily in the form of conditional loans and grants.[89] Aid is generally kept separate from trade and investment initiatives and spent in one of four areas and to achieve associated objectives: 1) promote economic growth though infrastructure development and support to agriculture modernization; 2) strengthen a country's political system or health services; 3) ensure access to food; and 4) stabilize economies following external shocks.[90] Engagement in each area has ranged in scope and duration, from assisting a single electoral process to large-scale "state-building" efforts in Iraq and Afghanistan.[91] In providing aid, the United States and EU to varying degrees employ a "donor" and "recipient" approach. As donors, they set goals and objectives for programming as well as design initiatives. As recipients, the destination countries are consulted in the design phase of some initiatives yet their role is limited.

In recent years the United States and EU have sought to make their aid more effective and signed onto various declarations promising to do

Engagement has ranged in scope and duration, from assisting a single electoral process to large-scale "state-building" efforts in Iraq and Afghanistan.

85 OECD, "Our Mission." Official development assistance (ODA) is defined by the DAC as funding provided to developing countries or multilateral institutions that is "administered with the promotion of the economic development and welfare of developing countries as its main objective and is concessional in character," meaning the donor country provides a form of subsidy. The funding must also have a grant element of 25 percent. OECD, "Official development assistance — definition and coverage," see http://www.oecd.org/dac/.

86 There are two main bureaucratic entities responsible for allocation and use of EU development aid. The European Commission's Humanitarian Aid and Civil Protection directorate-general (DG ECHO) is responsible for designing and delivering EU assistance to crisis and emergency situations including natural disasters or instability created by armed conflict. The EuropeAid Development and Cooperation directorate-general is responsible for designing EU development aid policies and designing and delivering aid in the areas of poverty, food assistance, governance, and education. In contrast to the EU, the United States has a vast number of bureaucratic entities responsible for allocation and use of development funding. The majority of this is allocated to and used by the U.S. Agency for International Development (USAID), though other government bureaus including the Millennium Challenge Corporation (MCC) and units within the Department of State also receive funding for development aid.

87 Data from OECD DAC website, http://www.oecd.org/dac. This reflects humanitarian and development aid and does not include defense spending.

88 Ibid.

89 These figures reflect bilateral assistance to specific countries and exclude budget allocations to multilateral organizations such as the World Bank or African Union.

90 For this four-part disaggregation and an excellent and perhaps the seminal overview of foreign aid, see S. Radelet, "A Primer on Foreign Aid - Working Paper Number 92," (Washington, DC: Center for Global Development, July 2006), pp. 7.

91 On the U.S. side alone, 60 percent of foreign assistance (Department of State and USAID) goes to 50 countries that are in the midst of, recovering from, or trying to prevent conflict or state failure.

Figure 1 Official Development Assistance (ODA) spending (1989-2013) for traditional and select emerging donor countries. Aid allocations by the EU institutions are also listed.[1] For China, two estimates are presented in order to account for the great variance in projections regarding its aid spending: 1) an estimated approximation of Chinese ODA as calculated by the Congressional Research Service; 2) and a spending estimate provided by RAND that employs a broader definition of China's "aid" as "Foreign Aid and Government-Sponsored Investment Activities Abroad."

Official Development Assistance: Western and Emerging Donor Countries ($ USD Billion)

- US
- EU
- Turkey
- Brazil
- India
- Russia
- China ODA
- EU Insti
- China: RAND estimate

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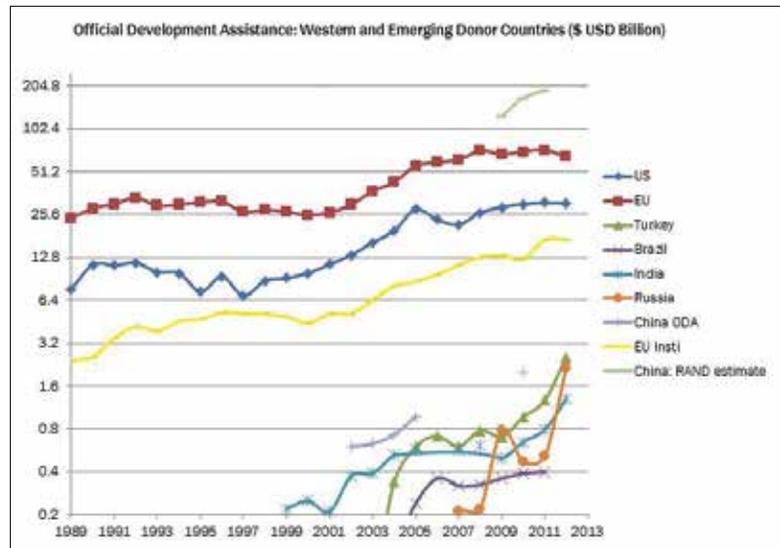
[1] For the EU member states, the United States, Turkey, and the EU institutions, information presented can be found on the OECD website: http://www.oecd.org/dac/stats/oda-trends.htm. For China, information presented is from two sources. "China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia," (Washington, DC: Congressional Research Service, 2009); and C. Wolf, Jr., X. Wang, and E. Warner, "China's Foreign Aid and Government-Sponsored Investment Activities: Scale, Content, Destinations, and Implications," (Washington, DC: RAND Corporation, 2013). For India, two sources were used: "A Brave New World of 'Emerging', 'Non-DAC' Donors and their Differences from Traditional Donors," (Geneva, Switzerland: NORRAG, September 2010); and Data collated by the Indian Development Cooperation Research at the Centre for Policy Research, New Delhi, as cited in R. D. Mullen, "India's Development Assistance: Will it Change the Global Development Finance Paradigm," Research Paper presented April 8-9, 2013. For Russia data, see M. Kaczmarski and A. Wierzbowska-Miazga, "Russia's Development Assistance," Centre for Eastern Studies (October 10, 2011), http://www.osw.waw.pl/en/publikacje/osw-commentary/2011-10-10/russias-development-assistance. And for Brazil, see P. Troilo, "Setting its own course, Brazilian foreign aid expands and evolves," Devex (July 9, 2012), https://www.devex.com/news/setting-its-own-course-brazil-foreign-aid-expands-and-evolves-78631 and *The Economist*, "Speak softly and carry a blank cheque," (July 15, 2010).

so.[92] As part of this effort, and spurred in some measure by the financial crises and need to most efficiently utilize spending, they began to shift from approaching aid separately to aligning objectives and cooperating to devise and implement target initiatives. This was formalized in 2009 with the EU-U.S. High-Level Consultative Group on Development ("EU-U.S. Development Dialogue"), a series of annual meetings to discuss aligning priorities, policies, and spending.[93]

In spite of the Dialogues, the transatlantic allies have not been as successful as hoped in aligning objectives and strategies or operationalizing those tactics and activities that flow from them. As others have pointed out with regard to the allies' response to the Arab Spring,[94] part of the result has been that emerging powers in general and China particularly

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[92] In recent years, both the United States and EU have altered their foreign aid programs to make them more effective and get "more bang for their development bucks." Recognizing the need for greater coordination among donors as well as more local ownership of aid programs, the allies participated in high level fora on increasing aid effectiveness most recently in 2008 (Accra Agenda for Action) and 2011 (Busan). Reflecting the changing nature of the aid architecture, each forum saw high level participation by developing countries and specific sessions devoted to discussing emerging power involvement in development aid. For the full text to the declarations from each session see the OECD website, "Paris Declaration and Accra Agenda for Action: Full related documentation," http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm.

[93] These dialogues, relaunched in 2009, include up to three meetings per year between the second in command at the EU and U.S. development agencies. The dialogues also include an annual session between the head of USAID and the EU Commissioner for Development. Lower level staff at each agency also hold exchanges throughout the year on policy- and program-planning matters. The U.S. Department of State and the European External Action Service (EEAS) are also involved. For an overview of the dialogues including their history, see A. Gaus and W. Hoxtell, "The EU-US Development Dialogue: Past, Present, and Future," (Berlin: Global Public Policy Institute, July 2013).

[94] D. Greenfield, A. Hawthorne, and R. Balfour, "U.S. and EU: Lack of Strategic Vision, Frustrated Efforts Toward the Arab Transitions," (Washington, DC: The Atlantic Council, 2013).

have asserted themselves in areas where the West has retrenched.

Rising Powers and Development Aid: Rival Sources and Models?

As their material strength expands, the Rising Rest have continued to augment their involvement as development aid providers. In so doing, countries such as China, India, and Turkey have emerged as alternative options for aid that countries may select over Western sources and employed approaches divergent from the DAC model. In sum, these new players have challenged Western influence in general and transatlantic approaches to and norms of development particularly.

Countries such as China, India, and Turkey have emerged as alternative options for aid that countries may select over Western sources and employed approaches divergent from the DAC model.

These states share some motives for involvement abroad but have dissimilar views on how external actors should engage in sovereign states, distinct approaches to doing so, and discrete beliefs regarding broader goals of development aid.[95] Understanding these nuances is vital to determining areas of convergence with (or divergence from) Western perspectives and crafting associated policy responses.

China: Doubling Down on a Distinct Model

China's engagement as a provider of development assistance has expanded in tandem with its economic resurgence.[96] While Chinese development aid has clearly increased, the precise amount it is spending remains subject to debate.[97] Using the broader concept of "Foreign Aid and Investment Activities Abroad" that captures the wider array of China's "aid" to developing states — including deals wedding low-interest loans and technical assistance with business and trade — its aid spans 90 countries across the globe and increased from $1.7 billion in 2001 to $124.8 billion in 2009 and again to $189.3 billion in 2011.[98] During this period, Latin America was the largest regional recipient, followed by Africa.

Not unlike that of the United States and EU member states, China's aid spending has closely paralleled its foreign policy interests. Recognizing

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[95] Three factors have motivated increased emerging power activity in this sphere: 1) to maintain and expand access to foreign markets necessary to fuel domestic growth; 2) to demonstrate their influence on the world stage; and 3) further diplomatic objectives.

[96] T. Lum, "China's Assistance and Government-Sponsored Investment Activities in Africa, Latin America, and Southeast Asia," (Washington, DC: Congressional Research Service, 2009).

[97] Estimates vary depending on the definition and data used. In juxtaposing China's foreign assistance to amounts allocated by the West, some scholars and analysts have put forth estimates of China's spending that fits within the accepted definition of aid — grants and loans with a concessional nature, in addition to other traditional development programming. Using this measure, China's foreign aid is growing yet remains somewhat modest. What these analyses gain in comparing China's foreign aid side-by-side to its Western counterpart, however, they lose in overlooking the broader array of China's "aid" to developing states. The latter is particularly important to note in so far as China (similar to other emerging donors) bundles aid to countries in "package deals" that wed low-interest development loans and technical assistance with business and trade deals. Unlike for DAC countries, there is no central and official repository for the amount of Chinese foreign aid. "A Brave New World," (Washington, DC: Center for Global Development Report, 2011). The only official Chinese data released on foreign aid expenditures is a 2011 White Paper on Foreign Aid, which claims China provided $37.7 billion in foreign aid through the end of 2009, including $15.6 billion in grants, $11.3 billion in interest-free loans, and $10.8 billion in concessional loans. White paper as quoted and summarized in D. Brautigam, "Chinese Development Aid in Africa: What, Where, Why, and How Much?" in *Rising China: Global Challenges and Opportunities*, J. Golley and L. Song, eds., (Canberra: Australia National University Press, 2011), pp. 203-223.

[98] Though China has only come through with (spent) 9.4 percent of that, the uptick in promised allocations is arguably indicative of its rising commitment to development aid as a foreign policy tool. C. Wolf, Jr., X. Wang, and E. Warner, "China's Foreign Aid and Government-Sponsored Investment Activities: Scale, Content, Destinations, and Implications," (Washington, DC: RAND Corporation, 2013), pp. xiii.

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that sustaining economic growth at home relied on continued access to natural resources abroad, China's policymakers have centered its aid portfolio accordingly — on securing new sources of oil and precious metals vital to manufacturing.[99] To that end, in the ten years through 2011, 42 percent of China's aid went to projects to develop host country capacity to *access* natural resources and a further 40 percent to infrastructure development programs to enhance their capacity to *extract* and transport these resources.[100] Through loans, technical assistance, and other means, China helps countries develop capacity including railways and roads to extract and transport natural resources; in exchange China receives rights to export those materials for its domestic use.[101]

Objectives and Approach: Non-Interference with "No Strings Attached"

In pursuing its aid-related foreign policy objectives, China employs a framework that diverges from Western-developed norms and approaches in three fundamental ways, among others. First, guided by its stance of "non-interference," China deals bilaterally with central governments and does not provide aid to civil society organizations or other non-governmental entities.

Second, China does not make provision of aid "conditional" on the recipient government meeting some minimum standard of governance or transparency or promising to make future reforms toward such aims. As a result, human rights-abusing rulers are just as eligible to receive Chinese aid as are "democratic" regimes. This differs from Western providers, who generally (though not always) withhold aid from repressive

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[99] Mainly oil but also minerals including copper, uranium, and other materials.

[100] C. Wolf, Jr., X. Wang, and E. Warner, "China's Foreign Aid and Government-Sponsored Investment Activities: Scale, Content, Destinations, and Implications," (Washington, DC: RAND Corporation, 2013), pp. xiv.

[101] They have also allocated humanitarian assistance and granted debt relief, but shifted mainly to resources/infrastructure since 2003. C. Wolf, Jr., X. Wang, and E. Warner, "China's Foreign Aid and Government-Sponsored Investment Activities: Scale, Content, Destinations, and Implications," (Washington, DC: RAND Corporation, 2013), pp. xiii.

Human rights-abusing rulers are just as eligible to receive Chinese aid as are "democratic" regimes.

administrations or make it contingent on governments promising reforms. The implication is that where Western aid arguably reinforces liberal order by incentivizing states to converge with less autocratic forms of governance, China's aid at best does not offer similar encouragement and at worst incentivizes regimes to diverge from democratic practices.

Third and finally, China "bundles" its aid as part of deals that comprise investment by Chinese companies and trade. Where the West approaches governments as "recipients," China (at least rhetorically) treats them as partners in relationships meant to be mutually (if not equally) beneficial. And this approach has become attractive to leaders in the developing world. In the words of Senegal's former president, Abdoulaye Wade, "China's approach to our needs is simply better adapted than the slow and sometimes patronizing post-colonial approach" of European donors.[102] The implication is that Chinese aid has increasingly become — particularly in Africa — an attractive option for governments wanting to grow their economies and business markets rather than simply receive direct budget line support in exchange for promising to hold "free and fair" elections.

Over the last five to seven years, however, the gloss on the so-called Chinese "model" has started to wear off. This is particularly true in sub-Saharan Africa, where opposition political parties from Zambia to South Africa have included anti-China planks in their campaign platforms, and workers have protested the shoddy working conditions in Chinese-operated mines. As Nigeria's central bank governor, Lamido Sanusi, reflected, "China

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[102] A. Wade, "Time for the west to practice what it preaches," *The Financial Times* (January 23, 2008).

is capable of the same forms of exploitation as the West … Africa is now willingly opening itself up to a new form of imperialism."[103] This rising discontent suggests an opening for renewed transatlantic engagement.

Challenges and Opportunities: Convergence or Divergence?

China's engagement as a provider of development aid points to areas of convergence and divergence with the West that should be disaggregated into its multilateral and bilateral agendas. With regard to the former, China seems to be converging with the United States and Europe as it seeks a "soft landing" within multilateral fora.[104] As others have rightfully noted, China's commitment to achieving the MDGs should be lauded. And its dedication to eradicating poverty and allocation of peacekeepers, among other efforts, point to potential areas of burden-sharing.

China's commitment to achieving the MDGs should be lauded. Its dedication to eradicating poverty and allocation of peacekeepers, among other efforts, point to potential areas of burden-sharing.

At the same time, China's approach to bilateral aid clearly diverges from the Western model and, at present, seems to be the most viable and attractive alternative to that on offer from the United States/EU. Short-term probability of it supplanting the transatlantic allies is low, though this may increase in the medium to long term.

Although China's aid spending remains small relative to Western tallies, the two factors driving its engagement in this area and thus the trajectory of its involvement show few signs of abating: the need to fuel domestic resource consumption and the desire to project soft power. Accordingly, the Chinese-proffered model to development aid will remain, if not as a contender to displace the current Western model, at least as an alternative to it. This will pose two challenges to the transatlantic allies. First, the attractiveness of China's aid deals pose challenges to Western access to natural resources and export markets. And second, as incentivizing less democratic forms of governance and thus retrenchment — as opposed to extension — of liberal world order.

Turkey: Converging Toward the Western Model?

Turkey's foreign aid has increased by nearly 3,000 percent in the last decade — from $86 million in 2002 to $2.5 billion in 2012.[105] Where Turkey initially focused its aid in post-Soviet states, its geographic involvement has expanded to the Balkans, Afghanistan, the Middle East, and Africa.[106] The bureaucratic department that devises Turkey's development policy and associated programs, the Turkish Cooperation and Coordination Agency (TIKA), now has field offices on five continents.[107]

Turkey's aid spending goes to one of four "fields of activity": 1) improving public and civil infrastructure; 2) technical assistance and training to build government capacity; 3) education, from building schools to training teachers; and 4) health, from hospital construction to educating personnel. Turkey also funds "cultural cooperation" programs such as festivals and exhibitions in countries with populations of Turkish and "related communities"

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[103] L. Sanusi, "Africa must get real about Chinese ties," *The Financial Times* (March 11, 2013).

[104] As stated by Transatlantic Academy Fellow Lanxin Xiang.

[105] As reported to the DAC by Turkey.

[106] S. Kardas, "Turkey's Development Assistance Policy: How to Make Sense of the New Guy on the Block," German Marshall Fund — Analysis (February 4, 2013), http://www.gmfus.org/archives/turkeys-development-assistance-policy-how-to-make-sense-of-the-new-guy-on-the-block/

[107] http://www.tika.gov.tr/en/fields-of-activity/2.

so as to foster stronger bonds between the homeland and associated populations.[108]

Objectives and Approach: Consolidate Business Ties, Adhere to DAC Standards

This escalation in engagement is intimately linked to the ruling Justice and Development Party's (AKP) rise and promise that "Turkey will be among the world's ten leading powers" by 2023. To accomplish this objective, Turkey has employed a foreign policy of "strategic depth" to demonstrate influence abroad as well as safeguard business interests linked to domestic economic growth.[109] Foreign aid is an integral part of this because it demonstrates Turkey's ability to project influence and is a tool to establish, safeguard, and deepen relationships with potential markets for Turkish goods.

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With regard to its approach to development aid provision, Turkey regularly involves and provides assistance to state- and non-state actors, particularly when attempting to resolve (or prevent) conflict in fragile states.[110] This diverges from China's top-down engagement with central governments. Further deviating from China and other emerging donors, since the advent of its aid program Turkey has generally pronounced adherence to DAC standards, objectives, and reporting requirements. This culminated in Turkey signaling in 2013 that it might accept an invitation to officially join the DAC.[111] Turkey's internal troubles notwithstanding, its potential ascension to the group of donors is significant in that it would more tightly tether the emerging power to Western-developed standards and norms for aid goals, spending, and oversight.

Challenges and Opportunities: Convergence or Divergence?

Turkey arguably aims to fit within the current bilateral aid architecture as opposed to offering an alternative or supplanting it. This suggests two potential areas of convergence and thus cooperation with the transatlantic allies. First, by employing DAC standards, Turkey has signaled a probable commitment to the core Western-developed goals of development aid — market economies supported by democratic institutions — thus opening the door for collaboration. The transatlantic allies are looking to burden share as it relates to development aid, and Turkey could be a viable partner. Should the United States and EU seek to cooperate with Turkey in this respect, then, they may not need to substantially compromise core goals or norms. Though it remains to be seen whether Turkish and transatlantic strategic objectives will align, its likely ascension to the DAC increases the probability of collaboration in aid provision.

And second, Turkey's identity as a majority Muslim nation provides potential opportunities for collaboration in similarly populated recipient countries — particularly where Western and Turkish policy objectives align, yet the United States and EU cannot easily operate. In such areas, Turkey could be engaged as the lead player or implementer of aid engagement. Its successful

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[108] http://www.tika.gov.tr/en/fields-of-activity/2.

[109] On the changes to Turkey's foreign policy and a review of strategic depth, see the 2009-10 collaborative report of the Transatlantic Academy. A. Evin, K. Kirisci, R. Linden, T. Straubhaar, N. Tocci, J. Tolay and J. Walker, *Getting to Zero — Turkey, Its Neighbors and the West* (Washington, DC: Transatlantic Academy, 2010), http://www.transatlanticacademy.org/publications/getting-zero-turkey-its-neighbors-and-west.

[110] In tandem with and guiding aspects of its involvement in development, Turkey employs what it describes as "proactive and preemptive peace diplomacy."

[111] B. Özerli, "DAC offers Turkey membership," *Today's Zaman* (October 9, 2013).

involvement in Somalia[112] and role in international stabilization efforts in Afghanistan via participation in Provincial Reconstruction Teams (PRTs) point to this.[113]

India: Expanding Beyond Its Immediate Neighborhood

Since the 1990s, India has been attempting to transition in balance from aid recipient to donor and hastened this process beginning in 2000. Its foreign aid budget in the four years through May 2013 grew on average 32 percent annually, reaching $1.3 billion.[114] Perhaps reflecting the centrality of development aid to India's foreign policy toolkit moving forward, in 2012 it announced plans to launch a central aid agency (the Development Partnership Administration) that will allocate $15 billion in aid through 2017.[115]

Historically, India has focused foreign aid on its immediate neighborhood and promoting regional stability[116] but in recent years expanded its geographic reach to 60 countries across Africa, Asia, and Latin America.[117] From 2005 to 2010, the top ten recipients of aid included neighbors such as Sri Lanka and Afghanistan but also African states including Mali, Ghana, and Ethiopia.[118] In selecting potential recipients, India has provided funding to countries of comparable levels of development as opposed to fragile or "failing" states.[119]

India's aid is focused in three main areas. First, training recipient nations' civil servants, engineers, and other public sector employees (60 percent of aid).[120] Second, loans to governments for spending in specific sectors to enhance state capacity (30 percent). This includes lines of credit for acquiring items mainly for transport (vehicles, railway) or infrastructure (building hospitals or electricity grids). Credit is "tied" because monies funds must be used to purchase Indian goods or services. And third, funding specific projects or targeted technical assistance for government institutions.[121]

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Objectives and Approach: Securing Political and Commercial Interests via "South-South Cooperation"

Two factors have driven India's increased involvement in foreign aid. First, foremost, and similar to China and Western donors, to secure

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[112] In 2011, Turkish Prime Minister Recep Tayyip Erdoğan became the first sitting head of state to visit Somalia in two decades, a visit that initiated Turkey assuming a leading role in providing aid famine relief there. A. Ali, "Turkish aid in Somalia: the irresistible appeal of boots on the ground," *The Guardian* (September 30, 2013).

[113] On Turkey's role in Afghanistan, see K. Kaya, "Turkey's Role in Afghanistan and Afghan Stabilization," *Military Review* (July-August, 2013).

[114] In 2010 alone, India offered $1 billion in credit to Bangladesh and became the fifth-largest donor to Afghanistan, including $100 million in development projects as part of its broader $2 billion in aid to the Karzai regime. Commensurate with its turn toward Africa's oil rich territories, in 2011 India promised $5 billion worth of credit to African states as well as $700 million in funds to establish educational facilities in Botswana, Burundi, Ghana, and other countries across the continent. See N. Mandhana, "A Global Shift in Foreign Aid, Starting in India," *The New York Times* (November 15, 2012).

[115] The agency's scope is described on the Indian Ministry of External Affairs website, http://164.100.128.60/development-partnership-administration.htm.

[116] This includes Bhutan and Nepal, where India has been a leading donor for the last 60 years.

[117] When including its export of technical experts. "India's foreign aid program catches up with its global ambitions," *Devex* (May 13, 2013).

[118] As summarized by *Aid Data*, "India Opens Up its Aid Tap" (September 21, 2010).

[119] Because India "possess[es] skills of manpower and technology more appropriate to the geographical and ecological conditions and the stage of technological development" similar to itself.

[120] Civil servants from 156 countries across the globe "are invited to share the developmental experience acquired by India over the six decades of its existence as a free nation." This is conducted through the Indian Technical and Economic Cooperation Programme (ITEC), founded in 1964 and representing its first form of bilateral aid. As described on the DPA website, http://itec.mea.gov.in/.

[121] As outlined in A. Fuchs and K. C. Vadlamannati, "The Needy Donor: An Empirical Analysis of India's Aid Motives," *World Development*, vol. 44 (2013).

foreign policy related objectives — *politically*, to demonstrate capacity as a global power and obtain votes for a seat on the United Nations Security Council, among other ends; and *commercially*, to facilitate entry to foreign markets for Indian goods, increase access to oil to fuel domestic demand, and (through tied lines of credit) help grow Indian companies.

India's approach to providing aid diverges from the Western model. Similar to China and Turkey, yet representing a more central aspect of its approach, India employs the broader framework of "South South Cooperation" rooted in its historic involvement in the Non-Aligned Movement (NAM) wherein engagement is a multi-faceted "mutually beneficial" relationship between two equal states.[122] Commensurate with this approach, and similar to China, India employs a non-interventionist stance, generally does not make aid "conditional," and has not joined the DAC, nor does it observe or adhere to its objectives or reporting requirements.

Challenges and Opportunities: Convergence or Divergence?

India's engagement as a provider of foreign aid points to areas of divergence from and convergence with the West.

With regard to divergence, India has put forth an alternative model for aid provision by staying true to the principles of NAM and associated non-interference. In so doing, and similar to China, it has offered aid coupled with business deals and lines of credit, with few contingencies on internal change. Together with its reticence to join the DAC, and general ambivalence toward promoting liberal norms, India is unlikely to fully converge toward the extant Western model anytime soon.

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[122] Since the 1950s, this approach has called for mutually beneficial economic cooperation and growth and set forth agreements for exchange of technical assistance between countries. The seminal meeting for the NAM was the Bandung Conference of Asian and African States of 1955. The final agreement from the Bandung event, the Declaration on the Promotion of World Peace and Cooperation, and the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation Among Developing Countries (1978), essentially laid out the "South-South" approached to development assistance many emerging powers employ today.

Despite not adopting the West's approach to aid provision, however, India has no designs on attempting to displace the current Western aid architecture or rival the United States or EU as the go-to source for aid. This is reflected in the paltry resources it has allocated to erecting the infrastructure necessary to project aid or mount any such challenge — for example, assigning only 20 people to the soon-to-be launched Indian Development Agency and having a diplomatic corps, who would conceivably help identify and secure aid deals, of only 900 (for a population of 1.2 billion). Moving forward and in the short- to medium-term, then, India will continue to be an alternative source for aid but not a rival model.

India has no designs on attempting to displace the current Western aid architecture or rival the United States or EU as the go-to source for aid.

India's ambivalence toward promoting liberal norms aside, the United States and EU could seek to engage New Delhi on a case-by-case basis where there is overlap in strategic objectives, particularly as it relates to stability in India's immediate environs.

Conclusions and Policy Recommendations

The analysis above points to two trends with implications for transatlantic engagement in foreign aid and its role in maintaining liberal world order. First, it is no longer realistic to expect that the transatlantic allies will remain the "only game in town" with respect to development aid. Rising power engagement in this area is here to stay. Yet, the transatlantic community need not view competition in the marketplace of aid sources and ideas as a zero-sum game. Rather, they should

Transatlantic Academy

seek opportunities for collaboration with (instead of entirely boxing out or routing around) like-minded and even not-so-like minded emerging donors. While this aspect of world order is clearly in transition, the United States and EU remain in a dominant position that they should leverage in order to shape how aid is provided moving forward and in so doing secure their interests. This will likely require consolidating priorities, objectives, and resources.

And second, the alternative models on offer from new (or resurgent) donors are progressively more attractive to (and being selected by) potential recipients. These developing nations want trade and access to Western markets rather than (only) conditional loans and technical assistance. As the head of the U.S. Agency for International Development said regarding how the United States (and by extension Europe) benefits from allocating bilateral aid: "By doing *good*, we do *well*."[123] Whether the transatlantic allies continue to reap such rewards of "doing good," however, depends on remaining a preferred source and model for this "good." The mere presence of alternate aid sources and models does not call into question the Western approach *per se* but may suggest that the United States and EU need to adjust and update their aid framework and agenda. In so doing, they could arguably benefit from recalibrating it to include elements on offer from the new players.

To account for these trends and rising power engagement, the transatlantic allies should consider

Developing nations want trade and access to Western markets rather than (only) conditional loans and technical assistance.

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[123] R. Shah, "2011 Annual Letter from the Administrator of USAID," (March 31, 2011).

the following three policy options for changes to their global development agenda.

Strategically Engage Rising Powers as Development Partners

Policy statements have rightly called for "burden sharing" with "emerging centers of influence" and described initial steps for doing so.[124] The United States and EU should go further, however, and consider clear avenues and associated mechanisms to engage like-minded emerging donors on aid-related issues of shared importance.

Areas where results matter more than who gets the credit — such as conflict prevention/management — are ripe for this form of engagement, which would provide cost-sharing opportunities in an era of ever-tightening aid budgets and a means to forge relationships with select members of the Rising Rest. Other immediate areas for collaboration might be in so-called "unpermissive environments" where the United States and Europe need to secure core interests but perhaps are not welcome as the face of aid or associated programming. Turkey's involvement in Somalia and India's aid to parts of Afghanistan are two examples of rising powers perhaps being more welcomed (and effective) than the traditional transatlantic donors.

But the United States and EU should also extend engagement to the not-so-like-minded. This is particularly the case with China, which the transatlantic community would benefit more from engaging rather than ignoring or attempting to rout around. Recently, the EU indicated it will add development aid cooperation as an issue to ongoing EU-China "policy dialogues."[125] Through this forum, the EU should identify neutral issues for aid-related cooperation with China in regions of shared importance. To begin, for example, this

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[124] For the United States, this is commensurate with the QDDR's call for "building relationships" and "burden sharing" with "emerging centers of influence." The QDDR calls for holding "Strategic Dialogues" with emerging centers of influence such as India, China, and Brazil. "The First Quadrennial Diplomacy and Development Review (QDDR): Leading Through Civilian Power," (Washington, DC: U.S. Department of State, 2010).

[125] Discussion with an anonymous European External Action Service (EEAS) representative, Brussels (January 2014).

could involve the EU proposing working with China to fund water, sanitation, and hygiene programming in sub-Saharan Africa. The end result of such efforts could contribute to stability and baseline well-being for potential purchasers of Chinese and Western goods — and therefore benefit the transatlantic community and China alike. Stand-alone merits aside, these low-hanging fruit areas of engagement could lay a foundation for subsequent cooperation in other more complex or politicized spheres.

Whether with more (Turkey) or less (China) like-minded emerging powers, such engagement would not be cooperation for cooperation's sake, but mutually beneficial collaboration that could lay a basis for tackling bigger issues of the coming decades, from climate change to the next Syria.

Deepen United States /EU Cooperation and Define a Division of Labor

Through the EU/U.S. Development Dialogues, the transatlantic allies have made admirable progress in aligning aid policies and country-specific priorities. Given the rise of foreign aid alternatives and competing priorities at home that vie for aid dollars to be spent abroad, however, they should deepen cooperation on foreign aid objectives, approaches, and spending. This shift to more institutionalized transatlantic policy alignment and collaboration should entail short- and long-term changes crafted to ensure cost savings as well as shore up the transatlantic community's preeminent position as a model for aid provision and the liberal principles this aid seeks to promote.

Short-term steps should focus on maximizing aid spending by constructing a viable division of labor between the United States and Europe. As the U.S. 2010 Global Development Policy rightly notes, Washington "cannot do all things, do them well, and do them everywhere." The same goes for Europe. Building from plans already established via the Dialogues for cooperation in a handful of

priorities/geographic areas,[126] the United States and EU should take stock of aid priorities across *all* technical areas (from democracy and governance to education) and regions. Their short-term goal should be to maximize aid dollar effectiveness in agreed areas. Simultaneously, they should devise a 15-25 year strategic framework that consists of priorities for all technical areas/regions as well as a work-plan for dividing responsibilities in these areas.

Equally important to consolidating priorities *within* the transatlantic alliance, however, is solidifying its approach to those countries outside of it. This goes for aid goals and other strategic interests. Accordingly, the United States/EU should use the Dialogues to align priorities and positions vis-à-vis emerging power aid providers. The United States and EU could leverage these shared positions to better advance transatlantic interests and perhaps influence emerging donor spending and priorities.

A long-term objective for the allies could be to move toward a consolidated U.S./EU development institution where pooled resources are implemented through common delivery mechanisms. In addition to cost-savings, such a "Transatlantic Development Assistance Partnership" could present a united front for preserving Western aid objectives — assistance linked to reforms toward "market economies backed by democratic institutions" — to

A long-term objective for the allies could be to move toward a consolidated U.S./EU development institution.

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[126] In 2009, the United States and EU restarted the high level Development Dialogues and agreed to work together on three common priorities: food security and agricultural development, climate change, and the Millennium Development Goals. They then constructed a "roadmap" for implementing work together on food security. For this, see "EU-US Transatlantic Development Dialogue: Road Map for Cooperation in Food Security — 2010-2011," http://ec.europa.eu/development/icenter/repository/eu_us_roadmap_food_security_en.pdf.

Turkey and the Western Liberal Order

Nathalie Tocci[1]

Turkey has never been squarely part of the "Western liberal order." Throughout the Cold War and in its immediate aftermath, Turkey was clearly part of the West despite its questionable liberal features. It then strengthened its liberal democratic and economic qualities, while affirming its autonomy with regard to its Western partners. Today, both its liberal and Western credentials are questioned. But from the depths of domestic and regional turbulence, new impulses could embed Turkey in the liberal Western order more today than at any point in its republican history.

With Turkey's admission to NATO in 1952, Turkey unambiguously entered the "Western" community, defined at the time through the black-and-white prism of the Cold War. The United States and Europe embraced Turkey's identity choice, pressed for by the Turkish establishment; Turkey would not simply be a Middle Eastern ally of the West. It would be part of the West. In an era in which political ideologies represented the principal signifiers of identity, Turkey's identity was affirmed. Turkey became the southeastern buffer state of the "free world" and, disputes notwithstanding, Turkey remained so throughout the East-West conflict. While the end of the Cold War brought with it times of ideological confusion, Turkey's role in the first Gulf War and its aftermath, and its support for NATO's efforts in the Balkans, reaffirmed its membership in the West in the 1990s.

Yet throughout the 20th century, Turkey was far from a "liberal" state. Politically, four military coups, a military-drafted constitution that severely curtailed civil and political rights, an unresolved tension between secularism and the respect for religious freedoms, and the failure to embrace an inclusive notion of citizenship all cast dark shadows on Turkish democracy. Economically, it was not until the late 1980s that Turkey's protectionist economy embraced export substitution and gradually opened up to global markets. Twentieth century Turkey was a democracy and a market economy, but it was certainly not liberal.

As Turkey entered the 21st century, a role reversal kicked in. Triggered by the launch of Turkey's accession process to the European Union and resting upon a sound domestic consensus, Turkey began undergoing a silent revolution. Many laws and regulations aimed at convergence with EU norms were launched by the Bülent Ecevit government, including new banking laws, and the abolition of the death penalty. The reform process accelerated on the economic front with the macroeconomic and regulatory reforms implemented to overcome the February 2001 financial crisis. The reforms were then pursued by the AKP-led governments after 2003. Within governing institutions, political parties, civil society, and the private sector, Turkey mobilized a powerful coalition of actors from different walks of life who united in propelling the country toward a more liberal democratic and economic system.

Yet the very success of this process of political and economic liberalization imbued Turkey with a growing sense of self-confidence that paradoxically led it to affirm its autonomy vis-à-vis the West by the mid-2000s. While calls for Turkey's drift to the East in the first decade of the 21st century were misplaced, Turkey undoubtedly adopted a foreign policy vision that aimed to obtain strategic autonomy from the West. This paradigmatic shift was underpinned by Turkey's economic success and sloganized by the "zero problems with neighbors" approach. This new narrative was coupled with frequent references to Turkey's imperial past, which captured the imagination of Turkish

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citizens not least in view of a lack of a competing narrative that would have prioritized the country's links to the West. In those years, in fact Turkey's relationship with Europe was at an all-time low. Despite having opened accession negotiations with the EU in 2005, the forward momentum had stopped. As the relationship turned more acrimonious, Turks stopped using the EU as a reference point in their everyday rhetoric. Turkey's relationship with the United States also had entered a difficult period as Washington found it difficult to adjust to Ankara's growing regional footprint and agenda. On many regional issues such as Iran, Iraq, and Israel, Turkey and the United States parted ways.

As the first decade of the 21ˢᵗ century came to a close, Turkey's domestic and foreign policy fragilities began emerging. Domestically, although the impulse toward political reform has continued, not only did it weaken considerably but it became increasingly hijacked by the deep rifts in Turkey's political and civil societies. In areas such as the freedom of expression and the reform of the judiciary, there have been worrying setbacks, hampering Turkey's transition toward a mature liberal democracy. Economically, the Turkish government has started reversing some of the key regulatory reforms that had been put in place a decade earlier, and the day-to-day political interference in the workings of the markets has increased dramatically. As for foreign policy, Turkey's grand aspirations to become a regional "order setter" detached from the West have faded as Turkey has found itself sucked into the Middle East's vortex of instability.

Yet from the depths of domestic and regional crisis, new impulses could arise reigniting the process of liberal reform in Turkey anchored to strong relations with the West. Notably, by 2013 some timid signs of a possible new beginning between Turkey and the EU have emerged. French President François Hollande's greater openness toward Turkey, the opening of one chapter in Turkey's accession talks, the absence of any reference to a "privileged partnership" by the Christian Democrat-Social Democrat coalition government in Germany, the relaunch of the Cyprus peace process, and the agreement between Turkey and the EU on readmission and visa liberalization cautiously suggest that Turkey's accession process could be revamped and put on a healthier footing. Were this to happen, Turkey's place in the Western liberal order would be solidified.

alternatives on offer from the likes of China, who offer aid with "no political strings attached."

Diversify Aid while Staying True to the DAC Model

Coupled with the changing landscape of aid providers, the outlook and influence of traditional aid *recipients* has also changed. Stemming from their internal growth and in some cases rejecting what they see as neo-colonial approaches of the past, developing states want mutually beneficial trade and business rather than (only) conditional loans and technical assistance. The extant "donor to recipient" model is outdated and the transatlantic community needs to take this into account when devising its aid approach to such countries.

Accordingly, the United States and EU should continue to broaden the scope of aid to include "packages" comprised not only of budget support and program funding, but also trade deals and foreign investment. In the short term, the allies should slightly alter aid packages to include more concrete links between aid and trade. This would make transatlantic aid more competitive in the evolving international marketplace of ideas by shifting it further toward local needs and desires. And it would be in keeping with prior statements and policy directives that point to the need for "Aid-plus."[127]

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[127] In 2012, the United States laid out a new strategy for sub-Saharan Africa that shifts the United States' approach from aid provider to broader engagement that includes trade and investment. The White House, "U.S. Strategy Toward Sub-Saharan Africa," (June 2012).

In diversifying aid in this manner, however, the allies should continue to make such assistance conditional on recipient adherence to governance and transparency standards. This is important for normative and national security reasons. On the former, a full shift away from conditionality may signal that the United States and Europe are no longer firmly committed to helping the citizens of the world enjoy the benefits of freedom and openness on which the transatlantic democracies are grounded. And regarding national security, some measure of conditionality will ensure that aid pushes recipient nations toward more representative and pluralistic societies proven to be — over the long haul — more stable and prosperous.

In the long term, the United States and EU could include possible trade links to the (still pending) Transatlantic Trade and Investment Partnership (TTIP) as a powerful conditional component to their broader aid packages. Should TTIP pass, the United States and EU could offer preferential trade treatment or opportunities for "docking" (partial entry) to TTIP to aid recipients in exchange for promises to make internal reforms. By staying true to the DAC model and retaining some such aid contingencies, the United States and Europe can help ensure aid incentivizes convergence with — rather than divergence from — more representative forms of government.

To conclude, the United States and Europe cannot curb emerging power participation in an aid sphere they have dominated for 50 years. However, by strategically engaging rising assistance providers, further institutionalizing transatlantic aid cooperation, and adjusting aid packages to be more competitive, the allies can secure their core interests as well as reinforce and continue to project principles undergirding liberal world order.

Five

Beyond U.S. Hegemony: The Future of a Liberal Order of the Internet

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Photo: Edward Snowden speaks via teleconference at SXSW in
Austin, TX, March 2014. © Jim Bennett/Corbis

U.S. Hegemony and Beyond

The Internet is a global public space and an indispensable pillar of the modern economy. The Internet is therefore a public good. Instant access to information (and digital products) has transformed the way we live and work. In a future that has already begun, ubiquitous computing will enable diverse wireless applications, from the operation of self-driving cars and household appliances to the monitoring of pets and houseplants, and much more. These developments are part of the fourth wave of the Industrial Revolution, the so-called Industry 4.0 or Internet of Things. Because the Internet has become so crucial to modern economies and lifestyles, its governance and the values it is based upon are of the utmost importance to us.

Throughout the Internet's short lifespan, there have been multiple models of Internet governance.[128] The first was best expressed in John Perry Barlow's "Declaration of Independence of Cyberspace," which viewed the network as an essentially ungovernable, completely egalitarian world.[129] In the words of Dan Geer, the network embodied a particular cultural interpretation of U.S. values: "It is open, non-hierarchical, self organizing, and leaves essentially no opportunities for governance beyond a few rules of how to keep two parties in communication over the wire."[130]

Over time, nation states, especially the United States, France, and other Western countries, began

to impinge on this perceived ungovernability, accepting the open nature of the network while issuing regulations for some of its more uncomfortable uses. Hate speech, child pornography, illicit finance, and other online criminal activities are often perceived as instances of lacking governance. Another critique of Internet governance has been mounted from non-Western states like China, Russia, Iran, and Saudi Arabia. The *de facto* dominance of the United States in what is often called "multi-stakeholder governance" has been strongly criticized and demands are voiced for a more balanced distribution of regulatory authority. Whatever the merits of the different perspectives on Internet governance, it has become obvious that many no longer consent to the present structure of Internet governance. It has come under attack from a number of different avenues and suffers today from a serious legitimacy deficit.[131]

> *It has become obvious that many no longer consent to the present structure of Internet governance.*

This chapter addresses this debate and connects it to the bigger question of the future of the liberal order. What actors and institutions rule in Internet governance so far and what is their contribution to a liberal order? Why is U.S. dominance and oversight of Internet governance questioned and what are the major arguments? Can a strengthened transatlantic partnership provide us with a perspective to think constructively about the future of the liberal (Internet) order?

For the purpose of this chapter, I will take "liberal" to refer to a set of principles including openness, security, and freedom. From a liberal

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[128] The term "Internet governance" is disputed. It has become very loaded with a lot of baggage in terms of predefined associations etc., and is often used as an umbrella term. "The term 'Internet governance' conjures up a host of seemingly unrelated global controversies such as the prolonged Internet outage in Egypt during political turmoil or Google's decision not to acquiesce to U.S. government requests to completely remove an incendiary political video from YouTube. It invokes media narratives about the United Nations trying to 'take over' the Internet, cybersecurity concerns such as denial of service attacks, and the mercurial privacy policies of social media companies. These issues exist only at the surface of a technologically concealed and institutionally complex ecosystem of governance," cf. L. Denardis, *The Global War for Internet Governance* (New Haven: Yale University Press, 2014), pp. 1-2.

[129] J.P. Barlow, "Declaration of Independence of Cyberspace" (1996), https://projects.eff.org/~barlow/Declaration-Final.html.

[130] D. Geer, "Internet Freedom: A Time for Choosing," *The American Thinker* (April 8, 2011).

[131] cf. A. Bendiek and B. Wagner, IP-Article, 2012; A. Hintz and S. Milan, "At the margins of Internet governance: grassroots tech groups and communication policy," *International Journal of Media & Cultural Politics,* 5:1&2 (2009), pp. 23-38.

understanding, the economic potential of the Internet needs to be further exploited, ensuring that individuals can access the content, goods, and services they want, and control which of their personal data are shared and which are not. The safety, security, and resilience of the Internet are crucial to preserve and foster the economic benefits of the digital system, as is an open and free Internet in which all the rights and freedoms that people have offline also apply online. The order cannot pit security against freedom or the interests of the state against individual liberties and fundamental rights. Theoretically speaking, a liberal order of the Internet is a regulatory idea with both procedural and substantive components. Procedurally, it centers on the idea that those who are affected by a rule must also have a say in the making of that rule. This basic idea of congruence between the authors and the addresses of rules can be found in all established theories of legitimate governance and lays at the heart of a political interpretation of freedom. If applied to Internet governance, the condition of congruence works toward an opening of the rule-setting process to all stakeholders who can legitimately claim to have an interest. In substantive terms, liberalism fosters freedom of expression, global communication, and unlimited access of all citizens of the world to its communication infrastructure.

The disclosure of the U.S. National Security Agency's (NSA) transatlantic spying practices has deeply disrupted mutual confidence among the liberal democracies involved in the "wider

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transatlantic partnership." This is seen, for example, in Brazil and Germany's initiative to amend the International Covenant on Civil and Political Rights with provisions eschewing espionage of cosignatory governments. It is certainly remarkable that one of the United States' most important European allies and one of its key partners in the Western Hemisphere consider it necessary to adjust international legal standards in order to keep Washington under better control. Liberal democracies need to be aware that the idea of a free and open Internet can only be realized if there is consensus among a "coalition of liberal" not only on how the Internet should be governed but why transatlantic cooperation for Internet governance and cyber security is meaningful.

Against this background, the paper introduces in its first part the development of Internet governance and the major steps leading to its recent crisis. In its second part, I will examine whether and how far the transatlantic partnership can compensate for the legitimacy deficit in Internet governance and provide a new building block for a liberal global order of the Internet.

Contested Western Dominance

U.S. Superiority in Multi-Stakeholder Governance

The United States has had a crucial role in the development of the Internet. Most of the technology and nearly all of the technical standards that govern the Internet have been introduced in the United States. Not surprisingly, most of the infrastructure was and still is located on U.S. soil and is governed by U.S. legal regulations.[132] The most well-known instance of an institution governing the Internet is the Internet Corporation for Assigned Names and Numbers (ICANN). Via ICANN, the United States asserts authority over important aspects of technical infrastructure of the Internet. Most important is that it functions as a central coordination point of the Internet, known as the "root zone," something like an authoritative phone book for all Internet domains. This function

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[132] See Internet Society Webpage, http://internetsociety.org/sites/default/files/Internet%20Ecosystem.pdf.

implies that ICANN's activities have effects not just within the United States, but in all of the domains across the world. Although ICANN is thus global in reach, all U.S. administrations have emphasized that ICANN must be kept under the shadow of U.S. hierarchy and that other states or institutions should be prevented from becoming overly influential.

ICANN's legitimacy to perform this global task has been based on two main pillars since its beginning. It firstly reacted to the fear of many large U.S. corporations that an unlimited electronic commerce might be distorted by widespread assertions of territorial jurisdiction. Without a binding structure for assigning Internet addresses, the global arena of the Internet would threaten to degenerate into a patchwork of inconsistent or conflicting national laws and regulations. Against this background, a private sector governance authority was perceived as an expertise-based and non-partisan way around this problem.[133] The second pillar of legitimacy on which ICANN was to be established was the concept of "multi-stakeholder governance." It refers to a bottom-up process of the widest possible inclusion of interested parties into the regulatory process. Groups from civil society, the business community, governments, and technical and academic experts together are supposed to work out a "rough consensus and a running code."

Despite the claim of inclusion of a broad group of stakeholders from many different countries, the early ICANN quite evidently reflected the preferences of both the U.S. government and its allies.[134] The same can be said for numerous interested corporate and technical actors surrounding the creation of the ICANN Corporation. Most involved parties were either of U.S. or European origin, and had enough economic

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background to bring the necessary expertise to the table. Although open in theory to all interested parties, ICANN has ever since been *de facto* dominated by Western preferences. To be able to better address the concerns of African and Asian parties, ICANN integrated an intergovernmental advisory body, the so-called Governmental Advisory Council (GAC), into its structures in 1998. This body was supposed to provide a space in which states could raise their concerns and make their interests heard.

Contesting U.S. Hegemony

The integration of the GAC into the structures of ICANN did not suffice to silence critical voices. Feeding on the concerns about a "global digital divide," the UN General Assembly designated the ITU as the lead for the United Nations' World Summit on Information Society (WSIS) process beginning in 2002 and concluding in 2005. The idea was quickly taken up by other non-OECD countries, which were equally concerned about U.S. control over the Internet. Within the so-called Tunis Agenda, an annual multi-stakeholder forum was created with the aim of opening up the standard-setting process for the whole world: the Internet Governance Forum (IGF). Although weak in formal competencies, the IGF has today become an important forum for global

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133 M. Mueller, J. Mathiason, and H. Klein, "The Internet and Global Governance: Principles and Norms for a New Regime." *Global Governance* 13:2 (2007), pp. 237- 52.

134 M. Mueller, *Ruling the Roots: Internet Governance and the Taming of Cyberspace* (Cambridge: MIT Press, 2002); see "The break with the EU" in M. Mueller, *Networks and States: The Global Politics of Internet Governance* (Cambridge: MIT Press, 2010), pp. 74.

networking[135] and community-building.[136] Equally important politically, the Tunis Agenda included wording allowing for "enhanced cooperation," which has since become, in the words of the EU, "a worldwide agreement providing for further internationalization of Internet governance, and enhanced intergovernmental cooperation to this end."[137]

At the forefront of this process is the International Telecommunications Union (ITU). The ITU organized a further high-level meeting in 2012 to update the International Telecommunications Regulations of 1988. The conference mounted an open attack on the multi-stakeholder model by trying to give the multilateral ITU a mandate to regulate "Cybersecurity."[138] Although the effort failed due to resistance by the Western states, it became clear that no international consensus on the legitimacy of the multi-stakeholder model of Internet governance exists. States such as Brazil, India, and South Africa are deeply worried that the multi-stakeholder model is nothing but a nice-sounding formula to justify the dominance of Western experts and governments. In 2005, the U.S. government declared its intention to work with the international community to address the public policy concerns with respect to the management of country-code top-level domains (ccTLD). But in 2009, the European Commission called attention to the incomplete internationalization of Internet core functions and organizations, a problem that persists to this day.

Although the IGF is probably the most inclusive governance forum for the Internet existing today, its legitimacy is not unchallenged either. In October 2013, the leaders of organizations responsible for the coordination of the Internet's technical infrastructure called for accelerating the globalization of ICANN and IANA functions in their Montevideo Statement on the Future of Internet Cooperation.[139] A number of states and international organizations contest the authority of the IGF to act as the central global forum for Internet Governance and have moved to establish alternative formats.[140] In 2011, the United Kingdom started to publicly address "norms of behaviour that govern interstate relations [...] in cyberspace"[141] and organized a number of intergovernmental meetings. At the same time, a so-called Freedom Online Coalition[142] was founded in the Hague, bringing together a large number of non-authoritarian states interested in the effects of the Internet on freedom and human rights.[143] All in all, Internet governance has become a topic of growing concern and political interest to the governments of the world. The two last WSIS summits in Tunis were attended by about 50 heads of state or vice presidents and more than 100 ministers and vice ministers from more than

Internet governance has become a topic of growing concern and political interest to the governments of the world.

[135] M. Flyverbom, *The Power of Networks: Organizing the Global Politics of the Internet* (Edward Elgar Publishing, 2011).

[136] M. Franklin, *Digital Dilemmas; Power, Resistance, and the Internet* (Oxford: Oxford University Press, 2013).

[137] "EU brokers deal on progressive internationalization of Internet governance at Tunis Summit," EU press release (November 11, 2005), Doc. IP/05/1433.

[138] B. Wagner. "Responding to a unilateral veto: European 'cyber diplomacy' after Dubai." The European Council on Foreign Relations (January 24, 2013).

[139] See https://www.internetsociety.org/news/montevideo-statement-future-internet-cooperation.

[140] B. Wagner, "Governing Internet Expression. The international and transnational politics of Freedom of Expression," EUI PHD-Thesis (December 2011), pp. 185-189.

[141] W. Hague, "London Conference on Cyberspace: Chair's statement," U.K. Foreign & Commonwealth Office (November 2, 2011), http://www.gov.uk/government/news/London-conference-on-cyberspace-chairs-statement.

[142] The Freedom Online coalition, which is led by the Netherlands, the United States, and Sweden, also includes Austria, Canada, Costa Rica, the Czech Republic, Finland, France, Estonia, Ghana, Ireland, Kenya, the Maldives, Mexico, Mongolia, Tunisia, and the United Kingdom as members.

[143] B. Wagner, K. Gollatz, and A. Calderaro, "Common Narrative-Divergent Agendas: The Internet and Human Rights in Foreign Policy," in *The 1st International Conference on Internet Science*, ed. C.T. Marsden (Brussels: Network of Excellence in Science, 2013).

150 countries.[144] The political uprisings in many Arab states and the crucial role of social networks such as Facebook and Twitter in the protests and governmental counter-measures have added additional momentum to the political interest in governing the Internet.[145]

Post-Snowden

Notwithstanding the growing concern of many governments in the world about the crucial role of the Internet and its dominance by the United States, Washington continued until recently to be able to rally enough support on the part of the Europeans and other key OECD countries to disallow any viable challenger. The concessions it has made in the past with the integration of the GAC and the support of the IGF have limited political opposition to a significant degree. In addition, the European Union, as the most capable challenger of U.S. hegemony, has not developed into a fully fledged actor in Internet governance or even agreed on the necessity of doing so.

The revelations by former NSA contractor Edward Snowden on the scale of U.S. cyber-spying are an important turning point in this story.[146] Although we do not yet see any realistic alternative to the model of U.S.-led multi-stakeholder governance, it is obvious that the opposition to it is gaining momentum.[147] Much of the acceptance of the old model was based on the assumption that the United States would not misuse its crucial role but act as a benevolent hegemon in the interest of the global community. That assumption has been utterly shattered by the revelation that the U.S. government is spying even on its closest allies. President Barack

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Obama has made it clear that the United States is not only a superpower but that it will use all available means to defend this position.[148] This includes the right to rely on its technological advantage and, one might want to add, its control of the physical infrastructure of the Internet. By implication, other states can never be sure that the U.S. control of ICANN and other administrative bodies of the Internet will not one day be used against them. It does not come as a surprise that the demand for a reorganization is gaining momentum and that even some European countries have started to build political coalitions with states like Brazil to balance U.S. digital hegemony.[149]

The Institutional Order of Liberal Internet Governance

It is a common insight in political theory that every political order relies on a certain degree of "diffuse support"[150] or, in more recent terminology, on "soft power."[151] Hard power is crucial, but so is legitimacy and belief. The growing global discontent with the U.S. hegemony may be without any significant effect in the short term but it will undermine the

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[144] M. Mueller, *Networks and States: The Global Politics of Internet Governance*, (London and Cambridge: MIT Press, 2010) pp. 58-59.

[145] B. Wagner, "'I Have Understood You': Analyzing the role of Expression and Control on the Internet, Television, and Mobile Phones During the Jasmine Revolution in Tunisia." *International Journal of Communication,* vol. 5 (2011).

[146] A. Bendiek, "Umstrittene Partnerschaft. Cybersicherheit, Internet Governance und Datenschutz in der transatlantischen Zusammenarbeit," S 26, SWP-Studie (December 2013).

[147] W. Kleinwächter, "Internet Governance Outlook 2013," *Heise Online* (January 5, 2013) and W. Kleinwächter, "Internet Governance (2014). Alles wird komplizierter," *Heise Online* (January 12, 2014).

[148] A. Bendiek, "Germany Needs Europe to Balance U.S. Digital Hegemony," German Marshall Fund of the United States (January 22, 2014), http://blog.gmfus.org/2014/01/22/germany-needs-europe-to-balance-u-s-digital-hegemony/.

[149] M. Mueller and B. Wagner, "Finding a Formula for Brazil: Representation and Legitimacy in Internet Governance," http://www.internetgovernance.org/wordpress/wp-content/uploads/MiltonBen-WPdraft_Final_clean2.pdf (January 27, 2014).

[150] D. Easton, "A Re-assessment of the Concept of Political Support," *British Journal of Political Science* 5:4 (1975), pp. 435-457.

[151] J. Nye, *The Future of Power*, (New York: Public Affairs, 2012), p. 81ff.

existing order in the long run. So what innovations and reforms can be proposed that address the concerns of non-U.S. voices and at the same time promise to uphold the liberal content of the existing order? It can only be underlined that the U.S.-led order has produced a set of norms and standards with a clearly liberal content. The Internet is the most global form of infrastructure in the history of humanity and is unmatched in terms of its accessibility, the richness of its content, and the low cost of its use. U.S. hegemony, or more cautiously, liberal multi-stakeholder governance, has had highly beneficial effects and has proven in the past to be a global good of highest importance. The recent political debate about the future order of the Internet is thus not a debate between the old model of U.S. hegemony on the one side and an alternative model promoted by another state. It is much better understood as a debate between two competing interpretations of liberalism.

The Internet is the most global form of infrastructure in the history of humanity.

In a *multilateral interpretation of liberalism*, the future order would center on an intergovernmental body (e.g. the ITU) applying the rule of unanimous decision-making. It would eventually integrate non-governmental stakeholders wherever necessary for garnering required expertise and advice but claim the major agenda setting and decision-making power for the governments alone. A multilateral order would undoubtedly have some strength. It would be based on an internationally well-established concept of state-based legitimacy. It would replicate the model of the United Nations and give all governmental stakeholders a strong say in the rule-making process. Its weaknesses are closely related, however. By giving not only democratic but also authoritarian governments political leverage, it would risk many of the

achievements of the past, i.e. the freedoms of the Internet. In addition, non-governmental expertise would have only second-order importance and only be integrated in the rule-making process if it passes through the bottleneck of political support.

The second interpretation of liberalism centers on the notion of *multi-stakeholder governance*. Non-state actors would have an equal say compared with governments. Expertise, and not sovereignty, would be the most important currency of influence, and decision-making would apply the idea known from ICANN of "rough consensus." An important strength of multi-stakeholder governance is its neutrality with regard to political issues such as the regulation of content or distributive issues related to the attribution of Internet addresses. The weaknesses are equally obvious. Multi-stakeholderism is technocracy in disguise and has little sensibility for legitimate restrictions of content (such as child pornography or hate speech). It would be based on a rather arbitrary representation of interests and thus it is hard to find good reasons why it should have the right to give binding regulations to democratic states.

It is obvious that neither of the two models is easily applicable to the whole range of issues that are to be regulated. Roughly, we can distinguish between regulations of "content," of "code," and of the "physical layer." "Content" refers to highly sensitive issues of intellectual property and data protection. These issues are of crucial importance for drawing the line between state authority and private autonomy. Any future regulatory structure will have to safeguard that democratic decision-making takes pride of place. As opposed to issues of content, "code" and "infrastructure" refer to rather technical issues. Code is about the setting of technical standards and Internet protocols. It is a task that is of crucial importance for making a global Internet operable and for enabling technical devices all over the world to communicate with each other. It is true that such issues often have distributive effects because agreeing on a common standard always imposes costs on those who operate according to a different standard. Likewise, the regulation of infrastructure, i.e. the broadband

supply, has distributive effects when monopolies are to be prevented and mergers and acquisitions are scrutinized. In both cases, however, the goal is clear. Interoperability (code) and a broad supply of high-speed infrastructure (physical layer) are to be realized. It is also true that the distinction between the three areas of regulation is sometimes hard to draw. For example, Google, which carries out more than 90 percent of online searches in Europe, seems to manipulate the findings of searches so that the selection of listed links is to some degree influenced by Google's own business preferences.[152] It is here where standards relating to infrastructure have an obvious effect on content.

These difficulties can make it difficult to draw clear lines between technical and more political issues. As a general rule, however, it seems nevertheless useful to discriminate between technical issues on the one hand and those that are political in nature on the other. Technical issues are those where a global consensus exists about the overall aim of regulation and where only issues of the proper means have to be addressed. The regulation of code (interoperability) and of the physical infrastructure clearly can be situated here. Political issues, on the other hand, are those that are intrinsically contested and where no broad consensus exists about the goals of regulation. This is often the case in questions of intellectual property and data protection where coming to agreements even among the liberal states is difficult. A liberal Internet governance order would discriminate both in terms of issues and of the applicable mode of regulation. It would delegate *technical* tasks to independent bodies based on the model of *multi-stakeholder governance* (like ICANN) and *political* ones to *multilateral* bodies (like the ITU).

This distinction invites at least two reservations. Firstly, as it is not always easy to distinguish technical from political issues, it could be difficult to foster consensus on the adequate characterization of an issue. Secondly, all those presumably delicate issues like content regulation where individual freedoms and human rights are

152 *The Economist*, "Google, the EU, and antitrust: Search over," (February 5, 2014).

involved would be delegated to bodies in which not only democratic but also authoritarian states are represented. Both reservations must be addressed with great caution. The question of attributing technical or political character to an issue is ultimately a political issue itself. If it cannot be solved consensually, the question of character will have to be answered by treating it as political issue and thus to be dealt with through multilateralism. The technical community has managed to establish solutions to standard-setting based on public policy concerns. Positive examples include technical guidance for privacy considerations in new protocols, the recognition of multilingualism for international domain names, and accessibility standards for persons with disabilities. Caution is well advised when it comes to giving authoritarian states a say in global regulation with relevance to human rights issues. Under such circumstances, it will rather often be the case that democracies are hesitant to accept any competence of multilateral bodies and claim the right to regulate autonomously or in democratic "coalitions of the liberal." This coalition would always strive toward consistency of technical decisions with human rights.

Toward a Liberal Internet Order

A liberal Internet order always commits to the Internet as one single unfragmented space, where all resources should be accessible in the same manner, irrespective of the location of the user and the provider. In 2011, the European Commission adopted an approach summarized by the COMPACT acronym, which provides for

Caution is well advised when it comes to giving authoritarian states a say in global regulation with relevance to human rights issues.

a common vision for the future model of Internet governance: "the Internet as a space of **C**ivic responsibilities, **O**ne unfragmented resource governed via a **M**ultistakeholder approach to **P**romote democracy and human rights, based on a sound technological **A**rchitecture that engenders **C**onfidence and facilitates a **T**ransparent governance both of the underlying Internet infrastructure and of the services which run on top of it."[153] In order to strengthen the multi-stakeholder model, standard-setting processes must comply with both fundamental rights and the requirements of transparency, inclusiveness, and accountability. Sound multi-stakeholder processes "should not affect the ability of public authorities, deriving their powers and legitimacy from democratic processes, to fulfill their public policy responsibilities where those are compatible with universal human rights. This includes their right to intervene with regulation where required."[154] A liberal order should also include an institutional watchdog, safeguarding that human rights issues are taken seriously. A Global Internet Policy Observatory (GIPO), as recently proposed by the European Commission, through which access to forums and information can be channeled and made widely accessible, might serve this end. It could make it easier for stakeholders with limited

> *In order to strengthen the multi-stakeholder model, standard-setting processes must comply with both fundamental rights and the requirements of transparency, inclusiveness, and accountability.*

[153] Presented on the occasion of the OECD's High-Level Meeting on the Internet Economy (June 28, 2011).

[154] European Commission, "Communication — Internet Policy and Governance. Europe's role in shaping the future of Internet Governance," Brussels, COM (2014) 72/4.

resources to engage with Internet governance and policy and secure that a broad set of interests are integrated. The Brazilian Comitê Gestor da Internet (Brazilian Internet Steering Committee) is a good example where the multi-stakeholder process is used in preparation of policies pertaining to the Internet. Similar approaches might be employed for liberal coalitions to minimize any future fragmentation of Internet governance. This does not exclude efforts toward diversification of the underlying infrastructure such as local internet exchange points and transmission capacity, which can strengthen the resilience and robustness of the Internet, as well as measures necessary to protect fundamental rights and to address concerns raised by revelations of large-scale surveillance and intelligence activities by the U.S. government and some European governments.

Coalition of the Liberal

Even if the United States and Europe could agree on a broad scheme for a future liberal order of the Internet, it would hardly be easy to put into practice. In international relations theory, it is a well-known insight that new international regimes (rules, norms, and decision-making procedures in specific policy areas) are very hard to implement if they are not backed by a hegemonic power, willing and capable of carrying the investment costs.[155] If the United States, however, is beyond this point today and is no longer able to rally the support of the international community, it is obvious that it would need a new "coalition of the liberal" to adopt that role.

Such a coalition would differ from the earlier notion of a "coalition of the willing" in that it would be built around a group of states with a clearly liberal domestic order. It would center on an alliance between the United States and the EU but also encompass Canada, Australia, Japan, Brazil, South Africa, and other liberal states. A coalition of the liberal would not only deal with security issues, as NATO already does in the cyber arena, but

[155] R. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984).

would also understand the challenge of regulating cyberspace as covering issues of home and justice policy, economic policy, competition policy, and many other issues. It would have to be broad enough in scope to understand the Internet as the new medium for communicative integration of modern societies and their regulatory challenges. At the same time, it should be focused on searching for rules that are compatible with the aims of fostering freedom, human rights, and liberal markets. Its organizational structure would not necessarily have to encompass a firm institutional setting but could start rather informally with regular meetings for building consensus around issue-based dialogues. It would not have to compete with already established forums such as the IGF, Freedom Online Coalition, the UN Group of Governmental Experts (GGE), and the World Summit on Information Society (WSIS), but better be understood as a caucus of like-minded states that organize coordinated input into broader international decision-making bodies such as the ITU, OECD, G20, etc. A coalition of the liberal would also not need to heighten tensions with powers like China, Russia, and Saudi Arabia. Its aim would not be to underline differences but to structure the political discourse more clearly and to provide an avenue for addressing commonalities and differences among liberal states more effectively.

It would be naïve to assume that internal decision-making in a coalition of the liberal would run smoothly and without any problems and political disputes. Quite on the contrary, the Snowden revelations and the transatlantic political row they set off, particularly between Germany and the United States, have made it painfully clear that such a collection of states would have to find common ground on a number of issues before it could be expected to be a coalition in anything more than just name.

Implications for Policymaking

In transatlantic relations, there is now hardly any conflict more prominent than the dispute over the U.S. government's publicly disclosed spying on its allies. While some EU member states have made few public complaints about this practice, it has become a major issue in Germany. If the U.S. administration insists on continuing to spy on Europe, it is likely that the German government will find itself stuck between the effort to cooperate with its allies on intelligence and the public expectation to withdraw from this cooperation. The Obama administration's recently announced plans to reform the NSA have met with open frustration in Germany.[156] Evidently, there will be neither an agreement between Berlin and Washington not to spy on each other or any written guarantee that the cell phones or the internal communications of German governmental agencies will remain uncompromised in the future. Not surprisingly, the United States claiming a right to spy on Germany whenever it is in the purported U.S. interest is completely unacceptable to Berlin. It is of no less concern to the German government that the United Kingdom, which is (still) partnering with Germany in the European Union, is lending support to these U.S. practices.

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Finding common ground between the United States and Germany is of crucial importance for the future of the transatlantic alliance. This importance becomes clear if we take into account that Germany will likely evolve from the legalistic and idealistic country that it has been since the end

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[156] See B. Obama, "Remarks by the President on Review of Signals Intelligence" (January 17, 2014), http://www.whitehouse.gov/the-press-office/2014/01/17/remarks-president-review-signals-intelligence, and related White House "PRESIDENTIAL POLICY DIRECTIVE/PPD-28," (January 17, 2014), http://www.whitehouse.gov/sites/default/files/docs/2014sigint_mem_ppd_rel.pdf.

of World War II. The voices that plea for a turn toward stronger international responsibility and involvement are getting louder. If translated into policies, the consequences of such a reorientation of German foreign policy could easily become very costly for the alliance. A first step would — and most probably will — be that Germany starts to reassess its options for making its voice understood. Berlin could use its European influence to explain to the U.S. digital hegemon — and Britain — in plain words that it will not accept a nearly complete disregard of its concerns. Germany today is powerful enough to do so. It has, in the words of the British historian Timothy Garton Ash, become Europe's "indispensable power." Its financial support is of crucial importance to many European member states.

Germany is also the United States' largest trading partner within the EU and the most important European voice in the ongoing negotiations leading to a Transatlantic Trade and Investment Partnership (TTIP). This powerful position is an important bargaining chip that Germany can and probably will use to rally support within Europe and via the United States. The outcome of the recent transatlantic discussions will also have an important effect on the ongoing debate about "technological sovereignty." Since the Snowden revelations, there has been a growing European chorus demanding that the member states support measures to make European digital companies more competitive so that the European economy can become more independent of U.S. companies like Google, Amazon, and Microsoft, as its heavy reliance on such companies is increasingly viewed as a liability. Deutsche Telekom has even proposed a "Schengen Routing," which avoids Britain as well as the United States, and is doing research on the introduction of an "Internetz," which would ensure that European data is only allowed to leave the EU if European data protection laws are applied. This is, of course, a nightmare from a liberal perspective and in clear conflict with the idea of an open Internet. It is a threat, however, that will become more realistic the less German and continental

Deutsche Telekom has even proposed a "Schengen Routing," which avoids Britain as well as the United States.

European concerns are taken seriously on the other side of the Atlantic.

Conclusion

Following from this analysis, several principles and policies will have to be followed if the future order of the Internet is to be a liberal one. A future liberal order of the Internet should distinguish between content, code, and physical infrastructure. Whilst the latter two areas of regulation are by and large technical in nature and should be built on the model of inclusive and accountable multi-stakeholder governance, the regulation of content should follow a more political and thus multilateral model.

A global liberal order following these broad suggestions will have to be open to non-Western states. The times when the United States could muster global support for an institutional setting dominated by own economic interests are over. An order based on U.S. dominance faces rapidly vanishing legitimacy. Oppositional voices will be not only of Chinese or Russian origins but might soon include other Asian states and even some of the member states of the European Union. A "coalition of the liberal" for the regulation of cyberspace, consistent with fundamental rights and democratic values and inclusive of all stakeholders, could replace U.S. Internet hegemony and help optimize digital governance. Liberalism will have to be understood as an open and inclusive multi-stakeholder concept that integrates all stakeholders that pay due respect to the ideas of freedom, human rights and good governance, including those

coming from emerging powers beyond the usual Western clubs, such as Brazil and South Africa.

It will be of utmost importance for a liberal order of the Internet to end the present political rift between the United States and Germany. Without a political deal bringing the activities of intelligence services in line with political sensitivities, any future order will lack the political foundation necessary for withstanding turbulences. It might even spill-over into antagonism between the EU and the United States. A "no-spy" agreement including a legally binding and publicly announced declaration that no intelligence will be gathered without the consent of the other party might be an important step in the right direction.

The problematic practice by many liberal states of allowing the export of dual-use-software to authoritarian states threatens the long-term prospects of a "coalition of the liberal" in Internet governance. The human rights organization Privacy International reports that about 160 companies in the West produce software used for monitoring the communications of opposition groups. Not only the United States, but also EU member states like Sweden, Germany, and France are hosting companies that export the latest in surveillance technology to authoritarian states like Egypt, Bahrain, and Saudi Arabia. Western countries are thus *de facto* taking part in fighting liberalism globally, contradicting the very values they propagate and purportedly stand for. If the "coalition of the liberal" is to become and remain a credible voice for the values of freedom, human rights, and democracy, it must take a critical look at its own practices and prevent any practices that suggest double standards.

Brazil and the Liberal Order in the 21st Century

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Photo: European Commission President Jose Manuel Barroso (L)
and the President of the European Council Herman Van Rompuy (R)
with Brazilian President Dilma Rousseff, February 2014. © Thierry
Tronnel/Corbis

To develop a conversation on Brazil and its relationship to the Western liberal order, we need to clarify the different meanings attached to the concepts of "liberal" and "liberalism." Liberalism, in the first place, is a corpus of ideas with significant internal variations, which proposes an ideal of society based on the rule of law, individual rights, and civil and political freedom. However, in each national political culture, the word "liberal" has different connotations: currently in the United States it is associated with a "left" political orientation, while in Europe and especially in Latin America, parties that define themselves as "liberal" tend to be identified with "right wing" or anti-welfare positions. In the latter, alternative concepts are preferred, such as "democratic," "republican," "social-democratic," and "social-liberal," in which liberal values are coupled with a more active presence of the state in the economy and the promotion of welfare policies.

All "liberal societies" are products of their national histories. They have absorbed values and institutional arrangements rooted in their pre-modern past in addition to incorporating new rights in the course of their development. In each country, issues like the role of the state in the economy, social policies, the degree of separation between religion and the state, and even the effective application of universal civil and political rights, are more or less distant from the doctrine's ideal. Therefore, no country can claim to be the authentic embodiment of the liberal order.

If we move to the international sphere, the distance between discourse and practice can be striking. Historically, the international relations of liberal societies are associated with the promotion of free trade, albeit coupled with some degree of protectionism, but not as often with the support of political freedom. In the name of liberal values, in the past the "West" justified colonialism, invasions, and political intervention. This aspect of the international liberal order has produced negative connotations for the word liberal in the "southern" countries.

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I begin this chapter by presenting a general panorama of liberalism in Latin America and the positioning of the region's countries in relation to the international order. Latin American political and economic history explains the particularity of Brazil as an emerging power for which military power projection is not a relevant component of foreign policy and the challenges and difficulties of the country in leading an agenda for regional integration.

Liberalism in Latin America History

Almost every Latin American nation, from their inception 200 years ago, had constitutions that were oriented by republican liberal values, and commercial and civil codes inspired by liberal European models that were in place in most countries by the second half of the 21st century. However, institutions were weak and constitutions were programmatic utopias rather than the effective architecture and practice of state institutions. Social relations, particularly in rural areas, were based on slavery or bondage, civil and political rights were the domain of a small elite, and coups d'état were constant. In addition, the main fiscal bases of the state were not taxes paid by the citizens but rather rents produced by exports based on natural resources, a feature that is still an important characteristic in various countries of the region.

During the 20th century, increasing urbanization, industrialization, and social mobilization gave rise to different political currents associated with the liberal tradition. We can identify three ideal-type branches of liberalism in Latin America. The first, which can be called conservative-liberalism,

supported liberal programs and an illiberal social order. In fact, many liberals were ready to enjoy state entitlements and practice electoral fraud, thinking the "masses" were not yet prepared for democracy. Their fear of social change led them to support military coups d'état and authoritarian regimes. On foreign policy, their alignment with the West meant an alliance to secure external support to maintain the status quo. Under those circumstances, it is not surprising that liberalism was successfully criticized by nationalists and the left as being associated with the defense of the privileges of the powerful and the world liberal order with "imperialist" interests.

A second branch, social-liberalism, which was sensitive to the problems of inequality and social reform, was represented by political parties that played a central role in the region. These included the "Batllista" experience in Uruguay — responsible for one of the earliest experiments in a welfare state at the beginning of the 20th century — Christian Democracy in Chile, Alianza Popular Revolucionaria Americana (APRA) in Peru, and the Union Cívica Radical in Argentina.

Finally, a third tradition was composed of socialist parties with an anti-capitalist ethos but identified with liberal political institutions. This trend was weaker, however, with a more circumscribed electorate in countries like Argentina, Uruguay, and Brazil.

For Latin America, the Cold War had tragic consequences for the social and socialist liberal traditions. In some countries, the socialists were already marginalized under pressure from communist parties or populist leaders, like Juan Perón in Argentina. However, at a regional level, the implosion of the liberal-social and socialists parties was the result of the political polarization in the 1960s following the Cuban Revolution. Chile was the most dramatic example. Salvador Allende, a socialist attached to liberal institutions, allied himself to revolutionary groups and expressed sympathy for Fidel Castro's revolutionary road to socialism, while important sectors of the Christian Democrats backed the 1973 military coup d'état.

Liberalism Today

In spite of the difficulties in consolidating a stable political order, liberalism is deeply entrenched in the culture of the region. It is rooted not only in 200 years of formal liberal constitutions (even military dictatorships only "suspended" political and civil rights) but in the fact that the region, with few exceptions, has one of the most solid secular political cultures in the world. This secular culture, coupled with a relationship to the state from which favors are expected but that should always be mistrusted, has produced a type of "transgressive individualism,"[157] which makes it difficult to build liberal institutions while making it even harder for totalitarian or religious fundamentalist ideologies

In spite of the difficulties in consolidating a stable political order, liberalism is deeply entrenched in the culture of the region.

to take root. Even if, in the 20th century, the communist parties, as in other regions of the world, were able to attract some support, it was the Cuban Revolution that dazzled important sectors of the middle classes, particularly the youth. However the attraction of Cuba was its libertarian/social justice/ nationalist message rather than the pro-Soviet one-party Marxist-Leninist state that the country has become.

The last two decades, in which many Latin American countries have successfully emerged

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[157] On "transgressive individualism," see B. Sorj, "Individualismo transgresor e instituciones públicas: La democratización de la cultura oligárquica en América Latina," Working Paper (November 7, 2012) http://www.bernardosorj.com.br/Novidades/WP_7_ Espanhol.pdf.30_11_2012_18_29_21.pdf. On the recent transfor- mations of Latin American societies and the role of the individual, see B. Sorj and D. Martuccelli, "The Latin American Challenge: Social Cohesion and Democracy (São Paulo: Instituto Fernando Henrique Cardoso/The Edelstein Center for Social Research, 2008), http://www.bernardosorj.com.br/pdf/TheLatinAmerican%20 Challenge.pdf.

from authoritarian regimes (or authoritarian democracies, like Mexico), can be understood as a new phase (whose results still remain to be seen) in the region's coming to terms with liberal institutions. While communism is no longer a relevant force and Cuba has lost its aura, the political discourse that associates liberal institutions with social injustice and the concentration of power by the rich is still being successfully used by some political leaders. However, even in Venezuela, the assault on liberal institutions is not frontal. Free elections and freedom of speech are not directly questioned in any Latin American country with the exception of Cuba, although attacks on the press, civil society, opposition parties, and the judiciary are common in "Bolivarian" governments (Venezuela, Nicaragua, Ecuador, and Bolivia).

"Bolivarianism" is nurtured by social inequality and state budgets dependent on natural resources rents rather than the market and entrepreneurial activities. The former energizes the political discourse that justifies limiting liberal principles in the name of favoring the poor and curtailing the privileges of the rich, while the latter produces the fiscal infrastructure for authoritarian statist regimes.

The three main traditions of 20th century liberalism have suffered major transformations, and the new ideological landscape of the region is nebulous. In part this is fed by a political system with unstable political parties. The nebulosity, however, is also rooted in other factors. Most of

The political discourse that associates liberal institutions with social injustice and the concentration of power by the rich is still being successfully used by some political leaders.

the governing parties in the region can be defined as "social-liberal." But unlike the 1950s, when social-liberalism had a relatively clear profile, produced by the need to differentiate itself from the revolutionary left and conservative right, most of the political parties currently do not present a clear programmatic ideology and agenda.

The issues that once united conservative liberals, like opposition to agrarian reform and fear of communism, are no longer relevant, and the need to confront social inequality and basic income policies for the poor is now part of the social consensus. Besides, the new modus operandi of Latin American economic elite relies more on successful lobbying in the congress and executive than in organizing to support particular parties. In addition, the younger generation of the social elite is not attracted by politics but to professional and entrepreneurial activities.

The left-wing political parties in power that are playing the democratic game — excluding the Venezuela-led Bolivarian alliance — still include sectors of militants that do not fully accept liberal institutions, and sometimes leaders are quick to mobilize anti-liberal discourse when criticized by the press. The straw-man of their anti-liberal discourse is "neo-liberalism." During the 1990s, several Latin American governments introduced fiscal discipline measures and privatized public enterprises, with the principal aim of stopping hyper-inflation, which was hitting the poorest sectors of the population particularly hard. These reforms were made under the influence of the "Washington Consensus" and in the context of the Reagan/Thatcher push for economic deregulation and market fundamentalism that become known as "neo-liberalism."

The reforms in Latin America were effective in controlling inflation and increasing the efficiency of the economy, but in some cases (most notably in Chile under Augusto Pinochet) they also curtailed labor rights and extensively privatized public goods like education. In other countries (for instance Argentina), public enterprise privatizations included obscure deals and arrangements that did

not protect the public interest. In other cases, fiscal austerity dried up the established pipelines that had irrigated local power, destabilizing traditional political structures.

By associating public enterprises with the nation, privatizations were presented as a selling-off of the countries' assets. "Neo-liberal" became a pejorative term to delegitimize any criticism from other parties or the press. The label continues to be attached to anything that left-wing parties do not like, even though while in power they upheld these very same fiscal austerity policies. In Latin America, as in many parts of the world, (neo-) liberalism is presented as opposing the notion of democracy. The dominant discourse of important sectors of the left frames the issues as "participation" against representation, state intervention against the market, "social justice" against formal institutions, "social media" against private press. This discourse is used not only to ridicule liberalism but also to undermine the legitimacy of the opposition and the functioning of democratic institutions.

The core issue for liberalism in Latin America lies in the widespread corruption and misuse of public offices that delegitimizes political life. Changing political culture is a gigantic task. At the present time, social policies in the region are successful in tackling the problem of extreme poverty. However, improving institutions by increasing transparency, universal access to justice, and the effective rule of law is proving to be a more difficult mission than confronting socio-economic inequality.

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Latin America in the Face of a Changing International Order

Latin America is one of the most peaceful regions in the world and has been effectively military denuclearized, a process that includes the exemplary agreement between Brazil and Argentina for mutual control and inspections of their nuclear programs. With some exceptions, in particular the unresolved problems between Chile, Bolivia, and Peru as a result of the Guerra del Pacífico (1879-1883), borders and nation-state identities are well established. Most of the population in South America is concentrated on the coasts, separated by the Amazonian jungle or the Andean mountains, and foreign trade is mostly oriented overseas. This has created a region united by culture (common language and religion) but with a low intensity of economic exchanges and political relations.

During the 20th century, the Latin American countries' dominant doctrine in international affairs was non-interventionism and respect for national sovereignty. This was a natural posture for a region that had no relevant role in world geopolitics and whose main concern was to protect itself from the U.S. view of the region as its backyard. Not being capable of escaping from the consequences of the Cold War, while aligned with the West, Latin American countries tried to maintain some level of autonomy and did not completely embrace the U.S. global crusade against communism.

With the disappearance of the Soviet Union, Latin American countries' foreign policies became increasingly autonomous, as the local elites were no longer in need of U.S. support against the common communist enemy. At the same time, the expansion of Asia, and in particular China, produced a major shift in the destination of Latin American exports, away from the historically dominant United States/ Europe axis.

With the exception of the Bolivarian countries, which vocalize an aggressive anti-United States, anti-imperialist discourse and have political and military ties with Iran, Russia, and China (although so far more in the domain of rhetoric than reality),

Latin American countries continue to base their foreign policy on the traditional principles of respect of national sovereignty, the central role of the United Nations, and reticence to support unilateral intervention. Each country's foreign policy has its peculiarities, with, for instance, Colombia being more supportive of the United States, given its military ties related to the fight against the guerrilla movement and narco-traffic.

In recent decades there has been a general move in the region to assert a more independent position on global affairs. The creation of UNASUR (the Union of South American Nations) and CELAC (the Community of Latin American and Caribbean States, which includes Cuba) were initiatives designed to create alternative institutions to the Organization of American States, in which the United States has a major role. So far, both institutions have a more symbolic than functional role. They hold periodic summits that reaffirm general principles and intentions and include the South American Defense Council, which has only a consultative status.

Since its inception, UNASUR has had ambitious plans that have not been fulfilled. Under Brazilian leadership, but with the support of all the countries of the region, it was supposed to create a new geopolitical and economic space, "South America" (instead of the traditional "Latin America"),

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from which Mexico, Central America, and the Caribbean were excluded since these countries were considered to be under the direct influence of the United States.[158]

In fact, Latin American institutions aiming to promote the region's integration are often superimposed and are as numerous as they are ineffective. Regional integration expresses an ideal that cannot be dismissed but that is weaker than the political and economic national realities. First, no country is really ready to relinquish part of its political sovereignty, in particular Brazil, the only one that could lead this process. Secondly, the countries of the region are fragmented into two main blocs. The members of Mercosur (Brazil, Argentina, Paraguay, Uruguay, and Venezuela) have a more protectionist agenda, while Chile, Peru, Colombia, and Mexico recently created the Pacific Alliance trade bloc and are open to bilateral trade agreements. Thirdly, although intra-region trade and cross country investment grew, there is no effective value chain integration. Last but not least, economic integration depends on developing common infrastructures. Ambitious energy integration plans drawn up a decade ago did not prosper because the countries were not ready to rely on each other for their energy security. The ambitious Initiative for the Integration of the Regional Infrastructure of South America (IIRSA) has not taken off since each country's main priority has been to confront national bottlenecks.

Brazil's Global and Regional Role

In spite of the abrupt oscillations from praise to dismissal in the international press treatment of Brazil, the country is deemed to have a central role in South America, due to its geographic, economic, and demographic importance.

This role has been recognized by the United States, which always seeks partners to keep its world order. The United States and Brazil have common objectives in South America. Brazil has become

[158] B. Sorj and C. Fausto, (Eds.), *Brasil y América del Sur: Miradas cruzadas* (Buenos Aires: Catálogos S.L.R., 2012), http://www.plataformademocratica.org/Arquivos/Brasil_y_America_Del_Sur_Miradas_Cruzadas.pdf.

a major investor in neighboring countries, and political stability and juridical security is in its best interest. Brazil is also interested in limiting drug traffic, particularly on its frontier with Bolivia, the major supplier of its internal market. While less vocal than the United States, Brazil is critical of the Bolivian government's unwillingness to tackle the issue of coca production. Brazil wants to have a more important role in international institutions, not in their subversion. To his credit, President Luiz Inácio Lula da Silva successfully restrained Venezuelan leader Hugo Chávez from radicalizing the region.

There are legitimate differences between U.S. and Brazilian national interest on international issues, although on fundamental values these are much smaller than between the United States and other "emerging" countries, including Russia, China, Turkey, and India. This is due not only to strong cultural affinities but also to the fact that Brazil does not project its economic power in military terms. Brazil does not have conflictual frontier issues with its neighbors and as a result, its armed forces, although the largest in the region, require a relatively small budget.

In the last decade, the idiosyncrasies of the presidencies of Lula and Dilma Rousseff, both of the center-left Partido dos Trabalhadores (PT), have

There are legitimate differences between U.S. and Brazilian national interest on international issues, although on fundamental values these are much smaller than between the United States and other "emerging" countries.

raised questions with regard to Brazil's commitment to a liberal world order, and, on some issues, have marked a step back from the balanced policies of the Lula's predecessor, Fernando Henrique Cardoso. Lula's foreign policy was the result of a particular configuration. He created the post of presidential advisor for foreign affairs, side-lining the Ministry of Foreign Relations ("the Itamaraty"), long recognized for its professionalism, which later under the Lula and Rousseff presidencies was taken over by a more nationalistic group. The position of advisor for foreign relations, with ministerial rank, was given to an intellectual related to the president's party. As in other countries in the region, foreign relations have been used to appease the party militants with radical gestures while the government has followed a more conservative agenda in its domestic policies.

Another factor influencing the presidential agenda was the increasing weight of the overseas expansion of Brazilian public and private enterprises, in particular in the area of infrastructure and energy. These firms' overseas contracts often depend on political support from the government, and are generally financed by the country's public development bank. Although many of the deals were with governments not particularly committed to democracy, they did not demand the type of friendly political rhetoric that was in fact adopted, which included President Lula calling Libya's Muammar Gaddafi "my brother," comparing Cuba's political prisoners on hunger strike with common criminals, and explaining the protests after the 2009 Iranian presidential elections as being similar to those of supporters of a team that has lost a soccer match.

In part, these utterances can be explained by President Lula's particular way of expressing himself, which is quite successful internally but less suited to the international stage. In addition, his personal agenda of seeking international projection beyond the effective capabilities of the country pushed him to engage on issues that led him to unfortunate declarations and actions, like the joint initiative with Turkey on Iran. President Rousseff's more circumspect style and lesser interest in global

affairs brought some calm while not changing the main coordinates of Brazil foreign policy. To her merit, she returned the country to a position of support for human rights in international fora, which had been abandoned under Lula's presidency.

Brazil is learning to be a regional and global player, but so far its foreign policy is sometimes erratic. Undoubtedly its leading military role in the United Nations Stabilization Mission in Haiti is a success story. On the regional scene, Brasília has been ambivalent in the application of the "democratic clause," which was one of the pillars of Mercosur and which was adopted, albeit modified, by the UNASUR and CELAC. This clause proscribed coups d'état, excluding governments formed by them from membership. However, in recent years, this policy was applied in an inconsistent way, following short-term political and economic interests. Paraguay, for instance, was suspended from Mercosur after the 2012 impeachment of President Fernando Lugo, disrespecting the procedures that should have been applied in such cases, in order to facilitate Venezuelan access to the common market (the Paraguayan Senate was blocking its approval). After Honduran President Manuel Zelaya's deposition in 2009, it took time for the country's new elected government to be readmitted into CELAC, while Cuba continues to be a member and currently holds its presidency.

If supporting democracy, albeit with some incongruences, has become an established principle of Brazil's foreign policy for the region,

President Rousseff's more circumspect style and lesser interest in global affairs brought some calm while not changing the main coordinates of Brazil foreign policy.

in international fora, Rousseff, like Lula, tends to focus on lack of development, poverty, and social injustice as the main sources of global conflicts.

While not opposing the principle of Responsibility to Protect (R2P), Brazil is suspicious of the secondary intentions often associated with military interventions. Brazil only supports foreign military intervention as last resort with a very clear mandate under the UN umbrella. After Libya's regime change, in November 2011, Brazil's permanent representative to the United Nations proposed in a letter[159] to the general secretary that R2P should consider a twin principle of Responsibility while Protecting (RwP):

"Even when warranted on the grounds of justice, legality and legitimacy, military action results in high human and material costs. That is why it is imperative to always value, pursue and exhaust all diplomatic solutions to any given conflict. As a measure of last resort by the international community in the exercise of its responsibility to protect, the use of force must then be preceded by a comprehensive and judicious analysis of the possible consequences of military action on a case by case basis.

Yet attention must also be paid to the fact that the world today suffers the painful consequences of interventions that have aggravated existing conflicts, allowed terrorism to penetrate into places where it previously did not exist, given rise to new cycles of violence and increased the vulnerability of civilian populations. There is a growing perception that the concept of the responsibility to protect might be misused for purposes other than protecting civilians, such as regime change. This perception may make it even more difficult to attain the protection objectives pursued by the international community. As it exercises its responsibility to protect, the international community must show a great deal of responsibility while protecting. Both concepts

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[159] United Nations, "Letter dated November 9, 2011 from the Permanent Representative of Brazil to the United Nations addressed to the Secretary-General," http://cpdoc.fgv.br/sites/default/files/2011%2011%2011%20UN%20conceptual%20paper%20on%20RwP.pdf.

should evolve together, based on an agreed set of fundamental principles, parameters and procedures, such as the following:

a) Just as in the medical sciences, prevention is always the best policy; it is the emphasis on preventive diplomacy that reduces the risk of armed conflict and the human costs associated with it;

b) The international community must be rigorous in its efforts to exhaust all peaceful means available in the protection of civilians under threat of violence…

c) The use of force, including in the exercise of the responsibility to protect, must always be authorized by the Security Council, in accordance with Chapter VII of the Charter, or, in exceptional circumstances, by the General Assembly…

d) The authorization for the use of force must be limited in its legal, operational and temporal elements and the scope of military action must abide by the letter and the spirit of the mandate conferred by the Security Council or the General Assembly, and be carried out in strict conformity with international law, in particular international humanitarian law and the international law of armed conflict;

e) The use of force must produce as little violence and instability as possible and under no circumstance can it generate more harm than it was authorized to prevent;

f) In the event that the use of force is contemplated, action must be judicious, proportionate and limited to the objectives established by the Security Council…”

On February 21, 2012, an informal meeting was held in New York to discuss the Brazilian proposal.[160] While some UN representatives were receptive to the issue raised by the proposal, other comments, in particular those of Edward C. Luck,

special adviser to the United Nations secretary-general on the Responsibility to Protect, and Peter Wittig, the German permanent representative to the UN, were adamant in emphasizing that there was no place for changes to the established principles.

On the economic scene, Brazil's difficulty in playing a more central role in the region is related to its own economic model, based on protecting its industry with high tariffs. When the Mercosur was created, it was part of Brazil's strategy to block the Free Trade Area of the Americas initiative and to improve relations with its historical "enemy," Argentina. In the last decade, the erratic economy policy of Argentina and the recent membership of Venezuela have transformed the common market into an institution where exemptions are the rule. Mercosur does not allow its members to sign individual bilateral trade agreements (and the bloc's only international trade agreements are with Egypt, Israel, and Palestine). While Brazil was putting all its chips on the WTO's Doha round, avoiding bilateral agreements seemed like a plausible strategy. With the Doha failure, however, it has become a straight-jacket. There is an increasing malaise in business circles when they see other Latin American countries signing bilateral agreements with the United States and China and worries about the consequences of U.S.-EU trade negotiations.

On the global scene, the country's desire for a seat on the UN Security Council, which was particularly in evidence under Lula, has so far proved to be a waste of diplomatic resources. Nor can it count

While Brazil was putting all its chips on the WTO's Doha round, avoiding bilateral agreements seemed like a plausible strategy. With the Doha failure, however, it has become a straight-jacket.

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[160] Centro de Relações Internacionais da Fundação Getulio Vargas, "Responsibility While Protecting: What's Next?: February 21, 2012 Informal Discussion on RWP," http://cpdoc.fgv.br/relacoesinternacionais/rwpbrazil/informaldebate.

on the sympathy of other countries of the region, such as Mexico or Argentina, which prefer that the regional seat should be a rotating post. There was also an unrealistic judgment that the United States is the main obstacle, while countries like China are probably more opposed to Council enlargement, not wanting India and Japan as permanent members.

Lula's foreign policy rhetoric was based on emphasizing the need for strengthening South-South cooperation. Undoubtedly, Brazil has the potential to increase its influence on the "South." But too much rhetorical emphasis and unilateral concentration of diplomatic efforts on South-South cooperation is not in the country's best interest. The South is far from being a homogeneous economic, political, or cultural space. Brazil may share a common interest with emerging countries in increasing their voice in economic international fora; in this sense, the BRICS club can be a useful platform. On the other hand, Brazil does not have common interests with China, for instance, on the environment or human rights issues. Even on trade, the BRICS' individual interests tends to collide, as India defends a more protectionist agenda on agricultural products and China occupies Latin American markets with industrial products that were traditionally supplied by Brazil.

South-South cooperation rhetoric could become part of a larger vision in which it is recognized that Brazil continues to have major interests in the United States and Europe. Such interests are not limited to markets and investments, but extend also to scientific and technological cooperation that continues to be mainly concentrated in those regions. And, last but not least, foreign policy cannot dismiss the fact that culturally and politically, Brazil is part of the "political West."

Brazilian Local Elites and the International Order

The PT presidents have been particularly active in supporting trade protectionism and state intervention in the economy due to their ideological affinities. Protectionism and state

Foreign policy cannot dismiss the fact that culturally and politically, Brazil is part of the "political West."

intervention, however, are long-term structural characteristics of the Brazilian economic model, based on an extremely diversified industrial structure with low levels of international economic competitiveness. Brazil attracts foreign investment due to its large internal market and in spite of its relatively expensive but poorly qualified labor force and limited technological innovation capabilities. The low saving rate and private banks' avoidance of long terms investments has given state banks a major role in financing private and public enterprise investment.

The end result of the economic model has been the creation of a wide arc of interests defending protectionism — led by the multinationals of the automobile industry and its trade-unions — and an entrepreneurial class comfortable with an economy that is one of the most closed among the large and middle-sized countries.

The particularity of Brazil's self-centered economy has produced political and entrepreneurial elite with limited interest in world affairs. The isolation of Brazilian entrepreneurs is, nonetheless, increasingly difficult to maintain. As yet, Brazil has not yet found an answer to the most immediate problems it faces: losing market share for its industrial products in Latin America, mainly to China,[161] and being marginalized in global production chains.

It is not only China that is increasing the pressure toward a more active elite concern with regional and world affairs. New bilateral trade agreements by

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[161] Although Latin America only represents 20 percent of Brazilian foreign trade, it is the most important market for its manufactures.

neighboring countries and mega-agreements under negotiation are increasingly pushing the country to the periphery of world trade while an expanding cosmopolitan middle class is bitterly aware of the price that consumers pay for the country's protectionism and the inefficiencies created by too much state interventionism.

A change in this situation will be only possible if a new political leadership — confronted with economic growth increasingly jeopardized under the current model — begins to introduce gradual changes. This will be a difficult task, considering the vested interests associated with the current model.

Conditions for a Transatlantic Dialogue

Latin America is an integral part of Western liberal culture and will play an important role in its future. Its democracies have dysfunctions, but they are not the only ones that confront difficulties. The end of communism has made the life of liberal capitalist societies more challenging. Politics is no longer about confronting two different types of societies and stressing the higher value of the liberal ones. Liberalism's shortcomings and malfunctions come to the surface as there is no more sense to the argument that the alternative, communism, is worse. New problems and challenges have sprung up on all sides, from the environment to reactions to globalization, from the difficulties of political parties in expressing the aspirations of the citizens to the collapse of the private/public divide due to communication technologies, from demographic changes to assuring economic growth.

All of these are problems that affect the quality and future of democracy and constitute a common ground for dialogue among academics and decision-makers. It is no longer possible to maintain the old path in which Europe first and the United States afterwards presented themselves in Latin America and other regions as the ideal

Liberalism's shortcomings and malfunctions come to the surface as there is no more sense to the argument that the alternative, communism, is worse.

societies. Dialogue between the United States/Europe and Latin America can no longer be about teaching lessons but about together finding new ways to confront similar problems.

Foreign policy is a complex issue, since economic and geopolitical short term interests tend to prevail. Here, again, however, this is a terrain where advances can be made. The fact that Latin America does not present military geopolitical challenges, although in itself positive, also leads U.S. foreign policy to consider the region of secondary importance, an attitude of "benign neglect." The United States should, on the contrary, consider this peace as an asset and invest more resources in the region to surmount accumulated past mistrusts.

Brazil is not going to be a major world power in the foreseeable future, but it is a regional power still learning to navigate in a world in which its governance is based on multiple layers: environmental issues, trade, world economic and political institutions, geopolitical interests, and normative principles. We should hope that it will it learn fast and use its soft power to advance world governance, based on its example of respect for cultural and religious diversity, and on its constitutional principles that its foreign relations should be based on the prevalence of human rights, self-determination, and pacific resolutions of conflicts.

Seven

India in the Liberal Order

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Photo: Myanmar's opposition leader Aung San Suu Kyi (L) and chief
of India's ruling Congress party Sonia Gandhi hold copies of Suu
Kyi's book, *Burma and India*, during the Nehru memorial lecture in
New Delhi November 14, 2012. © B MATHUR/Reuters/Corbis

A host of attributes should make India a staunch supporter of a global, liberal order. Despite seemingly insurmountable odds, it made a swift transition to democracy from the detritus of the British colonial empire in South Asia.[162] India was also an early supporter of the United Nations Universal Declaration of Human Rights.[163] At home, it adopted a largely liberal/democratic constitution in 1950 and, aside from a brief interregnum of authoritarian rule (1976-1977), it has not only managed to sustain democracy, it has also deepened and broadened its scope, though its record is hardly unblemished.[164] Yet since the days of its first prime minister, Jawaharlal Nehru, the country has been ambivalent about support for liberal/democratic principles and institutions abroad.

After the Cold War, India's policymakers have confronted a fundamental tension: on one hand, they find themselves saddled with a colonial legacy that still calls for a robust defense of the principle of sovereignty. On the other, as a constitutionally liberal democratic state, some within its political leadership believe that they can ill-afford to remain oblivious to repression and the rampant violation of human rights abroad.[165] Accordingly, as India's material capabilities grow and its leadership becomes more confident about its domestic circumstances, it may well shed its long-held reservations about any possible diminution of the principle of sovereignty.[166]

This chapter will briefly review well-known features of India's post-independence historical record. It will examine the underlying reasons that explain

Despite seemingly insurmountable odds, India made a swift transition to democracy from the detritus of the British colonial empire in South Asia.

the positions the country adopted, focus on the incremental policy shifts at the Cold War's end, and then discuss the country's likely support for such issues in the future.

India in the Post-Colonial Era

In the immediate aftermath of independence, Nehru emerged *primus inter pares* when it came to matters of India's foreign and defense policies. Few within the nationalist movement had had much exposure to international affairs and so his dominance of the foreign policy process was all but inevitable. As is well known, he was one of the principal architects of the Non-Aligned Movement (NAM). Since the vast majority of the leadership of the NAM and its membership had emerged from the shadow of colonial rule, they quickly enshrined the principle of non-interference in the internal affairs of states in its charter. Their motivations were entirely understandable; as states that had just shed the yoke of colonial rule, they were keen to guard their nascent sovereignty. More to the point, given that both the United States and the Soviet Union were not reticent about intervening abroad to bolster and secure their interests, the adoption of this unyielding stance on the issue of sovereignty was quite understandable.

Yet, it needs to be underscored that India's opposition to foreign intervention in the domestic affairs of states was far from consistent. It was an early critic of the U.S. involvement in Vietnam but had chosen to exercise considerable restraint when the Soviet Union ruthlessly suppressed the Hungarian uprising in 1956. In large part, this

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[162] On the sources of India's successful transition to democracy, see M. Tudor, *The Promise of Power* (Cambridge: Cambridge University Press, 2013).

[163] M. Mazower, *No Enchanted Palace: The End of Empire and the Ideological origins of the United Nations* (Princeton: Princeton University Press, 2009).

[164] For various assessments, see S. Ganguly, L. Diamond, and M. Plattner, eds. *The State of India's Democracy* (Baltimore: Johns Hopkins University Press, 2007).

[165] I am indebted to my student, Jason Grant Stone, for highlighting this tension.

[166] For a useful discussion, see C. R. Mohan, "Balancing Interests and Values: India's Struggle with Democracy Promotion," *The Washington Quarterly*, 30:3 (Summer 2007), pp. 99-115.

inconsistency could be traced to Nehru's own political beliefs. As his voluminous writings both before and after India's independence reveal, despite his unwavering commitment to liberal democracy at home, he had distinctly socialist leanings, which led him to exculpate the shortcomings of the Soviet bloc.

That said, Nehru was also passionately committed to the development of multilateral institutions and their possible role in the preservation of world peace. To that end, India became an early advocate and supporter of United Nations peacekeeping operations. Indeed, it was one of the principal contributors to the United Nations peacekeeping operations in the Congo[167] and subsequently in the United Nations Emergency Force (UNEF) in the Gaza Strip.[168] Its policymakers felt at ease with UN peacekeeping endeavors because these required the explicit consent of member states.[169] This Indian tradition of involvement with and support for peacekeeping continues today. However, Indian policymakers remain adamantly opposed to transforming a peacekeeping operation into a peace enforcement effort without suitable UN authorization.[170]

Though India continued to uphold the principle of sovereignty when its vital interests were at stake or when deep historical legacies were implicated, it did not hesitate to deviate from its adherence to this norm. Three episodes clearly illustrate the country's willingness to depart from the professed commitment to the standard.

The first, of course, was India's decision to intervene in the civil war that engulfed East Pakistan in 1971, leading to the flight of nearly 10 million refugees

Indian policymakers remain adamantly opposed to transforming a peacekeeping operation into a peace enforcement effort without suitable UN authorization.

into India. Though India's policymakers couched the intervention in the language of humanitarian intervention, for all practical purposes, it resorted to force to break up Pakistan — its long-standing adversary. In effect, the ideational language notwithstanding, straightforward realist concerns animated India's choices and actions.[171]

The second episode involved India's decision to support the Vietnamese invasion of Cambodia to unseat the genocidal Pol Pot regime in January 1979. Not only did India refuse the join the chorus of global condemnation but it actually went on to recognize the new regime of Heng Samrin. Once again, India's decision to ignore the expectations of sovereignty stemmed from straightforward strategic concerns. It was politically close to the Soviet Union, it has excellent relations with Vietnam, and had few ties worth the name with the Association of South East Asian States (ASEAN).[172] Consequently, it was unlikely to pay substantial costs for adopting a favorable stance toward Vietnam. Furthermore, since it did lead to the ouster of an utterly squalid and brutal regime, it could again cast its decision in the light of upholding fundamental humanitarian concerns.

The third occasion occurred in 1987 and involved its relations with Sri Lanka. Faced with growing domestic discontent in its southern state of Tamil Nadu about the maltreatment of the Tamil minority

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[167] R. Dayal, *Mission for Hammarskjold: The Congo Crisis* (Princeton: Princeton University Press, 1976).

[168] I. Jit Rikhye, *Trumpets and Tumults: The Memoirs of a Peacekeeper* (New Delhi: Manohar, 2002).

[169] R. Mukherjee and D. M. Malone, "Global Responsibilities: India's Approach," *Jindal Journal of International Affairs*, 1:1 (October 2011), pp. 182-203.

[170] For a discussion of the evolution of the India's views on UN peacekeeping, see R. Gowan and S. K. Singh, "India and UN Peacekeeping: The Weight of History and the Lack of a Strategy," in W. P. Singh Sidhu, P. Bhanu Mehta, and B. Jones, eds. *Shaping the Emerging World: India and the Multilateral Order* (Washington, DC: Brookings Institution Press, 2013).

[171] For a detailed discussion, see S. Ganguly, *Conflict Unending: India-Pakistan Tensions Since 1947* (New York: Columbia University Press, 2001).

[172] M. Ayoob, *India and Southeast Asia: Indian Perceptions and Policies* (London: Routledge, 1990).

in Sri Lanka and the dire conditions of beleaguered Tamils in the Sri Lankan province of Jaffna, Indian Air Force (IAF) aircraft airdropped humanitarian assistance in key areas in Sri Lanka. These actions, though justifiable on humanitarian grounds, clearly violated Sri Lanka's sovereignty. Once again, the imperatives of domestic politics coupled with India's dominant position in the region led it to undertake a mission that showed scant regard for the professed commitment to the preservation of absolute state sovereignty.[173]

In addition to these three episodes, throughout the Cold War, India was an early and consistent critic of the apartheid regime in South Africa and had not evinced any qualms about its efforts to bring about its end. Two factors explain India's unremitting hostility toward the regime, its willingness to impose multilateral sanctions, and also work in concert with the African National Congress (ANC), thereby intervening in the internal affairs of a sovereign state. First, one of key the members of Indian nationalist pantheon, Mohandas Gandhi, had opposed all forms of racial discrimination in South Africa as his career as a lawyer had evolved. Second, its policymakers had also seen the dismantling of the apartheid regime in the country as an integral part of the anti-colonial enterprise.[174]

Indeed Indian policymakers and public intellectuals could reasonably argue that the United States and the Western world, despite a professed commitment to the spread of democracy, were comfortable in their support for the scrofulous apartheid regime, thereby demonstrating the limits of their adherence to the principle of democracy promotion. Furthermore, the U.S. role in the overthrow of the elected, democratic regime of Salvador Allende in Chile in 1973, also gave Indian policymakers considerable pause about the stated U.S. commitment to global democracy.

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[173] For a detailed discussion of this episode, see S. Krishna, *Postcolonial Insecurities: India, Sri Lanka and the Question of Nationhood* (Minneapolis: University of Minnesota Press, 1999).

[174] D. Black, "The Long and Winding Road: International Norms and Domestic Political Change in South Africa," in T. Risse-Kappen, S. C. Ropp, and K. Sikkink, eds. *The Power of Human Rights; International Norms and Domestic Change* (Cambridge: Cambridge University Press, 1999).

The Cold War's End and the Demands of a New Era

The Cold War's end came as a substantial shock to India's policymakers and required a dramatic reappraisal of India's foreign policy nostrums.[175] In the aftermath of Nehru's death, his successors, most notably Indira Gandhi, while maintaining the ideational rhetoric that had characterized India's foreign policy, increasingly adopted a more pragmatic approach. The ideational rhetoric highlighted India's concerns about the lack of progress toward universal global disarmament, toward addressing North-South inequities in the international order, and on the appropriate responsibilities of the industrialized and non-industrialized world on matters pertaining to environmental degradation.

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With the Cold War's end and the concomitant collapse of the Soviet Union, India's policymakers were not slow to recognize that the principal successor state, Russia, was either unwilling or unable to play a similar strategic role in India's security calculus. With this bulwark gone, India had to recalibrate its ties with the sole surviving superpower, the United States, and also find ways to fashion a working relationship with its principal long-term adversary, China. Simultaneously, they also recognized that key global norms were likely to shift, and that India would have to find ways to fashion appropriate responses to these developments.

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[175] S. Ganguly, "India's Foreign Policy Grows Up," *World Policy Journal*, Volume XX, No 4, (Winter 2003/04)

India confronted a number of emergent issues that effectively discredited its hitherto ideological vision of global order. With the United States now in a transcendent position in the global arena, no longer confronting the weight of Soviet power, it could act with impunity and also propagate values consonant with its interests. The first such conundrum that India confronted emerged during Saddam Hussein's invasion of Kuwait in 1990. India's reaction to the invasion was muddled. On one hand, it had had good relations with Hussein's Iraq for two compelling reasons. First, it was a secular if highly repressive regime. For India's policymakers, especially after the steady erosion of the idealism that had characterized the Nehru era, a secular Arab regime, however authoritarian, was preferable to one that was religiously oriented. Second, India also relied on Iraq for a significant portion of its energy needs and had substantial guest workers within the country.[176] Under these circumstances, the country could ill-afford to take a particularly robust stand against Hussein's invasion of Kuwait. Accordingly, despite vigorous internal debate in the country, India's minister of external affairs, Inder Kumar Gujral, went to Baghdad as a representative of NAM to seek a possible diplomatic resolution of the crisis. His efforts, as is well known, accomplished little.[177]

However, with a change of regime later in the year, the weak coalition of Prime Minister Chandra Sekhar quietly allowed the refueling of U.S. military aircraft in Bombay, thereby tacitly signaling India's willingness to endorse the Western view of the invasion. But once the refueling became public knowledge, it became simply untenable for the government to allow it to continue. The inability of the government to cope with hostile, left-wing domestic pressures revealed that the country had yet to forge a consensus about how it intended to fashion a new grand strategy in a vastly altered global landscape.[178]

Dealing with Emergent Global Norms

In the aftermath of the first Gulf War, India's policymakers concluded that they could ill-afford to simply fall back on the nostrums that had guided India's foreign policy during the Cold War. As a consequence, a vigorous domestic debate ensued. Some within the policymaking establishment insisted that India should not abandon its historic commitment to non-alignment and but should infuse it with new meaning.[179] Others, however, suggested a more pragmatic approach to the global order and also made clear that non-alignment was now bereft of meaning.[180]

Even as this debate was under way, policymakers confronted a key issue, namely the willingness of the international community, and particularly the United States, now freed from the constraints of dealing with Soviet expansionism, to forthrightly upbraid states on questions of human rights violations. In this context, despite constitutionally robust guarantees for safeguarding human rights, India's record was far from exemplary. Its record was especially at question as an indigenous, secessionist insurgency erupted in 1989 in the portion of the disputed state of Kashmir that it

Despite constitutionally robust guarantees for safeguarding human rights, India's record was far from exemplary.

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[176] M. Narvenkar, "Looking West: 1: Iran and the Gulf," in D. Scott ed., *The Routledge Handbook of India's International Relations* (London: Routledge, 2011), pp. 167-178.

[177] B. Crossette, "Confrontation in the Gulf; India, Shaken by Iraqi Move, Seeks a Role for the Nonaligned," *The New York Times* (September 10, 1990).

[178] J.K. Baral and J.N. Mahanty, "India and the Gulf Crisis: The Response of a Minority Government," *Pacific Affairs*, 65:3 (Autumn 1992), pp. 368-384.

[179] See for example, S.D. Muni, "India and the Post-Cold War World: Opportunities and Challenges," *Asian Survey 872* 31: 9 (1991).

[180] S. Ganguly, "South Asia After the Cold War," *The Washington Quarterly*, 15:4 (Autumn 1992), pp. 173-84.

88   *Transatlantic Academy*

controlled.[181] Not surprisingly, India reacted quite strongly to any U.S. or other international criticisms of its human rights record in Kashmir, underscored the capacity of its own domestic judicial institutions to deal with such allegations, and expressed strong reservations about any attempt to diminish its privileges as a sovereign state.[182]

The situation in Kashmir, which coincided with a renewed global emphasis on human rights protection, revealed a fundamental tension in India's foreign and security policies. Though India's political leadership continued to emphasize their unwavering commitment to human rights, they took an unyielding position on any form of external pressure to address perceived shortcomings in this arena.

Nevertheless, it needs to be highlighted that the national government was not oblivious to international criticism. Faced with a barrage of external admonitions, the Congress Party government of Prime Minister Narasimha Rao created the National Human Rights Commission (NHRC) in 1993 under the aegis of the Protection of Human Rights Act. Even though some critics initially dismissed the NHRC as a sop to Cerberus, it quickly became evident that the organization, regardless of its provenance, had acquired a degree of institutional autonomy and efficacy.[183]

The Responsibility to Protect (R2P)

As the notion of protecting populations from widespread state repression gained ground in the wake of Yugoslavia's collapse in the early 1990s, India's response further illustrated the tension between its desire to safeguard state sovereignty and its long-standing valuation of liberal norms. Fearing the setting of a possible global precedent that could adversely affect India in the future, its

policymakers expressed grave reservations about NATO's decision in 1999 to militarily intervene in the conflict.[184] In the wake of the Kosovo intervention, UN Secretary-General Kofi Annan initiated a debate about the legality and legitimacy of humanitarian intervention. Soon thereafter, the United Nations Security Council embarked upon a series of debates on the question.

From the outset, India expressed its reservations about granting the Security Council the requisite authority to permit humanitarian intervention. It asserted that not only would such authority undermine state sovereignty under the expectations of the UN Charter but would render the rest of the UN membership powerless to disagree. Furthermore, in the same vein, they argued that the proper authority lay with the United Nations General Assembly (UNGA).[185]

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Yet as the idea of humanitarian intervention gained ground in the wake of the report from the International Commission on Intervention and State Sovereignty (ICISS), which developed the concept of the "Responsibility to Protect" (R2P), Indian interlocutors started to shift ground when faced with a very substantial international consensus. However, Indian negotiators ensured that the norm's promoters make significant concessions limiting the application of the

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[181] For a discussion of the origins of the insurgency as well as the problems associated with the initial phases of India's counter-insurgency strategy, see S. Ganguly, *The Crisis in Kashmir: Portents of War, Hopes of Peace* (New York: Cambridge University Press, 1997).

[182] J. Burke, "Indian Officers Names in Report on Kashmir Abuses," *The Guardian* (December 6, 2012).

[183] V. Sripati, "India's National Human Rights Commission: A Shackled Commission?" *Boston University International Law Journal*, 118: 1 (2000), pp. 1-47.

[184] G. Kampani, "India's Kosovo Conundrum," *Rediff on the Net* (April 24, 1999), http://www.rediff.com/news/1999/apr/24nato.htm.

[185] K. Virk, "India and the responsibility to Protect: A Tale of Ambiguity," *Global Responsibility to Protect* (2013), pp. 56-83.

principle to four specific crimes — war crimes, crimes against humanity, genocide, and ethnic cleansing — an omission of criteria for the use of force and an insistence on UN authorization.[186] Nevertheless, after the World Summit of 2005, as discussions continued on the application of R2P principles, prominent Indian diplomats argued that they shared the view that mass atrocities should be prevented. However, they also reminded the UN community that any response to such a crisis should be peaceful, and that resort to Chapter VII sanctions should be a last resort.[187] Furthermore, they argued (and continue to hold the view) that the way to avoid conditions that would prompt a resort action under R2P principles was to help states develop the requisite capabilities to avoid rampant human rights violations.[188]

India and the International Criminal Court

Notions of the constriction of state sovereignty have also animated India's approach to the creation of an International Criminal Court (ICC). When the entity was created in 1998, India chose to abstain rather than actually vote against its formation. Since an opt-in provision was not included in the statute that created the court and granted it inherent jurisdiction, India felt compelled to abstain. Its decision apparently stemmed from three related concerns. The first had to do with the capacity of the Indian judicial system to respond or mete out condign punishment in a prompt and speedy fashion. The second arose from its awareness of the inability of its prosecutorial and judicial systems to bring to task egregious violators of human rights, especially in the face of evidence of state complicity. For example, as one commentator has written in the aftermath of what is widely seen as a pogrom in the western state of Gujarat in February 2002, " … it is only the proximate and direct perpetrators who, in a few cases, that survive are being tried; the chain of command, complicity and connivance remain

beyond the pale."[189] Finally, the Indian state also feared that the ICC could be subject to political bias and thereby place India and other vulnerable states in the dock while overlooking the malfeasances of others.

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All of these concerns suggest a certain lack of faith in the robustness of its own judicial institutions and their capacity to respond to blatant violations of human rights within the country. Given that regimes of every ideological stripe within the past three decades have been implicated in substantial human rights violations during their terms in office and that the judiciary has been unable to bring those responsible to account for their actions, it is most unlikely that India will show any particular willingness to shift its position on the ICC. It is possible to make this argument even though India, with some reservations, had voted in support of United Nations Security Council Resolution 1970. This resolution, which had won unanimous consent, had referred the Gaddafi regime in Libya to the ICC in the wake of the brutal crackdown on demonstrators in early 2011.

Democracy Promotion

Despite a commitment to the preservation of democracy at home, India's policymakers have been mostly loath to promote democracy abroad. Three factors explain India's unwillingness to

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[186] Ibid, pp. 79.

[187] I. Hall, "Tilting at Windmills? The Indian debate over the Responsibility to Protect after UNSC Resolution 1973," *Global Responsibility to Protect* 5 (2013), pp. 84-108.

[188] Ibid, p. 96. Also, personal interview with a senior Indian Foreign Service officer, New Delhi (December 18, 2012).

[189] U. Ramanathan, "India and the ICC," *Journal of International Criminal Justice,* 3 (2005), pp. 627-634.

take up the cudgel of democracy promotion. In considerable part, once again, its aversion to serve as a democracy monger stems from a deeply rooted aversion to both colonialism and imperialism. Even 60 years after the end of British colonial rule, the memories of colonial and post-colonial rationalizations for foreign interventions remain alive. Of course, in a related vein, policymakers also remain acutely cognizant of the infirmities of their own domestic democratic institutions and want to fend off possible external pressures and inordinate scrutiny of the various shortcomings. Finally, its hesitation also stems from its location in a deeply troubled neighborhood, which is host to a number of authoritarian regimes capable of deploying varying levels of repression and brutality.

In considerable part, India's aversion to serve as a democracy monger stems from a deeply rooted aversion to both colonialism and imperialism.

As the noted Indian political theorist and public intellectual Pratap Bhanu Mehta has argued, quite cogently, India is in no position given the asymmetries of power, to promote democracy in its behemoth northern neighbor, China. More to the point, he argues that India, which is host to the largest Tibetan diaspora in the world, has followed a deft policy of both leveraging the Tibetan issue with China without directly inflaming tensions. This careful policy, he argues, demonstrates India's commitment to the protection of human rights without engaging in grandstanding or making the issue a global cause.[190] Despite India's adroit

balancing act, on occasion, it has attracted the public ire of China.[191]

India's efforts at democracy promotion in the rest of its neighborhood have generated mixed results. The hardest case, of course, has involved its dealings with Burma/Myanmar. Initially, because of historic ties between the Indian nationalist movement and Aung San, the father of the long incarcerated democracy activist and current member of Parliament, Aung San Suu Kyi, India had shunned the military junta in the country. In the early 1990s however, faced with the growing influence of China within the country, at the insistence of the then foreign secretary, Jyotindra Nath Dixit, India started to make overtures toward the military regime despite foreign disapprobation. Apart from the question of the increasing involvement with China in the country, India also wanted to seek the cooperation of the military regime to end the sanctuaries of various northeastern insurgent groups in Burma/Myanmar.

Indian interlocutors claim that despite their engagement of the junta, that various governments in New Delhi did not abandon their quite diplomatic efforts to foster democratic change within Burma.[192] Other specialists on Burma, however, take a different view, claiming that India's efforts to promote change have been too meager and anemic primarily on the grounds that its developmental projects are limited and its engagement with Burma's civil society inadequate. Nevertheless, even the critics of India's policies grudgingly concede that in the future, India may be in a position to accomplish more both in terms of democracy and development while simultaneously addressing its more parochial interests.[193] If the current trends toward democratization in Burma/Myanmar continue, India's past policies of engagement while gently nudging the rulers to restore democracy may well be vindicated.

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[190] P. Bhanu Mehta, "Reluctant India," *Journal of Democracy*, 22:4 (October 2011), pp. 97-109.

[191] D. Nelson, "China Angry over Dalai Lama Visit to Disputed Tibetan Border," *The Telegraph* (November 6, 2009).

[192] Mehta (2011), pp. 103.

[193] R. Egreteau, "A Passage to Burma? India, Development, and Democratization in Myanmar," *Contemporary Politics*, 17:4 (December 2011), pp. 467-486.

Historically, since Sri Lanka was a robust democracy despite its periodic problems with its Tamil population, India had no role in the preservation of its democracy barring the provision of assistance to suppress a left-wing rebellion in the 1970s. However, in the aftermath of the highly successful if utterly brutal and sanguinary end to the Sri Lankan civil war in 2009, India has faced a dilemma with the country's growing turn toward authoritarianism. India's dilemma is rooted both in its domestic and regional politics. At the level of domestic politics, no government, especially one that rests on a fractious coalition, can afford to ignore the sentiments of a vocal Tamil population in southern India, particularly in the state of Tamil Nadu. Even if leaders in New Delhi lack a normative commitment to the protection of human rights in Sri Lanka, they cannot remain oblivious to the cacophonous demands of the Tamil electorate in the state about the plight of their ethnic kin in Sri Lanka. Yet this need to address a powerful domestic constituency must also be balanced with an external concern, namely the expanding role of China in Sri Lanka.

Accordingly, India's policymakers have again sought to resort to a delicate balancing act. Faced with steady domestic pressure, they chose in March 2013 to reprimand Sri Lanka at the United Nations

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Human Rights Council (UNHRC) in Geneva for its failure to address legitimate concerns about post-conflict reconciliation. Yet, shortly before this adverse UNHRC vote, India chose to increase its share of foreign assistance to Sri Lanka. There is little question that this decision was made to both soften the blow of the upcoming vote while simultaneously attempting to ensure that China's looming presence did not wholly eclipse its influence in the country.

However, even India's costly vote did not appease one of the constituents of the ruling coalition, the Dravida Munnetra Kazhagam (DMK), which chose to withdraw from the national government, accusing it of having voted for a diluted resolution.[194] The Sri Lankan case, as much as that of Burma/Myanmar, illustrates some of the dilemmas that any government in New Delhi confronts as it seeks to balance competing interests and ideals.

When not faced with similar domestic and external constraints, India's willingness to participate in efforts at democracy promotion has been somewhat more forthright.[195] In considerable part, such a strategy has been evident in India's attempts at democracy promotion in Nepal. When King Gyanendra seized power in Nepal in February 2005, India cut off all arms supplies to the country despite the presence of a significant Maoist insurgency with possible ties to an Indian insurgent group in the northeastern state of Assam. Subsequently, when democracy was restored in April 2006, India tripled its foreign assistance to the country. One analyst has argued that India may have been keen to support the democratic peace process in Nepal largely as a signal to its domestic Maoist insurgents that a return to the democratic political fold could lead to a reconciliation with the Indian state. This argument, though superficially appealing,

[194] Express News Service, "India Votes Against Sri Lanka at UNHRC in Tamils Case, DMK hits out at UPA," *The Indian Express* (March 21, 2013).

[195] For the details pertaining to the evolution of India's policies, see S. Destradi, "India as a democracy promoter? New Delhi's involvement in Nepal's return to democracy," *Democratization*, 19:2 (2012), pp. 286-311.

is flawed.[196] As long as rebels have abandoned their secessionist agenda and have eschewed the resort to force, the Indian state has long evinced a willingness to discuss and accommodate the demands of various insurgent groups.

What about India's willingness to participate in efforts at democracy promotion beyond the region? Here again, the country has demonstrated caution and reticence but in recent years has taken some fitful, limited steps. The efforts that India has made in the realm of democracy promotion, for the most part, have been at U.S. prodding. The initial initiative came during the second Clinton administration when during his maiden (and only presidential) visit to India, his administration proposed the creation of a center for Asian Democracy. Apparently, this was viewed with some skepticism in New Delhi because it smacked of anti-China overtones.[197] Nevertheless, India's policymakers were unwilling to completely dismiss the notion of democracy promotion in the wake of an emerging rapprochement with the United States. To that end, India became one of the founding members of the Community of Democracies Initiative in 1999. However, despite its initial commitment, India has not devoted significant diplomatic energy to give the nascent body much impetus. India's reluctance to expend much effort may stem from its long-standing

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advocacy for states in the global South, many of whom are not democratic states. Despite this hesitation, in 2005 India committed itself, at the urging of President George W. Bush, to support the United Nations Democracy Fund. Despite India's willingness to endorse these initiatives, it appears reluctant to grant these endeavors pride of place in the conduct of its foreign policy, thereby suggesting that democracy promotion still lacks a substantial constituency within its foreign policy establishment.

Conclusion

The foregoing analysis shows that India's role in two, key emergent pillars of the liberal global order are limited and tentative. The limitations stem in considerable part from its colonial legacies, its institutional weaknesses, the exigencies of its domestic politics, and the constraints of its existing material capabilities. The central question that arises from this analysis is whether or not India might prove willing to act differently and assume a greater responsibility to provide various global public goods if it manages to bolster its material capabilities, steadily sheds it colonial hangover, and succeeds in addressing its domestic institutional constraints. Thus far, India, unlike during the Nehruvian era, has failed to spell out alternative global norms and institutional arrangements even as it has proven to be critical of key, emergent liberal principles.

During Nehru's tenure in office, even though the country lacked material power, it had actually attempted to set alternative global agendas especially in the realm of nuclear disarmament.[198] Unfortunately, its lack of material capabilities made these efforts at agenda setting, for the most part, largely chimerical. Subsequent governments in India made token gestures to his earlier efforts but they lacked both conviction and commitment.

Might an economically resurgent India that also manages to improve the efficacy of its domestic institutions, sheds its post-colonial anxieties, and

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[196] J. Cartwright, "India Regional and International Support for Democracy: Rhetoric or Reality?" *Asian Survey*, 49:3 (May/June 2009), pp. 403-428.

[197] Mohan (2007), p. 104.

[198] S. Ganguly, "India's Nuclear Free Dream," *The Diplomat* (April 29, 2010), http://thediplomat.com/2010/04/22/india%E2%80%99s-nuclear-free-dream/.

thereby finds itself on a more secure footing act differently in the international arena? Despite its present economic difficulties, much of which can be traced to poor policy choices and the shortcomings of its institutional capacities, there is no reason to wholly write off India's possible rise.[199] Whether or not renewed economic growth and improved institutional performance will make India's policymakers change their stances and assume the requisite burdens to help provide key public goods that could contribute to the creation of a more liberal global order remains an open question.[200]

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[199] R. Sharma, "India's Economic Superstars," *Foreign Affairs*, 92:5 (September/October 2013), pp. 75-85.

[200] For an excellent discussion of India's unwillingness to assume suitable responsibilities in a series of extant and emergent global regimes, see A. Narlikar, "Is India a Responsible Great Power?" *Third World Quarterly*, 32:9 (2011), pp. 1607-1621. For a more optimistic view, see W. Pal Singh Sudhu, P. Bhanu Mehta, and B. Jones, *Shaping the Emerging World: India and the Multilateral Order* (Washington, DC: The Brookings Institution, 2013).

Eight

South Africa and Nigeria in the Liberal International Order
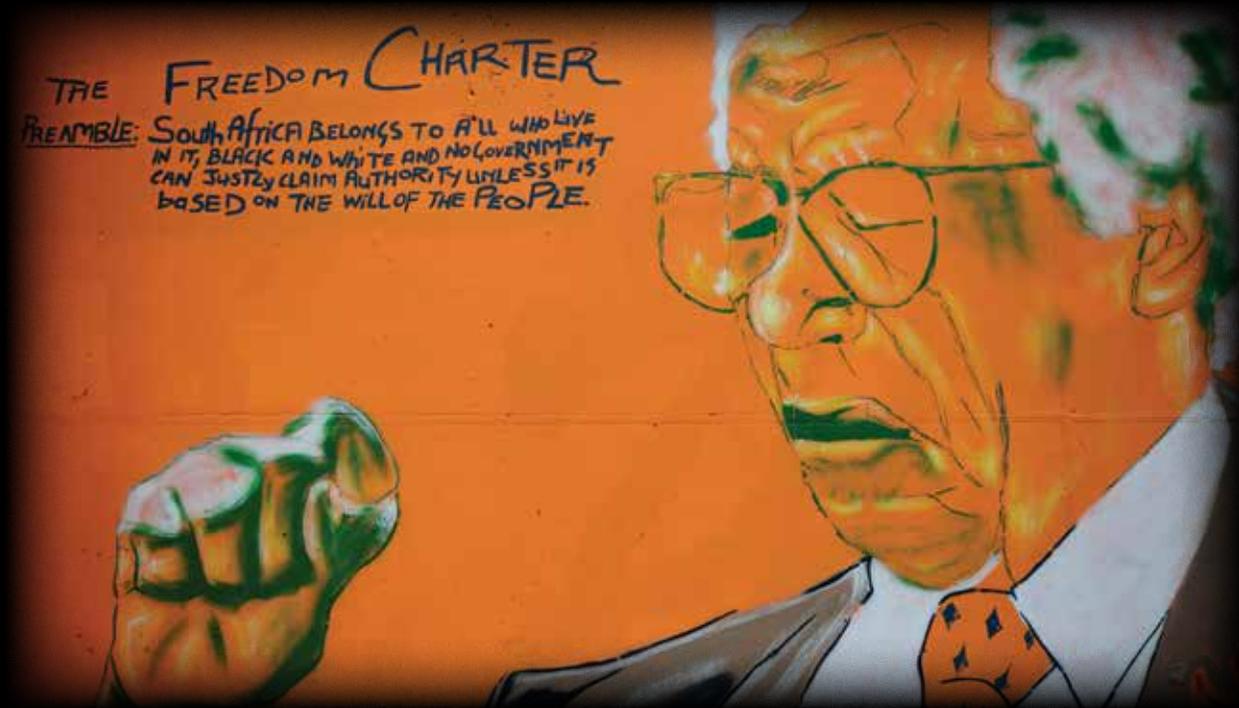
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Photo: Mural in Soweto, South Africa, illustrating anti-apartheid
activist and former president of South Africa Nelson Mandela.
© Frederic Soltan/Corbis

South Africa and Nigeria are both beneficiaries and challengers of the values and norms that have undergirded the liberal international order. In the post-colonial and post-Cold War era, these values have entailed adherence to the universal principles of sovereignty and independence, the centrality of political pluralism and democratic governance, the promotion of human rights and dignity, and market-led economic reforms to foster development and prosperity. Benefits have accrued from participation in global institutions that have furnished rules and resources to strengthen the positions of African states in the international system. As leaders of Africa in the global domain, South Africa and Nigeria have served as interlocutors with actors and institutions in the liberal international order; in these leadership roles, they are invited to major international tables of finance and diplomacy to advance African interests and claims.

As challengers, however, South Africa and Nigeria have made perennial demands for reforms in international governance institutions, often differing from some of the dominant voices in the liberal international order. As products of colonialism and apartheid, they have demonstrated ambivalence about the strength and credibility of liberal international values; this skepticism also stems from what they perceive as the selective application of emerging norms. In addition, as they provide global leadership on African issues, South Africa and Nigeria confront enormous difficulties in balancing alliance obligations in Africa with consistent advocacy of some of the norms of liberal international order; typically, fealty to continental demands plus solidarity with constituencies in the global South impede the pursuit of consistent postures in support of the values that underpin the liberal international order.

This chapter examines the attitudes of South Africa and Nigeria toward the liberal international order. Specifically, it probes the tensions surrounding the ambivalent roles of beneficiaries and challengers and how these countries have managed to straddle these roles. This analysis looks at how policymakers in Pretoria and Abuja have approached the liberal

As they provide global leadership on African issues, South Africa and Nigeria confront enormous difficulties in balancing alliance obligations in Africa with consistent advocacy of some of the norms of liberal international order.

international order through the prism of major foreign policy events in the late 1990s and 2000s. Finally, the chapter briefly suggests ways that these countries can, alongside multiple international actors, balance continental aspirations with the objectives of strengthening international norms and practices.

Liberal Internationalism, Nigeria, and the Emergence of South Africa

Nigeria played a prominent role in galvanizing African and international efforts in the 1970s and 1980s in the struggle against minority rule and apartheid in Southern Africa. In taking a lead on questions of decolonization, Nigeria saw itself as championing universal values enshrined in the UN Charter around self-determination, independence, and anti-racialism. Through the Organization of African Unity (OAU), Nigerian leaders attempted to reconcile dependence on Western countries for economic assistance with campaigns against apartheid and racial injustices. In the course of the decolonization struggles in Southern Africa, major rifts ensued between Nigeria and the West over the latter's complicity in the perpetuation of minority regimes. Concerns about Western duplicity in advocating human rights and dignity while condoning minority regimes caused significant strains in relationships between Nigeria and Western countries. This culminated in Nigeria's

seizure and nationalization of the assets of British Petroleum (BP) in 1979 to protest the decision of Margaret Thatcher's government to support minority rule in Rhodesia. At the height of the stand-off over Rhodesia, Nigeria was able to assert leadership on continental values because of its oil wealth and the clout offered by membership in the Organization of Petroleum Exporting Countries (OPEC). Nigerian pressure contributed to ushering in the independence of Zimbabwe in April 1980.[201]

Despite the broad claims of Western complicity in colonial subjugation in Southern Africa, there was, in reality, no single voice on this issue. Thus the anti-apartheid campaigns in the West around disinvestment and economic sanctions contrasted sharply with positions assumed by the United States and some governments in Europe to maintain military and economic collaboration with South African governments. In the United States, in particular, Congressional pressures coincided with broad-based civic action to force the Reagan administration to impose sanctions on Pretoria in 1986, a process that led to the release of Nelson Mandela in February 1990 and the end of apartheid. The negotiated transition to majority rule in South Africa epitomized the triumph of liberal international values that had framed the post-colonial African order. In addition, South Africa emerged as an African power in the aftermath of the demise of the Cold War and the rise of democratic governance as a universal value.[202]

Nigeria's global anti-racial struggle concealed the undemocratic tendencies that marked most of its post-colonial history. The military intervened in politics from the mid-1990s largely to contain the fissiparous strains of ethnicity and regionalism. But the post-Cold War era signaled the rise of democratic trends in Africa that threatened militarism. An early demonstration of the tension between the new values of democracy and human rights promotion and the old legacies of militarism and authoritarianism surfaced when Mandela's newly elected government led campaigns for economic sanctions against Nigeria's military government after it had assassinated political opponents from the oil-producing Niger Delta. Mandela pushed for Nigeria's suspension from the Commonwealth and Western sanctions between 1995 and 1999 to induce democratic change.[203]

Like the previous international pressures for change in South Africa that ended apartheid, Mandela's Commonwealth campaign contributed to the end of military rule in Nigeria in 1999 and the emergence of a democratic order under President Olusegun Obasanjo. Thus, the twin liberations — from apartheid and military rule — were momentous events for South Africa and Nigeria that drew inspiration from liberal international values and practices. From this perspective, both transitions benefitted from the liberal international order and, subsequently, most analysts expected that leaders in Pretoria and Abuja would help in deepening democratic governance, human rights, and justice in Africa.

The twin liberations — from apartheid and military rule — were momentous events for South Africa and Nigeria that drew inspiration from liberal international values and practices.

[201] For excellent analyses of Nigeria's roles in southern African decolonization, see K. Whiteman, "The Switchback and Fallback: Nigeria-Britain Relations," in A. Adebajo and A. R. Mustapha, eds., *Gulliver's Troubles: Nigerian Foreign Policy after the Cold War* (Durban: University of KwaZulu-Natal Press, 2008), pp. 263-265, and I. Gambari, *Theory and Reality in Foreign Policymaking: Nigeria after the Second Republic* (Atlantic Highlands, NJ: Humanities Press International, 1989).

[202] S. J. Stedman, ed., *South Africa: The Political Economy of Transformation*. Boulder: Lynne Rienner Publishers, 1994; C. Landsberg, *The Diplomacy of Transformation: South African Foreign Policy and Statecraft* (London: Macmillan, 2010).

[203] M. I. Uhomoibhi, "A Triple Web of Interdependence: The UN, the Commonwealth, and the EU," in A. Adebajo and A. R. Mustapha, eds., *Gulliver's Troubles*, pp. 223-254.

South Africa and Nigeria in Africa's Renewal

The democratic governments that came to power in South Africa and Nigeria in 1999 under Thabo Mbeki and Obasanjo displayed policies typical of emerging powers with pretensions to hegemonic positions in their regional neighborhoods. They invoked values of democratic governance, human rights, and market-orientation while remaining suspicious of Western entreaties to advance the same values. They made rhetorical adherence to liberal international traditions that privileged pluralism, human rights, and free markets while also being wary of policies that undermined sovereignty and independence. They tried to manage regional sensitivities associated with their leadership roles with the global demands for democracy, human rights, security, and stability. They made assorted claims on the liberal international order while also contesting its legitimacy.[204] For South Africa and Nigeria, this dualism allowed for contradictory international positions and role conceptions, as foreign policymakers were forced to strike a balance between competing outlooks.

Through its policy pronouncements, the Mandela government acknowledged the importance of liberal international values and indicated its determination to contribute to their realization. Under Mandela, South Africa benefitted from International Monetary Fund (IMF) and World Bank stabilization policies that reintegrated Pretoria into the global economy through trade liberalization, deregulation, and loan guarantees. But Mandela also wrapped himself around Third World solidarity imperatives of sovereignty, non-interference, and defensive nationalism. While making appeals to the values of democracy promotion and free market liberalism, Mandela simultaneously strengthened bilateral relationships with authoritarian regimes in Burma, Cuba, China, Iran, North Korea, Libya, and Zimbabwe. Criticized

While making appeals to the values of democracy promotion and free market liberalism, Mandela simultaneously strengthened bilateral relationships with authoritarian regimes.

at home for supporting the Burmese government and selling arms to unsavory regimes, the Mandela government responded defensively, chastising the West for dictating to African countries.[205]

Mbeki and Obasanjo mobilized African initiatives around a renewal that was captured in the mantra of the African Renaissance, a crusade that dovetailed with the key tenets of the liberal international order: democratic governance, human rights observance, and economic reforms. The articulation of the African Renaissance led to the creation of the African Union (AU), a regional institution that promised to combine responsible sovereignty with collective problem-solving. The AU's Constitutive Act pledged to reinvigorate the principles of democracy and accountable governance to mark the departure from the old African authoritarian practices. As part of the new momentum for democratic renewal, South Africa and Nigeria led the AU in adopting the African Charter on Democracy, Elections, and Governance; the AU principles guiding democratic elections in

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204 For analyses of some of these dilemmas, see P. Bischoff, "External and Domestic Source of Foreign Policy Ambiguity: South African Foreign Policy and the Projection of Pluralist Middle Power," *Politikon* 30 (2), 2003, pp. 183-201; D. Geldenhuys, "Political Culture in South African Foreign Policy," *International Journal of Humanities and Social Science* 2 (18), 2012, pp. 29-38.

205 C. Landsberg, "Promoting Democracy: The Mandela-Mbeki Doctrine." *Journal of Democracy* 11 (3), 2000, pp. 107-121; E. Sidiripolous and T. Hughes, "Between Democratic Governance and Sovereignty: The Challenge of South Africa's Africa policy," in Sidiripolous, ed., *South Africa's Foreign Policy 1994-2004: Apartheid Past, Renaissance Future* (Johannesburg: SAIIA, 2004).

Africa; and the AU principles on unconstitutional change of government.[206]

The other platform articulated by Mbeki and Obasanjo was the New Partnership for African Development (NEPAD), an economic program to promote economic reforms that would spur Africa's economic transformations. NEPAD emerged as a visible symbol of Africa's novel engagement with the international community. While radical African voices derided NEPAD as a reincarnation of imperialist designs on African resources and markets, Mbeki and Obasanjo saw it as central fulcrum for Africa's engagement with rich nations and multilateral institutions in a new dispensation of shared obligations. To cap it all, South Africa and Nigeria were central to the creation of the African Peer Review Mechanism (APRM), an innovative scheme that sought to establish common standards around economic and political governance that African countries would adhere to in anticipation of development assistance. The APRM was crafted to domesticate the conditions that Western institutions and governments had variously attempted to impose in Africa since the 1980s. Overall, the economic and security architecture of the AU/NEPAD/APRM dovetailed nicely with a normative framework anchored on shared responsibilities, commitment to democratic principles, and African ownership of African problems.[207]

Reflecting the new convergence between African leaders and the international community, Western countries saw South Africa and Nigeria as dependable interlocutors of African demands and aspirations. Thus starting with the 2000 G8 meetings, Mbeki and Obasanjo became annual participants to give African perspectives on

Reflecting the new convergence between African leaders and the international community, Western countries saw South Africa and Nigeria as dependable interlocutors of African demands and aspirations.

global issues.[208] Similarly, the Davos committee routinely invited South Africa, Nigeria, and a host of select African leaders to the annual conclaves of the World Economic Forum in Switzerland. Proponents of the selective invitations of Nigeria and South Africa contended that they denoted growing respect and recognition of African voices in shaping the global economic agenda, but critics raised questions as to whether such limited and sporadic participation trivialized African perspectives. For instance, although the G8 summit in Gleneagles, Scotland, in July 2005 came up with a raft of pledges to triple aid flows to Africa to meet the economic challenges, most of them remained unfulfilled years later. This lent ammunition to critics of African participation in the G8 meetings who charged that much of this participation smacked of tokenism that sustained the illusion of movement on fundamental African concerns.[209]

Beyond the G8, South Africa and Nigeria actively participated in global fora to alleviate poverty through the Millennium Development Goals (MDGs), WTO negotiations to reform the global

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[206] G. Olivier, "Is Mbeki Africa's Saviour?" *International Affairs* 79 (3), 2003, pp. 815-828; A. Habib, "South Africa's Foreign Policy: Hegemonic Aspirations, Neoliberal Orientations, and Global Transformations," *South African Journal of International Relations* 16 (2), 2009, pp. 143-159.

[207] C. Landsberg, "An African 'Concert of Powers'? Nigeria and South Africa's Construction of the AU and NEPAD," in A. Adebajo and A. R. Mustapha, eds., *Gulliver's Troubles*, pp. 203-222.

[208] On the role of these leaders in the G8 and Davos process, see R. W. Copson, *Africa, The G8, and the Blair Initiative*, (Washington, DC: Congressional Research Service, June 2005).

[209] For a summary of the critics, see G. M. Khadiagala, "Western Views of African Responses to Economic, Social, and Environmental Dimensions of the Global Security Agenda," in *Rethinking Global Security: An African Perspective*, (Nairobi: The Heinrich Boll Foundation, 2006).

trading systems, and climate change debates. Solid African positions at various WTO conventions symbolized the expertise, organization, and preparedness that South Africa and Nigeria gave to these deliberations; so was their ability to reach out to multiple actors in the global South in the search for meaningful reforms. In February 2009, the World Bank Board of Governors approved the first phase of reforms to increase the influence of developing countries within the World Bank Group by granting African countries an additional seat on the board, a goal that African leaders have been advocating since the late 1980s.

Demands for Reforms in the UN Security Council

The G8 processes provided entry points for Western actors to use South Africa and Nigeria in renewed bids to integrate Africa in the global economy. In return, African countries became dependent upon Pretoria and Abuja to lead campaigns for reforms in the global governance architecture. As the debates over the levels of aid since the Gleneagles G8 summit demonstrated, however, the inability of Nigeria and South Africa to wring concessions from the international community invariably compromised their leadership roles and exacerbated Africa's skepticism toward the liberal international order.

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African demands for UN Security Council reforms revolved around *The Common African Position on the Proposed Reform of the United Nations: The Ezulwini Consensus*, adopted by the AU in March 2005. The Ezulwini Consensus proposed full African representation in the UN Security Council through not less than two permanent seats with veto powers and five non-permanent seats chosen by the AU. Nigeria and South Africa declared their candidacies for the African permanent seats if these were ever to materialize, but other African countries such as Algeria and Egypt have expressed similar interests. Thus almost ten years since the Ezulwini Consensus, deep divisions have remained among African countries regarding eligibility for potential seats; more vital, the momentum for UN Security Council reforms has essentially petered out because of firm resistance from the current permanent members.[210] In October 2013, South Africa's ambassador to the UN expressed frustration at the slow-pace of UN reforms, noting that "it was an irony that those who considered themselves to be the leaders of the free world were comfortable sitting in such an undemocratic structure. The status quo cannot be maintained, especially when African issues take up most of the Council's work."[211]

Responsibility to Protect (R2P) and the ICC

South Africa and Nigeria have both devoted diplomatic initiatives to promote the principle of Responsibility to Protect (R2P), adopted by the UN General Assembly in 2005, partly in response to the scourge of civil wars in Africa. Initial support for R2P also dovetailed with the AU's Constitutive Act of 2000, which commits Africa states to intervene to check egregious human rights violations and to protect civilians during humanitarian crises. Equally, Africa rallied around R2P when it campaigned to increase international peacekeeping operations on the continent; since the late 1990s,

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[210] Center for Conflict Resolution, *The United Nations and Africa: Peace, Development, and Human Security*. Cape Town: CCR, 2006. See also CCR, *South Africa, Nigeria, and the United Nations*. Cape Town: CCR, 2012.

[211] "South Africa Renews Calls for UN Security Council Reforms," *Mail and Guardian*, October 8, 2013, http://mg.co.za/article/2013-10-08-sa-calls-for-un-security-council-reforms/.

African countries had complained about the lack of interest by the international community with regard to peacekeeping operations in Africa. The articulation of R2P coincided with the escalation of the conflict in Darfur, Sudan, enabling renewed focus on shared norms and responsibilities between Africa and the UN, captured in the UN/AU Hybrid Mission in Darfur.[212]

Yet the consensus over the humanitarian crises in Darfur did not last long, revealing the tenuous hold of liberal international norms in Africa. This was demonstrated following the ICC's indictment of Sudan's President Omar al-Bashir in 2009 for crimes committed in Darfur. Nigeria and South Africa were some of the most consistent African supporters of the new international justice regime to prevent mass atrocities that are often committed by African leaders. Bashir's indictment was consistent with diplomatic measures to reverse impunity in Africa, but South Africa and Nigeria have backtracked on the ICC, remaining silent as the AU has contested its legitimacy. The tensions between the AU and ICC started in July 2009 at an AU Summit in Libya when the AU opted not to cooperate with the ICC in the arrest of Bashir. Following the ICC's indictment of Kenyan leaders in 2013, the AU escalated the anti-ICC posture by threatening to withdrawal en masse from the Rome Statue that created the ICC and resurrected discredited claims about international schemes to recolonize Africa. In denouncing the intrusiveness of the ICC on Africa's sovereignty, the AU has continually emphasized the need to support African efforts at justice and reconciliation, even though the AU has demonstrated reluctance to create credible

South Africa and Nigeria have backtracked on the ICC, remaining silent as the AU has contested its legitimacy.

legal mechanisms for accountability and the fight against impunity.[213]

The Libyan Crisis and Democracy Promotion

Similar double-standards from African leaders with regard to international norms marked the conflict over Libya. While adhering to the R2P, South Africa and Nigeria criticized the Western-led intervention to topple Libyan leader Muammar Gaddafi at the behest of rebel movements that were under siege from Gaddafi's army. After tolerating the overthrow of authoritarian regimes in Egypt and Tunisia, Nigeria and South Africa got cold feet when NATO forces supported the ouster of Gaddafi. Yet alongside Gabon, Nigeria and South Africa voted unanimously for UN Security Resolution 1973, which authorized a no-fly zone over Libya to protect civilians. Subsequently South Africa and Nigeria repudiated the vote claiming that NATO had overstepped the bounds of Resolution 1973 and that the military intervention had overshadowed the AU-led negotiations for a peaceful settlement. In previous encounters with Gaddafi, the AU had demonstrated that it had no leverage on the Libyan leader and thus the AU negotiations were not making any difference on breaking the impasse. South Africa was more vehement than Nigeria in protesting NATO's "regime change" in Libya and squandered the opportunity provided by the Arab Spring to reassert its leadership on democracy promotion in Africa, particularly since most of the countries of North Africa had, for a long time, remained islands of authoritarianism in Africa.[214]

The crisis over Libya also demonstrates the mixed record on democracy promotion by South Africa and Nigeria. Of the policy templates established by the AU on democracy and governance, the

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[212] A. Adebajo, "Hegemony on a Shoestring: Nigeria's Post-Cold War Foreign Policy," in A. Adebajo and A. R. Mustapha, eds., *Gullivers Troubles*, pp. 1-40.

[213] On South African positions on the ICC, see, for instance, T. Thipanyane, *South Africa's Foreign Policy under the Zuma Government.* Pretoria: Africa Institute of South Africa, Policy Brief no. 64, December 2011.

[214] "Zuma lashes at NATO for 'Abusing' UN Resolutions on Libya," *Mail and Guardian*, June 14, 2011, http://mg.co.za/article/2011-06-14-zuma-lashes-nato-for-abusing-un-resolutions-on-libya. For analysis of the contradictory positions of South Africa on Libya, see G. Khadiagala, "South Africa in Africa: Groping for Leadership and Muddling Through," *New South African Review* 4, 2014; and A. Wehmhoerner, *South Africa's Foreign Policy: Quo Vadis?* Brussels: Foundation for European Progressive Studies, 2011.

AU provision on unconstitutional changes in government has been the most prominent. Promulgated in 1998, it enjoins member states to sanction and isolate governments that come to power through unconstitutional means. Since 1999, Nigeria has been more adept in checking military coups in its ECOWAS neighborhood. Apart from the AU principles on constitutional order, the ECOWAS has a number of regional protocols on democracy promotion that Nigeria has used skillfully to begin underwriting a regional order where democracies can thrive. Thus, ECOWAS has over the years sanctioned countries such as Côte d'Ivoire, Guinea, Guinea-Bissau, Mauritania, Mali, Niger, and Togo that have faced military coups. The most publicized case was Côte d'Ivoire following the contested elections of November 2010 when the incumbent President Laurent Gbagbo refused to give up power to his challenger, Alassane Ouattara. ECOWAS took the lead in regional and international efforts that finally forced Gbagbo out of power. South Africa was initially reluctant to support the ECOWAS position, questioning the legitimacy of Ouattara's claims, but Nigeria asserted its position as the core actor in peace and security questions in West Africa. Democracy promotion remains a difficult task in West Africa, but Nigeria's leadership on unconstitutional change has furnished the beginnings of a regional regime around shared democratic values.[215]

On the other hand, since the Mandela presidency, South Africa has vacillated in its attempts to promote democracy in Africa largely because of the alliances the African National Congress (ANC) forged with some ruling parties in southern Africa. Also significant, tensions in South African foreign policy between the support for democracy and human rights and its anti-imperialist and South-South inclinations have impeded consistent approaches to the pursuit of democracy abroad. This is why, while South Africa has been one of the key authors of AU provisions on democracy and governance, its record has been sullied by its intimate ties with ruling parties

Tensions in South African foreign policy between the support for democracy and human rights and its anti-imperialist and South-South inclinations have impeded consistent approaches to the pursuit of democracy abroad.

in Angola, Zimbabwe, and the monarchy in Swaziland, regimes that have made few attempts at democratization.[216]

Security and Military Collaboration with Western Powers

New security threats in Africa such as Mali, the Central Africa Republic (CAR), and ongoing concerns about the growth of terrorism prevented the disagreements stemming from NATO's intervention in Libya from getting out of hand. Mali's descent into a civil war in 2013, which threatened to dismember the country along a North-South divide, forced Nigeria to take a leading role in ECOWAS to find a solution to the conflict. Although Nigeria organized the preparations for the deployment of an ECOWAS peacekeeping force in Mali, ECOWAS conceded to a French military intervention when rebels linked to al Qaeda extremists overran government garrisons in the North. Following French intervention, ECOWAS hastily mobilized a small infantry force to complement French air raids in northern Mali. Subsequently, France lobbied the UN Security Council for a multi-dimensional, integrated UN

[215] On ECOWAS role in West Africa in general, see K. Aning, "The Neglected Economic Dimension of ECOWAS Negotiated Peace Accords," *Africa Spectrum*, 46(3), 2007, pp. 27-44.

[216] D. McKinley, "South Africa's Foreign Policy toward Zimbabwe under Mbeki," *Review of African Political Economy* 31 (100), 2004, pp. 357-364; and D. Moore, "A Decade of Disquieting Diplomacy: South Africa, Zimbabwe, and the Ideology of the National Democratic Revolution, 1999-2009," *History Compass* 8 (8), 2010, pp. 752-67.

operation to sustain the security gains made by French and African forces. Both the French foray and the deployment of UN forces helped to stabilize Mali and contributed to lessening the debilitating debates about when and how Western forces should intervene in African conflicts.[217]

Similarly, there has been a gradual transformation of African attitudes toward international interventions in the course of managing the civil war in the CAR since 2013. The CAR was plunged into conflict after rebel forces overthrew the weak government of President Francois Bozize in March 2013. South African armed forces that had been deployed to support the Bozize government suffered casualties during the conflict, igniting domestic criticisms about an opaque military adventure driven in part by rabid anti-French discourse. The government of Jacob Zuma quickly reversed course and supported stabilization initiatives of the regional organization, the Economic Community of Central African States (ECCAS), the AU, and the French government. Toward the end of 2013, as the CAR descended into further chaos, France deployed some 1,600 troops under a UN mandate to quell sectarian violence between Muslims and Christians. In both the interventions in Mali and the CAR, France obtained African and international backing via the UN Security Council.[218]

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[217] For analysis of the Mali crisis and the role of external interveners, see K. Tshabalala, "Mali's July Elections: Between Democracy and War," *Consultancy Africa Intelligence*, March 18, 2013.

[218] International Crisis Group, *The Crisis in Central Africa: Better Late Than Never*. Brussels: ICG, December 2, 2013.

South Africa and Nigeria have both been involved in Western efforts to stem the tide of terrorism in Africa. Facing the specter of a militant Islamist insurgency, the Boko Haram, in the northeast parts of the country, Nigeria has been a key player in the Trans-Sahara Counterterrorism Partnership (TSCTP), a U.S. government program involving 10 African and Maghreb countries designed to strengthen regional counterterrorism capabilities, increase cooperation among the region's security forces, prevent the spread of extremist ideologies, and reinforce bilateral military ties with the United States. South Africa was instrumental in the campaigns to prevent the stationing of the U.S. African Command (AFRICOM) on African soil in the mid-2000s. An organ of the U.S. Defense Department established to work with militaries of African countries to strengthen their defense capabilities through skills training and joint exercises, AFRICOM is still based in Stuttgart, Germany. But despite South Africa's condemnations of AFRICOM, Pretoria has engaged in various regional military programs conducted by AFRICOM, and the South African National Defence Force (SANDF) maintains bilateral relationships on military matters with the United States.[219]

Divergent Approaches to the International Order

Nigeria and South Africa share many common perspectives about the liberal international order, but these commonalities conceal variations around some substantive questions. These differences are magnified by how different actors in the international system treat South Africa and Nigeria. While they pursue similar objectives in Africa, Nigeria and South Africa have tussled for influence in Africa because of competitive historical, cultural, and geopolitical differences. In more recent years, these schisms have been widened by reports that

[219] "Africom Still Struggling to Win SA's blessing," *Mail and Guardian*, March 21, 2013, http://mg.co.za/article/2013-03-21-africom-still-struggling-to-win-south-africas-blessing; N. Kotch, "South Africa Remains Sceptical of Africom, says US general," *Mail and Guardian*, March 25, 2013, http://www.bdlive.co.za/national/2013/03/25/sa-remains-sceptical-of-africom-says-us-general.

claim that Nigeria could leapfrog South Africa to become Africa's biggest economy in the next few years.[220]

As indicated above, South Africa and Nigeria both seek a permanent seat to represent Africa on the UN Security Council, if reforms are implemented. While these differences are often muted, Nigeria has in recent years taken an open stance about its eligibility. At the UN General Assembly meeting in October 2013, Nigeria was reelected to one of the non-permanent African seats on the UN Security for the 2014/2015 period, the fourth time since its independence in 1960, a move interpreted as a preliminary step toward claiming one of Africa's permanent seats. Nigeria and South Africa have also differed over French influence in West Africa, with Abuja reluctant to criticise French intervention in Mali and Côte d'Ivoire. Nigeria was one of the first African countries to recognize the National Transitional Council (NTC) in Libya at a time when South Africa opposed UN Security Council efforts to unfreeze $1.5 billion in Libyan money to assist with reconstruction. Furthermore, South Africa tried to deny recognition to the NTC on the grounds that the new government had violated the AU's doctrine of unconstitutional change of government. South Africa changed course in September 2011 only after several African countries recognized the NTC.

In most of the 2000s, South Africa and Nigeria participated in the G8 summits, but South Africa is the only African country represented in the G20, a group of advanced and emerging economies that has increasing taken a visible role on international economic issues. At successive G20 summits since 2008, Nigeria was not invited because of widespread perceptions of its political and economic instability. In April 2009 when the G20 took place in London and Nigeria was not invited, then President Umaru Musa Yar'Adua openly complained about marginalization of one of Africa's leading economies. In the run-up to the

At successive G20 summits since 2008, Nigeria was not invited because of widespread perceptions of its political and economic instability.

Seoul G20 summit in 2011, President Goodluck Jonathan also complained about Nigeria being left out. But Nigeria's efforts to address structural economic and political imbalances have boosted its chances of admission into the G20. When Goldman Sachs and other international rating agencies recently predicted that Nigeria's economy will overtake South Africa, Nigeria announced its readiness to join the G20 by 2020. In one of the most recent reports, a South African economic analyst was quoted as claiming that: "At its current economic pace, Nigeria could replace South Africa in the G20 countries within nine years. It is entirely feasible that, by then, Nigeria's economy will have overtaken South Africa's, making it eligible for G20 membership, possibly at the expense of South Africa."[221]

Irrespective of the competition between South Africa and Nigeria in Africa and beyond, there is recognition that a functional relationship is critical to the advancement of African interests in the global arena. Since the late 1990s, therefore, the coalescence around reinvigorating an African global agenda has pulled both states together in common positions even as they have diverged on bilateral and continental issues. Furthermore, South Africa and Nigeria have learnt that effective leadership on African issues can only be exercised when they draw from the perspectives of broad coalitions of African and international actors.

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[220] In April 2014, as this publication went to press, Nigeria did indeed leapfrog South Africa through a long overdue rebasing of the way it measured its economy, which produced a 89 percent increase in its GDP. *The Economist,* "Africa's New Number One," April 12, 2014.

[221] "Nigeria to Replace South Africa in G20 as Economy Grows," *Business Report,* September 12, 2013, http://www.informationng.com/2013/09/nigeria-to-replace-south-africa-in-g20-aseconomy-grows.html.

Conclusion

Liberal international norms have been forged primarily in the context of asymmetrical power relations between Africa and major powers in the international community. While cognizant of this asymmetry, South Africa and Nigeria have, to a large extent, bought into basic parameters of these norms, exploiting the opportunities of international generosity to fortify their positions in world affairs. International actors have provided economic assistance, trade, and market opportunities as well as peacekeeping and post-conflict reconstruction resources that have benefited Africa. Alliance obligations in Africa have also forced South Africa and Nigeria to contest some of the values and principles of the liberal international order. As middle powers, they celebrate the liberal international order when it affords vistas to gain influence and contribute to making the rules that strengthen the international system, but they also contest some of these rules when they interfere with the search for leadership in Africa. As both status quo and anti-status quo players, South Africa and Nigeria have straddled these roles successfully, managing to speak to multiple actors and constituencies without appreciable harm to their reputation and standing. Ultimately, consistent and uniform application of international norms may be one way of improving their broad acceptance among African states. When, however, major players cherry-pick the values that suit their strategic and political objectives, African actors are accorded room to challenge their legitimacy.

Nine

China and the International "Liberal" (Western) Order

Lanxin Xiang

Photo: "A Mandarin Receiving an Embassy of European Diplomats at his Court." Zhou Pei Chun, circa 1860. © Christie's Images/Corbis

*A*lmost any form of order may seem attractive to people engulfed by anarchy, whether it stems from warfare, crimes, or moral disorientation. The Chinese are no exception. But the Chinese vision of an ordered society always requires moral commitments from its members. This is the area where the current international liberal order has gone astray. This chapter focuses on a broad conceptual framework and not a detailed discussion of Chinese policy choices. It is the contention of the author that, to understand Chinese foreign relations, one must first of all understand its leadership's thought pattern and cognitive framework.

Most current discussions in the West about the "Rise of China" are flawed, for they tend to focus on how much China would be willing to "accommodate" in the existing international order. The underlining assumption is that the undemocratic Chinese regime lacks legitimacy, and that the international liberal order can help change the nature of the regime and save its repressed people. Consequently, two "inevitability" theories prevail. On one end of the spectrum is the theory of the inevitability of China's integration into the liberal world order, which assumes that China will eventually be brought into this order through the process of globalization. Democratization is considered a global and unstoppable trend, while economically China will develop sufficient stakes in maintaining the liberal order from which it has benefited a great deal. On the other end, there is the theory of the inevitability of

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China posing destructive challenges to the existing international order. This theory, often articulated by neoconservatives, assumes that China will behave like all leading destructive powers in history, inevitably attempting a global power grab by altering the rules of the game of existing international order to enhance its political legitimacy. For the former theory, a most popular expression is "responsible stakeholder."[222] For the latter, an A.J.P. Taylor scenario of a "struggle for mastery"[223] is one favorite, while the "Wilhelmine Germany" analogy is even more popular.[224]

The basic argument in this chapter is that China will not go down either road suggested above. It has no fundamental reasons to destroy the current international order, but would certainly be prepared to alter some rules of the game according to Chinese tradition, culture, and national interest. This thinking is not so much based on confidence in China continuing to free-ride the existing order toward prosperity and superpower status, but on China's civilizational (rather than nation-state) political culture, which stresses moral dimensions in domestic as well as international governance. In this context, China is prepared for an ideological battle with the West, but unlike a Cold War, it will not be launched as a battle of good versus evil, but as a serious cultural debate.

Resuming the Original Debate

China recently proposed, in the meeting between President Xi Jinping and U.S. President Barack Obama at the Sunnylands estate in California, a "New Type of Great Power Relations," requiring three conditions: avoidance of conflict, cooperation in global governance, and mutual respect for each

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[222] As exemplified by then-U.S. Deputy Secretary of State Robert Zoellick's 2005 speech to the National Committee on U.S. China Relations. R. Zoellick, "Whither China? From Membership to Responsibility," (September 21, 2005), http://2001-2009.state.gov/s/d/former/zoellick/rem/53682.htm.

[223] A. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia* (2010).

[224] Made by Paul Wolfowitz and other neoconservatives in the late 1990s. For a major critique of the analogy, see L. Xiang, "Washington's Misguided China Policy," *Survival* 43:3 (2001), also David Shambaugh's response to this critique, "China or America: Which Is the Revisionist Power?" in the same edition.

other's internal systems. This idea does not go very far with the United States, precisely because of the question of political legitimacy. Therefore, what China wants now is an offer of cultural compromise from the West. To obtain this, China prefers to return to the cultural dialogue with the European Renaissance humanism, a dialogue that was broken off by the Enlightenment. From a historical perspective, this is not an unreasonable demand. Will the contemporary West be willing to take such a historic step? Fortunately, this is not the first time the West had faced the question of cultural compromise. The Jesuit missionaries did it some 400 years ago, based on a distinct Catholic approach of *accommodatio*. To start the process of historic compromise between the West and China, both sides need to revisit their earlier encounters in order to see what has gone wrong since then. We must above all deconstruct many conceptual myths created by the European Enlightenment since the 18ᵗʰ century.

The first Western debate about the Chinese political system, known as the Chinese Rites Controversy,[225] took place in the mid-17ᵗʰ century. Since democratic ideology had not yet become a rhetorical tool in Europe at that time, whether the Chinese state was legitimate or not was never a relevant question. But the gradual Western dominance of the wider world beyond Europe since the 18ᵗʰ century has created a hegemony of Western thought, both explicit and hidden. Pre-modern Europe's rich interactions with the non-Western world are deliberately ignored by post-Enlightenment historians.[226] Disdain for the backward traditionalisms of non-Western societies resulted in a new ethnocentric orthodoxy of

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[225] The Chinese Rites Controversy (1645-1742) was a bitter dispute within the Catholic Church over a fundamental question brought about by the Jesuit missionaries in China: whether or not Chinese can become Christians and at the same time be allowed to maintain their cultural tradition in daily ceremonies, such as ancestor worship and prayer at Confucian temples. The Jesuits believed in accommodation, but most others disagreed. After a century of debate, which was entwined with Church politics, the Vatican decided against the Jesuits in a papal bull in 1742.

[226] The leading Enlightenment scholars, such as Ernst Cassirer and Peter Gay, focused entirely on Europe, giving no reference to Confucius and China at all. This reflects the fact that the essence of Enlightenment was Eurocentric, and *philosophes* scholars never made real efforts to understand China, for they simply used China to support their cultural and political agenda.

What China wants now is an offer of cultural compromise from the West.

"progress" and "civilization," which justified colonial domination of all those non-Western "peoples without history." Yet this orthodoxy obscured the relative position of the West itself during the tumultuous centuries of fighting for a position as a leading "emerging power" on the global stage. During that era, its interactions with the non-West were characterized by competition rather than domination, accommodation rather than rejection, and negotiation rather than hegemony.

It was into this historical and political background that the Society of Jesus was born. Yet as they began interacting with the alternative cultural traditions of the non-West, the Jesuits recognized the vast potential for expanding the Christian community. Through a process of learning the customs, languages, and thought-patterns of their targeted societies, the Jesuits attempted to restructure the Christian order according to the existing local systems. Finally unified under the general label *accommodatio*, the approach served to encourage a rapid expansion of the world of Christianity. The Jesuits discovered with great delight in late 16ᵗʰ century the Chinese "mystery of statecraft" (*arcana imperii*), which, in sharp contrast to European monarchies at the time, legitimized the state through a constant moral adjustment by the ruler and the ruled to nature and the world unknown (the Heaven), hence the concept of Mandate of Heaven.[227]

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[227] The Mandate of Heaven (*Tian Ming*) is a key political term for legitimacy. It has nothing to do with "empire." Most Western scholars call this an "imperial" concept, but this has been a Western invention, i.e., a space-based or territorially defined concept, while the Chinese concept is purely moral one. In fact, the concept of "empire" never existed in the Chinese language until Japan, the first Westernized country in Asia, invented it by using two Chinese characters, di (帝, emperor) and guo（国, state）to create the term, *tigoku* in Japanese. So this is clearly a long-established misunderstanding of the Mandate of Heaven in the West.

Unfortunately, the Chinese Rites Controversy was soon launched by some European Christian missionaries in China to discredit the Jesuits, and to put an end to the accommodation approach. Supported by French kings and conservative theologians all over Europe, the defeat of the Jesuits on this issue was a defining event in the history of the Western relationship with China. The debacle of the Jesuits and the consequences of the controversy not only endangered the existence of Catholicism in China, but also planted the seeds of fundamental misunderstanding of China in the West after the 17th century.

Since this event is largely forgotten today, it is hard for us in the 21st century to understand the extraordinary vehemence and bitterness surrounding this theological controversy between China and the Christian world. It was a debate over what were regarded as "spiritual" (today's equivalent to ideological) matters in China, such as rituals of worship and ceremonies. Although started as a theological debate, it would turn out to be not just a matter for churchmen and ecclesiastical politicians. It involved three popes, two Chinese emperors, hundreds of Christian missionaries, and the entire theologian faculty at the Sorbonne, the intellectual center of the Counter-Reformation. It engaged philosophers and scholars in various fields throughout Europe, including the best intellectual minds of the time. The leading thinkers such as Leibniz, Kant, Goethe, Rousseau, Voltaire, and Montesquieu and the pioneering political economists such as Francois Quesnay and Adam Smith were deeply involved.

Politically, the Jesuits and their immediate followers, the secular humanists during the early Enlightenment, chose China and Confucianism as their "Other," an inverse mirror to contrast with the brutal, feudal, and morally corrupt social and political systems in Europe. But as the Rites Controversy was taken over by Church politics at the second half of the 18th century, the prevailing Enlightenment ideology at this stage was turning strongly against the "Chinese Model." Of course, in the 17th century, the Jesuit missionaries had not yet acquired an overwhelming sense of cultural

(and racial) superiority over the culture and the people of China, an attitude that it was to be widely adopted in the later Enlightenment period of the 18th century. Chinese were not termed "yellow" until two centuries later. Nevertheless, the Rites Controversy was never intended as a debate about Chinese state's legitimacy, for there was no real "raison d'état" issue for the Vatican to deal with. The European Enlightenment, however, managed to delegitimize Chinese political legitimacy from a different and more sinister perspective.

Thus, from the mid-17th century to present day, there remain three images of China created by Enlightenment scholars: first, the Jesuit image of a pagan but essentially benign China whose value system, despite an "unrevealed" natural theology of monotheism, was morally akin to the tenets of Christianity. This image was also supported by scholars such as Leibniz, Christian Wolff, Goethe, Voltaire, Rousseau, and many others. Second, the Rococo image of the exotic China, reflected mainly in arts and architecture. And third, the later *philosophe* image of corrupt despotism, represented especially by Baron Montesquieu.

The shifting images of China were, of course, determined by political expediencies in Europe and had nothing to do with China's reality. The early Enlightenment thinkers still considered China to be a crucial debating asset in their ideological battles, for they needed China as a rhetorical weapon against their own feudal societies. But as the new bourgeois ideology was winning the day in Europe, the later Enlightenment intellectuals began to see China as a rhetorical liability, for it challenged their project of inventing a new set of ideological

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concepts taken to be uniquely European but at the same time needing universal applications.

The Jesuits as genuine cultural interlocutors were driven off the debating stage, hence serious cultural dialogue between China and Europe was broken off. Moreover, economic interests thrust themselves almost exclusively to the foreground. Continental Europe lagged behind Britain in the Industrial Revolution and from Britain came a crushing condemnation of Chinese culture by the so-called "utilitarians." The British influence led to the highly condensed idea of China as a first-rate world market, and *nothing else*, and this became the sole preoccupation of the much public opinion in Europe. Serious studies of Chinese philosophy, language, and history gave way to "encyclopedic" manuals about the natural resources, population, climate, agriculture, and husbandry of that country. As British "utilitarianism" began to prevail, serious intellectual inquiry about China ebbed.

The British influence led to the highly condensed idea of China as a first-rate world market, and nothing else*.*

Gone were the chances of restoring Catholic universalism; a niche for an alternative universalism appeared. Just as the well-ordered Renaissance Florence provided the perfect conditions for a modern political thinker to emerge — as J.G.A. Pocock called it, "the Machiavellian Moment" — the chaotic political conditions caused by the religious civil wars gave rise to an urge for a new and unifying universalism, which led Baron Montesquieu (1689-1755) to create a new, "Gothic," and Eurocentric political theology. Montesquieu is well known for inspiring the U.S. constitutionalism with his theory of "three governments." Thanks to him, it has now been generally established in the West that divisions of power allow the best form of governance.

In his many writings, Montesquieu specifically attacked the idol of the earlier Enlightenment thinkers, the Chinese system of internal governance. His *The Spirit of the Laws* (1748) articulated a political critique on China that was hugely influential in Europe's reversal in its assessment of China during the second half of the 18th century, and that guided German philosophers such as Herder and Hegel in their writings on the Middle Kingdom.

Montesquieu derived China's alleged despotism from shaky "scientific" evidence, such as its agrarian, economic, and demographic conditions. High population density requires incessant labor to produce the requisite amounts of food. This task demands the full attention of the government. The rulers ensure that anyone can work without worrying about being cheated out of rewards. Thus, China's government is more of a "domestic" than a "civil" sort, despotism is therefore the inevitable result. Montesquieu concluded that Confucian ethics is vastly inferior to, and cannot even be compared with, European ethics. This superficial critique of the Chinese vision of politics would not have had much chance to take off but for another historic development. The Montesquieuian Moment came at the perfect time when the European world of politics began to be analyzed in modern "scientific" terms, especially the spatial and mechanical conception of the "divisions of the power." At the same time, human history was increasingly interpreted in biological terms. This "scientific turn" on race and politics altered the nature of political discourse, infusing it with pseudoscience. By the middle of the 18th century, racialist arguments were creating an extremely negative assessment of the Chinese people and their culture. China's new image of political despotism, moral inferiority, and economic stagnation (such as described vividly in Adam Smith's *Wealth of Nations)* was built upon a new foundation of the white man's superiority.

Not surprisingly, Montesquieu was among the first Enlightenment scholars who started the tradition of dividing humans into different "races." Michael Keevak, in his recent book, *Becoming Yellow: A*

Short History of Racial Thinking,[228] explored how Western thinking about the East Asian race evolved from considering them to be honorarily "white" to benign "yellow," then nasty "yellow," and finally a frightening "Yellow Peril." In the beginning of the European "age of exploration," East Asian peoples were almost uniformly described as white. Through this positive description, the wealth and sophistication of the East Asians were explained and they were assumed to be the best candidates for Christianization. According to Keevak, "yellow" was invented in the 18th century to support "scientifically validated prejudices and normative claims about higher and lower forms of human culture." Chinese and Japanese were not only termed "yellow," but were later on also turned into an "inferior" category of *Homo sapiens* called the "Mongolian race." Hence the Europeans started to lump together the nomadic Mongolian culture with agricultural civilization of the Middle Kingdom.[229]

Since then, European history has been taken as world history, thanks to the grand narratives of Hegel. Consequently, the Enlightenment scholars had intended and succeeded in searching for an ultimate and "best" political system, as well as a solution to the perennial conceptual and practical problem of Church-State relations, by creating a new political theology to coexist peacefully with Christian theology, and to impose a new universalism by repressing and excluding all types of political culture different from their own.

Legitimacy at Home and Abroad

Montesquieu never understood, as many Jesuit missionaries did, the logic of Chinese politics, which cannot be defined by those compartmentalized spatial concepts of constitutionalism. To use a current expression by the Chinese, Chinese politics is always based on "deeds legitimacy" (*Zhengji hefahua,* 政绩合法化), legitimacy based on what a government actually accomplishes, rather than "procedural legitimacy" (*Chengxu hefahua,* 程序合法化). China

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[228] M. Keevak, *Becoming Yellow: A Short History of Racial Thinking,* (Princeton: Princeton University Press, 2011).

[229] Ibid., pp. 76-78

Chinese politics is always based on "deeds legitimacy" rather than "procedural legitimacy."

is a civilization in its own right, so it is unlikely that China will behave in the 21st century world on Western terms without itself contributing to the meaning and context of legitimacy.

Throughout Chinese history, there has been but one consistent definition of politics, *Zheng* (政), which originally means "govern effectively by proper behavior."[230] It has two extended meanings. On the one hand, it is functionally equivalent to "governing." On the other, it means "righteous human act." Hence an interdependent relationship between humanity and politics was established from the very beginning. *Zheng* is not only to govern, but also to "govern properly according to existing moral standard." All other definitions Confucius offered are centered around the same thought. For example, in *Analects* 2.2.1, "The master said, 'Governing with virtue can be compared to being the North Star: the North Star dwells in its place, and all the multitude of stars pay it tribute.'"[231] Since personal character is the sole criterion for judging good or bad governance, the Chinese concept of politics is an integration of infinite space and time, "heaven and the earth," hence the logic of the Mandate of Heaven.

The functional aspects of government administration were not politics, but statecraft (*zhi,* 治), which is related to the traditional Chinese medical concept of "healing," a word itself deriving from the concept of effective flood control, implying that the best statecraft should follow the

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[230] Confucius, *Analects* 12:12, "*Zheng zhe zheng ye* (governing effectively is doing what is proper, if you lead by doing what is proper, who would dare do otherwise?)." R. Ames and H. Rosemont Jr. translation, (Ballantine Books: New York, 1998). Throughout this study, I use their translation, which I considered the best and most accurate.

[231] Confucius, *Analects*.

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society's natural disposition, with no need for over-governing (*laissez-faire*). The Taoist thinking is similar, as Master Lao Zi famously said, "Governing a big country is like cooking a small fish," one should never overdo it.[232] The fact that Chinese political thought could never reach an abstract or metaphysical level has turned out to be an advantage over cultures with strong metaphysical political theories in maintaining political order and stability and promoting economic development through a *laissez-faire* approach for many centuries.

A question that has caught imaginations of many intellectuals both in China and the West is "why did the industrial revolution not take place in China"? This issue was first raised by Max Weber, the German sociologist, but was popularized by an English scholar on Chinese science and technology, Joseph Needham; it is thus labeled the "Needham Puzzle." There are many theories that attempted to answer this question. These theories asserted either there was a lack of cultural roots for modern industrialism and capitalism (Weber), or that technical progress only results from large disequilibrium between supply and demand in the economy (Mark Elvin).

This question ultimately concerns the vision of state. The traditional Chinese view of the state was anti-Industrial Revolution, and especially anti-mechanized mass production. The Confucian tradition stresses moral adjustment to the world, but never rational domination of the world, which is the "utilitarian" rationale for an industrial revolution. One traditional Chinese vision of politics is that every political system acquires its own legitimacy only through a constant legitimating process based on moral adjustment to the society and nature in order to reach and maintain consensus and cooperation.

Industrialization is a critical modern element that justifies and sustains a state's political legitimacy. However, nowhere other than in the economic arena can the Enlightenment orthodoxy of universal principles be readily applied. In this area, however, genuine conversation between the West

and China hardly exists, because the West has been absolutely confident about its possession of the ultimate "truth" in economic development, which has allegedly been denied to the rest of the world.

Chinese economic performance over the past decades challenges the prevailing perspective on the modern history of economic development, which is essentially sustained by the Enlightenment ideology and democratic theories of politics. Economic liberalism was after all a most representative product of the Enlightenment in its emphasis on universal laws governing the economy and affirmation of self-interest. It has long been a dominant theme in the West that economic prosperity is the foundation for political legitimacy, but sustained economic development can only take place in the Judeo-Christian cultural context that has created modern democratic societies.

Such arguments opened the door for a general theory of economic "backwardness" to expand and acquire new features, for it could be located in the context of geography, culture, and even race. During the 20th century, "backwardness" and "progress" became two opposing philosophical propositions on economic development. Europe represented a "forward-looking," hence "progressive," civilization, while China became the quintessential model of a "backward-looking" society and static economy. But China's developmental performance in the three past decades surprises even the most hardened Weberian theorists, and raises serious questions about this Euro-centric modernization theory in its entirety. OECD economic historian Angus Maddison has produced a well-established statistical study about the world economy over a millennium, and it indicates that as late as

As late as the 1820s, the Chinese economy remained the largest single economy in the world.

232 Lao Zi, *Tao Te Jing*.

the 1820s, the Chinese economy remained the largest single economy in the world, even though international trade was never a crucial element for this economy until the 21st century.[233] So the conception of China as a "backward" economic model was a 20th century invention out of imagined Western cultural and racial superiority rather than historical reality.

Since political legitimacy at home and abroad is the center of policy concern in China, the successful economic development model which is based on export-led growth helps solidify the sustained legitimacy of the Communist Party to rule. But apart from the familiar story of the Chinese miracle through international trade, an often-neglected question is how political legitimacy relates to income distribution at home.

Huge gaps in income distribution are considered one of the biggest threats to the Mandate of Heaven. Throughout the history of peasant revolutions, demand for "income equality" (*jun pin fu,* 均贫富) had been the most effective rallying call. Today's China is facing the biggest challenge to the regime's legitimacy in the history of the People's Republic, despite strong economic growth that has had enormous wealth-creation effects, because of a widening income gap. According to the most recent statistics, the "Gini coefficient" in China has reached 0.61,[234] well above the danger zone for social stability of 0.45.

Huge gaps in income distribution are considered one of the biggest threats to the Mandate of Heaven.

The Chinese leadership has so far failed in addressing this question effectively, for the problem is deeply rooted in China's political system. Everyone in China knows that the primary driver for income inequality is political power play, rather than market forces. The Communist Party's legitimacy is challenged by a consensus among the population that the party is neither Marxist nor capitalist, and at the same time, its moral standard is against the Confucian value system. Thus its Mandate of Heaven has been severely damaged. Therefore, the unjustifiable gap of income in a socialist society like China can actually be best explained by the combined moral philosophy of Confucius and Marx.

Does the new leadership see the writing on the wall? Fortunately it does. What is the key driving factor behind the widening income gap? The short answer, by the Confucian standard, is the moral decay of the ruling elite, whose appetite for wealth accumulation knows no bounds and legal limits. If we dissect the decision-making system in China today, we can easily find answers to the income gap question. It is the high concentration of power that has created the problem. Power monopoly not only creates mass wealth transfer to a tiny section of the society, but also leads toward a vicious cycle of what is known as the "Mathew Effect" — the rich get richer and the poor get poorer. No political system, especially a self-claimed "socialist" one, can withstand the social pressure that is continuously generated by the Mathew Effect.

Thus the recent structural reform plans of Chinese economy cannot be explained by seeking economic efficiency alone, for they have to be designed to tackle the roots of the legitimacy problem — state monopoly, as indicated by the Third Party Plenum. Three interrelated state power monopolies — administrative power, land ownership, and resource ownership — make it well-nigh impossible for the system to eliminate this problem. All three reinforce each other, creating one of largest-scale wealth transfer schemes in modern Chinese history.

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[233] See A. Maddison, *Chinese Economic Performance in the Long Run, 960-2030 AD,* OECD (2007) p. 44.

[234] "China's Family Income Gini Index Reaches 0.61," see official report at *Global Times* (December 10, 2012). http://finance.huanqiu.com/china/2012-12/3361155.html.

External Legitimacy: Between Rome and Byzantium

From the perspective of international politics, the current Western rhetoric on legitimacy has been the continuation of the Enlightenment battle of ideas that had reached its peak during the Cold War. Indeed, from the Chinese perspective, the Cold War may be viewed as a second "religious" civil war within the West. Just as the European Renaissance paved the way for the first religious civil war that split Christianity in the 16th century, so did the secular movement of the European Enlightenment prepare the ground for the second religious or ideological schism during the 19th and the 20th centuries, culminating in the Cold War.

A common feature of religious civil wars is the deliberate exclusion of a moral basis from international politics and the attempt to re-establish supra-sectarian order through languages most familiar in theological debates, that is to say, concepts that have "timeless" or universal value. Of course, due to its heavily militarized nature, the Cold War appears to have been less theological and metaphysical than the battle over Reformation and Counter-Reformation was. During the first religious civil war, there existed no perpetual military stalemate characterized by a nuclear "balance of terror."

Nevertheless, the first religious civil war in early modern Europe resulted in the orthodoxy of political absolutism, while leaving ecclesiastical matters to the sovereign states. In the second

As liberal democracy had seemingly acquired a permanent divine status, it was said to represent the highest stage of political development of human society.

religious civil war, the Cold War, the Western "victory" in early 1990s produced the orthodoxy of liberal democracy combined with neoliberal economics. As liberal democracy had seemingly acquired a permanent divine status during this period, it was said to represent the highest stage of political development of human society, or in the words of the most famous post-Cold War "metaphysician," Francis Fukuyama, "the end of history."[235]

To China, today's international liberal order appears to be maintained by two "Wests," instead of one. One is a complicated, rites-binding, pacifist, and stability-oriented "Byzantium" — represented by the European Union — and the other is an aggressive, ambitious, self-righteous, and highly militarized "Rome" — the United States. Politically, China's relationship with the United States has to be a bumpy one, as Washington, like the archenemies of the Jesuits during the Rites Controversy, offers little hope for *accommodatio*, and this attitude is naturally strengthened by the historical legacy that the United States is the true heir of the Enlightenment.

The Chinese never believed that a state's political legitimacy could be enhanced through expanding the Mandate of Heaven in an outer cultural sphere. Confucian culture stresses endogenous factors for the rise and decay of a state system, based on moral standard. Foreign adventure and territorial expansion for resettlement purposes had never occurred to Chinese rulers as an effective medicine to cure immanent moral illness that gives rise to political chaos at home. This attitude contrasts sharply with the persistent missionary zeal in America for "spiritual" or ideological promotion (today it is called democratic promotion), with force if necessary, in foreign lands. Moreover, while the U.S. outlook on world order usually assumes order to be the opposite of chaos, the Confucian conception contrasts chaos with harmony. Naturally, the Western paradigm is always obsessed

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[235] In fact, any claim of political superiority would show how close the claim of "value-freedom" is to a contradiction in terms. Sir Geoffrey Lloyd of Cambridge University pointed this out brilliantly to me in his response to my draft speech at the Library of Congress in July 2004.

with order defined by changing international power distribution, hence the need for establishing and maintaining a kind of mechanical power structure in order to keep stability, defined either by hegemony or "balance of power."

The Chinese tradition stresses that good government does not merely mean harmonization of diverse interests in society. Rather, it also involves the proper cultivation of a select group of individuals endowed with both moral strength and political power. This way of depicting the process of domestic rule and global governance leads inevitably to competing interpretations of the "moral center."

In the Chinese conception, the permanent existence of hegemonic power in any international system cannot be sustained, nor is it desirable, as the hegemon will inevitably start to misbehave morally (government overspending, for example). Immediately after the Cold War, Western commentators were obsessed with the question of how far Western ideas could spread in a world at "the end of history."[236] Twenty years later, the attention has shifted to how far Chinese ideas will spread in a world not dominated by the West. The prominence of China as an international actor begins to challenge the Western conventional explanations and understanding of legitimacy and world politics and ultimately the ways in which global human relations are organized.

Viewed from any perspective, Beijing's external policies have raised the specter of a meaningful

Beijing's external policies have raised the specter of a meaningful alternative to Western models of international order, for the first time in three centuries.

236 The most well-known triumphalist is Francis Fukuyama.

alternative to Western models of international order, for the first time in three centuries. But the Western debates are still confined to the question of whether China will *comply* with established (Western) rules of the international system. This encounters at least two cognitive problems. The first problem is the intellectual habit, both in moral and practical sense, of applying Western standards for assessing the "proper" international behavior of a non-Western actor. Here the insurmountable difficulty is for the West to recognize the legitimacy of any alternative model of conducting global affairs based on an entirely different system of domestic governance.

Another cognitive problem is the lack of analytic tools or indeed the right language to explain this new development in the international order as a result of China's "rise." To begin with, China does not consider itself to be on the "rise," but in a historic process of national "restoration" (民族复兴). That means, as Henry Kissinger stated in his recent book *On China*, "the Chinese DNA has reasserted itself," which explains why so much interest has been accorded to Beijing's foreign policies. To begin to understand China in the international system of the 21st century, one has to start, as the Jesuit missionaries did in the late 16th century, with learning about the Chinese DNA and its link to foreign policy.

The cognitive challenges to the analysis of China's foreign relations have left Western observers frustrated and they have to elicit allegories of animals to help interpret China's external behavior. In the Unites States, with policymakers divided over the best approach to exercise external control over and influence on Chinese foreign behavior, pro-Beijing policymakers are labeled "Panda Huggers," while those opposing China's policies are known as "Dragon Slayers." But the question remains: do these allegorical images clarify or obfuscate the understanding of China's foreign relations? One possible response is that such animal allegories confirm that thinking about Chinese foreign policy seems to gravitate easily toward the realms of fiction and fantasy. Nevertheless, the anti-hegemonic Chinese DNA will inevitably pit Beijing

against the United States, the self-claimed "only indispensable superpower."

With Europe, the new and benign "Byzantium," there exists a real trend of China-EU cultural convergence. The EU and China are rapidly moving closer in their views on domestic as well as global governance. On surface, the picture looks different, with a democratic Europe and an authoritarian China having apparently very little in common. But we are witnessing a historic opportunity for Europe and China to come together on the third try. Lacking a cultural sense of equality, the results of the first two encounters were not balanced. Pioneered by the Jesuit missionaries, the first encounter during the 16th and 17th centuries was characteristic of a unilateral passion on the part of Europe. However, the Chinese side remained indifferent to Europe's achievements, and considered Europe a Barbarian land. The second encounter, in the mid-19th century, was also a one-sided affair. Ironically, the British were perceived to have "opened" a China that was in fact an original "globalizer" in trade, which long ago had created the first "world market" via the so-called Silk Road. But the violent means used by Britain swept away the value system the Chinese had been holding for centuries. The brutal Western shock no doubt forced China to define itself in the context of an unfamiliar world of Western order. What we are seeing today is the third encounter, with Europe and China once again finding themselves in a position of redefining their relations. This time, they are better prepared intellectually for a genuine understanding.

The Sino-EU convergence is also reflected in three practical dimensions. First, both Europe and China reject the traditional Eurocentric view of human

The EU and China are rapidly moving closer in their views on domestic as well as global governance.

history, which sustains the myth that Europe's achievements derived from its cultural originality, technical innovation, and free human spirit. Second, China shares the EU view about the need for a multipolar international order. The EU is the first multinational political entity that has moved beyond the age-old logic of balance of power and hegemony. This is compatible with the Chinese call for "democratization of international relations" (*Guoji Guanxi Mingzhuhua*). Third, there is simply no strong cultural conflict between the two. Moreover, the traditional Yellow Peril sentiment in Europe has never run very deep. Throughout the history of Christian Europe, China has never played the role as Europe's bogey "Other." The chosen enemy was global Islam in the process of defining Europe's own identity. The Chinese have been, at the worst, harmless and convertible "Pagans," but never the "Infidels."

The last but even more fundamental element is the absence of EU-Chinese geostrategic rivalry. Hence, Europe and China are rapidly converging in their views about global governance as well as international security. The EU, unlike the United States, has become a genuinely secular, but humane society, whose governing principle is similar to Chinese political philosophy in more ways than many European elite believe. Unlike the United States, Europe seems willing to abandon a theological debate with China over the abstract conception of democracy. European social democracy, which is highly attractive in China, tends to produce more harmonious society than the *laissez-faire* United States ever could.

The Europeans, like the Chinese, are by no means allergic or oblivious to the use of force, they simply want to reduce the role of using force in international affairs. More importantly, when force is necessary, it must be used with the consent of the international community at large. The Sino-European preference for moral authority in using force should not be confused with universal pacifism. Neither China nor the EU holds a typical pacifist view that rejects the use of force under any circumstances. Undoubtedly, the body that best represents the moral authority of the international

community has so far been the United Nations. Therefore, the EU and China share a common interest in upholding UN authority when force must be used in settling international disputes. Multilateral diplomacy is logically considered the foundation for seeking international consensus. Europe and China seem to be on their way to understanding each other for the first time, and at an ideological level that cannot — one might add, counter-intuitively — be matched by either transatlantic ties or Sino-U.S. relations.

Today, the EU and China have already become the key pillars of the international system. They will not place their trust and security in any residual unipolar system. It is the fear of *Pax Americana,* in its recent highly militarized "pivot to Asia" form, that compels Beijing to pay close attention to the difference between *Pax Bruxelliana* and *Pax Americana.*

The concept of the "West" has had a much shorter history than most people think. After all, the rise of Christian Europe has merely been over 500 years, a time span that is too short to set an irreversible historical trend. The "West" may have won the Cold War, but the political dividend accrued from the ideological victory is fast disappearing. China was neither on the losing nor winning side of the Cold War. This provides China with a window of opportunity to achieve its own objectives.

Conclusion

The policy implication for the West is, therefore, instead of encouraging and forging conditions for China's Westernization, the Western world should seek ways to accommodate key dimensions of China's traditional, non-expansionist political culture. When it begins with the assumption that China is an illegitimate state, the West cannot engage China seriously, nor can it encourage China to remain psychologically secure and peaceful on the road of "national restoration" (Xi Jinping). It would be a miscalculation for the West to remain obsessed with China's "rise," with a nightmare scenario based on parochial vision of the "rise and fall" of great powers, and to devise ways to contain

When it begins with the assumption that China is an illegitimate state, the West cannot engage China seriously, nor can it encourage China to remain psychologically secure and peaceful on the road of "national restoration."

this rise. Additionally, is totally unrealistic to expect China to stay at the receiving end of a West-dominated international order, without making its own contributions to improve the rules of the game.

Ironically, the chance of conflict with the West is higher when China's traditional outlook is fully "Westernized." Democracy has never prevented territorial expansion of states (the young U.S. republic is a typical example). A Westernized China with an active territorial agenda would surely come into conflict with the United States for geopolitical reasons, but it will be unlikely clash with EU on any geostrategic terms.

China will not abandon the existing order, for it has been successfully free-riding it, even though many painful adjustments and accommodations have been made to the system. But China's priority is to strive for international recognition of an alternative governance model through its cultural restoration. In this sense, it will continue to resist any infringement upon national sovereignty in the name of universal values. A new ideological debate over what it perceives to be the Western double-standard against the rights of nation states has already been started in China and it will be a defining Chinese theme for years to come.

At the global level, China will move much closer to the EU in matters of global governance, including

the legitimate right to use force under the auspices of global institutions such as the UN and other multilateral mechanisms. Its relationship with the United States is bound to be downgraded gradually, and the future priority will be given to crisis management and economic ties. At the same time, it will strive for reducing the monopolized position of the U.S. dollar, either through setting up parallel institutions for currency swaps or free trade agreements with as many countries as possible.

Finally, China has to improve relations with neighboring countries. The new leadership has for the first time realized the problem of neglecting the peripheral region and shifted toward a serious regional approach to enhance multilateral cooperation and delink local matters from great power competition. Strengthening ASEAN, SCO, and other regional organizations in the making remains a top priority for Beijing in pursuing its new regional strategy.

The new Chinese leadership has for the first time realized the problem of neglecting the peripheral region.

We started our discussion about the popes in the 17th century, and it is appropriate that we end this story with a pope of the 20th and 21st century, the late John Paul II. While the mainstream debate in the West seems to have missed the point about China's latest efforts in cultural and physical restoration, and Western politicians still remain reluctant to abandon the Enlightenment values in dealing with a "rising" China, the Catholic Church, the pioneer in the first contact with China, appears to be the only Western player able to grasp the meaning of China's "re-rise" or restoration. The Vatican is knowledgeable and experienced in global

politics and diplomacy, with a long-term vision that usually sets itself far apart from the ephemeral and short-sighted vision of national governments. Pope John Paul II made a significant decision to offer a public apology to China for a "certain part" of the Church's role in China's history in dealing with West, for any "errors" made by Church missionaries in the past. Most significantly, the Pope made his apology in a speech on October 24, 2001 to an international convention at the Gregorian University in Rome, which was being held to commemorate the arrival in China of a Jesuit missionary, Father Matteo Ricci, more than 400 years before.

Pope John Paul II's speech of should have had a major impact on the world. But unfortunately, the secular Western world today pays scant attention to the profound historical visions of the Vatican, and the need for the reassessment of alternatives that now exists. If the Protestant United States represents a new "Rome" that can single-handedly challenge the Vatican authority with a "Gothic" political theology of democracy, the European Union in fact considers itself a secular version of the Catholic Church before the Reformation. Neither needs the pope's admonition of its conduct of foreign policy concerning China.

But today the Church is lucky to have for the first time in history a Jesuit pope, Francis. If the kind of ecumenical grand design envisioned by Leibniz and Ricci to accommodate Chinese civilization is to succeed, the model of the ecumenical dialogue of cultures between East and West must be reborn. In the Rites Controversy, the Papacy denounced the Jesuit view and prohibited the Chinese ceremonies. The apology of Pope John Paul II makes a reference to Father Ricci as "a precious connecting link between West and East, between European Renaissance culture and Chinese culture, and between the ancient and magnificent Chinese civilization and the world of Europe." The pope, of course, never mentioned the Enlightenment.

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Cooperative Security with China and the Post-Arab Spring Mediterranean Security Architecture

Christina Lin

Photo: A view of the Chinese shipping company COSCO's terminal at the port of Piraeus, Greece, June 2013. © ORESTIS PANAGIOTOU/ epa/Corbis

*O*ver the past three years, the tension between the local and the global in Mediterranean security has taken on new meaning in light of the developments of the Arab Spring and the growing though subtle role of China in the security scene. The Levant especially has been a flash point for Mediterranean conflict, with the protracted Syrian crisis, the long-standing Arab-Israeli conflict, tensions over Iran's nuclear ambitions, and an energy scramble among Turkey, Cyprus, Israel, and Hezbollah in the Levantine Basin. Across the Middle East and North Africa (MENA), as the Arab revolutions unleashed unpredictable forces, ranging from messy democracy in Tunisia to war in Syria, renewed military rule and terrorism in Egypt, and anarchy in large parts of Libya and Yemen, there is a retrenching of Western influence. Fiscal crises in the United States and EU and Washington's "pivot" toward the Asia-Pacific after a decade of war in the Middle East reinforce this trend.

As a backdrop to these developments, China is expanding its economic, political, and military posture in the region. China's emergence as a strategic player and its ability to influence any emerging regional security architecture will have important implications for key regional stakeholders such as the United States, the EU, and especially southern European states.

Consequently, in order to secure their interests in the region, the transatlantic allies need to coordinate more closely — both to consolidate their internal agenda as well as to constructively engage China. At the EU-U.S. Summit in November 2011, the transatlantic partners initially discussed ideas of a joint pivot to Asia and agreed to increase their "dialogue on Asia-Pacific issues and coordinate activities."[237] However, in view of declining defense budgets, many European countries see Asia as a "region too far" and prefer a division of labor to focus on territorial defense and own backyard. France leads European conflict management efforts in the Sahel and sub-Saharan Africa, while

Germany, Poland, and Sweden are major diplomatic players in the EU's eastern neighborhood. Fearing destabilizing spillovers from developments in North Africa such as mass migration and terrorism, as well as potential conflict over newly discovered energy resources in the Eastern Mediterranean, southern European countries focus their policies accordingly.

There is an emergent division of labor, with the MENA region becoming a greater European concern and responsibility for Asia as region of predominant concern falling to the United States. The transatlantic division of labor raises questions of practicality over whether Europe can secure its neighborhood without U.S. support. In the Libyan campaign, European allies relied on U.S. capabilities such as aerial refueling and ran quickly through their supply of bombs. Moreover, such a division risks weakening the transatlantic bond over time.

Given this, China's increasing footprint in the Mediterranean[238] presents both a challenge and an opportunity for the United States and Europe to constructively engage China, and together form a common strategy for post-Arab Spring reconstruction. It is the argument of this chapter that despite the Asia Pivot, the United States and Europe need to strengthen transatlantic relations

China's increasing footprint in the Mediterranean presents both a challenge and an opportunity for the United States and Europe.

[237] R. Kortewer, "Europe cannot make up its mind about the U.S. pivot," Center for European Reform, Issue 92 (October/November 2013).

[238] This chapter focuses on the Mediterranean as a strategic space rather than just MENA, because the security dimensions of MENA region and the southern European states are interlinked — maritime security, energy security, mass migration, anti-piracy, counterterrorism, and WMD proliferation. NATO recognized this in launching Operation Active Endeavor, focused on disrupting terrorist activity and WMD proliferation in the Mediterranean, as an Article 5 response to the 9/11 terrorist attacks against the United States. NATO, "Operation Active Endeavour," http://www.nato.int/cps/en/natolive/topics_7932.htm.

and, especially, NATO, which continues to keep the United States firmly anchored in the Euro-Mediterranean region. Transatlantic relations remain institutionalized on security issues via NATO and on economic issues via the EU. Although there has been discussion for EU-NATO security cooperation as well, as Trine Flockhart observes in her chapter for this volume, such cooperation is currently largely blocked by the political stalemate between Turkey and Cyprus. A scholar from the Egmont Institute in Brussels underscored that EU is first and foremost a trade and economic actor, and it is difficult for the EU to go beyond its mission to develop a security policy.[239] This is even more so the case in the aftermath of the eurozone crisis.

Thus, rather than jointly pivoting to Asia and the Western Pacific to address maritime disputes and security challenges in the global commons, the transatlantic community can start closer to home in Europe's backyard for a coordinated approach to engage China for regional stability, and shape a new Mediterranean regional security architecture still anchored in a liberal West.

China's Expanding Economic and Maritime Footprint in the Mediterranean

For the last several years, the Chinese navy has sent several warships through the Suez Canal to visit southern European and Eastern Mediterranean ports. In the Levant and Eastern Mediterranean, China has become more assertive in its stance

The transatlantic community can start closer to home in Europe's backyard for a coordinated approach to engage China for regional stability.

regarding Syria with three UNSC vetoes, dispatched its warships to join the Russian navy off the coast of Syria in a "show of flags,"[240] upgraded military ties with close U.S. ally Israel, lobbied to play a role in the Middle East Peace Process,[241] and courted NATO member Turkey to join the Shanghai Cooperation Initiative (SCO) — a China-and-Russia-dominated Eurasian security bloc of energy producers, consumers, and transit countries, which are also largely autocratic regimes.

According to Nikolas Gvosdev from the U.S. Naval War College, the assumption that the Mediterranean would become a purely Western sphere of influence appears to have been premature. He further observed that the Chinese are showing their flag in an area far from their traditional area of operations in part to show that they are a global power. Other security analysts such as Jonathan Hoslag from the Brussels Institute of Contemporary China Studies argue that another reason for China to show its flags is "to make countries around the Mediterranean used to Chinese naval presence than to alarm them later on."[242] Indeed, in January 2014, China and Russia conducted their first naval war games in the Mediterranean without much alarm in the region. Both have been conducting joint naval drills on a regular basis since 2005 under SCO auspices, but have recently strengthened military cooperation to ensure interoperability and prompt response to threats in the Eastern Mediterranean.[243]

The globalization of China's economy has brought the MENA region — quite remote previously — much closer now as it relates to China's national

[239] Author interview with a scholar at the Egmont Institute, Brussels (January 20, 2014).

[240] J. M. Cole, "China's Navy in the Mediterranean?" *The Diplomat* (July 30, 2012); Author correspondence with a U.S. CENTCOM official (October 3, 2013).

[241] Z. Keck, "China wants to join Middle East Peace Quartet," *The Diplomat* (January 15, 2014); M. Z. Rakhmat, "The Chinese seem to be more capable of facilitating and injecting new vitality in the peace process," *Your Middle East* (January 28, 2014); "PLO calls for adding China to Mideast Quartet," *China Daily* (May 14, 2013); "China wants to play bigger role in the Middle East," *Gulf News* (January 9, 2014).

[242] P. Apps, "China, Russia, U.S. raise Mediterranean naval focus," *Reuters* (January 24, 2013).

[243] V. Radyuhin, "Russia, China launch war games in the Mediterranean," *The Hindu* (January 25, 2014); N. Kasho, "Russia, China signaling West from Mediterranean Sea," *The Voice of Russia* (January 27, 2014).

interest.[244] For Beijing, MENA is first and foremost a region of energy resources to feed the growing Chinese economy, which is vital for Chinese Communist Party (CCP) legitimacy and survival. It is also a market for Chinese labor exports, an export hub into Europe and Africa, and a forward front and key arena where Beijing promotes its "One China Policy" and combats terrorism and the separatist East Turkestan Islamic Movement (ETIM).

The Arab Spring caught China by surprise. In a 2011 interview regarding Libya, Lu Shaye, director general of the Chinese Foreign Ministry's African Affairs Department, expressed China's concern that NATO intervention in Libya is a thinly veiled gambit to restore waning Western influence in Africa, and its fear that Western military intervention in crucial energy markets could eventually restrict its access to oil and gas.[245] Beijing argues that the United States and NATO abuse international norms of "human rights," "Responsibility to Protect" (R2P), and "democracy" as fig leaves for regime change to serve Western interests. In the aftermath of evacuating 36,000 Chinese nationals and losing over $20 billion in investments when the Gaddafi regime was ousted, Beijing is primarily concerned with deterring another Libya-type case in the MENA region and with protecting its national interests and the security of Chinese citizens abroad.

China also fears the new Islamist regimes in Arab Mediterranean countries will be more supportive of separatist Muslim Uyghurs in Xinjiang that threaten China's national sovereignty and territorial integrity, and deny access to energy supplies. Thus the post-Arab Spring shift in MENA has direct

China fears the new Islamist regimes in Arab Mediterranean countries will be more supportive of separatist Muslim Uyghurs in Xinjiang.

impacts on China's core interests[246] and China will increasingly exercise military power to protect its interests.[247]

To this end, China is taking steps to develop long-range maritime power projection capabilities for these far-flung interests abroad. In 2004, President Hu Jintao commissioned the People's Liberation Army (PLA) to conduct "New Historic Missions" to protect overseas interests, in which the PLA stressed the need to develop a "logistics tail" in the form of overseas bases to sustain their operations over the long term.[248] In 2010, Hu again emphasized the importance of logistics when he underscored, "Modern wars are all about support. Without a strong comprehensive support capability, it is very hard to win combat victory. When logistics support is in place, victory is a sure thing."[249] Indeed, logistics and the security of supply lines are an important "lessons learned" for the PLA, especially after watching NATO's Afghanistan campaign

[244] M. Hong, "Turmoil in Middle East and Chinese Interests Overseas," *China-U.S. Focus (*April 24, 2011); C. Lin, "China's Strategic Shift Toward the Region of the Four Seas: The Middle Kingdom Arrives in the Middle East," *MERIA Journal*, 17:1 (Spring 2013). Paper presented at a Joint Staff Middle East Roundtable at the Pentagon on September 18, 2012.

[245] M. Liu, "China's Libya Connection," *The Daily Beast* (June 21, 2011).

[246] According to Chief of the General Staff Chen Bingde, China's core interests are national sovereignty, national security, territorial integrity and national unity, and national economic development. *China Daily*, "China no threat, Chinese general says on U.S. trip" (May 19, 2011).

[247] D. J. Blasko, "Politics and the PLA: Security Social Stability," *China Brief*, 12:7 (March 30, 2012).

[248] LTC T. Chacho, "Lending a Helping Hand: The People's Liberation Army and Humanitarian Assistance and Disaster Relief," INSS, USAFA (2009).

[249] Hu Jintao, Addressing a PLA Logistics work meeting cited in "Fundamental guidance for Development of PLA Logistics — Study Hu Jintao's Important Discussion of Military Logistics Construction," *China Military Science,* No. 6, (2010), p. 25-31; A. Denmark, "PLA Logistics 2004-11 Lessons Learned in the Field," in R. Kamphausen, D. Lai, and T. Tanner eds., *Learning by Doing: The PLA at Home and Abroad,* Strategic Studies Institute, U.S. Army War College (Carlisle, PA: USAWC, November 2012), p. 298.

suffer repeated supply line cut-offs by Pakistan and the creation of a more expensive alternative Northern Distribution Network to the theater.[250]

In this context, on January 4, China's *International Herald Leader* published an article on the country's intention to build 18 overseas bases. They clarified these are not U.S.-style military bases, but are what they call "overseas strategic support bases" for logistics and replenishment.[251] China employs a commercial-diplomatic model rather than a U.S.-style military model for the Chinese navy to carry out operations in various seaports. Chinese naval access is based on close diplomatic relations with many countries in the region and the organizational capabilities of major state owned entities such as COSCO (China Ocean Shipping Company). Because China's state-owned entities are government controlled, civil-military cooperation has broader applicability in China than in the West. In the Chinese case, this goes well beyond military contracting specialized firms, as mainstream logistics companies (e.g., COSCO Logistics) can also be dependable partners for the Chinese navy.[252] Since the Communist Party controls state-owned entities such as COSCO, the PLA — which is the Party's military arm — also has priority access to COSCO-run seaports. As such it is not necessary

for China to have permanent naval bases if its navy has access by other means.[253]

While the Pacific and Indian Ocean basins loom largest in the plans, China is courting countries in the Mediterranean littoral as well. Beijing is investing in strategic seaports and various transport infrastructures, acquiring stakes in shipping and logistics companies, and expanding ports in Greece (Piraeus Port), France (Port of Marseille Fos 4XL container terminal), and Spain (El Prat pier in Barcelona Port), as well as rail, air terminals, and fiber-optic networks in Portugal (Huawei and Portugal Telecom) and Italy (an air terminal north of Rome).[254]

While the Pacific and Indian Ocean basins loom largest in the plans, China is courting countries in the Mediterranean littoral as well.

Egypt, a geostrategic pivot state controlling the Suez Canal and in close proximity to the Horn of

[250] C. Lin, "China-NATO Engagement in the Mediterranean Basin: Developing the Dragon's Logistics Tail and Supplying the PLA Navy in the Far Sea," ISPSW Strategy Series, Issue No. 219 (March 2013), p. 4. Paper presented at a Wilton Park Conference in England on March 5, 2013, sponsored by the British Foreign & Commonwealth Office, in collaboration with U.K. Ministry of Defence, Allied Command Transformation and NATO's Public Diplomacy Division.

[251] "Chinese paper advises PLA Navy to build Overseas Military Bases," *China Defense Mashup* (January 9, 2013); J. Benitez, "Chinese paper urges PLA navy to build overseas military bases," Atlantic Council (January 19, 2013); Y. Runze, "Chinese Navy expected to build strategic bases in Indian Ocean," *Sina English* (January 7, 2013).

[252] L. Kamerling and F.-P. van der Putten, "An overseas naval presence without overseas bases; China's counter-piracy operations in the Gulf of Aden," *Journal of Current Chinese Affairs,* 40:4 (2011), p. 131.

[253] Aircraft carriers are also part of this extension of logistical capability to support China's growing global interests. China relies heavily on economic and diplomatic tools to secure foreign interests, with military tools complementing the others. As such, they are likely to be deployed for such secondary missions of non-combat operations, rather than as deterrence against U.S. sea power. As David Lai from the U.S. Army War College noted, China is likely to build several aircraft carriers in the next 15 years. See D. Lai, "The Agony of Learning: The PLA's Transformation in Military Affairs," in R. Kamphausen et al eds*. Learning by Doing: The PLA Trains at Home and Abroad* (Carlisle, PA: SSI, US Army War College, November 2013), p. 344; L. Kamerling and F.-P. van der Putten, Ibid, p. 128.

[254] N. Mihalakas, "Part II: Chinese Investments in Europe — A Year in Review," *Foreign Policy* (February 11, 2011); P. Leach, "Hutchson Ports to Develop Fos Terminal," *Journal of Commerce Online* (March 19, 2010); "Chinese group Hutchison Whampoa increases participation in TerCat," *Sinalunya* (January 24, 2011); S. Marchetti, "Chinese investments in Italy increases," *Xinhua,* (November 5, 2009); *Network 54,* "Greece to become China's Mediterranean Gateway," (August 1, 2006); *Economics Newspaper,* "Barcelona hopes the Chinese landed," (July 7, 2011).

Africa, is receiving particular attention. As Peter Apps noted in a January 2013 *Reuters* article, "Egypt has seen no shortage of empires come and go, from its own ancient civilizations to those of Greece, Rome, Britain, and France. Now, it is among the outposts of the latest Mediterranean power: China."[255] Beijing has pursued agreements that enhance China's direct access to Egyptian port facilities[256] along the Suez Canal and expanded military cooperation such as arms sales and defense industrial cooperation. Situated at the northern end of the Suez Canal, Egypt's Port Said Container Terminal is one of the busiest in the region. Like several other key ports in the region — including Piraeus in Greece and Naples in Italy — it is now partially owned by China. The state-owned COSCO Pacific holds 20 percent of the terminal, helping to make it one of the dominant Mediterranean port operators.

Across the Suez Canal in the Red Sea, China is already enlarging Port Sudan, which gives China the ability to deliver maritime shipments (whether civilian or military) to Sudan and East Africa.[257] Near the Persian Gulf, China has taking operational control of Pakistan's Gwadar Port, which it built.[258] In North Africa, China is attempting to recoup and renegotiate its infrastructure contracts in the aftermath of the Arab Spring.

Elsewhere in the Levant, Chinese interests in Lebanon are limited to about a 1,000-strong troop presence under the UN peacekeeping mission

(UNIFIL) as well as various strategic infrastructure projects such as enlarging Tripoli Port, while in Jordan, the Chinese Development Bank is seeking to fund that country's railway projects. China is building Israel's Med-Red railway of linking the Mediterranean port of Ashdod with Eilat Port in the Red Sea, with plans to extend the link to Jordan's Aqaba Port.[259] It also inked deals to build a high-speed railway linking Cairo, Alexandria, Luxor, and Hurghada,[260] with a longer-term view to eventually connect Africa with the Levant via Egypt. Slowly, China is capturing market shares in what has been a traditional Western sphere of influence.

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Divergent Values, Convergent Interests

With China investing across the Mediterranean littoral with strategic infrastructure projects and offering soft loans,[261] some European and U.S. security analysts are particularly nervous over the Chinese expansion in Mediterranean seaports — particularly in Naples, where the Chinese-owned terminal directly overlooks NATO's main Mediterranean naval base.[262] COSCO nonetheless stresses that these are purely commercial ventures, though some analysts assess it will have wider geopolitical implications. Elsewhere in Italy, the medieval city of Prato, near Florence, has become an offshore production base for some

[255] P. Apps, "China, Russia, U.S. raise Mediterranean naval focus," *Reuters* (*January* 24, 2013); P. Apps, "Turkey missile deal shows China's growing Mideast clout," *Reuters* (October 16, 2013).

[256] In 2000, China signed a 30-year concession with Egypt to develop the eastern portion of Port Said, and in 2004, China kick-started two major investment projects on the Suez Canal, building a container terminal, a dry port, and a workshop to build containers. S. Nasr, "China meets Egypt," *Al-Ahram,* Issue No. 699 (July 15-21, 2004).

[257] D. Sayani, "Red China increases investments and influence in Sudan," *The New American,* (January 31, 2011); "Sino-Sudanese partnership attains many gains in Red Sea State," *Forum of China and Africa Cooperation* (January 28, 2011), http://www.focac.org.

[258] C. Lin, "China's New Silk Road to the Mediterranean: The Eurasian Land Bridge and Return of Admiral Zheng He," ISPSW Strategy Series Issue no. 165 (October 2011). Paper presented at China Maritime Studies Institute, U.S. Naval War College, Newport, Rhode Island (October 27, 2011).

[259] *War and Peace in the Middle East,* "China bank might account Jordan railway project," (September 23, 2011); E. Whitman, "Jordan yearns for Chinese investment," *Al Jazeera* (December 4, 2013); A. Barka, "Israel, China agree to build Eilat railway," *Globes* (July 3, 2012).

[260] D. Naguib, "Egypt Asks China to Build High-Speed Railway," *Amwal Al Ghad* (August 29, 2012).

[261] F. Godement and J. Parello-Plesner with A. Richard, "The Scramble for Europe," European Council on Foreign Relations Policy Brief No. 37 (July 2011).

[262] Ibid.

4,800 small Chinese companies with an estimated 40,000 Chinese workers, and an estimated turnover of €2 billion.[263] One veteran British naval officer compared China's approach toward the Mediterranean to that of the British Empire in the 18th and 19th centuries, when its commercial expansion was at least as important as its military expansion.

> *One veteran British naval officer compared China's approach toward the Mediterranean to that of the British Empire in the 18th and 19th centuries, when its commercial expansion was at least as important as its military expansion.*

Other scholars note that one implication for the transatlantic community is how China's economic leverage can translate into political and strategic influence over time, and be a stumbling block for the West to project principles undergirding the liberal security order.[264] Richard Gowan and Hans Kundnani note in a commentary for the European Council on Foreign Relations (ECFR) that China's global reach has expanded and its policy choices no longer affect just its immediate neighborhood but also far-flung regions: "Beijing has offered financial assistance to states from Belarus to the Democratic Republic of Congo, frequently undercutting EU efforts to promote stability and good governance. It

has stood solidly by the Syrian and Iranian regimes, further complicating European diplomacy."[265]

Francois Godement and Jonas Parello-Plesner highlighted in a 2011 ECFR paper how this economic leverage appears to extend to Europe as well. "China has particularly focused on the Mediterranean and south-eastern member states," seemingly "exploiting Europe's soft underbelly" by investing and buying up assets in cash-strapped countries such as Greece, Italy, Portugal, and Spain — and even the U.K. They examined how this has managed to create rifts within the EU over trade and financial issues, highlighted by the recent spat over solar panels, and "to play off member states against each other and against their own collective interests — replicating a strategy China has already used in the developing world."[266] Godement and Parello-Plesner assessed China's increasing economic leverage around the Mediterranean littoral may lead to a retrenchment — as opposed to extension — of liberal principles. While cash-strapped southern European states have a right to go for immediate bargains with China, there is a risk they may "trade support for China's policies across the board for short-term financial aid" and Europe will start to hollow out from the inside on a range of issues from global financial reform and international governance to environment norms and human rights.[267] As Patrick W. Quirk argued in his chapter in this volume on the security dimension of development aid, soft loans and investments can also be used as a means to tether weak states to the donor's agenda — in this case China — and advance their political, security, and economic interests. Thus as Beijing expands its footprint in the Mediterranean while U.S. influence wanes, *quo vadis* for the transatlantic community?

[263] Ibid; Nina Burleigh, "Italian Jobs, Chinese Illegals," *Business Week* (November 3, 2011); K. Ito and W. Sawamura, "Chinese investment in Europe fuels resentment hope," *Asahi Shimbun* (March 15, 2012).

[264] R. Gowan and H. Kundnani, "Why Europe can't leave Asia to the U.S.," European Council on Foreign Relations (January 14, 2014).

[265] Ibid.

[266] F. Godement and J. Parello-Plesner with A. Richard, "The Scramble for Europe"; "China's divide and conquer approach looks to be paying off in deal on solar panel dispute," *One Europe* (July 29, 2013); K. Bradsher and M. Eddy, "China Divides Europe in Fight Against Tariffs," *The New York Times* (May 28, 2014); "The dispute between China and the EU over solar panels illustrates the misunderstanding that have plagued EU-China relations," *LSE Blog* (November 11. 2013).

[267] F. Godement and J. Parello-Plesner with A. Richard, "The Scramble for Europe," pp. 11.

Actually, China's increasing material and maritime capabilities in this region means it can increasingly help shoulder some of the burden for providing global public goods there, as U.S. and European wealth and capabilities decline. As such, China's expanding presence in MENA and other Mediterranean states is a silver lining for reinvigorating transatlantic community, to collectively work together with China for post-Arab Spring stabilization and reconstruction. The United States, Europe, and China especially share many similar threats in the MENA region.

> *China's increasing material and maritime capabilities in this region means it can increasingly help shoulder some of the burden for providing global public goods there.*

Despite the Asia rebalance in 2012, the United States has not been able to completely disengage from MENA due to the ongoing instability of the Arab revolt, especially in the Levant and Eastern Mediterranean. The Libya experience highlighted that Europe still needs U.S. military power in the region for stability, even as Syria continued to engage the United States in the region. Syria is now what China's Middle East scholar Wu Bingbing called "the new Afghanistan"[268] and others called "a failed state,"[269] an international jihadi hotbed with

the potential to export terrorism to Europe, North Africa, Russia, Asia, and China's Muslim Xinjiang province.[270]

Fawaz Gerges, a terrorism expert from the London School of Economics, observed that, "If Assad were to fall today or tomorrow, any particular vacuum would be filled by the Salafi-jihadi elements. I'm talking about consensus in the U.S. intelligence services: Syria is 'emerging as threat number one to American security and international security. Syria would supersede Afghanistan the longer the conflict continues.'"[271] U.S. Director of National Intelligence James Clapper corroborated this view in Senate Intelligence Committee testimony, stating that al Qaeda groups in Syria have started training camps "to train people to go back to their countries" and conduct terrorist attacks in the United States, Europe, and elsewhere.[272] Syria indeed also presents a new threat to China: the internationalization of the Uyghurs' separatist cause forming in the crucible of the Syrian war.

According to Chinese Middle East scholar Pan Guang, in the July 2011 Xinjiang bombings, for the first time Uyghur separatists planted a Salafist flag (black with Arabic writing) rather than their usual East Turkestan flag (blue with star and crescent similar to Turkey's flag).[273] He further revealed that the Uyghurs had begun proclaiming aspirations to join the Middle East jihadi movement, prompting fears that battle-hardened Chinese jihadists — after getting their jihadi tickets punched in Syria — would return home to feed local jihadist movements against the communist government. Through linking with international jihadist groups, Beijing fears Chinese Uyhgurs and their terrorist

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[268] Wu Bingbing, "Beijing, Moscow, and the Middle East," lecture at Washington Institute for Near East Policy's Soref Symposium, The Ritz Carlton Hotel, Washington, DC (May 9, 2013). Wu compared Syria to Afghanistan, with Turkey, Jordan, and Lebanon competing for influence in Syria just as Pakistan and India are competing for influence in Afghanistan. Interestingly, he failed to mention Iran, which is competing for influence via Hezbollah in Syria and also in neighboring Afghanistan.

[269] "Mediterranean Security: Global Shifts, Regional Conse-quences," at the German Marshall Fund's Mediterranean Strategy Group meeting, Genoa, Italy (November 20-22, 2013).

[270] R. Casert, "EU warns about threat of foreign fighters in Syria," *Associated Press* (December 4, 2013).

[271] F.A. Gerges, "The Political Future of the Middle East," transcript of conversation with P. Danahar, BBC Middle East Bureau Chief (2010-2013), Chatham House, London (October 15, 2013).

[272] "U.S. intel chief: Syrian jihadists training to attack West," *Ha'aretz*, January 29, 2014; C. Philip, "Jihadists train in Turkey to attack West," *The Australian* (February 1, 2014); A. Katz, "Intel Chief: Syria Becoming Hotbed for Terrorists," *Time* (January 29, 2014).

[273] Pan Guang, "Understanding China's Role in the Middle East with Pan Guang," National Committee on United States-China Relations, New York (January 24, 2013).

cohorts would spawn homegrown radicalization of China's 20 million Muslims.

More importantly, the territorial integrity of Xinjiang is a core interest of China: it constitutes one-sixth of the country's territory, borders eight countries, is a site of strategic mineral resources, and is a key geographic bridge for China's overland pipelines and transport corridors for energy supplies from Central Asia and the Middle East (a key to hedging against United States naval interdiction of energy supplies over potential conflicts across the Taiwan Straits, the East China Sea, or South China Sea). Thus Syrian international terrorist groups' support of Xinjiang Uyghur separatists and cooperation to attack and destabilize Xinjiang directly threatens China's energy security.[274]

As such, China, Russia, and Iran are helping Syria "politically, militarily — and also economically," in the words of Syrian Deputy Prime Minister Kadri Jamil.[275] In September when the United States threatened to attack Syria and Russia responded by dispatching a naval flotilla, China also deployed warships to the coast of Syria to "observe" the situation.[276]

J. Michael Cole assessed the significance of the Chinese navy's "show of flags" as deterrence against Western military intervention in Syria, and argued that "for the first time since China's reemergence as a power to be reckoned with, Western powers are being confronted with scenarios involving the risks of clashes with Chinese military forces

outside the Asian giant's backyard."[277] With U.S., NATO, Chinese, and Russian naval forces in the Mediterranean, a U.S. strike on Syria would have risked possible escalation and spillover into military conflict between great powers. Given this, it is even more pressing for the transatlantic community to have confidence-building measures in place with China to avoid possible miscalculation and crisis management.

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Cooperative Security Partnership with China as an Opportunity for NATO

As Charles A. Kupchan aptly pointed out in chapter one of this volume, the relative decline of the United States and Europe both economically and militarily is limiting its capacity and willingness to provide global public goods, suggesting that the liberal order will suffer from lack of enforcement and maintenance. At the same time, Western democracies must deepen their own internal consensus and keep the West "the West," an anchor of liberal values and interests in a world where power is more diffuse.

As such, building regional security and stability in Europe's own backyard in the Mediterranean is a good place to start. Many non-traditional security challenges such as counter-terrorism, arresting WMD proliferation, and energy and

[274] *The Sydney Morning Herald*, "China blames Syrian conflict for Uighur clashes," (July 1, 2013); L. Zhun, "Take fight to ETIM before threat grow," *Global Times* (December 22, 2013); L. Mellian, "Xinjiang terrorists finding training, support in Syria, Turkey," *Global Times* (July 1, 2013); S. L. Wee, M. Martina, and I. Hui, "China state media blames Syria rebels for Xinjiang violence," *Reuters* (July 1, 2013).

[275] *UPI*, "Iran, Russia, China prop up Syria economy, official says," (June 28, 2013).

[276] Author correspondence with a U.S. CENTCOM official (October 3, 2013); P. J. Watson, "Report: China Sends Warships to Coast of Syria," *Info Wars* (September 5, 2013); "Chinese, Russian warships and Marines heading to Syrian waters," *Examiner* (September 5, 2013); C. Lin, "Why China Supports Assad: Asian jihad hits Syria," Transatlantic Academy Blog (October 14, 2013), http://www.trans-atlanticacademy.org/node/611.

[277] J. M. Cole, "China's Navy in the Mediterranean?" *The Diplomat* (July 30, 2013).

maritime security require collective solutions with rising non-Western powers, given that Western democracies are no longer willing and able to completely underwrite the provision of collective goods. The transatlantic community can thus engage China in an interest-based "partnership of necessity" for Mediterranean regional stability.

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As a European scholar observed, "China is too big to avoid [or] deny and difficult to embrace," so it is important for the transatlantic community to coexist with China and develop partnerships of necessity with non-Western states based on shared interests, while developing partnerships of choice with like-minded allies with shared values.[278] Since China and the West have divergent views on R2P, human rights, and democracy, as highlighted in Beijing's support for Gaddafi's Libya, Syria, Sudan, Zimbabwe, North Korea, and Iran, the transatlantic defense community in the Mediterranean (e.g., NATO, the U.S. Combatant Commands of EUCOM, CENTCOM, AFRICOM, and the U.S. Navy's Sixth Fleet) can seek cooperation with China on security interests where consensus is possible as a confidence-building measure.[279] Moreover, this

will strengthen transatlantic cohesion and signal to allies and partners in the Mediterranean Dialogue (MD) and Istanbul Cooperation Initiative (ICI) that the United States is not retreating from the Mediterranean region.[280]

Because the Western Pacific is rife with long-standing historic rivalries between China and Washington's Asian allies, it is difficult to engage China there to establish confidence-building measures in order to maintain regional stability and prosperity. However, U.S. and NATO engagement with China in the Mediterranean would not feed China's suspicion of encirclement since it is geographically far away. Likewise, Chinese scholars have expressed interest in cooperating with the West in the region since the MENA has become a high priority for China post-Arab Spring.[281]

NATO and China have already had several confidence-building exchanges, many at the request of Beijing. In 2010, a Chinese military delegation visited NATO headquarters; in 2011, the Chinese navy engaged with NATO navies conducting counter-piracy operations in the Gulf of Aden; in 2012, NATO Director General of International Military Staff Lt. Gen. Jürgen Bornemann led a delegation to Beijing to discuss military cooperation; and many Chinese representatives have participated in NATO seminars and conferences.[282]

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[278] Author interview with a scholar at Egmont Institute, Brussels (January 20, 2014).

[279] The predominant naval force in the Mediterranean is the U.S. Sixth Fleet, and NATO operation of the Libyan campaign was ran from Naval Striking and Support Forces NATO (STRIKFORNATO), which is NATO's premier maritime battle staff and the Alliance's primary link for integrating U.S. maritime forces into NATO operations. With respect to engaging partners who do not share similar values as NATO members, it is useful to apply the analogy of firms competing in a market place. Sometimes due to high R&D sunk costs, two competing firms would enter into strategic alliance on specific product areas to pool scarce resources together, while remaining competitors in all other aspects in the market place.

[280] F. S. Larrabee and P. A. Wilson, "NATO Needs a Southern Strategy," *The National Interest* (January 27, 2014); C. Malek, "NATO must concentrate more on Arabian Gulf to ensure regional security, experts say," *The National* (October 22, 2013); S. Raine, "A More Global NATO to Anchor Liberal Order in a Less Western World?" GT2030 Blog (May 29, 2012), http://www.gmfus.org/archives/a-more-global-nato-to-anchor-liberal-order-in-a-less-western-world/.

[281] Wu Bingbing, "Beijing, Moscow, and the Middle East," Soref Symposium (May 9, 2013).

[282] C. Lin, "NATO-China Cooperation: Opportunities and Challenges," Testimony before the U.S.-China Economic and Security Review Commission, U.S. Capitol Visitor Center, Washington, DC, (April 19, 2012); Allied Maritime Command Headquarters News Release, "NATO Flagship Welcomes Chinese Navy Task Force Commander," March 28, 2011; NATO Headquarter Press Release, "NATO and China Cooperate to Fight Piracy," (January 19, 2013); NATO Headquarter Press Release, "NATO Military Delegation Discusses Cooperation with Chinese Authorities in Beijing," (February 2012); A. Agov, "The Rise of China and Possible Implications for NATO," NATO Parliamentary Assembly (October 20, 2011).

China sees that cooperation in non-combat operations such as humanitarian assistance/disaster relief (HADR) and anti-piracy provides a platform for two main benefits: one is improving PLA operational capabilities, and the other is to improve its international image as a responsible stakeholder and to allay the "China Threat" theory.[283] These operations cannot be divorced from geopolitical calculations, especially in China's foreign policy goal of improving long-range power projection capabilities to protect its overseas interests. Since China seeks opportunities for the PLA to interact with foreign militaries to apply "lessons learned" for China's own military, NATO can leverage this platform to engage China in order to establish confidence-building measures.[284]

NATO can further engage China in maritime security and energy security in the Eastern Mediterranean. China is increasing its investments in Israel and Cyprus with an eye toward newly discovered gas fields. With ongoing naval skirmishes over gas exploration due to unresolved territorial disputes between Turkey, Cyprus, and Greece, China would have a stake in helping to maintain maritime stability.[285]

Counter-terrorism in the MENA region is another cooperative security issue given that al Qaeda in the Islamic Maghreb (AQIM) is a threat shared by NATO's Mediterranean Dialogue partners as well

as China — for example in Algeria, where in 2009 AQIM attacked Chinese interests after the Xinjiang uprising. In Syria, China also faces Uyghur jihadists linked with al Qaeda and threats to Xinjiang stability and territorial integrity.

NATO and China can also cooperate in crisis management and emergency response — China has almost 1 million citizens in the Middle East and Africa, where piracy and kidnapping are an increasing problem. Another possibility is engaging China in the context of the SCO, where NATO member Turkey is already a Dialogue Partner and is seeking full membership.

Thus, U.S. and NATO engagement with China in the Mediterranean is a way to move forward for transatlantic cohesion and regional stability post-Arab Spring. After establishing cooperative mechanisms and confidence-building measures with China in this region, the United States and European allies can then take lessons learned from the Mediterranean template to jointly pivot to Asia and address security challenges in the global commons. The United States and its Western allies can encourage China to resolve conflicts with rules-based rather than power-based solutions, as well as additional engagements with China in regions such as the Arctic or elsewhere.

In short, the transatlantic alliance needs to cooperate with a rising China in a partnership of necessity on issues where consensus is likely for Mediterranean regional stability, while working with like-minded allies in a partnership of choice to

U.S. and NATO engagement with China in the Mediterranean is a way to move forward for transatlantic cohesion and regional stability post-Arab Spring.

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[283] A. Strange, "The non-combat operations of China's Armed Forces in the 21st Century: Historical Development, Current Drivers, and Implications for Military Projection," Thesis, College of William and Mary, 2013; LTC T. M. Chacho (USA), "Potential Partners in the Pacific? Soft Power and the Sino-NATO Relationship," INSS Research Papers, U.S. Air Force Academy (2011), p. 7.; LTC T. Chacho, "Lending a Helping Hand: The People's Liberation Army and Humanitarian Assistance and Disaster Relief," INSS, USAFA (2009).

[284] For example, NATO's advanced HADR capability, coordinated through the Euro-Atlantic Disaster Response Coordination Centre, possesses many of the capabilities that China seeks to enhance. China seeks to apply these "lessons learned" for China and SCO's own counter-terrorism operations in Afghanistan and Central Asia or other contingencies.

[285] M. Mahdi, "Mediterranean gas fields: potential spark for regional conflicts," *Middle East Monitor* (February 4, 2014); G. Psyllides, "Turkish frigate harasses research vessel in EEZ," *Cyprus Mail* (February 3, 2014); *Today's Zaman*, "Turkish navy intercepts Norwegian exploration ship off Cyprus coast," (February 3, 2014); *Naval Today*, "Turkish Warships Harass Israeli Merchant Vessels in Waters off Cyprus," (October 4, 2011).

strengthen the liberal West as an anchor for a new regional security architecture. This could include Western development aid to the MENA countries for post-conflict stabilization and reconstruction to help foster good governance and civil society, and tether these weak states to the liberal West as much as possible.

Moreover, China's expanding global economic and maritime footprint, especially in the Mediterranean in the aftermath of the Arab Spring and eurozone crisis, provides an opportunity for China as a major power to help underwrite public good in the global commons. While there may be challenges ahead given divergent views between the West and China on governance of global commons, nonetheless there are opportunities to engage China in cooperative partnerships, and accommodate its rising presence in the global, especially maritime commons.

China's rising economic and expanding maritime power projection capabilities make it a partner whose importance merits engagement. China had declared it is embarked on a "peaceful rise" and seeks "a new type of great power relationship"; Beijing wants the United States and other great powers to accommodate and respect its expanding interests. Indeed, economic and military powers go hand-in-hand with increasing assertiveness.

The challenge remains China's divergent interpretation of sovereignty and the global commons. Some observe China's behavior in the Western Pacific, and unilateral effort to claim territory and redefine security norms in the maritime and aerial domain of global commons, as setting a worrisome precedent for its using military power to chip away at the Asia-Pacific liberal security order. Brahma Chellaney of New Delhi's Center for Policy Research aptly warned that "At stake are not some flyspeck islands but regional power balance, a rules-based order, freedom of navigation, and access to maritime resources,

The challenge remains China's divergent interpretation of sovereignty and the global commons.

including seabed minerals."[286] U.K. Secretary of State William Hague likewise expressed this concern on January 30, 2014 and called for "rules-based" solutions in accordance with international law rather than "power-based" solutions to the territorial disputes in the Western Pacific.[287]

For the transatlantic security community, interaction with China in the Mediterranean — where China has no territorial claims and shares interests in regional stability — will help reconstruct joint engagement and enhance cooperation in a partnership of necessity on areas of mutual interests. Once regional stability is achieved, the United States and its Western allies can engage like-minded states in a partnership of choice to help shape a new regional security architecture still anchored in the liberal West. Finally, if the transatlantic community's cooperative template with China is successful in the Mediterranean, the United States and its European allies can subsequently export important lessons to the Western Pacific in the hope of also nurturing cooperative security practices and integrate China as a burden-sharing partner in underwriting public good in the global commons.

[286] B. Chellaney, "Draw the line now on China's encroachment," *The Globe and Mail* (December 5, 2013); "Japan's Obama Problem," *Project Syndicate* (January 8, 2014); C. Lin, "China and Japan's Harry Potter Wars and Future of the Liberal Security Architecture in the Asia Pacific," Transatlantic Academy Blog (January 13, 2013).
[287] M. Santos, "U.K. calls for 'rules-based' solutions to West PH Sea dispute," *Inquirer* (January 30, 2014).

The Middle East and the Liberal Order

Michael Bell[1]

The situation in the Middle East is seriously misunderstood in the West, where celebrated pluralist traditions lead to fundamental errors in comprehending the region's realities. We are often guilty of selective interpretation and faulty judgment, trapped as we are by our cultural bias. The search for a liberal-centered international order, based on political pluralism and open markets, finds little favor in the Arab world, despite the earnest struggles of progressive reformers. The West should focus on what "can" be done rather than what "should" be done. It often assumes, mistakenly, that it can assist other societies in reaching a fair-minded governing consensus, driven by accommodation and respect for the other.

If naïve humanitarianism is one side of the problem, the "realist" school of the academy creates another; so-called realists see politics as state-driven, dominated by a single entity with security, material interests, and structures. The state does matter; Israel and Egypt, for instance, are in many ways models of the nation-state. Leaders and personalities also matter. Was there any comparison between the late Saddam Hussein and the late King Hussein of Jordan, although they were both autocrats?

Experience in the Middle East leads to additional conclusions. Identities, narratives, imagined history, and beliefs determine behavior, as constructivist theory describes. The intellectual challenge for us is acceptance of "reality," not "realist theory." Reality means seeing the situation not as we wish it to be but as it is. Good decision-making requires evidentiary engagement. How can the West facilitate problem solving if it chooses to ignore what motivates the region's peoples and communities: their ingrained ethnocentrism, burning transnational loyalties, and too often searing ideological commitments?

Syria can serve as an example, split between Alawites, Shia, Sunni, Christians, Druze, and Ismailis, with further splits within the Sunni, Kurdish, and Arab communities. United by language but riven by contesting narratives, Syria disintegrated in the face of a people's uprising against a regime of terror and intimidation, run by the Alawite Assad family. The important word here, however, is Alawite not Assad; the Alawites see themselves as a disadvantaged mountain people, impoverished and disdained by the Sunni Syrians in the cities and plains. One rhythmic chant, springing from within the Sunni majority, which constitutes the opposition today (as badly fractured as it is), has been "The Alawi in his coffin, the Christian in Beirut."

When the French government established a protectorate in Syria following World War I, it recruited and privileged the Christian and Alawite minorities in order to guarantee French rule and security. The search for security and belonging continues to drive these minorities, as strongly today as ever. We hear much about the Alawites but little about the Christians, probably because Christian identification with such a dictatorship greatly disturbs us. And among the Sunni majority, about 65 percent of the population, disorganization and competition for power and ideology breed disintegration.

Citizenship, the identity of the individual with the state, is subordinated to and marginalized by a greater loyalty to ethnic identity transcending boundaries and uniting believers, a phenomena

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characterized by the former Crown Prince of Jordan, Hassan bin Talal, as "a seismic fault stretching from the Gulf to the Mediterranean." Ethnocentric societies become the touchstone of identity: who we are, have been, and will be, our beginnings and our destiny. These provide just cause. They give lives value. They allow us to overcome fear. They provide strength and higher purpose in a world where tragedies become badges of honor.

If diversity and pluralism were seen as sources of strength, the Middle East could be much healthier, more stable, prosperous, and just. But these societies today bring exclusivist competition. They are outside any liberal world order. For North Americans, our experience with highly successful civil and cosmopolitan societies leads us to misunderstand value systems whose core rests on ethnicity and absolutist belief systems.

The question is whether ironclad perceptions of right and wrong, reinforced by sectarian fibre, can evolve toward pluralism: instilling an ethic of respect that values human diversity.

The countries of the Middle East resist modern identities. Their governance models during the 1950s and 60s, the secular nationalisms of Nasserism and Baathism, failed to transcend primordial identities. They reverted to simpler ethno-ideological belief systems, which defy security and economic reform. They sustain waste, clientelism, and corruption. They breed discontent. They inhibit economic growth and prosperity.

Marwan Muasher, a former Jordanian foreign minister and currently a vice president at the Carnegie Endowment for International Peace, has written in depth on what he calls the "battle for pluralism."[2] Muasher argues that there is a way out. He believes that decision-makers in the Middle East must make fundamental changes to the governance imperative. But he fails to define how this can be done and with good reason. Laudable though they are, these goals are largely unattainable.

Thousand-year-old societies are not subject to easy change. The West cannot rely on internal pressures or external force to do so within any foreseeable time frame. To have any chance of even modest success, ambitions must be limited. Ethno-nationalism and ideological determinism must be accepted as indelible constructs and dealt with accordingly. The West's goals should be limited to what just might be possible: discouraging Iranian nuclear weapons, providing humanitarian relief, maintaining stability in relatively benign Jordan, abolishing chemical weapons, even solving the Palestine question. Accommodation and a hard-headed appreciation of realities need not mean weakness.

The better we appreciate the situation as it is, unclouded by our own narratives, the more likely we are to succeed. In the Middle East, we may not be able to facilitate trans-cultural resolution of the region's economic and political challenges, but we do have an obligation not to make them worse. Understanding others as they are is a sine qua non *for success of any kind, however limiting it may seem.*

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[2] M. Muasher, *The Second Arab Awakening: And the Battle for Pluralism* (New Haven: Yale University Press, 2014).

Eleven

Order through Partnerships: Sustaining Liberal Order in a Post-Western World

Trine Flockhart

Photo: NATO Secretary-General Anders Fogh Rasmussen (L) shakes hands with Japan's Prime Minister Shinzo Abe at a meeting in Tokyo April 15, 2013. © Toru Hanai/Reuters/Corbis

Few will disagree that we live in an era of sweeping change in which the international system seems to be moving toward an inflection point. Although the contours of the future are still only dimly visible, fundamental power shifts are taking place as (re)-emerging powers claim a greater voice in the running of the international system whilst the relevance and appeal of the values underpinning liberal order appear to be fading. As has been pointed out in this report, the transition toward a post-Western world presents policymakers with complex questions related to liberal order's future and how to manage the transition to a new global cooperative order for the provision of public goods and as a cooperative forum for meeting the many common challenges that no single state, or cluster of states, will be able to adequately address alone. Whether success can be achieved, overall and in the specific areas investigated in this report, depends to a large extent on the ability of the United States to establish and maintain constructive relationships with many different international stakeholders, whilst maintaining the vitality of U.S. leadership — both as the leading state *within* liberal order and as *primus inter pares* in a post-Western world.

This chapter starts from the belief that in addressing the many impending questions raised in this report, policymakers should utilize liberal order's strengths — its established cooperative architecture and its highly developed capacity for dialogue across deep political divides and old hostilities. One of the major strengths of liberal order is its open institutional rules-based architecture and its ability to enter into many different forms of partnerships and cooperative relationships. Indeed most of the issues examined in this report are in one way or another based on cooperation through a multitude of different partnerships. However, although partnerships and institutionalized cooperation can be seen as liberal order's strength, it must also be acknowledged that liberal order's existing institutions need to be reformed and new partnerships are needed. The task ahead is to maintain existing partnerships and to establish new ones so as to facilitate the

transition to a post-Western world where liberal states — some only recently of a liberal persuasion — may continue with their deeply embedded practices of cooperation, persuasion, and dialogue, whilst new rules-based partnerships might contribute to overcoming previous animosities and prejudices. However, not all emerging powers share the liberal values underpinning liberal order and not all states are interested in establishing rules-based partnerships. In those cases, "flying under the radar" of political restraints through personal relationships in a growing web of professional networks and inter-institutional partnerships may be a way forward to eventually establishing a more cooperative global architecture.[288]

> *"Flying under the radar" of political restraints through personal relationships in a growing web of professional networks and inter-institutional partnerships may be a way forward.*

The U.S. National Intelligence Council (NIC) shares the understanding of the tasks ahead. In its latest report, *Alternative Worlds*,[289] the NIC suggests that change over the next couple of decades is likely to be substantial and that Western-dominated structures must be significantly transformed if they are to remain relevant. The NIC outlines four

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[288] Although these other partnerships are not included in this chapter, their importance should not be under-estimated. I am here referring to networks of professional partnerships as suggested by A-M. Slaughter in *A New World Order* (Princeton: Princeton University Press, 2004) or the kind of partnerships that can be found at the staff-to-staff level and at the operational level in the relationship between EU and NATO despite the political blockages at the state policy level. "Under the radar" partnerships are abundant around specific functional tasks through international organizations, NGOs, educational establishments, and many more.

[289] U.S. National Intelligence Council, *Alternative Worlds* (December 2012), http://www.dni.gov/files/documents/GlobalTrends_2030.pdf.

scenarios where the most likely best-case scenario envisages a future global system based on growing collaboration among major powers through more inclusive multilateral institutions. However, the report cautions that achieving such an outcome will depend on the ability of the United States to exert political leadership to forge new international partnerships in which political and economic reforms move forward hand in hand.[290] Maintaining and sustaining U.S. leadership is therefore a crucial prerequisite for success.

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The good news is that the Obama administration formulated a grand strategy[291] that largely follows the NIC recommendations. As a presidential candidate, Barack Obama wrote in *Foreign Affairs* that the United States will not be able to meet the challenges of the 21st century alone and that a renewed U.S. leadership will require "rebuilding alliances, partnerships, and institutions to confront common threats and enhance common security."'[292] The policy was perhaps most clearly articulated by then-Secretary of State Hillary Clinton as a move to establish a "cooperative architecture" leading to a "multi-partner world rather than a multi-polar world."[293] Moreover, the use of partnerships as a

foreign policy tool to sustain U.S. power and liberal order in the 21st century was cemented in key policy documents. The 2010 *National Security Strategy* stressed the intention "to build new and deeper partnerships in every region"[294] whilst the 2012 Defense Guidance Document with the telling title *Sustaining U.S. Global Leadership: Priorities for the 21st Century* pointed to partnerships as the main tool for sustaining U.S. leadership and a rules-based order.[295]

The focus of this chapter is on the use of partnerships as a foreign policy tool for achieving three overall policy objectives: to sustain U.S. leadership; to safeguard the continuance of liberal order; and to establish a global cooperative architecture among a growing number of diverse power centers. The chapter builds on the work of G. John Ikenberry, who suggests that order within liberal order is based on values and consent and is organized around agreed upon rules and multilateral institutions that allocate rights and limit the exercise of power whereas order outside liberal order is maintained through bilateral relationships, organized around shared interests and based on power.[296] This chapter extends the possible range of relationships to a number of different forms of partnerships defined by their organizational scope and their institutional depth. The organizational scope ranges from multilateral partnerships to bilateral partnerships to networked partnerships and inter-institutional partnerships. The institutional depth (or thickness) of the partnership will depend on to what degree the partnership is based on shared practices, interests, rules, values, identity, and culture or a combination of these. A partnership based only on shared practices is likely to be less robust than a

[290] Ibid, p. 120.

[291] I understand "grand strategy" as a broad and hollistic approach to secure national interests by linking the international, regional and domestic environments to secure a set of defined national goals. Grand strategy provides an overall picture of how the different pieces of foreign and domestic policy link together and recommends ways and means to secure those interests. See for example R. Fontaine and K. Lord(eds.) *America's Path; Grand Strategy for the Next Administration,* Center for a New American Security (May 2012).

[292] B. Obama, "Renewing American Leadership," *Foreign Affairs* (July/August 2007), http://www.foreignaffairs.com/articles/62636/barack-obama/renewing-american-leadership.

[293] Secretary of State Hillary Rodham Clinton, Foreign Policy Address at the Council on Foreign Relations, Washington, DC, June 15, 2009, http://www.state.gov/secretary/rm/2009a/july/126071.htm.

[294] The White House, *National Security Strategy* (May 2010), p. 4*,* http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf.

[295] The Defense Guidance Document is primarily about maintaining and establishing partnerships, but this important message was largely overlooked as all attention focused on the "pivot to Asia." U.S. Department of Defense, *Sustaining U.S. Global Leadership: Priorities for the 21st Century* (January 2012), http://www.defense.gov/news/defense_strategic_guidance.pdf.

[296] G. J. Ikenberry, *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* (Princeton: Princeton University Press, 2012*).*

partnership based on shared rules, and partnerships also based on shared values and identity have an institutional depth that provides them with additional robustness.[297] This chapter focuses on three specific examples of the different forms of partnerships that may contribute to facilitating a new cooperative and rules-based global order:

- The forging of interest-based bilateral partnerships such as the "reset" with Russia.

- The reinvigoration of value-based multilateral partnerships such as the transatlantic relationship through NATO and the Transatlantic Trade and Investment Partnership (TTIP).

- The establishment of new rules-based multilateral relationships such as through the Trans-Pacific Partnership (TPP).

The chapter ends by assessing the prospects for using different forms of partnerships as a foreign policy tool to achieve the policy goals outlined above.

A partnership based only on shared practices is likely to be less robust than a partnership based on shared rules.

Forging New Strategic Partnerships

Perhaps the most widely known part of the Obama administration's approach to partnership is its highly publicized intentions of establishing partnerships with emerging powers — including those that do not share liberal values. In one of the first foreign policy initiatives to establish new strategic partnerships, the newly inaugurated

administration suggested a "reset" in the strained relationship with Russia and in a similar early initiative, hosted a two-day meeting in Washington to launch a *Strategic and Economic Dialogue* between China and the United States.[298] Moreover other emerging powers such as India, Brazil, Indonesia, and South Africa were "courted" by the new administration. The attempt to establish these new strategic partnerships was pursued through direct diplomacy between the United States and the (re)-emerging powers in question and in some cases also through a renewed focus in NATO on establishing a wide range of partnerships, including relations with China and India and a newly reinvigorated NATO-Russia relationship.[299] Overall, however, the attempt to forge new partnerships with (re)-emerging powers has not yielded the progress initially hoped for.

The case of partnership with Russia has been a vexing issue ever since the end of the Cold War[300] and has certainly not become less so since Russia showed in the Crimea that it does not play by the same rules as the West. The relationship has had its ups and downs over the years, but was attempted to be "reset" early on in the Obama administration. Although the "reset" initially started out based on a positive relationship between President Obama and Russian President Dmitry Medvedev, with the key achievement being the signing of a New Start agreement on nuclear arms reductions in 2010, the initially constructive relationship soon ran into problems. Although the reset did establish some important, though limited areas of practical cooperation, it gradually became clear that the U.S. offer of cooperation in areas of key concern to Russia were not as far-reaching as anticipated. This was especially so on the issue of cooperation

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[297] The specific characteristics and uses of all five forms of partnerships are treated in more detail in *Partnerships and Grand Strategy — Sustaining Liberal Order in a Post-Western World* (ISA paper Toronto, 2014).

[298] The U.S.-China Strategic and Economic Dialogue has since met yearly, with the fifth meeting held in July 2013, http://www.state.gov/e/eb/tpp/bta/sed/.

[299] For more detail on the partnership initiatives through NATO, see T. Flockhart (ed.), *Cooperative Security: NATO's Partnership Policy in a Changing World,* Danish Institute for International Studies (2014), http://en.diis.dk/home/news/2014/natos+partnerships+in+a+changing+world.

[300] See A. Stent, *The Limits of Partnership: U.S.-Russia Relations in the Twenty-First Century,* (Princeton: Princeton University Press, 2014).

on missile defense, which at first appeared to offer a potential "game changer" in the relationship.[301] However, when the actual offer was brought to the table, Russia was infuriated to discover that the U.S. position was not cooperation on a shared missile defense against a common enemy, but that it envisaged minimal cooperation between two separate systems, without acknowledging Russian concerns about the effects of the agreed NATO missile defense on Russia's strategic capability. Since the return of Vladimir Putin to power in May 2012, the relationship has been characterized by an increasing level of mistrust particularly on issues such as Iran, Syria, and Edward Snowden.[302] After an initial attempt to "reset the reset" in spring of 2013, the relationship was scaled down when the Obama administration decided to "take a pause" in the relationship, evidenced by the decision to cancel a planned meeting between Obama and Putin in St. Petersburg in connection with the G20 meeting in September 2013. After the Ukrainian crisis, partnership with Russia will clearly have to be rethought.

The example of the difficulties in establishing a strategic interest-based partnership with Russia are perhaps indicative of more general problems related to using strategic partnerships as a policy tool for achieving the policy objectives set out by the Obama administration. The problem is that strategic partnerships based on limited shared interests and not backed up with shared values are not easy to sustain because all partnerships entail prior acceptance of the different positions and are dependent on both sides having something to gain. Unless strategic partnerships are based on a willingness to accept partners as equals and to play by rules that are acceptable to both sides, there is little to be gained from such partnerships. Moreover partnerships that are based on narrow shared interests rather than more widely shared values are vulnerable to set-backs caused by "nasty surprises"

such as the NSA revelations or other conflicting policies or unexpected events. All partnerships require time to mature and a significant degree of nurturing, yet in the absence of shared values, interest-based partnerships have less of a "buffer" whilst working out the potential for a common position. So far it must be said that the Obama administration has not handled the "surprises" well and important partnerships have been compromised by conflicting policies such as the decision to move forward with a European missile defense whilst trying to reset the relationship with Russia, or by pursuing the Transatlantic Trade and Investment Partnership (TTIP) and Trans-Pacific Partnership (TPP) but not to any significant degree include the repercussions of these policies in discussions with China and other prospective "strategic partners."

The crucial question that has not been asked often enough is "partnership for what?" It was never really clear what the proposed strategic partners stood to gain — except perhaps the offer of partnership. Yet, presuming that rising states would be eager to enter into close but unspecified relationships with the United States was both unrealistic and ill thought through[303] and gave rise to suspicions that the West simply sought influence with no intention of offering anything in return. The predictable outcome was therefore that although the Obama administration started out with the clear intention of elevating relations with especially China and Russia to a new more cooperative level, the reality of what was offered did not resonate well in either Beijing or Moscow.[304]

The crucial question that has not been asked often enough is "partnership for what?"

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[301] Euro-Atlantic Security Initiative, *Missile Defense: Toward a New Paradigm,* Carnegie Endowment for International Peace (2012), http://carnegieendowment.org/files/WGP_MissileDefense_FINAL. pdf.

[302] P. Baker, "U.S.-Russian Ties Still Fall Short of 'Reset' Goal," *The New York Times* (September, 2, 2013).

[303] C. A. Kupchan and A. Mount, "The Autonomy Rule," *Democracy - A Journal of Ideas,* Issue 12 (Spring 2009).

[304] M. S. Indyk, K. G. Lieberthal, and M. E. O'Hanlon, *Bending History: Barack Obama's Foreign Policy,* (Washington, DC: Brookings Institution Press, 2012).

Reinvigorating the Transatlantic Partnership

The Obama administration also started out by declaring a need to reinvigorate the transatlantic relationship. After the Bush years and especially the Iraq War, the transatlantic relationship was in a sorry state. Expectations for finally being able to return to the "good old ways" were therefore high in Europe and President Obama was welcomed with enthusiasm — first in Berlin as a presidential candidate in July 2008[305] and then as president on the occasion of NATO's 60th anniversary summit in Strasbourg and Kehl.[306]

Although the Strasbourg/Kehl Summit gave the green light to start the process of formulating a new Strategic Concept, it soon became clear that the new administration had no intention of returning to the "old ways." Instead, what emerged (to the consternation of some Allies) was a clear intention of forging a radically changed transatlantic relationship involving a substantially transformed and modernized NATO, where European allies increasingly would take the lead in meeting security challenges close to Europe — especially in the Middle East and Africa — whilst the United States would refocus its attention to its many unresolved issues at home and "rebalance" its attentions in the international sphere to Asia.

The reforging of the transatlantic relationship turned out to be more far-reaching than expected by European allies as it gradually became clear that the transatlantic partnership would no longer be primarily underpinned by the traditional security bargain, in which the United States would carry the main defense burden in return for European political support, but that a new bargain was in

It soon became clear that the [Obama] administration had no intention of returning to the "old ways."

the making based on a more equal sharing of costs and risks. The proposed transformation of the Alliance is most clearly formulated in NATO's new Strategic Concept — widely agreed to be a major achievement because the document attaches equal importance to three core tasks; collective security, cooperative security, and crisis management. This is significant because although the two first core tasks are enshrined in the North Atlantic Treaty's Article 5 and Article 2, the Treaty does not include any provision for crisis management, and cooperative security has traditionally been regarded as secondary to collective security. By more clearly elevating cooperative security and by including crisis management as core tasks, the new Strategic Concept clearly signals that collective security in which the United States effectively pays the lion's share of the bill is no longer the sole foundation for the relationship and that participation in crisis management operations is not an optional extra, but a necessary prerequisite for Alliance cohesion.

The Strategic Concept certainly provides a good foundation for reinvigorating the Alliance. However, without full implementation of the intentions expressed in the document, NATO will remain an organization of the past with dwindling relevance for the future. The problem is that the enthusiasm with which the Strategic Concept was adopted appears to have faded as not all allies share the underlying grand strategic aspirations and as the effects of years of fiscal austerity continue to affect military capabilities in a negative direction. It is a concern that nearly four years after the adoption of NATO's perhaps most radical

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[305] On the visit to Berlin, then-Senator Obama promised to forge closer partnerships to deal with nuclear proliferation, global warming, poverty, and genocide and that the United States would become a better partner. J. Zeleny and N. Kulish, "Obama, in Berlin, Calls for Renewal of Ties with Allies," *New York Times* (July 25, 2008).

[306] After the NATO Summit, President Obama travelled to Prague where he delivered his Prague Speech calling for a world without nuclear weapons and stressing the importance of cooperation with Russia. B. Obama, "Remarks By President Obama, Hradcany Square, Prague, Czech Republic," White House (April 5, 2009), http://www.whitehouse.gov/the_press_office/Remarks-By-President-Barack-Obama-In-Prague-As-Delivered.

strategic concept, its implementation record is not impressive in the three identified core tasks.[307]

To be fair, radical change in NATO has always been a slow-moving process with many stops and starts on the way. However, the Alliance has the benefit of being based not only on shared values, but also on being rooted in deeply embedded institutional practices of dialogue and persuasion. Although these processes may sometimes appear cumbersome and long-winded, they tend to eventually produce an acceptable outcome.[308] In the current case — it is positive that many of the difficult decisions, such as the Strategic Concept and a new partnership policy, have already been taken, suggesting that eventually changed practices will follow. Paradoxically, the current difficulties with implementation of the important decisions over the past four years arise from the transatlantic relationship having moved into a more mature phase in which security in Europe no longer can (or should) be the main focus of the United States. Although unsettling to some allies, the fact is that the security interests of Europe and the United States no longer fully align — except of course in Article 5 contingencies. This will necessarily have major — though not necessarily negative — repercussions for the Alliance, and will involve a (probably protracted) process of adjustment. However, as long as the Atlantic Alliance continues to reiterate its shared values and to be organized around agreed upon rules and common practices, a reinvigorated and relevant transatlantic relationship is still within reach — albeit as per usual, the road ahead will probably be both long and winding.

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[307] To be fair, NATO has implemented many of the tasks set out in the new Strategic Concept. It embarked almost imediately on a Deterrence and Defense Posture Review (DDPR), which was agreed upon at the Chicago Summit in 2012 and it formulated a new more comprehensive partnership policy agreed in April 2011. Moreover, it has attempted to straighten the troubled relationship with the EU and excellent initiatives such as the Connected Forces Initiative (CFI) and Smart Defence have been undertaken. However, so far the benefits of these initiatives have not had time to consolidate and all are faced with considerable issues to be addressed.

[308] The exit of France from NATO's integrated military structure in 1966 and a few occasions of "footnoting" in NATO official texts are the main examples of inability to reach consensus.

Although unsettling to some allies, the fact is that the security interests of Europe and the United States no longer fully align.

Notwithstanding the Russian violation of Ukrainian territory, the fundamental changes in the transatlantic relationship are manifested through a gradual shift from a relationship based mainly on security to a relationship that increasingly looks set to be based on economics. The ongoing negotiations to agree on a new transatlantic bargain based on trade and investment should be seen in this light. Much has been said about the potential economic benefits of TTIP — and the expectation of trade benefits and much needed economic growth are undoubtedly the primary drivers of the current process to establish TTIP. However, of more interest here are the political implications of TTIP and its potential for reinvigorating the transatlantic partnership and for setting down regulatory standards on a perhaps global scale.

A successful TTIP could shift the essence of the transatlantic relationship from defense and security to trade and investment. In doing so, unity in the transatlantic relationship might be expressed to a greater degree through TTIP rather than through NATO, leaving the necessary space for difference in European and U.S. security priorities. Whilst many balk at such a change, it makes perfect sense in a world where U.S. and European security interests no longer fully align. The United States' security focus is increasingly on Asia to a degree that is not matched by the Europeans, who are not, as is the United States, connected to Asia via Treaty commitments and therefore see Asia more as an economic threat than as a security challenge.[309] As a result, a transatlantic relationship built on the assumption of identical security interests is

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[309] The German Marshall Fund of the United States, "Transatlantic Trends 2013," http://trends.gmfus.org/transatlantic-trends/.

no longer relevant. However, the United States and Europe do share a perception of an economic threat and they share the perception of a need to safeguard their leading position as trading states in the international system, and they continue to share liberal values and to work closely together in a densely institutionalized manner. If TTIP can succeed in establishing common regulations and standards that any state wanting to export to the EU or the United States would have to comply with, TTIP could be a powerful tool for setting the agenda internationally on standards and regulations and for protecting intellectual property rights. This would further cement the transatlantic relationship at a time where traditional ways of cementing the relationship are becoming more difficult to sustain. In this sense, TTIP is indeed an "economic NATO"[310] that would constitute nothing less than a tectonic shift in how transatlantic relations have been conducted so far and might well strengthen a relationship that many are clearly despondent about. However, unless the final TTIP agreement includes provision for non-EU member-states and other close trading partners to "bolt-on" to the agreement, and to have some influence and gains, the agreement could have severely detrimental effects on other relationships of importance for U.S. (and European) grand strategy.[311]

The transformation of the transatlantic relationship is still unfolding and a positive outcome of a reinvigorated transatlantic relationship that is based on the future rather than the past is still not assured. However, the Strategic Concept agreed at the Lisbon Summit in 2010 and the possibility for an agreement on TTIP are good foundations on which to proceed, although of course much — if not all — depends on the full realization of both projects, and their ability to link up with affiliated global partners. As the Alliance looks toward the Wales Summit in September 2014 and as the next crucial rounds of negotiations on TTIP unfold, there is much to be done to turn the tide of a transatlantic relationship that is still too rooted in the past without a clear vision for the future. It is worth remembering however that if both projects succeed, the benefit will be to strengthen the rules-based foundations of the transatlantic partnership, which has served liberal order so well in the past. The alternative can only be harmful for the future prospects of liberal order.

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Establishing a Strengthened Transpacific Partnership

The intentions for establishing deeper relations with the Asia-Pacific region were clearly articulated from the very start of the Obama administration by stressing that the United States is both a Pacific and an Atlantic power [312] and by stressing the need to "forge a more effective framework in Asia that goes beyond bilateral agreements, occasional summits, and ad hoc arrangements."[313] The new emphasis on the Asia-Pacific was demonstrated by Hillary Clinton making Asia her first overseas port of call as secretary of state, and by the almost immediate start of preparations for a presidential visit to Japan, Singapore, China and South Korea,

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[310] A. F. Rasmussen speech in Copenhagen (October 7, 2013), http://www.nato.int/cps/en/natolive/opinions_103863.htm?selectedLocale=en, and T. Flockhart, "Can TTIP Be an 'Economic NATO'?" Transatlantic Academy (October 13, 2013), http://www.transatlanticacademy.org/node/612.

[311] Although it might yet be an overstatement to claim that Europe has a grand strategy, the need for formulating one is certainly high on the European agenda. See for example D. Stokes and R. Whitman, "Transatlantic triage? European and U.K. 'grand strategy' after the U.S. rebalance to Asia," *International Affairs,* 89:5 (2013), pp. 1087-1107.

[312] Council on Foreign Relations, "Address by Secretary of State Hillary Clinton," (July 15, 2009), http://www.cfr.org/diplomacy-and-statecraft/council-foreign-relations-address-secretary-state-hillary-clinton/p19840.

[313] As described in an Obama-Biden campaign document, "Barack Obama and Joe Biden's Plan to Renew U.S. Leadership in Asia" (April 23, 2007), http://obama.3cdn.net/ef3d1c1c34cf996edf_s3w2mv24t.pdf.

which took place in November 2009. Indeed, during his first term of office, Obama travelled to Asia every year. The full extent of the "rebalance to Asia" was however most clearly articulated by Secretary Clinton in an October 2011 *Foreign Policy* article entitled "America's Pacific Century." The article identifies six key lines of action: strengthening bilateral security alliances; deepening relations with emerging powers; engaging with regional multilateral institutions; expanding trade and investment; forging a broad-based military presence; and achieving democracy and human rights.[314] The ambition was to build a web of rules-based partnerships and institutions across the Pacific that would be as durable and as consistent with U.S. interests and values as the transatlantic web.[315] Moreover, the Obama administration fundamentally altered the traditional U.S. position on the importance of relations with a number of Asian multilateral institutions.[316] This included more active U.S. participation in regional organizations such as ASEAN, the Asia-Pacific Economic Cooperation forum (APEC), and the East Asia Summit (EAS), which all became an integral part of the emerging Asia strategy.[317]

As is the case in the transatlantic relationship, the transpacific relationship will be based on partnerships with both a security and an economic

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[314] H. Clinton, "America's Pacific Century," *Foreign Policy* (October 11, 2011), http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century.

[315] Ibid.

[316] This was also the case in Europe as the Obama administration has been much more willing to engage with the EU — primarily through TTIP, but also by fully embracing the CSDP and supporting the ambition of a more independent EU-led involvement in relations with Iran and the Palestinian Authorities and more generally in Africa and the Middle East.

[317] J. A. Bader, *Obama and China's Rise* (Washington, DC: Brookings Institution Press, 2012), pp. 4. The commitment to participating in Asian multilateral forums was however doubted in Asian circles as the government shutdown in October 2013 caused the president to cancel his participation in two important Asian Summits in Indonesia (APEC) and Brunei (EAS) as well as visits to Malaysia and the Philippines. More troubling is that as long as Congress has not granted the president trade promotional authority (TPA), not only will Asian doubts about continued U.S. commitments to Asia persist but failure to grant the TPA may also put the prospects for a successful conclusion to the TPP (and TTIP) in peril. See "When Harry mugged Barry," *The Economist* (February 8, 2014), http://www.economist.com/news/united-states/21595958-harry-reid-threatens-impoverish-world-least-600-billion-year-when-harry.

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dimension. The National Security Strategy from 2010 emphasized that existing security alliances with Japan, South Korea, Australia, the Philippines, and Thailand would continue to be the bedrock of security in the Asia-Pacific and that these alliances would be deepened and updated to reflect the dynamism of the region and the strategic trends of the 21st century.[318] In a speech to the Australian Parliament in November 2011, Obama stressed that reductions in U.S. defense spending would *not* come at the expense of Asia-Pacific, but that a U.S. presence in the Asia-Pacific was a top priority.[319] The contrast to the message to the Europeans was stark, specifying that the new posture would include new more flexible and sustainable capabilities, and would include more training and exercises to help partners build their capacity and that the United States would increase its Marines Corps presence in Darwin, Australia, from 250 to around 2,200.[320]

It is not just in security relations that the United States is refocusing its attention to the Asia-Pacific. The centerpiece of the United States' economic rebalance to Asia is undoubtedly the Trans-Pacific Partnership (TPP). At the time of writing (March 2014), negotiations are in the final phase between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam, with clear expressions

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[318] The White House, *National Security Strategy* (May 2010), pp. 42.

[319] B. Obama, "Remarks by President Obama to the Australian Parliament," The White House (November 17, 2011), http://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament.

[320] Ibid.

of interests from South Korea to join once the negotiations are completed. The agreement will cover more than 40 percent of global trade and, if successfully established,[321] is likely to fundamentally alter the United States' relationships in Asia-Pacific. However, although a successful TPP certainly will be a major achievement and will fundamentally alter the United States' relationships in the region to being more rules-based than has been the case in the past, the agreement is not strictly speaking a multilateral agreement, but consists of more than 40 different bilateral agreements.[322] Moreover, the TPP is not as extensive as the TTIP in terms of establishing common regulations and standards, and is also to a greater degree based on shared interests rather than shared values.[323] It is also worth noting that the TPP does not include important rising states such as Indonesia, the Philippines, and, most importantly, China. Moreover, as was the case with the TTIP, the agreement is likely to have detrimental effects on other strategically important relationships, most notably with China. A further, though as yet unclear, complication is that China is promoting a Regional Comprehensive Economic Partnership (RCEP) agreement through ASEAN, which may well turn out to be a competitor (certainly a complication) to the TPP. Nevertheless, the TPP constitutes a significant upgrade of the types of relationships the United States has had in the past with countries in the Asia-Pacific from mainly bilateral and interest-based to increasingly multilateral and rules-based.

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[321] Although the United States and its future TPP partners had set a deadline for the end of 2013 for reaching agreement on the text of the treaty, but clearly this deadline was not met, and it is as yet unclear when an agreement will be signed.

[322] The emerging trend, which includes TPP, is so-called "mega free trade agreements" (mega-FTAs) in which many bilateral agreements are negotiated within a regional framework. See J. Wilson, "Multilateral, regional, bilateral: which agreement is best?" *The Conversation* (November 15, 2013), https://theconversation.com/multilateral-regional-bilateral-which-agreement-is-best-19664.

[323] This is most clearly evident by the fact that Vietnam, Malaysia, and Singapore are included in the TPP negotiations — countries that, although they all (even Vietnam) abide to different forms of capitalism, do not share the liberal values underpinning the overall liberal order such as political freedoms and human rights.

The Prospects for Achieving the Goals

The question is of course whether the establishment of these different forms of partnerships is likely to contribute to the overall grand strategic objectives outlined in this chapter and in this report as a whole. To be sure, the picture presented in this chapter is not as positive as could have been hoped for and there are still many unresolved issues and possible throwbacks. However, it would be naïve to assume that a policy based on the establishment of partnerships would be easy or yield quick results. Building up new relationships — especially partnerships that have to be based on agreed rules, embedded practices, and eventually trust — is necessarily time consuming. The experience from the transatlantic relationship shows that even partnerships based on shared values and close cultural ties develop unevenly, require constant reaffirmation, and are prone to crises and setbacks. Nevertheless, the accrued benefit across time in the transatlantic relationship, and especially in intra-European relations, represents a fundamental change from recurring patterns of conflict to deeply embedded patterns of cooperation. Once established, rules-based partnerships over time lead to practices of resolving conflicts and disagreements through dialogue and negotiation, and partnerships achieve a level of predictability through institutionalized patterns and rules-based

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behavior that clearly is a benefit in a fast-moving and complex world.

The benefits of the strategic partnerships that played such a prominent role in the early articulation of the Obama administration's foreign policy are less tangible, and without the advantages associated with a rules-based institutional framework. Without a foundation of shared values, these types of relationships are much more vulnerable to "nasty surprises" and changes in the domestic context. It seems that in relationships with strategic partners, a pragmatic and functional approach utilizing professional networks that can "fly under the radar" of national politics[324] are likely to yield better results than ambitious initiatives such as the "reset" with Russia or "strategic dialogue" with China. Although strategic partnerships are unlikely to be based on shared visions and shared values, they can be based on more limited shared interests and be based on common practices within specific issue areas. As the chapters in this report have shown, although the future is likely to be characterized by competing approaches on a large number of issue areas that have hitherto been dominated by Western approaches, there are also many both explored and unexplored avenues for cooperation and partnership in the fields of economic governance, internet governance, security cooperation, and in the area of provision of development aid that may yet yield a useful starting point for strategic partnerships. For example, notwithstanding the frosty rhetoric in the relationship with Russia and the serious set-back in relations following the Crimean crisis, NATO has positive experiences in their cooperation with Russia on anti-drugs measures and anti-terrorism and in connection with cooperation on anti-piracy and on transit routes to Afghanistan.[325] Moreover, although Russia and China clearly do not share the liberal values underpinning liberal order, they do share a capitalist outlook. The growing convergence in economic organizational principles[326] is likely to constitute a constructive basis for economic and

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trade related cooperation and for the development of professional practice-based networks. However, the negative consequences of TTIP and TPP might be that strategically important states such as China and Russia will perceive themselves as being encircled or excluded by the West, leading to the establishment of counter-measures such as RCEP or the Shanghai Cooperation Council (SCO). TTIP and TTP are not likely to contribute to positive relations with China and Russia, which makes strategic partnerships even more difficult to achieve.

Of course, China and Russia are not the only states to be excluded from the partnership initiatives investigated in this chapter and in the report as a whole. Latin America is only represented by a few states, and Africa, the Middle East, and Central Asia are practically invisible in the emerging picture.[327] Moreover, important rising states such as India, Indonesia, Brazil, and South Africa are not included in the partnerships investigated in this chapter — despite their democratic credentials. This seems to indicate a problem in relying on interest-based partnerships as a comprehensive policy tool for achieving the grand strategic goals outlined in this chapter. Moreover the absence of many liberal states in the institutional architecture indicates a "gap in the market" for a new institutional structure that is not premised on the alignment of narrow economic or security-related interests or on particular strategic relevance, but which is focused on the "value of liberal values." Such an institution — a "Liberal Forum" — would be a useful addition to the already well-developed liberal institutional

[324] A-M. Slaughter, *A New World Order* (Princeton: Princeton University Press, 2004).

[325] Interviews conducted at NATO headquarters (January 2014).

[326] B. Buzan and G. Lawson, "Capitalism and the emergent world order," *International Affairs*, 90:1 (January 10, 2014), pp. 71-91.

[327] Mongolia has recently concluded a partnership agreement with NATO, which suggests the value of NATO's partnership policy as a measure to close some of the gaps in the emerging partnerships.

architecture because it would be able to facilitate dialogue — and perhaps in time cooperation — among a greater number of reasonably like-minded states of a broadly liberal persuasion. A "Liberal Forum" would be based on a modest institutional architecture, perhaps along the lines of the annual Munich Security Conference with additional regional "Liberal Forum" conferences over the year to provide a forum for liberal states to "self-select" their association with liberal order and allow a greater number of states to come together to discuss what it means to be a liberal state without having to sign up to an exclusively Western interpretation of those values or to participate in expensive or politically unacceptable activities. It should be emphasized that the "Liberal Forum" suggested here is very different from the suggestions for a so-called "League of Democracies" or a "D-10" (see Ash Jain's box, page 150)[328] because it would not aim to either promote democracy or take "liberal action" when other more universal forums fail to do so and it would be based exclusively on alignment with a broad — and negotiated — "Liberal Acquis." Moreover a "Liberal Forum" would be open to *all* states that wish to join and which can be shown to comply with the agreed "Liberal Acquis." The value of a "Liberal Forum" would be precisely that it would be a "talking-shop" based solely on values, allowing other liberal voices to be heard rather than just Western ones.

Overall however, the "joker in the pack" is to what extent a comprehensive "cooperative architecture" in a post-Western world is an achievable outcome and whether the many different partnerships can be said to contribute to its realization. A more inclusive cooperative architecture is precisely what is suggested by the NIC as an essential element of their best-case scenario. But in order for such a cooperative architecture to be successfully

established, it will be necessary, as suggested by Charles A. Kupchan in the introductory chapter of this report, to establish a new normative consensus between multiple and diverse power centers to underpin a new rules-based order that recognizes diversity but maintains a degree of unity and that can facilitate cooperation around issues of shared concerns and shared interests. Such a cooperative architecture cannot be based on liberal values — or indeed any other specific culturally or politically informed values — but has to be rooted in a degree of pragmatism to effectively address a growing number of pressing global issues. The UN is clearly the closest we have in terms of such a comprehensive cooperative architecture. Yet without further reform to include a wider distribution of seats for permanent representation on the Security Council that better reflect the emerging distribution of power, it seems unlikely that the UN will be able to remain relevant and legitimate in a post-Western world. Whether the establishment of the many different forms of partnerships will increase the likelihood of achieving a cooperative order is hard to say, but establishing new partnerships is unlikely to work against such an outcome, which is why a policy based on multiple forms of partnerships should be maintained — even in the face of (as yet) limited tangible results.

Despite the evident problems ahead and despite the perhaps unanticipated limitations of partnerships as a foreign policy tool, reinvigorating the transatlantic partnership to be fit for the challenges of the 21st century and strengthening transpacific partnerships into more rules-based

Without further reform on the Security Council, it seems unlikely that the UN will be able to remain relevant and legitimate in a post-Western world.

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[328] The problem with existing suggestions for a "Concert of Democracies," a "League of Democracies," or "D-10" is that all these suggestions rest on set interpretations of what it means to be liberal (a particular form of liberal democracy) and that the institution would serve a particular functional purpose such as to strengthen security cooperation among the world's liberal democracies and to provide a framework in which they can work together to tackle common challenges, and in some suggestions also to actively promote democracy.

The D-10

Ash Jain[1]

From nuclear proliferation to mass atrocities to great power spheres of influence, today's global challenges pose serious threats to the liberal international order. To successfully address these challenges, the United States and its allies need a new framework for cooperation. A "Democracies 10," or D-10, that brings together like-minded and influential states could provide a powerful mechanism to strengthen liberal norms and values.

Advancing Liberal Norms

With inclusive organizations so often stalemated, the United States often looks to the NATO alliance to guide cooperation on transatlantic security. At the same time, bilateral alliances in Asia facilitate engagement on East Asian concerns. Managing today's security challenges, however, requires better coordination across the Atlantic and Pacific.

An effective Iran sanctions strategy, for example, depends not just on unity between the United States and Europe, but also with Japan and South Korea, which are among the largest purchasers of Iranian oil. In Afghanistan, the United States' Asia-Pacific allies have been among the leading troop contributors. And the European Union, which ranks ahead of the United States as Beijing's largest trading partner, will be essential to any strategy for managing China's rise.

Because existing mechanisms for cooperating with allies are inadequate, Washington is routinely left to cobble together ad hoc coalitions, such as the "Friends of Syria." These coalitions offer flexibility but allow only tactical cooperation on discrete issues, not strategic coordination across a range of challenges.

To achieve this level of coordination, policymakers should look to build upon an initiative launched by the U.S. State Department in 2008. That year, policy-planning directors from several democracies gathered in Toronto to launch a new dialogue on global challenges. Those invited to participate were strategically like-minded — committed to addressing certain threats and maintaining democratic values — with the requisite economic, military, and diplomatic resources to act on a global scale. The group included the United States' closest allies: Australia, Canada, France, Germany, Italy, Japan, South Korea, and the United Kingdom.

Subsequent meetings in Washington and Seoul during President Barack Obama's first term were productive, but higher-level engagement is now required. The United States should convene the foreign ministers from these eight allies to endorse and reinforce this construct. With the addition of the European Union, the resulting D-10 would account for more than 60 percent of global GDP and more than 75 percent of the world's military expenditures.

The D-10 would provide a mechanism for like-minded states to develop concrete strategies to address current challenges and advance global norms — preventing the proliferation of nuclear weapons, deterring state violence against civilians, promoting democracy and human rights, and countering terrorism while protecting civil liberties. Such a forum would encourage a better alignment of strategic capabilities and intelligence sharing — a noteworthy priority in light of the

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recent NSA surveillance concerns — and allow advanced democracies to coordinate on issues ranging from development assistance to Internet governance.

With the increasing focus on Asia, the D-10 would ensure that key transpacific partners are brought in early on issues central to managing global order, while also ensuring that Europe is at the forefront of discussions related to Asia. And it could provide a base from which to build broader coalitions on specific challenges, such as Iran and Ukraine.

Avoiding "the West Versus the Rest"

But would a new forum of like-minded democracies create a "West versus the Rest" dynamic that could further polarize the international community? While they share interests in certain areas, the reality is that Russia and China oppose the expansion of many liberal norms and principles long championed by the West. And though they embrace common values, India, Brazil, and other rising democracies have been ambivalent about supporting Western-led actions to advance these objectives, particularly when it requires using coercive diplomacy.

Still, as they gain influence and expand their global capabilities, it is important for the West to maintain productive relationships with emerging powers, while seeking to ground them into the liberal order. A smart and carefully balanced approach would ensure that engagement with emerging powers is not undermined.

First, the D-10's public presence should be muted. It would not entail high-publicity leader's summits. Rather, the focus would be behind-the-scenes strategic coordination, guided by foreign ministers. Second, the West should emphasize the importance of the UN and the G20, and continue to work through them. The D-10 would supplement, not replace, the G8 or any other existing framework. Finally, the West should deepen bilateral dialogues with the BRICS (Brazil, Russia, India, China, and South Africa) and others to encourage their cooperation on issues of common concern.

The D-10 will not agree on every issue. Differences over strategy and tactics are certain to emerge. But by integrating like-minded democracies across Europe, Asia, and North America, the D-10 would encourage consensus and strengthen cooperation among key states that share common values and retain a preponderance of global power. In time, such an entity could serve as the core of an expanding circle of global partners committed to advancing a liberal world order.

relationships are positive steps that can contribute to strengthening liberal order internally and that may offer the prospect of closer association to liberal order by states that for the moment may not self-identify as distinctly liberal states, but which in time may choose a closer association with liberal order. In this process, it is important that liberal order maintains its cosmopolitan aspirations and that the order (including its constitutive partnerships) remain open to those states that may wish to join it and that are in broad agreement with the liberal values underpinning liberal order. This does not mean that the importance of the values of liberal order will be diminished — on the contrary,

the "value of values" will remain the cornerstone of liberal order. However, liberal order's values may need readjustment to accommodate a wider and increasingly non-Western membership[329] and to maintain a position as the shining beacon for others to emulate as and when they feel ready and willing to do so.

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[329] The values of liberal order over the past two centuries have changed fundamentally on several occasions, such as from viewing democracy with ambivalence and embracing colonialism. There is no reason why it should not be able to do so again. In fact, one of liberal order's strengths is precisely its ability to continuously adapt to a changing world. For a full discussion on the changing content of liberal order, see T. Dunne and T. Flockhart (eds.) *Liberal World Orders* (Oxford: Oxford University Press, 2013).

Twelve
Managing a Polycentric World

Photo: "It's a Small World" entrance, Hong Kong Disneyland.
© C. Chumbler

This report concludes that establishing a rules-based order for the 21st century requires the implementation of a strategic vision that aims at two main goals. First, the West must recover its economic and political strength, enabling it to continue serving as the world's anchor of liberal values and practices. Second, the West must recognize that its own liberal order will not be universalized. Even as they should welcome into the liberal core those countries ready and willing to play by its rules, the Atlantic democracies will have to work with emerging powers to consensually fashion a new set of norms best suited to sustain a rules-based order at the global level. The chapters in this report make clear that many emerging powers, be they democratic or not, are unwilling to embrace all the rules of the liberal order on offer from the West. Accordingly, the peaceful arrival of a polycentric world will require compromise, tolerance, and recognition of political diversity. Fashioning a rules-based order for the 21st century is an urgent — and attainable — objective. It will come not through the West's ideological hegemony, however, but only if established and emerging powers alike strive for common normative ground.

Admittedly, these two objectives — strengthening the liberal anchor while also building a new rules-based order for a post-Western world — are in tension. A more integrated and tighter Atlantic order will have higher barriers to entry, making it less likely that emerging powers will join. At the same time, compromise with emerging powers, some of which adhere to illiberal norms, will require the Atlantic democracies to accept global rules that fall short of their liberal aspirations. These tensions are, however, unavoidable: the strength and liberal character of the Atlantic community as well as its readiness to compromise with emerging powers are both essential to peacefully managing the onset of a polycentric world. Indeed, handling normative tensions both among liberal states and between liberal and illiberal states has long been a task central to building liberal order.[330]

As it confronts an era of geopolitical flux and uncertainty, a strong and resolute West will be needed to guide ongoing change. The Western model also needs to reestablish its global allure — the best way to protect and to spread liberal practices. And the West must continue to have the resources and the will to continue providing public goods. To be sure, emerging powers need to begin shouldering more responsibility when it comes to providing global public goods. But this reallocation of burdens is poised to occur slowly. In the meantime, the West cannot afford to pull back in a precipitous fashion.

At the same time, even a revitalized West will have no choice but to reach across ideological dividing lines and work with emerging powers to arrive at new rules of the road. The alternative is not the universalization of the liberal order — that objective has already proved illusory — but the fragmentation and breakdown of a rules-based international order. Even as the West plays by its own liberal norms at home, it needs to be ready to embrace diversity and pluralism at the global level. This includes accepting and leveraging the shift toward regional orders that is already underway.

We begin this concluding chapter by examining measures aimed at strengthening the liberal anchor. We then turn to the task of forging a new rules-based order at the global level.

Strengthening the Liberal Anchor

The Atlantic democracies remain the world's anchor of liberal values and practices.

> *The peaceful arrival of a polycentric world will require compromise, tolerance, and recognition of political diversity.*

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[330] See for example H. Rae and C. Reus-Smit, "Grand Days, Dark Palaces: The Contradictions of Liberal Ordering," in T. Dunne and T. Flockhart, ed., *Liberal World Orders* (New York: The British Academy, 2013).

Strengthening that anchor entails two primary tasks: restoring the West's economic and political vitality and reinvigorating the transatlantic partnership.

Restoring the West's Economic and Political Vitality

There are multiple sources of the West's political weakness, but the primary cause is its lackluster economic performance. The wages of the United States' middle class have been stagnant for the better part of three decades. Today, the real income of the average U.S. worker is lower than it was 20 years ago. In the meantime, the wealth of the nation's top earners has increased markedly, making inequality in the United States the highest in the advanced industrialized world. European workers have suffered a similar fate. Even in Germany, the EU's top performer, the middle class has shrunk by some 15 percent. Youth unemployment in the EU's southern tier hovers around 40 percent.

These economic conditions are at the heart of the political dysfunction plaguing the West. In the United States, inequality and economic insecurity are bringing back to life ideological cleavages not seen since the New Deal era, contributing to polarization and paralysis. Across the EU, economic duress is leading to the renationalization of political life, turning electorates against the project of European integration and eating away at the EU's social solidarity.

Reviving economic growth is critical to relegitimating the EU in the eyes of European

In the United States, inequality and economic insecurity are bringing back to life ideological cleavages not seen since the New Deal era.

voters — just as a robust recovery is essential to restoring the efficacy of democratic institutions in the United States. It is particularly important that economic recovery on both sides of the Atlantic advantage workers and the middle class, not just the elite. Improving the living standards and restoring the optimism of average Americans and Europeans are top priorities. Replacing economic dislocation and uncertainty with improving fortunes and confidence is the *sine qua non* of efforts to reclaim political efficacy and purpose among the Atlantic democracies.[331]

The primary focus of this report has *not* been about the West's economic renewal, which is a subject well covered by others. However, in as much as we see the West's reinvigoration as a central component of order-building in the 21st century, this report of necessity must make note of the centrality of economic recovery. The successful conclusion of the Transatlantic Trade and Investment Partnership (see below) and the completion of monetary union within the EU, including banking and fiscal union, would be strong steps toward such a recovery.

Reinvigorating the Transatlantic Partnership

The transatlantic relationship has been the bedrock of the Western liberal order since the end of World War II. The relationship was from the start based on a bargain in which the United States and Europe entered into a dense network of multilateral institutions in which the United States was bound in rules-based agreements in return for European political support and a European commitment to multilateralism and negotiated settlement of disputes. The relationship was underpinned by the U.S. security guarantee to Europe and European acceptance of U.S. leadership. Although the relationship has changed and adapted over the years, arguably it has remained founded on the

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[331] We recognize that there are also non-economic components to the democratic malaise among the Western democracies. On this subject, see the 2013 collaborative report of the Transatlantic Academy: S. Benhabib, D. Cameron, A. Dolidze, G. Halmai, G. Hellmann, K. Pishchikova, and R. Youngs, *The Democratic Disconnect. Citizenship and Accountability in the Transatlantic Community*, Transatlantic Academy (May 2013), http://www.transatlanticacademy.org/publications/us-european-countries-taken-task-democratic-polarization-backsliding.

same basic bargain. However, as part of the effort to strengthen the "Western Anchor" of liberal order, a new transatlantic bargain is now needed. This new bargain would recognize that although the two sides of the Atlantic remain close and share a deep commitment to liberal values and to the continuance of global multilateral cooperation, the changing international system has led to shifts in the transatlantic relationship on two central dimensions. U.S. and European security interests are increasingly *diverging* as the United States refocuses its security attention to Asia, where it (unlike Europe) has treaty-bound security commitments. Meanwhile, U.S. and European economic and political interests are increasingly *converging* as the two sides of the Atlantic have grown more equal and as they both face increased economic and political competition from emerging powers.

In recognizing these fundamental changes, the transatlantic relationship must be reinvigorated through the following measures: reforming existing transatlantic cooperation and deepening transatlantic teamwork with global partners; securing a successful outcome for the TTIP negotiations; deepening cooperation on foreign aid provision; and establishing a liberal coalition for cooperation on Internet governance.

NATO as a Cornerstone of the Transatlantic Relationship: When NATO adopted a new Strategic Concept in 2010, by introducing *cooperative security* and *crisis management* as core Alliance tasks on par with *collective defense*, it cemented the role of the Alliance as being more than "just" a defense alliance. In particular, the focus on cooperative security and the need to establish partnerships not only with countries that share NATO's values but also with countries "across the globe" that share NATO's interest in a peaceful world cemented the determination of the Alliance to be a worldwide security provider. Moreover, the inclusion of crisis management as a new core task signaled the emerging contours of a novel transatlantic bargain in which crisis management and out-of-area operations have become core Alliance tasks. This was a necessary step due to

the changing nature of the threat environment and the need for European members of NATO to more effectively share defense burdens with the United States. Inasmuch as crisis management lies outside the scope of the North Atlantic Treaty, these changes were quite notable and a positive sign of NATO's adaptive capacities. In that sense, the new Strategic Concept really did lay the foundations for a new transatlantic bargain.

In the next couple of years and following the September 2014 Wales Summit, however, it is important that the Alliance reiterates the significance of full implementation of these decisions by more fully integrating all three core tasks — collective defense, cooperative security, and crisis management — into its defense and capability planning. The crisis in Ukraine and Russia's infringement on Ukrainian sovereignty only serves to reiterate that Article 5 commitments to collective defense remain an essential element of the Atlantic Alliance, fully supported by all members, and that the Atlantic Alliance remains a core element of the transatlantic relationship.

Notwithstanding the reality that the project of building a Europe whole and free is not yet complete, the Alliance still needs to respond to the wider processes of transformation taking place in the international system. At the upcoming Wales Summit, the alliance should therefore more clearly acknowledge these developments, in particular the implications of diverging security interests

Notwithstanding the reality that the project of building a Europe whole and free is not yet complete, the Alliance still needs to respond to the wider processes of transformation taking place in the international system.

between the two sides of the Atlantic — not as a source of concern, but as a natural development in a strong and mature relationship that continues to be based on a deep commitment to shared liberal values and that is able to adapt to a changing security environment. It is time that the Alliance officially acknowledges the need for a more equal distribution of risks and burdens and is clear about the challenges and benefits of a geographical division of labor in which the United States is more engaged in Asia, while the Europeans take on greater responsibility (either through NATO or the EU) for crisis management (but not Article 5 contingencies) in Europe and its vicinity (the Sahel, for instance). This is a development that many European allies so far have been reluctant to embrace. However, following the crisis in Ukraine, there exists a unique opportunity for the Alliance to demonstrate its full and continued commitment to Article 5, while also more clearly signaling a commitment to crisis management.

Transatlantic Trade and Investment Partnership (TTIP): Trade and investment have been anchors of the transatlantic relationship for decades and should remain so moving forward. This certainty aside, the global trade architecture that the Atlantic democracies must navigate is in flux — the rules and regulations governing financial exchange are changing and regional trade deals are proliferating. Meanwhile, global trade liberalization seems blocked. Regional multilateralism has emerged as an attractive option because transatlantic partners with a shared history and shared understanding of fundamental values — liberalism, constitutionalism, human rights, rule of law, and democracy — can more easily agree on an opening up of national goods, labor, and capital markets.

An attractive mechanism for doing so is the Transatlantic Trade and Investment Partnership (TTIP), which would provide a boost to the economies of the EU and the United States, spurring growth, creating millions of new jobs, and improving both earnings and competitiveness for many companies, particularly small and medium-sized enterprises. It is important that the U.S. Congress grant "fast track" authorization to

> *It is important that the U.S. Congress grant "fast track" authorization to President Obama in order to increase the chances that TTIP becomes reality.*

President Obama in order to increase the chances that TTIP becomes reality.

The economic benefits for the United States and Europe could even, in the long term, potentially help those economies that would suffer some short-term damage from trade diversion. However, to lessen concerns that TTIP might be the end of global multilateralism, it should remain open for additional countries to join in principle, if they accept the "Acquis Communautaire" of TTIP.[332] While many countries would not do so without having the chance to change the agreement according to specific national preferences, joining the agreement likely makes sense for close neighbors such as Canada, Mexico, Turkey, Switzerland, Norway, and others. Down the line, this option may also appeal to Brazil, other Latin American states, and African countries.

By pursuing the Trans-Pacific Partnership at the same time that it pursues TTIP, the United States is further demonstrating the appeal of regional trade liberalization at a time when global initiatives may be out of reach.

U.S.-EU Development Aid Cooperation: The development aid landscape is also in flux. As their material strength expands, the Rising Rest have emerged as alternative options of foreign aid that countries may select over Western sources and employed approaches divergent from the OECD

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[332] Such an approach was successful with the 1997 International Telecommunications Agreement, for example. See D. Hamilton, "Winning the Trade Peace: How to make the most of the EU-US Trade & Investment Partnership," New Direction — The Foundation for European Reform, May 2013.

DAC (Development Assistance Committee) model. To that end, the transatlantic partners should deepen cooperation on foreign aid objectives, approaches, and spending. This is vital for two reasons: 1) to ensure the United States and EU are able to secure their interests by continuing to shape how aid is provided moving forward; and 2) to maximize transatlantic aid spending, as competing priorities at home increasingly vie for aid funding to be spent abroad. This shift to more institutionalized transatlantic policy alignment and collaboration should entail short- and long-term changes crafted to ensure cost savings as well as shore up the transatlantic community's preeminent position as a model for aid provision and the liberal principles this aid seeks to promote. Short-term steps should focus on maximizing the efficiency of existing aid spending by constructing a viable division of labor between the United States and Europe. They should devise a 15-25 year strategic framework that consists of priorities for all technical areas/regions as well as a work-plan for dividing responsibilities in these areas. A long-term objective for the allies could be to move toward a consolidated U.S./EU development institution where pooled resources are implemented through common delivery mechanisms. In addition to cost-savings, such a Transatlantic Development Assistance Partnership could present a united front for preserving Western aid objectives — assistance linked to reforms toward "market economies backed by democratic institutions" — to alternatives on offer from the likes of China, who offer aid with "no political strings attached."

A Liberal Coalition for Internet Governance: Since its inception, the United States and other Western states have dominated the structures governing the Internet, which has largely been international in scope. Recognizing the threat to their rule that information technology poses, however, authoritarian states have increasingly attempted to fragment the Internet's universality by imposing controls on their citizens' user rights and the content they may access. Therefore, the Internet is at an inflection point where it may either further fragment or tilt back toward the global scope it was

intended to embody. We conclude that the United States, Europe, and like-minded allies need to work together to push the scales in favor of the latter — to ensure a future liberal order of the Internet where access and content are open to all.

The United States, Europe, and like-minded allies need to work together to ensure a future liberal order of the Internet where access and content are open to all.

To do so, the allies must collaboratively guide the structures governing the Internet. A multi-stakeholder model of governance, in which civil society, the technical community, and businesses have a say alongside the state, is appropriate for the more technical aspects of the Internet: the code and the physical layer. However, the regulation of Internet content is more inherently political, and multi-stakeholder governance is too technocratic and insufficiently democratic for this task. To ensure Internet content remains a single, open space where content is based on liberal, open principles, the United States and EU should lead a coalition of like-minded democracies — including but not limited to Australia, Japan, Brazil, and South Africa — which should work together to devise standard-setting processes that comply with fundamental rights and the requirements of transparency, inclusiveness, and accountability. Shoring up the liberal Internet involves an additional task — balancing against its further fragmentation. To that end, the United States and EU should work to stop liberal states from allowing their companies to export dual-use (essentially surveillance) software to authoritarian states. This practice enables repressive regimes to monitor their societies and in so doing fragments the Internet. If the "coalition of the liberal" is to become and

remain a credible voice for the values of freedom, human rights, and democracy, it must take a critical look at own export controls and prevent any suggestion that it might apply double standards.

It is not only authoritarian states who are using high-tech surveillance, however, as was made clear by Edward Snowden's revelations about the scale of data collection by the National Security Agency. The Snowden affair damaged the trust of the United States' transatlantic allies, particularly Germany, in Washington. The U.S. government must take the problem seriously and take steps to regain that trust.

Working Toward A Global Rules-based Order

Beyond taking steps at home and solidifying the transatlantic partnership to strengthen the West, Europe and North America also need to adjust their policies and politics to account for the changed and changing world, acknowledging growing normative diversity and the need to move toward a broader consensus on global rules of the road. Networked diplomacy between established and emerging powers as well as other stakeholders needs to focus on what public goods will be delivered and who contributes what, as well as who has a seat at the table.

The vision forwarded in this report is to work toward a global rules-based order in which established and emerging powers cooperate in meeting the many challenges ahead on issues such as climate change, nuclear proliferation, and management of global commons. Moreover, it is essential that a wider circle of states contribute to the provision of the many forms of public goods required for the smooth running of a global international order. This is a vision that will take time to achieve and that will almost certainly be faced with many hurdles and compromises on the way. Nevertheless, we see no alternative to such a rules-based global order. For now it is important that the West has a clear strategy in mind for how to achieve the vision, even if the strategy might have to be negotiated and adapted along the way.

Balancing Economic Regionalization with Global Solutions

Our study takes increasing regionalism to be unavoidable. A trend toward states seeking regional solutions at the expense of global action has become dominant in world trade, finance, and development aid. We do not assume that it is a necessarily negative development. It could lead, for example, to competitive liberalization of world trade in a time of global multilateral gridlock. TTIP is the best example of this and has the potential to become a "gold standard" of world trade agreements that other regions of the world could follow. We underline that there are certain advantages of regional networks, especially proximity to problems that they are dealing with, or, like in the case of TTIP, how similar stages of structural economic development allow for more advanced forms of integration. However, the report points out that regionalism can also be dangerous for the future of world order. Specifically, further regionalism may result in a more fragmented and decentralized global order where the delivery of global public goods — previously the role of international cooperation — is more difficult. The key challenge is how to fill the missing link between unavoidable regionalism and the unquestioned need for global multilateralism.

A trend toward states seeking regional solutions at the expense of global action has become dominant in world trade, finance, and development aid.

The report suggests that there is a "third way" to resolve this problem that requires reframing the debate. Rather than viewing regionalism and multilateral cooperation as mutually exclusive, we should embrace and leverage both in order

to address issues of shared importance. This "variable geometries" approach, combining regionalism with multilateralism, will require creativity and flexibility, but is the only way to maintain a rules-based order. Moving forward, we suggest two specific ways that the West can promote such variable geometries. First, regional trade agreements should be allowed to flourish. After they have proven viable, these regional trade arrangements could be consolidated at the global level through the World Trade Organization. And second, national governments should recognize that, even as they deepen regional integration, it is in their national interests to contribute to the resolution of global problems. Accordingly, emerging powers, in particular, need to increase their level of contribution to the supply of global public goods. Regional arrangements can be useful to some extent, but they will not replace global solutions.

Strong institutions are an anchor of global cooperation. It is in the interest of all countries to strengthen them in order to avoid growing disorder. However as this report suggests, the trends in international politics are rather worrying. We observe deadlock in many institutions of global governance, a resort to regional cooperation in most policy areas, and a lack of trust among the key actors.

We argue that global governance will increasingly be addressed through new channels, where the dominant position of the West is diffused. Existing institutions of multilateral cooperation are changing too slowly; many of them reflect the distribution of power of the mid-20th century, not the contemporary world. This leads to a new, more fragmented and decentralized global order, in which global multilateral institutions — such as the IMF, WTO, and World Bank — play a more limited role alongside regional organizations and national strategies. As noted above, a significant measure of regionalism is unavoidable. Nonetheless, the West should make real adjustments in its share of power in global multilateral organizations in order to renew their legitimacy and efficacy. Scaling back Western influence is the only way to engage new

stakeholders and encourage them to contribute to the provision of public goods.

The advent of the G20 demonstrates the positive consequences of institutional adaptation. Being more representative than the G8, it quickly gained ground in global politics when the global economic crisis struck in 2008. Chaired by Brazil at the time, this forum of countries, which had met on the level of finance ministers and central bank governors, began meeting on a head of government level to

Scaling back Western influence is the only way to engage new stakeholders and encourage them to contribute to the provision of public goods.

discuss measures to support the global economy, for the first time in November 2008 in Washington and twice a year in 2009 and 2010. The WTO is another example of the successful conferral of leadership to emerging powers, as its current secretary general, Roberto Azevêdo, is Brazilian and one of his recent predecessors was Thai. The leadership of the Bretton Woods organizations should likewise be based on merit and experience, not on Euro-Atlantic origin. The U.S.-EU informal deal on the IMF and World Bank's leadership, which poses high barriers to entry for the most qualified candidates from the rest of the world, must finally come to an end. We also suggest that it is not entirely unrealistic to expect that the United States give up its veto power in the IMF, while the European Union should be willing in the future to take a single seat in major institutions like the IMF or the United Nations Security Council. Such reforms will obviously not be a guarantor of better delivery of global public goods from the side of emerging powers. They are not necessarily willing and ready to make a strong contribution. But the

West should at least widely open the door for their greater engagement and trigger reforms capable of preventing the incremental marginalization of global institutions.

The policies and responsibilities of global multilateral organizations must also be rethought. For example, the WTO should abandon its outdated Doha Development Round. The nature of world trade has changed enormously since 2001. The WTO should focus on its deliberative and dispute-settlement functions and effectively manage the liberalization of world trade via regional blocs, eventually seeking to consolidate them into a global framework. The IMF should also undertake new roles, such as financial dispute settlement and dealing with currency manipulation and beggar-thy-neighbor policies, aimed at keeping pace with changes in global finance. The delivery of global public goods requires global cooperation. That cooperation will be forthcoming only though institutional adaptation and a new normative consensus between established and emerging powers.

Strategically Engaging Rising Powers

Europe and North America must try to have good working relationships with all emerging powers, even if they do not share liberal values. This approach was initiated early on in the Obama administration, but it seems to have been de-emphasized in Obama's second term. However, Europe and North America should continue emphasizing the need for partnerships with emerging powers, recognizing that their establishment is difficult and prone to setbacks — but nonetheless a critical strategy for the long term. The Atlantic democracies should move forward with a clear-eyed perspective on the potential of new partnerships and also their limitations, seeking to elevate interest-based partnerships into rules-based ones. In some cases, such partnerships will pull emerging powers toward liberal values and practices. In other cases, new partners may continue to challenge liberal norms — but cooperation with them will nonetheless be valuable. Cooperation with illiberal powers may at times

require "under the radar" cooperation rather than the more formalistic and codified forms of teamwork often pursued among liberal partners.

Emerging powers with established democratic cultures, such as Brazil, India, and South Africa, present the West with an opportunity to build partnerships that are value-based as well as interest-based. However, emerging powers that share a commitment to democratic norms nonetheless remain suspicious of the West, expressing concerns about what they see as sovereignty-threatening norms, a viewpoint often colored by experiences

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under colonialism. Accordingly, even when working with emerging powers that are democratic, the West may have to reconsider some aspects of liberal order. The West should work particularly intently to fashion a meeting of the minds with rising powers that are democratic, by being open to accommodating their preferences. The Western democracies may have to scale back some aspects of democracy promotion, rethink the Responsibility to Protect (R2P), and make other amendments to liberal practices. Such scaling back of liberal aspirations would certainly be controversial. However, liberal order has changed radically before and can do so again — especially when the payoffs entail the broadening of a cooperative coalition of liberal states. We propose that such a process

might take place through the establishment of an informal consultative "Liberal Forum" open to *all* states that self-identify as liberal, regardless of their power position. The purpose of such a "Liberal Forum" would not be to engage in practices such as democracy promotion, but simply to provide a venue in which the values of liberal order may be discussed with the aim of achieving a broader consensus on a "Liberal Acquis," with the ultimate aim of making liberal order more relevant for states that are currently holding back on associating themselves with it.

However, a global rules-based order cannot succeed without the engagement and full participation of all emerging powers, including those that do not share liberal values. The largest and most important emerging power, China, indeed poses a deeper intellectual challenge to the West, with a conception of legitimacy both rooted in Chinese civilization's long history and very different from the ideas long promoted in and by the West.

The West must try to understand non-Western players' cognitive framework. Many current discussions in the West about the "rest" of the world focus on how much these countries, especially non-democratic ones, will be willing to accommodate to the existing international order. The underlying assumption is that non-democratic regimes lack

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legitimacy, and the international liberal order can help change the nature of such regimes and liberate their citizens.

This framing of how best to manage international change is outmoded. Many non-democratic countries have no fundamental reasons to undermine the current international order, but they are prepared to alter some of the rules of the game to reflect their own traditions, culture, and national interests. Throughout modern times, many "Third World" countries have been disadvantaged by the Westphalian system and the current world order, but they did not have the wherewithal to push back. Today, however, the "rest" is rising rapidly, affording them the opportunity to convert their rising national power into a positive force to reform the current international system for the benefit of their populations, which constitute an overwhelming majority of the global population.

The policy implication for the West is, therefore, that instead of encouraging and forging conditions for emerging powers' Westernization and their integration into the existing order, it should seek ways to accommodate key dimensions of their traditional political culture.

While peaceful coexistence between the West and an ascending China is perhaps the greatest challenge of the 21st century, the West's main rival during the 20th century — Russia — remains an authoritarian great power whose continued importance in solving difficult international problems has been underlined by its protection of Bashar al-Assad's regime in Syria. Moscow's challenge to a rules-based order reached its highest point since the end of the Cold War with the seizure and annexation of Crimea in March 2014.

Russia's act of aggression against Ukraine contravened a sacrosanct prohibition against violations of territorial integrity and changes to borders through the use of force. The Atlantic democracies were fully justified in reacting by isolating Russia diplomatically and imposing sanctions. So, too, was it prudent for NATO to take steps to demonstrate its readiness to protect

the territorial integrity of its members; Russia's actions had exposed troubling questions about its intentions.

At the same time, the West was right to avoid steps that threatened to escalate the crisis, such as arming the Ukrainian military or seeking to rapidly move Ukraine into NATO. Even so, the West's relationship with Russia has been irretrievably altered and the Atlantic democracies will need to be much more guarded in their dealings with a newly aggressive Russia. Exactly how guarded remains to be determined — and depends in significant part on Russia's readiness to continue cooperating with the West on Iran, Syria, Afghanistan, and other issues of mutual concern. At least for now, however, Russia has made clear that it intends to be a rule-breaker, not a rule-maker, casting doubt on its readiness to play a helpful role in forging a new normative consensus between established and emerging powers.

Moving Forward: Proposals for Cooperation

In order to forge a new rules-based order, the West must go beyond simply accommodating emerging actors to proactively engaging these states (democratic or not) on issues of shared importance. In this era of increasing interdependence, action in addition to accommodation is required to solve problems that affect all polities. To begin this

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process, we recommend that the United States and Europe engage emerging powers in the following three policy areas: cooperating on development aid with China and other emerging aid providers; working with China on Mediterranean security; and discussing and modifying the Responsibility to Protect (R2P) so that the international community can better deal with future crises.

U.S./EU Development Aid Cooperation with China and Other Emerging Powers: Development aid is one finite policy sphere in which the United States and Europe can and should engage emerging powers. The United States and EU should consider clear avenues and associated mechanisms to engage like-minded emerging donors on bilateral aid-related issues of shared importance. Areas where results matter more than who gets the credit — such as conflict prevention/management — are ripe for this form of engagement, which would provide cost-sharing opportunities in an era of ever-tightening aid budgets and a means to forge relationships with select members of the Rising Rest. But, the United States and EU should also extend engagement to the not-so-like-minded; and this is particularly the case with China. Recently, the EU indicated it will add development aid cooperation as an issue to ongoing EU-China "policy dialogues."[333] Through this forum, the EU should identify neutral issues for aid-related cooperation in regions of shared importance with China. To begin, this could involve the EU proposing working with China to fund water, sanitation, and hygiene programming in sub-Saharan Africa. The end result of such efforts could contribute to stability and baseline well-being for potential purchasers of Chinese/Western goods — and therefore benefit the transatlantic community and China alike. Stand-alone merits aside, these low-hanging fruit areas of engagement could lay a foundation for subsequent cooperation in other more complex or politicized spheres. Whether with more (Turkey) or less (China) like-minded emerging powers, such engagement would not be cooperation for cooperation's sake, but mutually-

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[333] Discussion with an anonymous European External Action Service (EEAS) representative, Brussels (January 2014).

beneficial collaboration that could lay a basis for tackling bigger issues of the coming decades, from climate change to the next Syria.

Cooperative Security with China in the Mediterranean: China's increasing economic and maritime footprint in the Mediterranean also presents an opportunity for the United States and Europe to work together to constructively engage Beijing and form a common strategy for stabilization and reconstruction in the Middle East. Despite differences between China and the Western democracies over issues such as human rights, R2P, and rule of law, the transatlantic community has convergent interests with Beijing in the Middle East, including in the areas of maritime security, counter-terrorism, arresting WMD proliferation, and crisis management. The transatlantic community can invest in strategic partnership with China by starting close to home, in Europe's backyard. In addition, NATO Secretary General Anders Fogh Rasmussen would like NATO to engage China because NATO generally operates under UN mandates, and China is the only permanent UNSC member with whom NATO has no formal mechanism for engagement and consultation. Beijing's expanding overseas economic and maritime footprint makes China a promising burden-sharing partner in providing global public goods, especially in the maritime commons. If the transatlantic community can successfully engage China in cooperative security initiatives and confidence-building measures in the Mediterranean, then it can export lessons learned to the Western Pacific in the hope of also nurturing cooperative security practices in China's own neighborhood.

Modifying R2P: Discussing and modifying R2P is a third area ripe for engaging emerging powers. The transatlantic allies and emerging powers alike have an interest in preventing (or managing) conflict and in so doing preventing or curbing mass atrocities. Moral arguments aside, such forms of internal war and political violence can generate manifold consequences for the interests of these global players — from forcing mass migration of refugees and limiting access to natural resources to

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enabling terrorist organizations to use destabilized territories. In sharing vulnerability to such consequences, the West and the Rest therefore also have in common an interest in engaging to stop these conflicts as well as protect those civilians whose lives are at stake.

In spite of this overlap in interests, however, Western and emerging powers have divergent views on external intervention into other states. Where the United States and Europe are more prone to endorse violations of sovereignty (albeit not their own) to balance risks associated with human rights violations, emerging powers are much more reticent to sign off on such actions.

Grounded in their respective political histories, this disconnect metastasized following the NATO-led intervention in Libya, which for emerging powers generally — and Brazil, Russia, and India particularly — surpassed R2P's mandate. The follow-on consequence was to generate skepticism regarding R2P as a tool that in the future could be employed not to save civilians but, instead, to pursue regime change (as with the ouster of Libya's leader). The Syrian people were the immediate casualty of this view — NATO's perceived overreach and removal of Muammar Gaddafi created a "knee jerk normative reaction" on Syria, where appetite to engage was far less than that initially expressed for Libya.[334] The interconnected engagements in Libya and Syria suggest that another consensual

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[334] N. Tocci, "On Power and Norms: Libya, Syria and the Responsibility to Protect," (Washington, DC: Transatlantic Academy Paper Series, April 2014), http://www.gmfus.org/archives/on-power-and-norms-libya-syria-and-the-responsibility-to-protect/.

and UN-legitimized military intervention under R2P is unlikely any time soon. And therein lies the rub. Political violence shows no signs of abating and the international community writ large will therefore need to deal with continued conflict and mass atrocities; however, they must reconcile their differences on the extant norms (R2P) and associated mechanisms for doing so.

To move this forward, we recommend that the United States and Europe actively engage emerging powers on a discussion regarding the future of international responses to potential (or ongoing) mass atrocities. In activating these discussions, the Atlantic democracies should signal their willingness to cede ground on R2P's extant form. To concretely signal such willingness, the United States and Europe could propose using Brazil's November 2011 "Responsibility while Protecting" (RwP) doctrine as a starting point for such dialogues. While far from perfect, the RwP approach addresses many of the emerging powers' concerns with R2P, especially its potential use as a regime change mechanism. It does so by grounding in international law the criteria required for the international community to engage in such operations, stipulating that interventions be in strict compliance with (and not overstep the bounds of) the associated UN Security Council mandate. In these discussions, Western powers could concede a concrete point outlined in RwP: that beyond authorizing interventions, the UNSC should develop enhanced procedures to closely monitor how they unfold.

Yet all concessions cannot be made from the West — indeed, Brazil, India, and others should offer to carry their share of the burden for future operations by proposing clear ways to provide financing, arms, and personnel. The time has passed where they can complain from the sideline as the United States and Europe bear the entire cost in blood and treasure.

Final Thoughts

This report concludes that establishing a rules-based order for the 21st century depends on the West's ability to recover its economic and political strength, enabling it to continue serving as the world's anchor of liberal values and practices. At the same time, the West must recognize that its own liberal order will not be universalized. Accordingly, the Atlantic democracies will have to work with emerging powers to consensually fashion a new set of norms best suited to sustain a rules-based order at the global level. Managing the peaceful arrival of a polycentric world will require compromise, tolerance, and recognition of political diversity. To that end, we have developed a strategic vision aimed at forging a normative meeting of the minds between the West and emerging powers.

The previously Western-devised and -dominated world order is clearly in flux. The West need not cede all influence in shaping the rules-based world order to come, however. To the contrary, the United States and Europe can strongly shape it by consolidating their internal strength and allure as a liberal guide for future principles and actively engaging emerging actors to set new rules of the road.

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