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EU2020 essay

Divided world: The struggle for primacy in 2020

Mark Leonard

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The struggle for primacy in 2020

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1 Introduction: The return of 'history'

> "The century that began full of self-confidence in the ultimate triumph of western liberal democracy seems at its close to be returning full circle to where it started: not to an "end of ideology" or a convergence between capitalism and socialism, as earlier predicted, but to an unabashed victory of economic and political liberalism. What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of post-war history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalisation of western liberal democracy as the final form of human government."
> *Francis Fukuyama, 'The End of History?', The National Interest, Summer 1989.*

The world is changing – moving inexorably from an order centred on a single super-power towards one of several competing poles. By 2020, according to the Economist Intelligence Unit, the Chinese economy could overtake the US to become the largest in the world, at least when measured using purchasing power parity (PPP) exchange rates.[1] India is expected to grow rapidly to become the third biggest economy. Alongside these Asian giants, a series of smaller powers – such as Iran and Russia – will increasingly be able to exploit their nuclear weapons and energy to increase their say in world affairs.

[1] *Purchasing power party exchange rates (PPPs) provide a method of measuring the relative purchasing power of different countries' currencies over the same basket of goods and services. This type of adjustment to an exchange rate is controversial because of the difficulties of finding comparable baskets of goods and services in different countries.*

While it will take several decades longer for the Chinese and Indian economies to catch up with the US when measured at market exchange rates, the psychological impact of one of the Asian giants becoming the world's biggest economy in PPP terms will be important.

This shift in economic power could be all the more significant, as it is overlaid with an ideological struggle over the shape of world order. Many of the new poles of 2020 will not simply be great powers pursuing their national interest, but networks of countries united by ideas about how the world should be run. In the 1990s it seemed prophetic to talk of the 'end of history'. Francis Fukuyama's famous thesis was not that power struggles or even wars would end (in fact, he thought they would continue), but that the great ideological battles of the 20th century would end with "the universalisation of western liberal-democracy". However, although the differences between major powers are less stark today than during the Cold War, the big story in international relations seems to be history's dramatic return.

As we approach 2020 the major powers will become increasingly split along two axes, between those countries that are democratic and autocratic, and between those that seek a world defined by power, and those that want it defined by law. The four emerging poles of ideological competition are the US, which will seek a balance of power that favours democracy; China and Russia, which will use international law to protect autocracies from external interference; the EU, which will favour a world of democratic states bound by the laws of multilateral institutions; and the Middle East, which will become a faith zone, governed neither by democracy nor the rule of law. This essay is an attempt to map the outlines of an emerging 'quadripolar world'.

Henry Kissinger has argued that order depends on three conditions: an agreement on what constitutes a fair global settlement between great powers, a balance of power, and a rough accord on what power is. In today's world none of these conditions

is in place. There is no consensus about the composition of global institutions, such as the UN Security Council, the rules for military intervention, or the terms of a fair settlement in regions such as the Central Asia, East Asia and Middle East. The rise of China and India means that power relations are unbalanced. And each of the larger countries has a different definition of power, granting varying degrees of importance to military might, economic clout, ideological purity or the legitimacy that comes from international law and institutions. The years between 2006 and 2020 will therefore be defined by mounting tension between competing conceptions of world order.

Before elaborating on these predictions, I should first set out two caveats. The first is about the nature of the ideological struggle. The differences between the great powers are relative rather than absolute. I do not mean to imply that countries on the side of power, such as the US, are actively opposed to international law, but simply that they place more emphasis on power than say the EU. Equally, I do not mean to imply that Russia and China will actively promote autocracy, but simply that they are less attached to democracy than the EU or US, and will therefore oppose western attempts at democracy-promotion.

My second caveat is about methodology. This pamphlet is an attempt to cast light on the problems of today by looking at how the trends of today could shape the world of 2020, rather than an exercise in futurology. I recognise that many of the trends I identify will provoke countervailing forces. For example, the rise in oil prices has led many countries to invest in conservation, new technologies and new sources of energy in order to protect themselves from excessive dependence on suppliers. I also recognise that the next 15 years could be affected by major discontinuities, such as the collapse of the Chinese economy or the break-up of Russia. However, the purpose of this exercise is to show the consequences of current policy, rather than to predict the unpredictable.

My ultimate goal is to persuade European policy-makers to pursue a 'disaggregation strategy'. They should engage with the disparate forces that exist in each of the other blocs, in order to prevent the emergence of the kind of settled 'quadripolar world' that would undermine the EU's ability to promote its interests and values.

2 Multipolar competition

> "The character of globalisation…will change just as capitalism changed over the course of the 19th and 20th centuries. While today's most advanced nations – especially the US – will remain important forces driving capital, technology and goods, globalisation is likely to take on much more of a 'non-western face' over the next 15 years."
> *'Mapping the Global Future', Report of the National Intelligence Council's 2020 Project, 2005.*

The year 2020 could be an important milestone in the geopolitics of the 21st century. It is around this time – according to predictions by the Economist Intelligence Unit – that China could overtake the US to become the largest economy in the world (in PPP terms).[2] By then the Chinese economy will have grown to $19.4 trillion, just ahead of America's $19 trillion. The third biggest economy will be India, with a GDP just short of $9 trillion, well ahead of Japan whose output will remain stuck around $4.5 trillion. No single European country will have an economy of comparable size. Germany, with a GDP of $3 trillion, will come closest (ahead of the UK and France) but it will be less than one sixth of the size of the Chinese and American economies. Even collectively, the existing 27 member-states of the EU will trail behind the two biggest economies – with a combined output of $17.8 trillion. However, if the EU expanded to embrace the rest of the Balkan countries and Turkey, its economy could still reach a similar size to those of the US and China.

[2] *All the figures on GDP size have been provided by the Economist Intelligence Unit. These figures are expressed in constant 2005 prices ($, using PPP).*

In 2020, there are unlikely to be any great economic powers apart from China, India, the EU and the US. The Russian economy will

continue to benefit from high oil prices for a few more years, but its economy will still only be the size of France's in 2020, at around $2.5 trillion. It will be held back by a weak business environment, and a rapidly ageing and sickly workforce. Brazil's economy will see respectable GDP growth rates, but it too will only reach $2.5 trillion – not enough to have much influence outside of its immediate region, unless Latin America becomes a more cohesive political force. No African country will come close to matching any of the great powers in economic, military or political terms.

As the economies of the East grow, the US will remain the pre-eminent economic, military, and cultural power. But its actions will be increasingly constrained. Although few countries will follow Iran or North Korea in explicitly aligning themselves against the US, many states will develop increasingly sophisticated strategies for taming American power. In the economic sphere, the US will need to negotiate with major powers such as China, the EU, India, Japan and the rest of the G20 (an informal forum that brings together the 20 largest industrialised and developing nations).[3] In the political sphere, countries will develop strategies of 'soft balancing', using international institutions to limit America's ability to impose its policies on others. In the military sphere, some will opt for 'asymmetric strategies' of acquiring weapons of mass destruction (WMD) to counter US pressure and deter intervention.

[3] *Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom and the United States. The EU is also a member, represented by the rotating Council presidency and the European Central Bank.*

The world economy in 2020

	GDP ($ billion at constant 2005 prices, using PPP)		GDP per head ($ at constant 2005 prices, using PPP)	
	2005	2020	2005	2020
Total Asia, of which:	21,260	43,270	5,970	10,530
China	8,110	19,370	6,200	13,580
India	3,718	8,797	3,400	6,700
Japan	4,008	4,497	31,460	36,420
Total EU-27, of which:	12,816	17,752	26,200	35,640
EU-15	11,479	15,528	29,780	39,100
France	1,909	2,545	31,480	40,350
Germany	2,432	3,233	29,420	39,250
Italy	1,633	1,914	28,110	33,700
Netherlands	525	759	32,130	44,260
Poland	483	798	12,670	21,140
UK	1,965	2,787	32,730	43,820
Total EU candidates, of which:	744	1,406	7,750	12,800
Croatia	56	93	12,380	21,050
Serbia & Montenegro	56	108	5,140	10,030
Turkey	576	1,110	7,860	13,140
Brazil	1,568	2,516	8,650	12,060
Russia	1,556	2,549	10,920	18,750
USA	12,457	19,040	42,120	56,660
World	59,858	100,283	9,320	13,500

Source: Economist Intelligence Unit

Return of scarcity

The competition for resources in this new global economy will have wide-ranging political consequences. China's voracious appetite for resources already gobbles up 40 per cent of the world's cement, 40 per cent of its coal, 30 per cent of its steel, and 12 per cent of its energy. As we approach 2020, it is the scramble for energy that will be most divisive. Analysts estimate that between 2000 and 2020 China's energy consumption will rise by 3.8 per cent a year, while US consumption will expand by 1.4 per cent per year. With Europe's relatively low levels of per capita consumption, and increases predicted at a modest 0.7 per cent a year, its position is strong relative to the US. However, the EU will still be vulnerable to the effects of new competition for energy on both producers and consumers.[4]

[4] *The US government's International Energy Outlook 2003, Energy Information Administration of the Department of Energy (www.eia.doe.gov).*

In theory, rising prices should be self-correcting. As prices go up, oil companies should increase their capacity while consumers seek to use energy more efficiently. However, the impact of the price mechanism on both supply and demand is distorted. On the one hand, subsidised prices in China and India have protected consumers from rising prices (although these subsidies might be abolished between now and 2020). On the other hand, the major oil companies have shown some reluctance to invest in developing expensive new energy sources because of a fear that prices could fall again. Nevertheless, most analysts predict that the current high oil prices will not continue indefinitely. Prices are expected to remain high for a few more years before declining gradually. After 2010 the International Energy Agency (IEA) predicts that they will average about $45 per barrel through to 2020 – high in nominal terms by historic standards (although not compared with today's level), but not that high in real terms (adjusted for inflation).[5]

[5] *The Observer, 'IEA forecast a future of oil price rises by a third', November 6th 2005.*

On current trends, Europe's import dependency will rise from 50 per cent to 70 per cent in the next 20-30 years.[6] And the majority of those imports will come from just three regions: the Persian Gulf, Russia and West Africa. Countries such as Russia, Iran and Nigeria could become 'energy super-powers', able to use their resources to extract favours and create regional spheres of influence. It should be stressed that these are relationships of mutual dependence: the suppliers have to sell their oil to someone as they have no alternative sources of wealth or influence.

[6] *European Commission green paper, 'A European strategy for sustainable, competitive and secure energy', 2006.*

The struggle to ensure energy supplies have implications that are as significant as those of climate change. The need for energy and natural resources has already led Brazil, China and India to develop close relationships with states that have been ostracised by the West, such as the autocracies of Central Asia, as well as Iran, Sudan and Venezuela. The result has been reduced western leverage on these regimes.

The stateless forces of globalisation that played such an important role in debates about global politics in the 1990s – from climate change and organised crime to warlordism and multinational companies – will become even more powerful in 2020 than they are today. But it will be the great powers that set the rules of the world order. The next few chapters examine the different ways each power hopes to shape the emerging world system.

The impact of climate change

By 2020, climate change will be an urgent political issue. The UN's panel on climate change highlights the potential for major disruption to economies, infrastructure, security and above all population flows. Low-lying areas – such as many Pacific islands – will be affected by rising sea-levels. Droughts, flooding, heat waves, hurricanes and storms will become more common (with devastating impacts on food production and water supplies in developing countries) in Africa, North and South America and Asia. Southern European countries such as Spain, France, Italy and Greece will all be hit by water shortages.

In the long term, climate change could disrupt the Gulf Stream, but by 2020 the biggest environmental threat to Europe is likely to be an indirect one. There are likely to be large flows of refugees from North and Sub-Saharan Africa – where people could be driven out by food shortages and environmental wars (some experts even predict wars over water in Ethiopia, the Indian sub-continent, the Nile delta and Sudan).

It is also possible that the politics of climate change could create new geo-political alignments. Environmentalists predict that the world could be split between environmental victims and villains. Interestingly, the coalition of 'green' countries could be very different in 2020. For example, it is possible that the US will start to take the threat of climate change more seriously: 20 of its states have already taken measures to cut carbon emissions, and the country's technological prowess could allow it to move quickly to generate new technologies. China is also moving to measure 'green GDP' and pioneer zero-carbon cities (albeit with limited impact on the country's rising emissions). These countries could make common cause with the EU to reduce carbon consumption.

India, on the other hand, looks likely to favour growth over conservation – and is adamant that it will not be told what to do by others. It could end up in an axis of climate villains. These countries could create 'pollution havens' – encouraging companies to shift production away from countries with tight environmental controls.

In 2020 the economics of climate change will have a bigger impact on supply chains, technology and domestic politics than it does today. Nevertheless, it is unlikely that its consequences for the developed world will be grave enough to become a defining issue of world order.

3 The American world order

> "The US possesses unprecedented – and unequalled – strength and influence in the world. Sustained by faith in the principles of liberty, and the value of a free society, this position comes with unparalleled responsibilities, obligations, and opportunity. The great strength of this nation must be used to promote a balance of power that favours freedom."
> *National Security Strategy of the US, 2002.*

One might have thought that as the world becomes more multipolar, the US would be fighting hard to cement the structures that it crafted in its own image to further American interests: international institutions such as the UN and NATO, as well as its alliances with regimes in the Middle East. Instead, it is the prospect of an eventual shift in power to new poles such as China that has added urgency to American attempts to use the 'unipolar moment' to transform the current world order.

Since the end of the Cold War, there has been a growing belief in America that the world can only be safe when its great powers are democratic, because countries which respect the wishes of their people and the rule of law at home are more likely to be peaceful (and therefore less threatening to the US).[7] This idea of "enlarging the community of democracies" – which Bill Clinton's national security adviser, Anthony Lake, articulated as early as 1994 – has become more urgent since the terrorist attacks of September 11th 2001.

[7] *Robert Jervis, 'The remaking of a unipolar world', Washington Quarterly, Summer 2006.*

From an American perspective, the problems of the post-war world order are two-fold. First, institutions like the UN exist to protect the sovereignty of states rather than the rights of individuals who live in

them. This gives autocratic regimes like China and Russia a veto on US attempts to use the UN to promote democracy, prevent human rights abuses, or halt the proliferation of WMD. This explains why Russia and China have been bigger supporters of some of the institutions of the post-war American world order in recent years than America itself. Second, the alliances which the US developed during the Cold War with autocratic regimes in the Middle East are fuelling hostility towards the US, and that in turn is perpetuating some of the root causes of terrorism.

In the future, many Americans feel that their security will depend on expanding the zone of democracy on the map. Because the US has global interests it has tried with some success to use military power, covert action, NGOs and diplomacy to support regime change in the former Soviet bloc and the Middle East. Although there are signs that the latest push to promote democracy is running into the g round as the situation in Afghanistan and Iraq worsens, the impulse to be a revolutionarypower crosses party lines. In the same way that both the early Clinton and Bush attempts to disentangle the US from foreign interventions proved short-lived, it seems likely that future presidents will be driven by events to have activist foreign policies. Both of the leading candidates for the presidency in 2008 – John McCain and Hillary Clinton – subscribe to the idea of assertive democracy promotion. And their approach taps into a deep vein of US foreign policy thinking that has manifested itself under several US administrations – from Wilson to Roosevelt; from Kennedy to Carter; and from Reagan to Clinton.

This revolutionary impulse does not translate into a rejection of the international order, but rather a sense that when law and justice collide (for example over Kosovo), or law and security collide (over Iraq), it is the law that needs to change. If the law cannot be changed, it should, as a last resort, be ignored.

Commentators such as Robert Kagan and Francis Fukuyama argue that this impulse stems – at least in part – from the American idea

that legitimacy is rooted in democratic nation states rather than international institutions.[8] According to this understanding, states may pass powers up to international organisations on a contractual basis, but they reserve the right to withdraw their support when they feel it is in their interest. Successive American presidents appear to believe that because America, alongside other sovereign states, created this international order, it can just as easily dismantle it. This goes against the European idea of international order as a society, which has evolved through a series of institutions and norms that guarantee a degree of order. Kagan and Fukuyama have argued that it is this disparity in understanding that led to the transatlantic conflicts over Iraq, the Kyoto protocol, the international criminal court, and the anti-ballistic missile treaty.

[8] *Robert Kagan, 'Paradise and power', Atlantic Books, 2003.*

America's vision of a balance of power that favours freedom has two dimensions: maintaining America's position as the only global superpower, and crafting a balance of power in each region that favours democracy (and by extension America itself). In the Middle East, American troops working with a democratic Israel and – eventually they hope – a stable Afghanistan and Iraq are supposed to keep autocratic governments in check. The EU is supposed to balance and contain Russia's reach in the former Soviet bloc. And in Asia, an alliance with the democracies of Australia, India and Japan is supposed to limit China's regional ambitions.

Changing geography

America's emerging philosophy creates a paradox. American power is used to spread democracy. But as the world becomes more democratic, it becomes more averse to the use of American power, and better at taming it. Nowhere is this more evident than in the transatlantic relationship.

During the Cold War, the US was focused on a European continent that was at the centre of global politics, while the Europeans

depended on the US for security. Already that mutual dependency is over: Europe is of much less concern to US policy-makers; while the EU has taken responsibility for the stability of its neighbourhood in Bosnia, Kosovo and Macedonia. The transatlantic relationship has been in trouble before, but it now faces three structural shifts: the end of the Cold War, the rise of China, and demographic change in the US, which will see Europe playing an ever smaller role in American foreign policy.

Israel has been at the heart of the tensions between Europe and America over the Middle East. Americans see Israel as a mirror of themselves: a democratic country providing relief to the oppressed, in a sea of autocracy and terrorism. By contrast, many Europeans see Israel as militaristic, unilateral, and obsessed with killing terrorists, rather than tackling the causes of terror. However, by 2020, these transatlantic tensions over the Middle East could look like relative strategic harmony. Although Europeans and Americans have been divided over how to approach the Middle East, they have at least shared a major preoccupation with the region, a common analysis of the problems, and the same fundamental goals. Both sides want to keep oil flowing in the region, as well as promoting a two-state solution to the Israeli-Palestine conflict, a halt to the proliferation of WMD, political reform of autocratic governments, and an end to terrorism. However, as China's rise forces American policy-makers to devote as much attention to the competition for power in East Asia as to terrorism in the Middle East, the EU and the US could find themselves at loggerheads over an entirely new set of issues.

East Asia as a new dividing line?

Although their rhetoric about encouraging China to be a 'responsible stakeholder' is similar, the EU and the US have different perceptions, based on their historical experiences and the fact that Europe does not have a military presence in the Pacific.

Many EU governments, influenced by the experience of EU enlargement to the east, hope that China can be moulded into becoming a more western-style country through constructive engagement (although in reality many governments have put their economic relationship with Beijing above any common EU strategy). European governments have responded positively to China's verbal commitment to multilateralism, and support its attempts at regional integration, which they hope will allow China to forge peaceful relations with its neighbours. Although they have been concerned about China's backing of dubious regimes such as Iran, Sudan and Zimbabwe, few Europeans see China as a threat.

The US, on the other hand, sees China through the prism of the Cold War. While the administration has pursued a policy of political and economic engagement, this is balanced by a 'hedging strategy' which aims to guard against China becoming a hostile competitor. In American politics, China has developed into an all-purpose villain eliciting opposition from foreign policy hawks (over military spending); labour unions (over jobs); the religious right (over repression of Christianity); and human rights activists (over the lack of democratic freedoms). There is a widespread view in the US that China – like the Soviet Union – will only understand the language of force. Instead of supporting regional integration – which many Americans correctly suspect is designed to undermine the US role in the Pacific – American policy couples engagement with measures designed to contain China's rise: building up relations with Australia, India and Japan; opening military bases in East Asia; attempting to hinder China's access to technology and strategic resources; and developing naval strategies to assert control of the Malacca straits.

The transatlantic spat over the EU's plans to lift its arms embargo against China in 2005 presages some of the tensions – over technology-transfer, weapons sales, economics and energy – that could emerge between the EU and the US over China.[9] In the long term, there could

[9] *Katinka Barysch, with Charles Grant and Mark Leonard, 'Embracing the dragon: The EU's partnership with China', CER, May 2005.*

also be tensions over whether the West should be trying to balance China or encourage Asian regional integration.

At the heart of this tension will be the question of Taiwan. To Americans it is a small and vulnerable outpost of freedom, surrounded by powerful autocracies, and protected only by an American security guarantee. Few European policy-makers share this affinity with Taiwan. They worry that the island's democratically elected leaders could plunge the world into war by formally declaring Taiwan's independence.

The differing European and American attitude towards Taiwan is a product of the two continents' respective interests. The US has troops and allies in Asia and an interest in maintaining the current balance of power. Because the EU is not a power in the Pacific region, there is a genuine debate amongst Europeans about whether the long term goal for Europeans should be strengthening regional democracies to maintain the current balance of power, or encouraging a peaceful transition to a Chinese-dominated East Asian Community. There is no consensus on this, but the perspective of one senior French official shows the potential for transatlantic tensions: "Europe cannot build an East Asia policy around Taiwan. It is the only region in the world where a great power conflict is possible. The way to stop it is absolutely not the US hedging strategy of creating a balance of power in Asia. We know from Europe's historythat building up Japan and India (against China) will lead to war and not peace. Only regional integration between China and its neighbours can stop war."

4 The alliance of sovereignty

> "The Shanghai Co-operation Organisation (SCO) will make a constructive contribution to the establishment of a new global security architecture of mutual trust, mutual benefit, equality and mutual respect. Such architecture is based on the widely recognised principles of international law. It respects the right of all countries to safeguard national unity and their national interests, pursue particular models of development and formulate domestic and foreign policies independently and participate in international affairs on an equal basis. Differences in cultural traditions, political and social systems, values and models of development formed in the course of history should not be taken as pretexts to interfere in other countries' internal affairs. Models of social development should not be 'exported'."
> *Declaration on the fifth anniversary of the Shanghai Co-operation Organisation, June 15th 2006.*

It has almost become an article of faith since the end of the Cold War that only western countries have 'soft power', the ability to shape the world through the attraction of their ideas, culture and political institutions. The rest of the world will have to rely on 'hard power' – the threat of economic, political or military coercion – to advance its ends. This belief has been based on a triple assumption: that western countries have the biggest markets; that western culture and morality are the most aspirational; and that western countries have created international institutions to embody these values – choosing whether to admit the rest of the world, if it meets certain standards of behaviour.

As we approach 2020, Russia and China will increasingly challenge these assumptions by exploiting their growing economic power (in

their neighbourhoods as well as on the world stage), their control over natural resources (which is emerging as an important strategic weapon), the attractiveness of their ideas about global order (such as a belief in traditional ideas of sovereignty), and by building their own international institutions which embody these values (such as the Shanghai Co-operation Organisation, SCO).

However, they will not do this by overthrowing the existing international order. It is a paradox that the strongest supporters of the American post-war order are the losers rather than the winners of the Cold War. Although China and Russia suffer from lawlessness at home, they have been staunch defenders of the letter of the law at the UN Security Council. They have opposed interventions in Bosnia, Iraq, Kosovo and Sudan, citing the Charter of the UN to support their decisions. Increasingly, they will play on the European attachment to the international rule of law in an attempt to split European countries from their American allies. Russia and China will compete with each other – not least for influence in Central Asia – but they will inevitably be driven together by their shared belief in the kind of rules which should govern the global order.

China and Russia as status quo powers

Between now and 2020, China and Russia are both likely to be status quo powers. But they will support the existing international system for different reasons. China, the most self-aware rising power in history, does not want to upset the status-quo, because it wants a peaceful external environment to allow its economy to continue expanding rapidly. It will support international institutions in order to avoid being seen as a threat. Russia's attachment to international institutions has more to do with managing its relative decline. It sees the UN as a useful forum for balancing US power.

Chinese and Russian support for the UN also has much to do with their internal politics. Both opposed interventions in Bosnia and

Kosovo because they were worried about creating a precedent for international intervention in their own secessionist struggles in Chechnya and Tibet. For the Chinese – and to an extent Russian policy-makers – being a responsible global player means accepting the status-quo: not invading other countries, not trying to overthrow regimes, and above all not interfering in the internal affairs of sovereign states without obtaining the regime's consent. European policy-makers have been particularly concerned by China's and Russia's policy of offering unconditional political support, economic aid, cheap energy or weapons to regimes that might otherwise collapse or be susceptible to international pressure (including Angola, Belarus, Burma, Iran, Kazakhstan, North Korea, Sudan, Uzbekistan and Zimbabwe).

Defending the legitimacy of 'non-democracy'

Russia and China are not judgemental about autocratic systems in other countries, because they want to defend the legitimacy of their own political systems. Liberal theorists are convinced that when countries reach a certain level of material wealth and education, their populations will inevitably demand – and eventually win – liberal democratic rights. That theory may turn out to be correct in the long term, but looking to 2020 it seems unlikely that either China or Russia will have made that transition.

As the Chinese economy continues to grow, the government will increasingly focus on political reform – but its motivation will be staying in power rather than laying the ground-work for a liberal democracy. For the next few years, the Communist Party will pursue three strands of political reform: modernising the state to redistribute income to the worst off; strengthening the rule of law in order to combat corruption; and establishing channels for civic participation in its political system in order to address rising demands for accountability. Reform of the Communist Party to improve the quality of cadres will go hand in hand with attempts to involve citizens in governance through township elections, public

hearings, citizens' juries and focus groups. These changes could make the Chinese political system more stable and responsive for the next few years than some of its detractors suggest, but they will not turn China into a western-style democracy.

In 2020, Russia will probably not be a liberal democracy either. Opinion polls show that fewer people in Russia support democracy as 'the best system of government' than in almost any other country in the world.[10] The most likely scenario is that the country will continue to have a 'tsarist' political system that favours leadership and stability over participation and accountability. Revenues from oil and gas will help to compensate for Russia's problematic business environment and weak demographic profile, as well as allowing it to continue fighting secessionism, and maintain influence in its neighbourhood.

[10] *Ronald Inglehart and Christian Welzel, 'Modernisation, cultural change, and democracy: The human development sequence', Cambridge University Press, 2005.*

New regional institutions

Both China and Russia are drawing on the European experience of regional integration to entrench their power in their respective regions, and to promote a world order that respects the sovereignty of states.

The Russians hoped to use the 'Commonwealth of Independent States' and other post-Soviet clubs to maintain influence in the countries of the former Soviet Union, using market access, the rouble, investment, and cheap energy to create a community of interest. So far, it has had only limited success. China has also embraced integration in East Asia, where it has pushed for the creation of regional bodies that exclude the US. There are currently two competing drives for integration – as China and Japan vie for regional leadership. China is pushing for the transformation of the Association of South East Asian Nations (ASEAN) 'plus three' into a real East Asian Community. This would bring the ten countries of South East Asia together with Japan, South Korea and China. China has already replaced America as the main trading partner of many Asian countries such as Japan and South Korea.[11]

[11] *A large proportion of Korean and Japanese exports to China are in the form of components. After assembly in China the final products are sold to the US and Europe.*

Japan, on the other hand, wants a configuration that draws Australia, New Zealand and India into an alliance with the ASEAN plus three countries, in order to balance China's influence. These were the countries that did attend the first East Asia Summit in 2005. Japan has vowed to use its technology and market as bait to make this wider East Asia grouping the primary forum for the region. In recent years, political relations between the two biggest East Asian economies have deteriorated at the same time as their trade and investment links have boomed. Political relations are likely to deteriorate further as the balance of power continues to shift in China's favour, and an increasingly nationalistic Japan tries to assert itself. The Chinese hope that Japan will eventually acquiesce to Chinese power, while Japan hopes to gradually strengthen its own political and military profile to ensure a stable balance of power. However, neither China nor Japan would gain from a conflict, which means that – in spite of growing nationalism on both sides – a war between Tokyo and Beijing is unlikely. But it will be difficult for East Asian political integration to take off until there is a resolution to this simmering tension.

The Shanghai Co-operation Organisation

The Shanghai Co-operation Organisation – which China and Russia have built together – could provide the most important clue to these countries' aspirations for the world of 2020.[12] Four years after the collapse of the Soviet Union, China and Russia – together with Kazakhstan, Kyrgyzstan and Tajikistan – came together to negotiate their new borders in a coalition called the 'Shanghai Five'. They signed treaties demilitarising their 4,300 miles of common borders and gradually expanded their co-operation

[12] *See Oksana Antonenko's forthcoming CER policy brief on the Shanghai Co-operation Organisation.*

to include security and trade. In 2001, Uzbekistan joined, and they turned this nascent grouping into the Shanghai Co-operation Organisation. The new organisation has already established a 'regional anti-terrorism structure' in Uzbekistan, a 'business council' in Moscow, and a permanent secretariat in Beijing. It has organised co-operation on economic, borders and law enforcement matters, as well as two combined military exercises. India, Iran, Mongolia and Pakistan have all joined the SCO as observers. If they became full members, the SCO would boast four nuclear states, three major economies and vast energy resources.

China and Russia both want the organisation to provide regional security through intelligence and economic co-operation. But there are differences of emphasis between Beijing and Moscow, with Russia focusing more on security, and China trying to use the organisation to gain access to Central Asian oil and gas supplies.

One of the attractions of the SCO for Russia, China and the Central Asian republics is the prospect of halting further 'colour revolutions' – such as the 'rose' revolution in Georgia, the 'orange' revolution in Ukraine, and the 'tulip' revolution in Kyrgyzstan. Beijing and Moscow both gave strong political support to the Uzbek president, Islam Karimov, when he suppressed pro-democracy demonstrations in Andijan in May 2005, while China has organised counter-insurgency training for several Central Asian police forces.

In political and military terms, the SCO already has the potential to become a rival to NATO in Central Asia: at the 2005 summit in the Kazakh capital of Astana, the SCO members signed a declaration which demanded the US set a deadline for the withdrawal of its forces from Central Asia. At the 2006 summit of the SCO, its members signed a series of agreements on energy co-operation and publicly embraced the Iranian president, Mahmood Ahmadinejad.

In the long term the SCO could become the kernel of an 'alliance of sovereignty', designed to frustrate western attempts to interfere in

the affairs of other countries, to protect human rights or spread democracy. The attractions of its philosophy of 'non-interference' to regimes in the third world are clear.

The 'Beijing consensus'

The 'Beijing consensus' has emerged as a direct challenge to the 'Washington consensus' which set out ten liberal principles for development – including open markets, privatisation and macro-economic stability. On economic policy, Beijing has approached privatisation and free trade with caution. Instead, it has combined state control with partial liberalisation, including the creation of 'special economic zones' to test out new ideas. And as China has grown richer, it is increasingly looking at the social and environmental consequences of growth.[13]

[13] *Joshua Cooper Ramo, 'Beijing consensus', Foreign Policy Centre, 2005.*

China's ability to post double-digit growth figures without liberalising its political system poses a challenge to the thesis that liberal democracy is a pre-requisite for economic development. Although China's lack of political freedom and weak rule of law could in the long run cause the regime to collapse, the country's success so far has given hope to autocratic governments around the world.

China's foreign policy is driven by the defence of national interests, borders and sovereignty, and an increasing commitment to multilateral institutions like the UN, which Beijing hopes will pin America down and protect it from external interference. This commitment to a traditional idea of sovereignty is attractive to the many countries whose colonial experiences make them suspicious of western interventionism. The perception in many parts of the world is that the Beijing consensus has allowed China to grow rapidly without surrendering its independence to financial institutions like the World Bank and the International Monetary Fund, western multinational companies, or the US.

Of course there are massive problems in today's China – soaring inequality, corruption, environmental destruction and a lack of basic political freedoms – but so far the government has managed to adapt its policies to prevent crises. And, although the relative success of the Chinese model will not persuade

western liberal democracies to change their political systems, it does offer an alternative to autocratic third world regimes.

China's model is now seducing leaders in countries like Vietnam (another Communist state that has embraced the market), Brazil (whose flamboyant President Luiz Inácio Lula da Silva is sending study teams to Beijing), and India (where Ramgopal Agarwala, a sociologist, recently observed, "China's experiment should be the most admired in human history. China has its own path.")

Traditional measures of China's power – which concentrate on the size of its economy, the quality of its technology, or the strength of its army – are missing the challenge to the West that China poses. By focusing on Chinese hard power (its ability to use military force or economic might to get its way) many commentators have missed the rise of the country's 'soft power' (the ability of China's ideas about sovereignty and development to attract a considerable following in Asia and the third world).

As China emerges as a nascent super-power it is desperately trying to present itself as a force for good in the world. The last few years have seen the country bid successfully for the Olympics, as well as the creation of an English-language international television channel, and a set of 'Confucius Institutes' to promote Chinese culture. A series of high-level visits by Hu Jintao and Wen Jiaobao to key countries, and a concerted attempt to befriend countries as far afield as Africa and Latin America, have been designed to signal China's friendly intentions.

China's attempts at projecting soft power are still largely defensive. It is clear that the regime will not enjoy widespread legitimacy until it adopts a more liberal regime and stops its brutal suppression of human rights and independent media. It will also be difficult for China to reassure the world that it is a new kind of power while it continues to threaten Taiwan with invasion. However, China's voice on the world stage is getting louder, and the Beijing consensus will increasingly offer an alternative model to developing countries, as well as autocrats across the world.

5 The world of faith

> "Freedoms in Arab countries are threatened by two kinds of power: that of undemocratic regimes, and that of tradition and tribalism, sometimes under the cover of religion. These twin forces have combined to curtail freedoms and fundamental rights and have weakened the good citizen's strength and ability to advance."
> *Arab Human Development Report 2004, UNDP.*

One of the most visible challenges to the values of western liberal democracy comes not from any great power but from a body of ideas. Political Islam is reversing secular trends, and changing the way people dress and behave across the Middle East and beyond. As a unifying ideology, some have argued that it could shape a fourth pole in the global order, a 'faith zone' centred on the Middle East.

Islamism is certainly on the rise. But how will the 'Islamic awakening' change the position of the Middle East in the global order? Will it lead to a flourishing of 'Muslim democracy' or drag the region more firmly into the clutches of autocratic governments? Will it strengthen the forces of law in the most strategically important region of the world, or will it fuel great power politics? And will Islamism become a unifying force that allows the Middle East to project influence globally, or will the oil-rich region continue to be a playground for rivalry between great powers?

More than for any other part of the world, the prospects for the Middle East are hard to predict – with various trends pulling the region in opposing directions. However, the most likely scenario is that the Middle East in 2020 will be a region defined neither by democracy, nor by the rule of law. It will not be a cohesive force on the world stage, but a battleground for different ideologies.

The clash of Islamisms

Traditionally, Islamism has been less of a faith than an ideology. Islamists see their religion as a set of precepts that should govern all aspects of society – from family life and economics through to the legal system and foreign policy. Their goal has been to create an Islamic society not simply through imposing Sharia law, but by establishing an Islamic state that transcends the ethnic, tribal and national divisions brought about by crusaders and colonisers, eventually uniting the entire Islamic *Ummah*.

However, a generation after the Islamic revolution in Iran, Islamism has split into two tendencies – one mainstream, the other radical, that act as mirror images of each other.

Mainstream Islamist movements have started to metamorphose into more recognisable political movements, a process which Middle East experts predict will accelerate. As Olivier Roy argues, they "have shifted from the struggle for a supranational Muslim community into a kind of Islamo-nationalism: they want to be fully recognised as legitimate actors on the domestic political scene, and have largely given up the supranational agenda that was part of their ideology."[14] In today's Middle East, organisations such as Bahrain's al-Wefaq Society, Egypt's Muslim Brotherhood and Al-Wasat Party, Jordan's Islamic Action Front, Kuwait's Islamic Constitutional Movement and Morocco's Parti de la Justice et du Developpement (PJD) have assumed the role once played by national liberation movements and parties of the left. They have moderated their positions on introducing Sharia law and established themselves as political players promising to clean up politics, fight the corruption of the established elites, and act as champions of social justice and human rights.

[14] *Olivier Roy, 'Neo-Fundamentalism', Social Science Research Council, 2001.*

Through their networks of grassroots social and welfare organisations, and the political license accorded to mosques, they have been able to create broad-based social movements. In

countries like Morocco, where it is legal to form religious political parties, they have stood in elections and won a large proportion of seats. In others, such as Egypt, where they are banned, Islamists have stood for parliament – and won elections – as independents. Running with slogans such as 'Islam is the solution', their political programmes have already had a visible effect on day-to-day life in the region: reversing secular trends, encouraging a new generation of women to wear the veil, and preaching a return to traditional values. But the nationalism of these new political movements has deprived them of appeal beyond their national borders.

Radical Islam, on the other hand, has tried to fill this vacuum. The different strains of radical Islamism combine a militant *Jihad* against the West with a very conservative definition of Islam. According to Olivier Roy, "Contrary to the [mainstream] Islamists, they do not have an economic or social agenda. They are the heirs to the conservative Sunni tradition of fundamentalism, obsessed by the danger of a loss of purity within Islam through the influence of other religions."[15] These movements tend to appeal to rootless individuals that have become detached from national politics – in Africa, Europe, Pakistan and the US – who have abandoned their families and their countries of origin. Inspired by Osama Bin Laden and other extremist leaders, but acting on their own initiative, these atomised individuals create a link between classic foreign policy questions – such as Afghanistan, Iraq and Palestine – and the domestic challenge of dealing with social and economic exclusion in Europe's inner cities.[16] Where the mainstream organisations have adapted to the nation state, their radical cousins have transcended it. The rise of regional satellite channels like Al-Arabia and Al-Jazeera guarantees that local or regional disputes in Israel-Palestine, Iraq or Afghanistan will have resonance across the world.

[15] *Olivier Roy, 'Neo-Fundamentalism', Social Science Research Council, 2001.*

[16] *Philippe Errera, 'Three circles of threat', Survival, Spring 2005.*

Reform or revolution?

One trend that adds to the uncertainty surrounding the Middle East is that demographic changes are outpacing the slow political reforms in the region's autocracies. When the UN's first Arab Human Development Report was published in 2002, its statistics shocked the world. It revealed that the combined population of the 22 Arab countries – 280 million in 2000 – had a GDP the size Spain.[17] By 2020, the report warned, the population of the Arab world would swell to 450 million but average living standards could be lower than today because of the region's poor economic growth prospects. This worsening economic situation forms the backdrop to the combustible mix of a young population (40 per cent under 14 years old in 2000); the highest levels of unemployment in the world; and the lowest levels of political freedom. According to Freedom House, which measures countries from a most free 'one' to a least free 'seven', Arab countries scored an average of 6.7 in 2004, compared with 4.9 in Africa and Asia, 3.0 in Latin America and 2.6 in Europe.

[17] *UNDP, Arab Human Development Report, 2002.*

The secular political elites of many Arab countries have managed to resist pressure for far-reaching reform by suppressing opposition through their security services, co-opting key sections of the population through networks of patronage, and ceding control over social norms to Islamist organisations. The high price of oil has insulated elites from their citizens, providing the revenues to support massive state bureaucracies and their many dependents. The countries that are not rich in oil – such as Egypt, Jordan and Tunisia – have been able to use their strategic importance to extract large amounts of aid from oil-producing countries in the Gulf and their patrons in the West.

However, the political stasis of the Middle East is unlikely to last until 2020. In 2005, several countries felt compelled to instigate reforms, either as a result of international pressure or to respond to the new social forces at home. The reforms which ensued – local elections in Saudi Arabia, elections in Egypt, and the so-called 'cedar revolution' in Lebanon – were extremely limited and fell short of comprehensive political change. Nevertheless, in the medium to long term, it seems likely that more political activism will emerge. Because there is no political space for liberal secular elites to evolve in any of the Arab countries, the mosque has evolved into the primary forum for political opposition. This means that any political change will be in the direction of Islamism – either peacefully through elections, or violently through revolutions. The question is whether these new movements that rise to power will be radical or mainstream.

Since the terrorist attacks of September 11th in the US, policy-makers have understandably focused on radical Islam. Islamist terrorism has left no continent untouched: there have been bombings in Britain, India, Indonesia, Kenya and Spain. Although the combined casualties of these attacks were small compared to those of conventional wars in Africa, there is a persistent fear that these groups of terrorists could get hold of weapons of mass destruction. However, for all the sound and fury created by Al-Qaeda, there is a growing realisation that mainstream Islamist organisations rather than radical ones will probably have the biggest impact on the Middle East of 2020.

It is impossible to rule out a terrorist attack that uses WMD, but Islamists are unlikely to become a force capable of affecting the global order, unless they succeed in taking over states in elections or revolutions. And radical Islamists have less chance of achieving that goal than their mainstream counterparts. A recent paper from the Carnegie Endowment for International Peace puts it well: "The radicals' grandiose goals of re-establishing a caliphate uniting the entire Arab world, or even of imposing on individual Arab countries laws and social customs inspired by a fundamentalist interpretation of Islam are simply too far removed from today's reality to be realised".[18]

[18] *Nathan Brown, Amr Hamzawy, Marina Ottaway, 'Islamist movements and the democratic process in the Arab world: Exploring grey zones', Carnegie Endowment, March 2006.*

Hamas in Palestine, Hezbollah in Lebanon, and the Iranian regime have all shown the potential for Islamism as an electoral force. It is hard to predict the effect that the rise to power of these groups could have on the region. Some argue that the experience of the AKP in Turkey shows that they might be transformed by their embrace of power, developing a variant of 'Muslim democracy' which echoes the 'Christian democracy' of European parties. However, unlike the AKP, all of these parties have cultivated ambiguous positions on fundamental issues such as the role of Islamic law, the legitimacy of violence, political pluralism, civil and political rights, women's rights, and the rights of religious minorities. The failure of a liberal discourse to emerge in each of these areas – identified in the Carnegie study as 'grey zones' – shows that the Middle East is likely to embrace a value system that is fundamentally at variance with the norms of western liberal democracy.[19]

[19] *Nathan Brown, Amr Hamzawy, Marina Ottaway, 'Islamist movements and the democratic process in the Arab world: Exploring grey zones', Carnegie Endowment, March 2006.*

It is also likely that the power of 'Islamo-nationalism' will prevent the countries of the region from working together and acting as a more cohesive force on the world stage. None of the region's numerous multilateral organisations – from the Arab League to the Gulf Co-operation Council – has managed to translate rhetoric about pan-Islamic or pan-Arab unity into a coherent political project. Even in the economic sphere, the endurance of national boundaries meant that inter-Arab trade constituted only 7.5 per cent of these countries' total trade in 2001.[20]

[20] *Louise Fawcett, 'International relations of the Middle East', OUP, 2005.*

A playground for great powers

If the internal politics of the Middle East are pulling the region apart, so too are external forces. More than any other part of the world, the Middle East has been, and will remain, a playground for great power politics. The competition between great powers – and their respective ideas of how the world should be organised – is set

to become enmeshed with the domestic politics I have described. This could have two consequences: strengthening the hands of both radical and mainstream Islamists, and further exacerbating tensions between the countries of the region.

President Bush has done much to promote Islamism in the Middle East. On the one hand, his 'forward strategy for freedom' which saw western troops remove autocracies in Afghanistan and Iraq has created a rallying point for radical Islamists around the world. On the other hand, his administration's pressure on other regimes – including close allies like Egypt and Saudi Arabia – to speed up the process of political reform has helped mainstream Islamists strengthen their position. In Iraq, in particular, the administration's attempts to promote democracy have forced it into an accommodation with mainstream Islamists, such as the Supreme Council for the Islamic Revolution in Iraq, as well as the Al-Da'wa and Iraqi Islamic Parties.

Moreover, America's democratic zeal has created a cover for China, India and Russia to enter or re-enter the Middle East as major players – offering non-judgemental support for unsavoury regimes, and playing up their 'sensitivity' to local customs.

Until recently, India's main presence in the Middle East was its diaspora, represented by 3.5 million guest workers in the Gulf, sending home $4 billion every year in remittances. But as we approach 2020, India will become a critical force in the energy sector, and the country could also develop a major naval presence in the region. So far Delhi has signed contracts with Qatar and Sudan. But its biggest successes are with Iran: signing a $50 billion gas deal, and discussing the construction of a pipeline that would connect Iran and India (via Pakistan).[21]

[21] *Geoffrey Kemp 'The East moves west', National Interest, 2006.*

After the end of the Cold War, Russia was largely excluded from events in the Middle East, as it had very little to offer countries in

the region. However, in recent years Moscow has used arms sales, nuclear technology and political support to revive some of its influence. As the Russian commentator Andrei Piontkovsky observes, "Russian policy is largely driven not by rational national interests, but by a complex of former greatness. Any leader in the Middle East or elsewhere knows about this complex and can take advantage of it by helping Russia to continue to play this role for a perk or a privilege."[22]

[22] This is quoted in: Stephen Blank, 'Russian arms and the search for peace in the Middle East', The Jamestown Foundation Eueasia Daily Monitor, March 7th 2005.

But it is China that could become the most important new player in the Middle East. In 1998 a young Chinese scholar, Zhang Xiaodong, argued in the influential journal 'Strategy and Management', that China should adopt a more aggressive policy towards the Middle East for three reasons: to secure strong, stable ties with oil-exporting countries (China depends on the Middle East for half of its oil imports, with Iran and Saudi Arabia accounting for 30 per cent of the total); to ensure that countries in the Middle East do not become safe havens for Islamist groups in China's own Xingjian province; and to provide an ace for China in its political struggle with the US.[23] In the last few years, this vision has come closer to being a reality. China is likely to become Saudi Arabia's biggest customer well before 2020 and has already made common cause with regimes such as the House of Saud against Islamist terrorism. Sino-Iranian relations have deepened with a $100 billion gas deal and arms sales. Meanwhile China has sought international goodwill by appointing a Middle East peace envoy.

[23] The article is quoted in: Francesco Sisci, 'China plays the Middle East card', Asia Times, April 23rd 2002.

As we move towards 2020, the Middle East seems set to remain a key battleground for world order. As one analyst based in Hong Kong puts it: "While the US has become more willing to engage in humanitarian intervention, pre-emptive action and regime change, with the Middle East emerging as the most likely candidate for the

US to practice these policies, China retains a preference for a traditional Westphalian style of conducting international relations, with emphasis on non-intervention, state sovereignty and territorial integrity."[24]

[24] Chietigi Bajpee 'China stakes its Middle East claim', Asia Times, March 14th 2006.

The dynamics of this competition between the great powers will be affected by the local politics of each Middle Eastern country, as well as the eventual outcome of regional conflicts in Afghanistan, Iraq and Israel-Palestine. However, it seems likely that these local and regional dynamics will act to strengthen Islamists, and create tensions between those countries that look to the US as a patron, and those that have close links with China and Russia. Looking to 2020, the Middle East could mirror a more multipolar world: the US will probably still guarantee the security of Jordan, the Gulf Co-operation Council countries, and its client states in Iraq and Afghanistan. However, Russia and above all China have already emerged as patrons of Iran and Syria.

Saudi Arabia is likely to be the biggest swing state in the region. There have been signs in recent years of the House of Saud actively wooing China, as part of a hedging strategy for the future. By 2020, it is not unthinkable that Saudi Arabia will look to its biggest client, China, rather than to the US, for protection.[25] And as China's economic stake in the region grows, there is a lively debate in Beijing about whether the country will need a blue water navy to back it up.

[25] 'The Middle East and the rising Asian powers: Imagining alternative futures', The Henry L. Stimson Center for the National Intelligence Council's 2020 Project, 2004.

WMD and the future of intervention

When India and Pakistan wanted to acquire nuclear weapons, they had to invest heavily in their own research, subsequently enduring international opprobrium and sanctions from the West. In the future, countries will not necessarily need to develop their own technology: a global market for WMD has emerged. Since the exposure of the notorious AQ Khan network, the West has been gripped by fears of the proliferation of nuclear weapons.

At present, the nuclear club is still very exclusive. It includes the five nuclear powers allowed under the Non-Proliferation Treaty (NPT) – China, France, Russia, the UK and the US – and the three countries that remained outside the NPT (India, Israel and Pakistan). North Korea has already conducted a nuclear test, and Iran is well on the way to acquiring a nuclear capability. Some analysts warn that this might set off a chain reaction that would see Japan, South Korea, Turkey, Egypt and Saudi Arabia following suit.

The spectre of Iranian mullahs using nuclear weapons to blackmail Iran's neighbours no longer exists simply in the realm of fiction. Although most experts argue that no state – even one as ideological as Mahmoud Ahmadinejad's Iran – is likely to put itself in a position where it could provoke nuclear retaliation from the US or Israel, there are always dangers of miscalculation. Graham Allison of Harvard University has argued that as more countries acquire nuclear weapons, the possibility of miscalculations will expand exponentially. That leads him to predict that there is a 50 per cent chance that there will be a nuclear incident some time over the next 10 years.[26]

[26] *Graham Allison, 'Nuclear Terror: The ultimate preventable catastrophe', Times Books/Henry Holt, 2004.*

Whether his analysis proves to be correct – and most proliferation experts are more cautious – it is clear that the spread of WMD will make it far harder for the US to use military means to achieve its political goals. The lesson that many countries have drawn from the differential treatment of Iran, Iraq and North Korea is that acquiring nuclear weapons is the best insurance policy against invasion. And in the world of 2020, in which the number of nuclear states is likely to have doubled, preventive wars and humanitarian interventions could become much harder to undertake.

6 The Eurosphere

> "Europe's capacity to conduct dialogue with China, India and America depends on the extent to which it can be a union of all territories from the icebergs of the Arctic to the sand dunes of the Sahara, with the Mediterranean in their midst. This is the only way we can avoid marginalisation and decline, it is the only realistic option that will allow Europe to have a sufficient weight in the geopolitics of the future."
> *Dominique Strauss-Kahn, 2004.*

Just as the US is trying to break free of the world order it created in the 20th century, so too is Europe haunted by the patterns of behaviour it set for great powers in the 19th century. As China, India and Russia re-emerge as global powers, they are behaving more and more like European powers of the past: trying to build regional balances of power; scrambling for resources in Africa and the Middle East; using aid to cement political relationships and create markets for their own products and services; and pursuing a foreign policy motivated by interests rather than values.

Today's EU is a microcosm of the world order which European countries want to see in 2020. In the EU it is viable to be a small country, because all states are represented at the table and none is large enough to impose its will on the rest. When disputes arise, they are settled through negotiations and legal proceedings rather than on the battlefield. In the EU nation-states remain sovereign over the areas that their citizens care about the most – health, education, taxation, policing – but pool their sovereignty to create a vast market, and achieve solutions to problems that cut across borders such as environmental pollution and organised crime. Although its future political shape is uncertain, the EU is slowly becoming a more cohesive and effective actor on the world stage.

It is through the EU that European countries have promoted and defended their two big ideas: democracy and the international rule of law. The story of the EU over the last 20 years has been one of 'transformative power', a strategy of systematically linking access to the EU market to reform, in order to transform neighbouring countries. Rather than relying on the threat of exercising power to secure its interests, Europe has relied on the threat of not using it – of withdrawing the hand of friendship, and the prospect of EU membership. The prize of membership has already transformed countries ranging from Spain and Greece to the Czech Republic, Romania and Poland, and it has started to have a similar effect on Turkey. Each of these countries has implemented the Union's *acquis communautaire*, a body of 80,000 pages of laws that govern everything from human rights to food safety. The 2004 and 2007 enlargements to the east have helped to spread human rights, prosperity and multi-party government to 12 countries and 100 million citizens.

Looking forward to 2020, the outlook for further enlargement is uncertain. Croatia and Turkey have started accession negotiations, but these could be protracted and, in the case of Turkey, may never come to fruition. Macedonia has been declared a candidate. Serbia, Montenegro and Bosnia are negotiating stabilisation agreements with the EU – the first step on the road to membership. Albania has already signed one. The soon-to-be independent Kosovo will probably also become a candidate. As time moves on, countries like Ukraine (with 50 million citizens), as well Georgia and Moldova (with 4.5 million citizens each) will knock on the door. The accession of these countries could bolster the EU's influence within the multipolar world of 2020, but only if the EU's institutions are reformed so that they are flexible enough to deal with an expanded membership.

But the EU's reach goes beyond those applying for membership. There is a belt of 70 countries surrounding it – home to 20 per cent of the world's population – which are heavily dependent on the EU.

These 1.3 billion people live in the European part of the former Soviet Union, the Middle East and North and Sub-Saharan Africa. The EU is their main source of trade, international bank credit, foreign direct investment and development assistance. The EU has used this dependence to develop institutional links with these countries, designed to bring them under the European legal and political umbrella. These agreements, which strengthen trade and economic integration, lay down political standards on human rights and good governance.[27] The EU will need to think carefully about how these arrangements can be strengthened – perhaps by developing a stronger neighbourhood policy with 'deep free trade' agreements, a European energy community, and security partnerships – to ensure that its 'transformative power' can have an impact on countries that will never join the EU.[28]

[27] *Francesco Mazzafero, Arnaud Mehl, Michael Sturm, Christian Thimann, and Adalbert Winkler, 'Economic Relations with regions neighbouring the euro area in the 'euro time zone", European Central Bank, 2002.*

[28] *Charles Grant, 'Europe's blurred boundaries: Rethinking enlargement and neighbourhood policy', CER, October 2006.*

Law or democracy?

In the last major period of global uncertainty, it was the US that built the institutions that made the world stable – NATO, the UN, the IMF and the World Bank. But today it is the EU that has been taking the lead in building a post-Cold War order to deal with the challenges of globalisation. Europeans pioneered the creation of the World Trade Organisation. On climate change, after President Bush said the Kyoto Treaty was dead, Europeans ratified and implemented it. The same happened with the International Criminal Court. These institutions embody a 'European' way of working: using international law to pool rather than protect sovereignty.

Where the EU comes unstuck is in its uncritical attachment to the institutions of the Cold War, which were partly designed to protect countries from external interference. The UN, in particular, provides Russia and China with a permanent opportunity to thwart western

attempts to protect human rights and prevent nuclear proliferation. In many ways, the EU is the embodiment of the Kantian idea of a world of republics living in perpetual peace – where democracy and the rule of law are mutually reinforcing. But outside the cosy warmth of the European continent, the EU often has to choose between these two values.

The UN will always be Europe's institution of choice to provide legitimacy for international actions. However, if European countries see the UN Security Council as the only body capable of legitimating international actions, they will find themselves permanently split between their desire to advance liberal democracy and their attachment to the rule of law – as they were on Iraq. This will not help spread of the rule of law, but it will create opportunities for China, Russia and the US to divide and rule European countries.

7 Swinging India

> "To me, I confess that [countries] are pieces on a chessboard, upon which is being played out a great game for the domination of the world."
> *Lord Curzon, Viceroy of India, 1898.*

By 2020, India will not be powerful enough to be a global pole in its own right. Unlike the EU, China or the US, Delhi will be more interested in defending its interests than protecting a model of world order. It could emerge as the most promiscuous great power, forging close relationships with China, Russia and the US, to advance its own interests, and fulfil its dream of joining the top table.

This foreign policy will see Delhi building up links from East Africa to East Asia, to promote trade, gain access to energy, and buy and sell weapons technology.[29] Delhi will look east to China, Korea, ASEAN and Australia for trade; west to Europe and the Persian Gulf for investment; and north to Central Asia and Iran for energy. In the third world, India will spend a growing aid budget – already totalling $350 million in 2005 – to secure access to natural resources, open markets, obtain contracts and increase its political influence.

[29] *Parag Khanna and C. Raja Mohan, 'Getting India right', Policy Review, 2006.*

The last vestiges of Nehru's 'moral' foreign policy will have been replaced by *realpolitik*, but the former Indian prime minister's commitment to India standing alone will remain. Thus India's foreign policy philosophy – a strange mix of Nehru's suspicion of alliances and *realpolitik* – will allow it to pick and choose its alliances with all four poles of the world in 2020.

Indian unilateralism

Europe's big idea – multilateralism – has little following in modern India. This is partly because India's colonial past has led to a suspicion of international involvement in the internal affairs of other countries. India sees itself as the biggest loser of the Yalta settlement which granted permanent seats on the UN Security Council to China, France, Russia, the UK and the US. India's failure to get a permanent veto-wielding seat at the Security Council will continue to grate, and contribute to a sense that the world order is organised against it.

According to the influential foreign policy analyst C. Raja Mohan, "India's world view is closer to the US than the EU on most global issues. It opposed European positions on issues such as the Comprehensive Test Ban Treaty, the International Criminal Court, land-mines and Kyoto."

India's fierce attachment to sovereignty and suspicion of formal alliances could translate into a US-style 'multilateralism *à la carte*' in international relations: India would profess a commitment to the international rule of law, but refuse to abide by provisions which it feels are stacked against its interests. This is the strategy which India has followed on the NPT, and it could reappear in other areas such as global negotiations on climate change.

Although India has more soldiers serving in UN missions than any other country in the world, it will continue to oppose UN involvement in its own backyard. It will also hide behind its developing country status to oppose humanitarian interventions in other countries. However, the fact that India is not represented on the UN Security Council will allow it to keep a lower profile, avoiding the opprobrium that China and Russia attract for using their vetoes. Although many in Delhi continue to hope that the Security Council will be expanded, Chinese objections to Japanese membership and continuing disagreement within the EU mean that the UN's top body is unlikely to be reformed before 2020.

Democracy at home, but not abroad

In 2020, India will still be the world's largest democracy. This is what has driven the US to seek a strategic relationship with Delhi, in the hope that India could form a part of a democratic alliance – along with Australia and Japan – to contain China. The 'joint statement' on civil nuclear co-operation signed by George Bush and Manmohan Singh in July 2005 – which set the foundations for India's escape from nuclear pariah status – is seen in both Washington and Delhi as part of an 'irreversible' rapprochement between the two countries.

One of the explanations for this *rapprochement* is the growing importance of the Indian diaspora in the US. The two million Indian-Americans, who already count 200,000 millionaires among them, are now the richest ethnic group in America.[30] As the sons and daughters of India's elite, their experiences and world views have a direct impact on the decisions made by India's governing class. And increasingly, political influence is flowing the other way. The India caucus in the House of Representatives already boasts 130 members, and there are Indian-American representatives in Congress. Indian think-tanks hope that the growing political influence of the Indian diaspora in the politics of other countries might allow them to become a 'demographic super-power' by 2020, a fact underlined by an industrialist who a rgues that "what oil is to Saudi Arabia, human capital is to India."[31]

[30] *Parag Khanna, 'India as a new global leader', Foreign Policy Centre, 2005.*

[31] *Parag Khanna and C. Raja Mohan, 'Getting India right', Policy Review, 2006.*

But Delhi is clear that its relationship with the US will not be a monogamous one – instead it will clearly be organised around India's interests. A legacy of anti-Americanism means that the government has to work hard to justify each step towards the US. Moreover, Delhi, unlike the US – or the EU for that matter – shows no desire to spread democracy around the world, using its experience of colonialism as an explanation for its reluctance to engage in any kind of 'civilising mission'. This has left India free to

develop friendly relationships with dubious regimes, advancing its economic interests in the process.

India's look east policy

In spite of America's desire to build up India as a bulwark against Chinese domination in Asia, India has no desire to be part of a strategy to contain China. By 2020, India and China will co-operate as much as they compete. The bilateral relationship between China and India is already important – and it is set to expand rapidly. China will soon overtake the EU as India's biggest trading partner; and policy-makers in Delhi believe that their economies are complementary, with India supplying the software for China's hardware. The two countries have shelved their dispute over borders and launched a series of joint projects on 'counter-terrorism' against Islamists in China's western and India's north-eastern provinces.

However, as the two countries grow they will compete. This has been most obvious in the quest for energy security and natural resources, where both countries are chasing contracts in Central Asia, the Middle East and Iran. There is also a fierce competition for influence in Burma. India bitterly regretted joining the international community's attempts to isolate the military junta in the 1990s, which allowed China to turn the Burmese regime into a client state. It has since overturned this policy and invested huge resources in building up relations with the regime – matching China's investment, military assistance and aid.

Delhi sees Burma as a launch-pad for a wider struggle for influence in South-East Asia. Burma is India's gateway to trade and investment in ASEAN, as it is the only South-East Asian country with which it shares a border. India has been in search of an economic and political space in South-East Asia since the 1990s but has only recently been able to turn its aspirations into a reality. Delhi's 'look east' policy has seen it sign economic and military agreements with

Indonesia, Japan, Korea, Singapore and Vietnam. It is seeking to use a mix of trade and investment agreements, defence and strategic co-operation (including combating terrorism and maritime security), and science and technology to counter Beijing's magnetic power in the region. Delhi saw India's participation in the 2005 East Asia Summit as a major coup.

Like India's relationship with the US, the partnership with Beijing will be a wary one, shaped by historical suspicions. Some policy-makers are old enough to remember the war with China in 1963, and there is a suspicion among much of the elite that China is 'encircling' India: getting involved in Bangladesh, the Maldives, Nepal and Pakistan to pin India down in its troubled neighbourhood, and prevent it emerging as a power in Asia.

India as a swing power

By 2020, India's economy will be less than half of the size of its Chinese neighbour. And because it is likely to be excluded from the UN Security Council, India will be less influential on decisions about global order than China or Russia. Moreover, India's suspicion of formal alliances and its lack of a missionary ideology will make it into a swing state rather than a pole in its own right. It will increasingly have the casting vote on important decisions, but it will not shape the emerging world order.

8 The balance of soft power

As economic might shifts from the north and west to the south and east, so will cultural and moral power. Over the last generation, global institutions, norms and laws have been established on 'western' terms. The West supplied the world's dreams through Hollywood, told the news through the BBC and CNN, and wrote the rules of business through its multinationals. Above all, it was the ultimate arbiter of what was right and wrong in international relations. The rise of Al-Jazeera, China Central Television, and Bollywood already mean that the world no longer looks at things exclusively through American eyes. In 2020, the Fortune 20 list of the world's most admired companies is likely to include multinationals from India and China as well as America and Europe. As ancient civilisations like China and India become more self-confident they will be more active in projecting their own ideas onto concepts like democracy, civil society and freedom.

Some hardened realists will be sceptical about the importance of these shifts in cultural power for the conduct of international relations. But in an era of mass communications, nationalism and democracy, foreign policy decisions – in particular the decision to go to war – need to have legitimacy. And, in a world where the West is no longer the sole guardian of legitimacy, the political price of military interventions could grow. The Iraq war – and the concerted attempt by many countries to question the morality of military action – showed how strategies of 'delegitimisation' can significantly increase the cost of military interventions. Although France, Germany and Russia did not succeed in stopping the war, their vocal criticisms of the case for war made it more difficult for other democracies to support the invasion or commit troops to reconstruction.

If the trends I have set out in preceding chapters are taken to their logical conclusions, there will not be a new world order in 2020, but at least four competing orders. The 'quadripolar world' will be split along two axes: between democracies and autocracies; and between countries seeking a balance of power and those that want a world organised around international law and multilateral institutions.

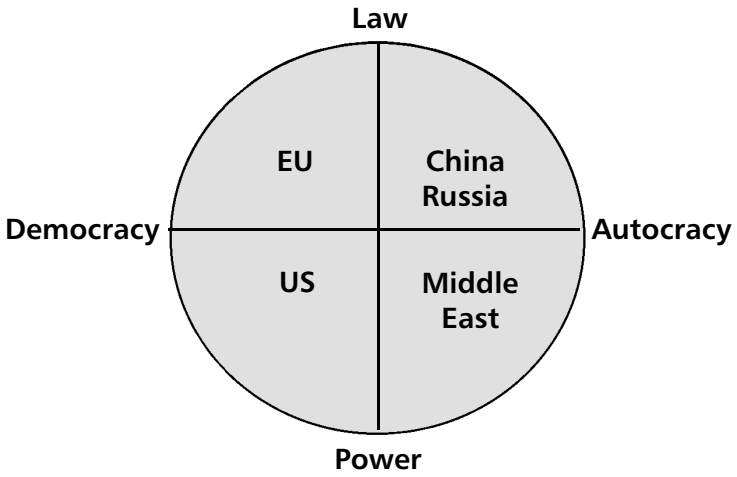
The most powerful bloc will continue to be the American one, underpinned by the dollar, popular culture, and the prevalence of the Washington consensus. The goal of US foreign policy will remain building a 'balance of power that favours freedom'. Rather than seeing international institutions as the foundation of a liberal order, the US will seek to maintain its power, and the power of key allies such as Japan in East Asia.

An expanded EU will share a belief in democracy with the Americans – but be alienated from them because of its belief in multilateralism and international law. Around its core, the 'Eurosphere' will include another 70 countries that are deeply dependent on the Eurosphere for trade, aid, investment. These will gradually be drawn into the European way of doing things, through the European neighbourhood policy that links market access to compliance with European standards on human rights, the rule of law, migration and proliferation.

To Europe's east, China and Russia, united by their autocratic systems of government, will seek to use their seats in multilateral institutions such as the UN Security Council to contain the US and protect the sovereignty of states from western interference. Together, Russia and China could turn the SCO into the kernel of an alliance of countries that are repressive. They could use their support for problematic regimes – like Iran, North Korea and Sudan – to position themselves as brokers of agreements, thereby increasing their global significance and extracting concessions from the West.

To Europe's south will be a world of faith – defined neither by democracy nor the rule of law. While some countries in the Middle East – such as Lebanon and Palestine – may follow Turkey in developing a new strain of 'Muslim democracy' that sees them joining the world of law-abiding democracies, many others will struggle to make such a transition. In Algeria, Egypt and Syria, corrupt western-oriented elites could be swept away by Islamists who become more and more international in orientation, possibly forming strategic alliances with groups in Africa, China and the former Soviet Union.

The four competing zones



Not all countries will fit neatly into one sphere or another. This will lead to a global battle to co-opt 'swing countries', particularly in South-East Asia (between China and America); Central Asia (between China, Russia, the US and Europe); the Caucasus (between Russia and Europe); and the Middle East (between the US, Europe, China, Russia and India). The biggest swing-state will be India.

While global institutions such as the UN, the IMF and the World Bank continue to be hampered by the great powers' different world views, regional organisations – such as Mercosur in Latin America, APEC in the Pacific, and the African Union – could start to step into the breach. For example, in Sudan in 2004, the African Union sent 4,000 troops to the Darfur region while the UN Security Council was bogged down in a debate about whether massacres there constituted genocide. The African Union's focus on peace keeping reflects the fact that conflict is the biggest enemy of development on the continent – as well as the strong desire not to have to rely on western troops to solve African problems. Although this intervention has so far been ineffective, it is possible that in the long term regional organisations like the African Union and the Economic Community of West African states (ECOWAS) could become important alternatives to the UN.

In East Asia and Latin America, where the focus is more on economics, regional integration could threaten the hegemony of the 'Washington consensus' by developing alternative models of development. After the currency crisis of 1997, a group of East Asian countries agreed at a meeting in 2000 in Chiang Mai (Thailand) to set up credit swap arrangements, so that they could respond to future crises without having to turn to the IMF. In Latin America, too, some economists have calculated that there are enough reserves in the continent to deal with any crisis (short of a meltdown of the Brazilian economy) without recourse to the IMF. Although regional integration in Latin America and East Asia has proceeded in fits and starts and has a long way to go before it comes close to resembling the EU, it is possible that these bodies could in the long term become important factors in international relations.

In this global battle for influence, developed countries will find it increasingly difficult to advance their interests through punitive measures such as sanctions and isolation. The old idea of 'rogue states' will become increasingly redundant. When the US or EU try to isolate Iran, Uzbekhistan, Sudan or Venezuela, with sanctions or

arms embargoes, China, India or Russia are already stepping into the breach and taking advantage of the lack of competition.

In this balance of 'soft power', countries will reach out both to governments and citizens – depending on who is more open to influence. The US, for example, tends to focus on relationships with governments in democratic countries, but uses NGOs and covert action to reach out to citizens in countries with unsavoury regimes such as Iran. Chinese diplomacy tends to work the opposite way: cutting deals with autocratic governments, but reaching out to citizens and businesses in democracies. For example, on his recent trip to the US, the Chinese president, Hu Jintao, spent more time with business leaders than with the Bush administration.

The 'quadripolar world' of 2020 will be extremely competitive, but it is unlikely to descend into the permanent war of George Orwell's 1984. Because the four spheres of influence will be bound together by a single economic system – with the countries of the different blocs frantically trading with and investing in each other – the new 'balance of soft power' could be relatively peaceful.

9 Conclusion: Europe's role in 2020

The shift from a unipolar to a multipolar world could be almost as significant for global politics as the end of the Cold War. Like the events of 1989, it will force European strategists to change their mental maps of the world, and develop relations with countries that were outside the EU's sphere of influence. Above all, the 'rebirth of history' will make some of the approaches of the 1990s redundant and force European leaders to think again about their approach to international relations and to European integration.

The European Union's most urgent challenge will be to pursue a 'disaggregation strategy' of engaging the relevant forces in each of the other blocs, in order to prevent the emergence of a 'quadripolar world'. For example, there are strong forces in favour of the international rule of law and international co-operation at a federal and state level in the United States, that the EU can engage with on climate change and human rights. Russia and China have major differences on energy and proliferation that could be exploited, in order to prevent these great powers from becoming a cohesive force. And in the Middle East, the EU should do all it can to play off the differences between Iran and Syria, and Hamas and Hizbollah, through policies of conditional engagement.

The EU must also develop fresh thinking about international institutions. Because China and Russia – which continue to believe in protecting an old-fashioned idea of sovereignty – have veto-wielding seats on the UN Security Council, it will be impossible to reform the United Nations to reflect the EU's agenda of building security by pooling sovereignty. Although the UN will continue to be the forum of choice for legitimising global policy decisions,

particularly the use of force, the EU should openly recognise its limitations and explore other mechanisms for giving legitimacy to international interventions for example through regional organisations like NATO and the African Union.

Another important area where new thinking needs to be developed is on the future shape of the EU itself. The implicit bargain between countries that seek to deepen the EU through projects such as the euro, and those that want to widen it through enlargement, has been broken. Following the French and Dutch rejections of the constitutional treaty, further treaty-based integration will be very difficult. This makes pro-integrationist countries, such as Germany, reluctant to allow further enlargement. The solution to this conundrum will come from rethinking European integration, to make it more flexible. Most of the *acquis communautaire* will need to remain intact, as it forms the foundation of the single market. But in the future, the EU will need to develop more flexible arrangements for its internal workings so that integrationist countries are not afraid of being held back by laggards, and countries that are uncomfortable with further integration can remain in the EU. The EU might evolve into a series of over-lapping clubs that work together more closely on issues like defence, border controls, corporate taxation or services. This more flexible structure could also allow the EU to reach out to its neighbours – allowing them to participate in some of these functional groupings as a stepping stone, or alternative, to eventual membership of the European club.[32]

[32] *Charles Grant, 'Europe's blurred boundaries: Rethinking enlargement and neighbourhood policy', CER, October, 2006.*

However, the most fundamental conundrum for the EU will be in the economic sphere. The basis for most of the EU's 'transformative power' has been a large and prosperous single market. If European countries fail to grasp the challenge of economic reform, the basis of Europe's power could gradually erode. Recent performance has been poor in may parts of the EU. But there is nothing inevitable about this decline, with countries

such as Denmark, the Netherlands and Sweden having shown that it is possible to combine generous welfare states with flexibility and economic competitiveness.

If European leaders successfully confront these challenges, there are many reasons to be optimistic about the EU's prospects in the 'quadripolar world':

★ The EU remains the most advanced regional model for dealing with problems that cut across borders. As other parts of the world such as Africa and Asia embrace regional integration themselves, they will become more comfortable dealing with the EU.

★ The multilateral institutions which EU governments have promoted – from the World Trade Organisation to the EU's emissions trading scheme and the International Criminal Court – are the most effective ways of dealing with many global problems.

★ The EU will continue to dwarf all other markets except the US (if measured at market exchange rates). It will have the biggest development budget and the second largest military budget. Its quality of life will be widely envied.

★ Europe's model of 'transformative power', that makes economic relations with other countries conditional on political change, is a robust and potentially effective way of promoting its political agenda.

★ The EU shares so many values with the US that it should be able to forge a common agenda with Washington on many issues.

Although there are few signs of strategic thinking about how to prepare the EU for a multipolar world, the EU has been very effective at 'muddling through' in the past: ending the economic

'stagflation' of the 1970s, responding to the collapse of the Soviet Union, developing a common defence policy after the failure to stop the bloody break-up of Yugoslavia, and adapting its social models to an era of globalisation. With some fresh thinking and political ingenuity, Europe's leaders might muddle through again.

★

CENTRE FOR EUROPEAN REFORM
NEW IDEAS FOR A NEW EUROPE

Divided world

The struggle for primacy in 2020

Mark Leonard

The world in 2020 will not see a new world order, but a competition between four ideas of how the world should be run: an American world striving for a balance of power that favours democracy; a 'Eurosphere' whose support for democracy is coupled with a belief in international institutions; an 'axis of sovereignty' led by China and Russia that sees multilateral institutions as protection from western interference; and a Middle Eastern 'faith zone', defined neither by democracy nor the rule of law. This essay sketches the outlines of the 'quadripolar world' that is awaiting us.

Mark Leonard was director of foreign policy at the Centre for European Reform until November 2006. In early 2007 he will set up and direct a new pan-European initiative of the Soros Foundations Network, to promote the EU as a model for an open society.

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