



## Unstable Multipolarity? China's and India's Challenges for Global Governance

Due to both their size and the enormous pace of their growth, China and India constitute a "class of their own" among the group of anchor countries. In the coming decades the stance that Europe adopts toward these "Asian drivers of global change" will be no less important than the state of transatlantic relations. At present Germany and Europe are not prepared to meet these challenges.

The global governance debate that following the collapse of the Soviet Union took very little note at first of the rise of China and India. By now, attention is being paid to China, but in 15 years time India too will be an

equally important economic player – and possibly even one with greater scope for global action, because it has a number of important comparative advantages over China (democracy, a balanced age pyramid).

Gradually the contours of a multipolar system that is very likely to be marked by instability and turbulence are emerging. If the Asian drivers are not successfully integrated into a system of effective multilateralism, the world will be faced with a renewal of conflictual balance-of-power politics that would distract the efforts needed to contain the risks posed by globalization.

### *Characteristics of the new power constellation*

China and India are slipping in to the role of significant actors for global governance, forcefully altering the basic patterns of world politics and the world economy, and with them the relationship between the industrialized and developing worlds. The newly emerging constellation of power is shaped by two key factors:

1. The rise of China and India in the world economy and as important actors in global governance arenas amounts to a **tectonic shift: in other words, one, which entails significant and profound impacts**. This dynamic is the result of both the rapid and sustained pace of growth experienced by these two economies and the size of their populations. Already in the 1970s and 1980s South Korea and Taiwan had posted high growth rates (and Japan before them), but now the world's two most populous nations are pushing into the world economy, altering its underlying patterns. China and India are therefore not only "emerging economies" (like South Korea, Taiwan, Singapore, Thailand, and others before them), they are also "drivers of global change." They are forcefully altering the economic and consequently the political balance of power throughout the world. The dynamics of this upheaval are impressive: China, fewer than two decades ago still a marginal economic actor, has now moved into the role of one of the world economy's key players. Between 1985 and 2004 China's share of US imports rose from "virtually nothing" to a figure just short of 15 %. China's share of world demand for key base metals has risen from 5–7 % in the early 1990s to a figure of 20–25 % (in 2005). At the close of 2005 China held the world's second largest currency reserves, amounting to

over US \$ 819 billion; China is the world's third largest trading nation (export volume in 2005: US \$ 772 billion – compared with 1990: roughly US \$ 50 billion); and China, along with the US and the EU, is now one of the world's largest CO<sub>2</sub> emitters – on whose future energy policies the dynamics of global climate change will hinge in very crucial ways. Following decades of declining prices for primary goods, the terms of trade for raw materials and agricultural goods have, since 2001, been moving in the opposite direction. The reason: demand pull from China and – increasingly – India. At the same time, China is more and more clearly staking its claim, at the WTO, the UN, and in international climate policy, to play a key role in shaping global governance processes. India is on a very similar path – though with a time lag of some 10–15 years. Should India's momentum continue unabated over the coming 1–2 decades – after all, it was only in the late 1980s that it began to close the gap on the world's leading economic powers – the country would, in 2020, find itself in a role similar to that played by China today – and taken together, these two nations would then be forces to reckon with in world politics and the world economy.

2. The current global governance architecture, with its quasi-unilateralist (i.e. American) bias, is therefore unlikely to last more than a brief historical moment. The rise of India and China as relevant actors in global governance and the world economy is leading to the formation of a **de facto multipolar power constellation**. In 2025–2030 at the latest, the US, China, India, and possibly Europe will constitute significant poles of power in the architecture of global governance. Compared with these future heavyweights of the international system, the European nation states are without

exception small actors with very limited power resources. Only a common EU strategy designed to carve out for Europe a role in shaping the process of globalization would permit Europe to take an active and effective part in setting the course for a rapidly changing global governance architecture. The future interplay among these central actors of global governance will largely determine whether and how the 21<sup>st</sup> century's transnational and global problems are dealt with and what role the world's developing regions will prove able to play in world politics and the world economy. This new multipolar power constellation and the competition for power and policy options resulting from it will become the central line of conflict shaping the architecture of global governance in the coming five decades – in ways much like the system conflict that dominated the Cold War or the endless conflicts between the Central European powers in the era leading up to the First World War. The question is whether the EU and the US will be able to gradually integrate the two new powers into a system of effective multilateralism, or whether this multipolarity will take shape against the backdrop of an unbridled competition for power that could lead to new instabilities, conflicts, and persistent turbulences, binding the forces urgently needed to contain the dark sides of globalization (such as poverty, environmental degradation, state failure).

### **Ten challenges for Europe**

The gradual rise of India and China will lastingly alter the system of global governance. At present we can identify ten challenges:

**First**, the rise of both China and – increasingly – India is generating **enormous socioeconomic adjustment pressure** in other regions. Chinese industry presently employs some 83 million workers, roughly as many as the most important OECD countries taken together. Another 100 million Chinese workers are in possession of "world-market-grade" qualifications and could well grow into the industrial sector in the coming years. In view of this huge "reserve army" it is unlikely that wage costs will rise rapidly in China. One thing that is certain, though, is that developments in the Chinese labor market are going to have global repercussions. In a growing number of sectors, Chinese industrial exports are placing industrial corporations from the US and Europe under enormous cost pressure – and, thanks to the growing skills of Chinese workers and a marked Chinese penchant for wasting no time in engaging in technological learning processes, this development is also being felt increasingly in high value-added and technology-intensive industries. There are potential losers and winners in the world's developing regions. While Latin American industries are facing strong competitive pressure from China and India, Latin American exports to Asia of agricultural goods and raw materials are booming. Following a decades-long late-industrialization strategy that ultimately proved to be of limited success, Latin America's future could lie in exports of primary goods. But are exports of raw materials and

agricultural goods sufficient to sustain the income levels of these middle-income countries? Declining wages in most Latin American countries would seem to indicate that they are not. From what point on could this development begin to destabilize Latin American democracies? Some African economies are also profiting from demand in China and India for oil, minerals, and agricultural products. At the same time, though, Chinese and Indian textile and clothing exports pose a threat to the only industrial sector that has managed to become established in Africa in recent decades. Are there economic perspectives for Africa beyond primary goods, and what of those countries that do not have resources to export? Any further strengthening of resource-based rent economies in Africa might also have political consequences; this could further undermine attempts aimed at gradual political liberalization in Africa. The picture looks better in Asia. China and India could prove to be locomotives of growth for the region as a whole. One thing that can be observed in this connection is that inter-Asian economic relations are growing increasingly dense, one of the main reasons being that the two giants are importing more and more of their goods from neighboring countries.

**Second**, the growth of their economic power is also increasingly finding expression in Chinese and Indian interventions in various areas of world politics. Because of their huge demand for energy and natural resources, both countries are pursuing active strategies to secure sources of raw materials in Africa, Latin America, and the Caucasus, and in the process competing with the US and also with Europe. And the high growth rates of their CO<sub>2</sub> emissions are also forcing China and India to define positions for themselves in climate policy. In other words, the trend here too is toward **growing adjustment pressure in the architecture of global governance**. Can anyone even conceive that in the year 2030 – i.e. in the context of the emerging multipolar power configuration outlined above – the UN, the G8, the WTO, the IMF, or the global climate regime will still look the way they do today, in the year 2006? The crucial question is whether China and India will, in process analogous to their remarkable achievements in narrowing the gap on the world's economic and technological leaders, engage in similarly rapid political learning processes as global governance actors. Another important question here concerns the world-political models to which the Asian drivers of global change are likely to subscribe in the future.

**Third**, history shows that the adjustment pressure outlined above could, precisely in the phase of transition to a multipolar power constellation, give rise to **turbulent instabilities** and conflicts. One conceivable scenario would include big-power rivalries between the established superpower and the new, rising powers. When, during the Asia crisis of 1998, Japan broached the subject of creating an Asian bank mandated to stabilize currencies there, Washington promptly let it be known: The IMF would take care of the matter. What will happen when China and India one day start to develop

global governance strategies of their own? Will China, India and Japan be able to keep the lid on their competition for hegemony in Asia? Who is to mitigate these instabilities, to direct them into cooperative channels? Could Europe assume a role here, or will it continue to be concerned mainly with its own internal affairs? Is it conceivable that the US, today's lone superpower, will prove to be up to this challenge? Zbigniew Brzezinski, one of the US' highest-profile foreign-policy experts, reflects in his most recent monograph on the pros and cons of "Global Domination or Global Leadership." There seem to be reasons to assume that, in the context of emerging multipolar power constellations, even the leading superpower is going to have to get used to the idea of "shared or pooled leadership."

**Fourth**, how will the fact that China and India, **two developing countries**, are becoming important **actors of global governance** affect the ability of the industrialized countries to respond in a timely fashion to the process of change ahead of them? Western decision-makers underestimate the future power of the two drivers of global change, which are at the same time home to roughly 50 % of the world's poor. And will India and China continue to play the role of "advocates" of the interests of the developing countries, possibly risking the emergence of new "North-South tensions," or will they look primarily to their own interests, which need not at all coincide with the interests of the world's other developing economies – as the reference above to the asymmetric economic relations between China and India and many Latin American and African countries would seem to indicate?

**Fifth**, as developing societies, China and India are certainly going to have to master a number of **difficult domestic transition processes**. Could the internal tensions that must be anticipated in this connection result in nationalistic, aggressive global governance strategies? Viewed against this background, Europe has an interest in seeing a consolidating process of modernization in these two Asian countries. There are many reasons to believe that India could develop a number of advantages vis-à-vis China in the medium term. India has a relatively stable and liberal political system, while China has yet to embark on the stony path to a more liberal society; in no other country in the world is social polarization growing as fast as it is in China – with the risks this implies for political stability, while India's growth process is not generating any comparable centrifugal social forces; Chinese society is aging at a rapid pace, with the problems this entails for social protection, while India is a relatively young society. If India remains a democracy, and if China likewise moves in the direction of democracy, the world in 2030 could be more stable than it is today. Yet none of this is certain.

**Sixth**, China and India are not only developing countries. They are **non-Western societies** about to become weighty actors in the global system. This too could – if we accept Japan for the moment – turn out to be a trend unparalleled since the beginnings of the industrial

revolution. How will "the West" deal with this state of affairs – not least in view of the fact that these two non-Western societies are home to a third of the world's population? Global demographic trends serve to underline this problem context: In the early 1950s close to 30 % of the world's population was living in "Western countries," today the figure is roughly 20 %, and by 2050 it will range somewhere between 7–12 %. A statement by Charles Kupchan (from 2002), a member of the US Council on Foreign Relations, may serve to illustrate the magnitude of these challenges: "Globalization is Americanization." How long will the Western countries need to understand that this coincidence of interests and power, for years beyond question, might, sooner than anticipated, turn out to be a thing of the past?

**Seventh**, it is important not to lose sight of the fact that the rise of **China** means the rise of an **undemocratic, nonliberal state** in both the world economy and in the hierarchy of global governance. What implications will this have for the **legitimacy of global governance processes**, which of course depend not least on the legitimacy of the relevant actors involved in shaping them? Will binding worldwide human rights, social, and environmental standards prove even more difficult to implement and establish in the altered context of global governance? How vulnerable are efforts, undertaken e.g. in the framework of development cooperation and aimed at advancing democracy and conflict prevention, to targeted attempts to undercut them? China's close cooperation with "difficult states" like Sudan, Myanmar, Uzbekistan, and Zimbabwe and its close energy partnership with Iran seem to point to some potential lines of conflict. The large currency reserves it holds permit the Chinese government to offer loans to African and other developing countries at favorable terms – and it does without posing requirement that leave it open to charges of "interference in internal affairs", to which Western development cooperation is exposed when it insists that its partners accept social, environmental, transparency-related, and human rights conditionalities. It can at the same time be observed that the "Chinese model" (authoritarian political regime cum market economy) may well find a good number of adherents in African and Latin American countries. The "(post-)Washington Consensus" may well find itself challenged by a "Beijing Consensus" (Joshua Ramo). China may in this sense be said to be in the process of acquiring new "soft power."

**Eighth**, the thinking of the relevant political actors in **China and India** is largely dominated by **classic concepts of sovereignty, power, and the nation state**, even though both countries are fond of making use of multilateral rhetoric. By comparison: gradually, in the context of the ongoing globalization debates, global interdependencies and the limited scopes open for national action have served to teach the decision-makers in the industrialized countries, and in Europe in particular, that delegation of sovereignty, e.g. to the EU, the use of international cooperation to focus their national gov-

ernance resources, and a modified understanding of the concept of "nonintervention" (e.g. in cases involving human rights protection versus noninterference in internal affairs) are responses necessary to maintain the action and problem-solving capacities of politics in a globalized world. It is interesting to note that the classic understanding of sovereignty, power, and the state subscribed to by China and India is coincide fully with the political thinking of the present US administration. That "multilateralism is a concept for weak actors," as Robert Kagan, a US neoconservative political thinker, sought to explain to the Europeans in the course of the Iraq debate, is an assertion that is likely to find many supporters in the emerging Asian powers. China and India are hedging their bets. In the summer of 2005, both signed on to the Bush administration's "climate initiative," which is clearly aimed at undercutting the multilateral Kyoto process and the ongoing efforts to set clear-cut upper limits for CO<sub>2</sub> emissions. However, they have maintained their commitments to the Kyoto process and clearly understand the potential risks of climate change for their economies. Which way these countries lean in future will have untold implications for the dynamics of future global governance processes.

**Ninth**, the huge *natural resource and energy needs* of China and India will in the future serve to place the issue of *sustainability*, which was somewhat neglected in the course of the past decade, squarely back on agenda of world politics. By 2015 China's energy demand is expected to roughly double, India's to rise by 50 %. Today China is already responsible for 16.5 % of global CO<sub>2</sub> emissions, the corresponding figure for India being 4 % (Germany: 3.5 %). In 2025 China's share of worldwide CO<sub>2</sub> emissions could reach 25 %, in 2050 around 40 %. And as far as imports of tropical timber are concerned, China now comes in close behind Japan, to take the second place. In other words, what we can now say of the US as a consumer of global resources is increasingly also true of China and India. The flip side of the discussion on sustainability and global climate policy – an issue that the high growth rates posted by the "drivers of global change" is bound soon to place high up on the agenda of world politics – is the *renaissance of geo-economics and geopolitics*: Competition for energy reserves and resources (especially in Africa, Latin America, Central Asia, and Russia) will play a major role in shaping the multilateral power constellation to come. The more conflictual this process turns out to be, the more likely it is that poverty-oriented development policy will increasingly fall victim to the resource-oriented regional strategies pursued by the big powers.

**Tenth**, It is becoming increasingly clear that Germany and the EU need to develop *forward-looking China and India strategies*. While the US has for some time now been gearing up to the new dynamics in Asia, German

and European thinking continues to be keyed to the notion of a world order that is, ultimately, patterned on transatlantic relations. This means that Europe is overlooking the fact that in the coming decades it could find itself on the margin of world politics if it fails to take vigorous steps to expand its global capabilities. The point of departure for a strategy of this kind cannot be whether China and India are on the road to becoming powerful actors but how they are likely to use their newfound power. In order to avoid the re-emergence of a classic balance-of-power politics that is at once conflictual and unsuited to meet the challenges posed by globalization, it will be necessary to undertake systematic efforts to integrate China and India in international initiatives designed to contain the risks of a globally networked world; these include the need to stabilize weak states in Africa, to reduce poverty throughout the world, to forge on with climate-policy initiatives, to develop approaches to preventing the proliferation of weapons of mass destruction, and to continue work on the further development of the system of global governance – which is in need of new institutions designed to stabilize the emerging multilateral power constellation and pave the way for an equitable balance of interests. This process must also be concerned with the gradual development of shared principles, standards, and interests for Germany, Europe and the "Asian drivers of global change", and the formation of a coherent European Union policy that has credibility in Asia. If we bear in mind e.g. the divergent interests separating Europe and China over human rights policy, we cannot fail to see that this will prove to be a challenging ask. Yet there is simply no alternative in sight to a policy of integration of the kind outlined here.



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