

## **The New New World Order**

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Summary: Controversies over the war in Iraq and U.S. unilateralism have overshadowed a more pragmatic and multilateral component of the Bush administration's grand strategy: its attempt to reconfigure U.S. foreign policy and international institutions in order to account for shifts in the global distribution of power and the emergence of states such as China and India. This unheralded move is well intentioned and well advised, and Washington should redouble its efforts.

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### Rising and falling

Throughout the twentieth century, the list of the world's great powers was predictably short: the United States, the Soviet Union, Japan, and northwestern Europe. The twenty-first century will be different. China and India are emerging as economic and political heavyweights: China holds over a trillion dollars in hard currency reserves, India's high-tech sector is growing by leaps and bounds, and both countries, already recognized nuclear powers, are developing blue-water navies. The National Intelligence Council, a U.S. government think tank, projects that by 2025, China and India will have the world's second- and fourth-largest economies, respectively. Such growth is opening the way for a multipolar era in world politics.

This tectonic shift will pose a challenge to the U.S.-dominated global institutions that have been in place since the 1940s. At the behest of Washington, these multilateral regimes have promoted trade liberalization, open capital markets, and nuclear nonproliferation, ensuring relative peace and prosperity for six decades -- and untold benefits for the United States. But unless rising powers such as China and India are incorporated into this framework, the future of these international regimes will be uncomfortably uncertain.

Given its performance over the last six years, one would not expect the Bush administration to handle this challenge terribly well. After all, its unilateralist impulses, on vivid display in the Iraq war, have become a lightning rod for criticism of U.S. foreign policy. But the Iraq controversy has overshadowed a more pragmatic and multilateral component of the Bush administration's grand strategy: Washington's attempt to reconfigure U.S. foreign policy and international institutions in order to account for shifts in the global distribution of power.

The Bush administration has been reallocating the resources of the executive branch to focus on emerging powers. In an attempt to ensure that these countries buy into the core tenets of the U.S.-created world order, Washington has tried to bolster their profiles in forums ranging from the International Monetary Fund (IMF) to the World Health Organization, on issues as diverse as nuclear proliferation, monetary relations, and the environment. Because these efforts have focused more on so-called low politics than on the global war on terrorism, they have flown under the radar of many observers. But in fact, George W. Bush has revived George H. W. Bush's call for a "new world order" -- by creating, in effect, a new new world order.

This unheralded effort is well intentioned and well advised. It is, however, running into two major roadblocks. The first is that empowering countries on the rise means disempowering countries on the wane. Accordingly, some members of the European Union have been less than enthusiastic about aspects of the United States' strategy.

To be sure, the EU has made its own bilateral accommodations and has been happy to cooperate with emerging countries in response to American unilateralism. But European states have been less willing to reduce their overrepresentation in multilateral institutions. The second problem, which is of the Bush administration's own making, stems from Washington's reputation for unilateralism.

Because the U.S. government is viewed as having undercut many global governance structures in recent years, any effort by this administration to rewrite the rules of the global game is naturally seen as yet another attempt by Washington to escape the constraints of international law. A coalition of the skeptical, which includes states such as Argentina, Nigeria, and Pakistan, will make it difficult for the United States to engineer the orderly inclusion of India and China in the concert of great powers.

Despite these difficulties, it is in the United States' interest to redouble its efforts. Growing anti-Americanism has revitalized groupings of states traditionally hostile to the United States, such as the Nonaligned Movement. To overcome such skepticism, the United States must be prepared to make real concessions. If China and India are not made to feel welcome inside existing international institutions, they might create new ones -- leaving the United States on the outside looking in.

Plus ça change

When the United Nations, the IMF, the World Bank, the General Agreement on Tariffs and Trade (GATT), and NATO were created in the late 1940s, the United States was the undisputed hegemon of the Western world. These organizations reflected its dominance and its preferences and were designed to boost the power of the United States and its European allies. France and the United Kingdom had been great powers for centuries; in the 1950s the rules of the game still accorded them important perquisites. They were given permanent seats on the UN Security Council. It was agreed that the IMF's executive director would always be a European. And Europe was de facto granted a voice equal to that of the United States in the GATT.

Today, the distribution of power in the world is very different. According to Goldman Sachs and Deutsche Bank, by 2010, the annual growth in combined national income from Brazil, Russia, India, and China -- the so-called BRIC countries -- will be greater than that from the United States, Japan, Germany, the United Kingdom, and Italy combined; by 2025, it will be twice that of the G-7 (the group of highly industrialized countries).

These trends were already evident in the 1990s -- and the end of the Cold War presented an opportunity to adapt international institutions to rising powers. At the time, however, Washington chose to reinforce preexisting arrangements. The GATT became the World Trade Organization. NATO expanded its membership to eastern European states and its sphere of influence to the Balkans.

The macroeconomic policies known as the Washington consensus became gospel in major international financial institutions. There were few institutional changes to accommodate rising powers, besides the creation of the Asia-Pacific Economic Cooperation (APEC) forum in 1989 and China's hard-won admission to the WTO in 2001. Many of the new forums, such as the Financial Action Task Force on Money Laundering, comprised the usual suspects: the United States and its industrialized allies.

The Clinton administration had good reasons for not doing more. Remaking international institutions is a thankless task that requires holders of power to voluntarily cede some of their influence. There was no urgent need to undertake it in the 1990s: China and India were rising, but their great-power status still seemed a long ways off. Even minor shifts in long-standing U.S. foreign policy -- such as the reduction of U.S. troops in Germany - caused great controversy.

Most important, the Clinton administration's reinforcement approach worked. The creation of the WTO strengthened the global trade regime. NATO led effective operations in Bosnia and Kosovo. The Nuclear Nonproliferation Treaty (NPT) was renewed indefinitely. Despite the occasional gripe about American hyperpower, the United States seemed able to legitimately advance its interests through the adroit use of multilateral diplomacy. By and large, American hegemony went unchallenged.

These gains, however, came with hidden costs. Many of the rising powers believed that the existing global governance structures stacked the deck against them. The IMF's perceived highhandedness during the Asian financial crisis of the 1990s bred resentment across the Pacific Rim. New Delhi was frustrated by Washington's objections to its 1998 nuclear tests and grew tired of being viewed by Washington strictly through the prism of South Asian security. China resented the drawn-out negotiations to enter the WTO. And NATO's bombing of Kosovo was triply problematic for Beijing: the accidental hit on the Chinese embassy in Belgrade aroused nationalist passions, Washington's willingness to cross international borders to protect human rights clashed with Beijing's notion of state sovereignty, and the United States' decision to bypass the United Nations and act through NATO highlighted the limits of China's effective influence over world politics. Heading into the new millennium, the fastest-growing economies in the world were nursing grudges toward the United States.

## The New Deal

The Bush administration's response to the September 11 attacks has triggered an avalanche of books about how to rethink U.S. grand strategy. Most of them, pointing to the chaos in Iraq and setbacks in the war on terrorism, condemn the Bush administration's penchant for bellicose unilateralism and assert that a better way is possible. Given the administration's rejection of multilateralism in the context of the Biological Weapons Convention, the Geneva Conventions, and Operation Iraqi Freedom, this criticism is well grounded.

But the analysis is incomplete -- even though the rhetorical excesses of former UN Ambassador John Bolton and former Secretary of Defense Donald Rumsfeld make it easy to think otherwise. Myriad reasons explain Washington's recent outreach to emerging powers and its concomitant effort to revamp global governance.

In part, changes in personnel motivated this shift: it is no coincidence, for example, that most of these outreach efforts have taken place since Condoleezza Rice became secretary of state and have accelerated since Henry Paulson became secretary of the Treasury. In part, change has been foisted on the administration from the outside world. As Philip Gordon, of the Brookings Institution, pointed out in *Foreign Affairs* last year, failure in Iraq rendered neoconservatism an unsustainable strategy.

But in part, the effort to institutionalize a new great-power concert has been a long-standing component of the Bush administration's foreign policy. And Washington-style multilateralism is above all a means to further U.S. goals. Accordingly, the Bush administration defers to institutions it sees as being effective (say, the WTO) and has consistently sought the enforcement of multilateral norms and decisions it deems important (be they IMF lending agreements or UN Security Council resolutions). But it scorns multilateral institutions that fail to live up to their own stated standards (such as other UN bodies). The 2006 National Security Strategy reiterates Washington's dual position by arguing that great-power consensus "must be supported by appropriate institutions, regional and global, to make cooperation more permanent, effective, and wide-reaching.

Where existing institutions can be reformed to meet new challenges, we, along with our partners, must reform them. Where appropriate institutions do not exist, we, along with our partners, must create them."

Global institutions cease to be appropriate when the allocation of decision-making authority within them no longer corresponds to the distribution of power -- and that is precisely the situation today. The UN Security Council is one obvious example; the G-7 is an even more egregious one. The G-7 states took it upon themselves to manage global macroeconomic imbalances in the 1970s. They were moderately successful at the job during the 1980s, when they accounted for half of the world's economic activity. Today, however, even when they meet with Russia (as the G-8), they cannot be effective without including in their deliberations the economic heavyweight that is China.

Incorporating emerging powers while placating status quo states is no simple feat. But the task should appear less daunting when it is understood that success will benefit ascendant states as much as it will the United States. It will bring ascendant states recognition and legitimacy to match their new power. Granted, they will have to accept a multilateral order built on U.S. principles. But they -- especially China and India -- have grown phenomenally by doing just that. Now that they are concerned with sustaining their current high rates of economic growth, emerging powers share some interests with the United States on issues such as the security of energy supplies and the prevention of global pandemics.

#### One-on-one

The Bush team has already made significant efforts to keep up with the changing world. A few years ago, it started to reallocate resources within the U.S. government. More recently, it has spearheaded multilateral efforts to integrate China and India into important international regimes.

The Defense Department was the first U.S. bureaucracy to make major changes to reflect the new new world order. It started by moving around U.S. troops stationed abroad. In 2004, more than 250,000 troops were based in 45 countries, half of them in Germany and South Korea, the battlegrounds of the Cold War.

To improve troop mobility in the face of ever-changing threats, President Bush announced in August 2004 that the number of U.S. armed forces stationed overseas would be reduced and that 35 percent of U.S. bases abroad would be closed by 2014. Many of these troops will be based in the United States, but others will be redeployed in countries on the periphery of the new zone of threat: in eastern Europe, in Central Asia, and along the Pacific Rim.

The State Department is also adjusting. In a January 2006 address at Georgetown University's School of Foreign Service, Secretary of State Rice said, "In the twenty-first century, emerging nations like India and China and Brazil and Egypt and Indonesia and South Africa are increasingly shaping the course of history. ... Our current global posture does not really reflect that fact. For instance, we have nearly the same number of State Department personnel in Germany, a country of 82 million people, that we have in India, a country of one billion people. It is clear today that America must begin to reposition our diplomatic forces around the world ... to new critical posts for the twenty-first century." Rice announced that a hundred State Department employees would be moved from Europe to countries such as India and China by 2007.

Washington has also strengthened its bilateral relationships with China and India. After an awkward beginning -- the Bush team's first foreign policy crisis came when a U.S. spy plane collided with a Chinese jet fighter -- the Bush administration reoriented its approach to Beijing. "It is time to take our policy beyond opening doors to China's membership into the international system," then Deputy Secretary of State Robert Zoellick announced in September 2005. "We need to urge China to become a responsible stakeholder in that system" so that it will "work with us to sustain the international system that has enabled its success."

The "responsible stakeholder" language has since become part of all official U.S. pronouncements on China, and the theory behind it has guided several initiatives. Last fall, Washington launched the U.S.-China Strategic Economic Dialogue. In December, Treasury Secretary Paulson led six cabinet-level U.S. officials and the chair of the Federal Reserve in two days of discussions with their Chinese counterparts on issues ranging from energy cooperation to financial services to exchange rates.

On matters as diverse as dealing with North Korea and Darfur, reigniting the Doha Development Agenda, and consulting with the International Energy Agency, Washington has tried recently to bring China into the concert of great powers.

The United States has reached out to India as well. For most of the 1990s, the United States was primarily concerned with managing India's dispute with Pakistan over Kashmir and defusing potential nuclear crises. Even though Pakistan is a significant U.S. ally in the war on terrorism, the U.S.-Indian relationship has warmed considerably over the past five years. In November 2006, the U.S. Department of Commerce arranged its largest-ever economic development mission to India, expanding the commercial dialogue between the two countries. Last year, they also concluded a bilateral agreement to cooperate on civilian nuclear energy -- a de facto recognition by the United States that India is a nuclear power. The agreement reinforces India's commitment to nonproliferation norms in its civilian nuclear program, but it keeps India's military program outside the orbit of inspections by the International Atomic Energy Agency.

Critics of the deal have warned that it threatens the NPT. But the Bush administration argues that India is emerging as a great power, the nuclear genie cannot be put back in the bottle, and because India is a democracy, the genie will do no harm. According to the 2006 National Security Strategy, "India now is poised to shoulder global obligations in cooperation with the United States in a way befitting a major power."

#### All-inclusive

More ambitiously, the Bush administration has tried to reshape international organizations to make them more accommodating to rising powers. In some instances, the changes have occurred almost as a matter of course. The formation of the G-20 bloc of developing countries, for example, compelled the United States to invite Brazil, India, and South Africa into the negotiating "green room" at the September 2003 WTO ministerial meeting of the Doha Round of trade talks, in Cancún. Since then, U.S. trade negotiators have been clamoring for greater participation from China in the hope that Beijing will moderate the views of more militant developing countries.

Similarly, the United States has encouraged China to participate periodically in the G-7 meetings of finance ministers and central-bank governors. Washington's aim is to recognize China's growing importance in world politics and economics and in return get Beijing to concede that its exchange-rate policies and its repression of domestic consumption contribute to global economic imbalances. Officials from Brazil, India, and South Africa have also been invited to G-7 meetings on occasion, on the theory that, as a recent paper from the Treasury Department argued, "addressing global [macroeconomic] imbalances requires engaging heavily with new actors outside the G-7."

Also with a view to giving greater influence to China (as well as Mexico, South Korea, and Turkey), the Bush administration has pushed hard to change the voting quotas within the IMF. China's formal quota grossly underrepresents the country's actual economic size. Timothy Adams, the undersecretary for international affairs at the Department of the Treasury, told *The New York Times* in August 2006 that "by re-engineering the IMF and giving China a bigger voice, China will have a greater sense of responsibility for the institution's mission." At a meeting in Singapore in the fall of 2006, the IMF's International Monetary and Financial Committee agreed to reallocate quotas to reflect shifts in the balance of economic power.

Clay Lowery, the assistant secretary for international affairs at the Department of the Treasury, restated Washington's position at the time: "We came to the view awhile ago that if we do not take action to recognize the growing role of emerging economies, the IMF will become less relevant and we will all be worse off." Washington also recently signaled its willingness to have China join the Inter-American Development Bank.

Meanwhile, the Bush administration has moved toward greater cooperation with emerging powers on other issues as well, especially energy, the environment, and nuclear proliferation. Washington has engaged China through APEC's Energy Working Group. It has encouraged China and India, which are anxious to secure regular access to energy, to work with the International Energy Agency in order to create strategic petroleum reserves.

It has launched, along with Australia, China, India, Japan, and South Korea, the Asia-Pacific Partnership on Clean Development and Climate to facilitate energy efficiency and environmentally sustainable growth. (Because its members account for more than half of the global economy, the partnership has the potential to affect global warming more than does the Kyoto Protocol.) The United States has also relied on China and India to help halt nuclear proliferation. It is depending on Beijing to bring Pyongyang back into the six-party talks and to implement financial sanctions limiting North Korea's access to hard currency. In October 2006, following North Korea's nuclear test, for the first time China endorsed a UN Security Council resolution mandating sanctions against the regime. Similarly, Washington has relied on India's support for the United States' objections to Iran's nuclear program, as well as India's presence on the governing board of the International Atomic Energy Agency, in presenting its case against Tehran to the UN Security Council.

In the way

It is too soon to tell whether Washington's moves to bring Beijing and New Delhi into the great-power concert will succeed. Some U.S. initiatives have failed or yielded meager results. The IMF's initial internal reform has so far been modest: China's voting quota was increased from 2.98 percent to 3.72 percent. Reform of the UN Security Council has stalled because the proposals emanating from UN bodies themselves have seemed impractical and the key powers have not been able to agree on which countries merit permanent membership.

One of the many stalemates paralyzing the Doha Round is the EU's refusal to further cut agricultural subsidies unless the G-20 countries agree to open access to their nonagricultural domestic markets. And opponents of the U.S.-Indian nuclear deal argue that the arrangement cannot be reconciled with Washington's hard-line stances against Iran and North Korea.

But skeptics should consider that such undertakings only bear fruit over time. Separate studies by Robert Lawrence and Iain Johnston, both professors at Harvard University, have shown that China's continued participation in international economic and security regimes have slowly, over many years, transformed Beijing from a revolutionary to a conservative status quo regime. The Strategic Economic Dialogue with China, which has received fair to middling reviews so far, has only just started. As with the Structural Impediments Initiative conducted with Japan over 15 years ago, which eventually opened up the Japanese market to U.S. retailers, progress with China will not come quickly.

Another difficulty is that rewriting the rules of existing institutions is a thorny undertaking. Power is a zero-sum game, and so any attempt to boost the standing of China, India, and other rising states within international organizations will cost other countries some of their influence in those forums. These prospective losers can be expected to stall or sabotage attempts at reform. Although European countries are still significant, their economic and demographic growth does not match that of either the emerging powers or the United States.

Having been endowed with privileged positions in many key postwar institutions, European countries stand to lose the most in a redistribution of power favoring countries on the Pacific Rim. And since they effectively hold vetoes in many organizations, they can resist U.S.-led changes. The Europeans argue that they still count thanks to the EU, which lets them command a 25-member voting bloc in many institutions. But if the EU moves toward a common policy on foreign affairs and security, it will be worth asking why Brussels deserves 25 voices when the 50 states comprising the United States get only one.

Developing countries on the periphery of the global economy can be expected to back Europe in resisting U.S.-led reform efforts: they do not want to lose what little influence they have in multilateral institutions. Such resistance may be all the more common in the future because the Bush administration, having displayed a penchant for unilateralism in some matters, has elevated suspicions about its motives.

Many countries are likely to view Washington's reform efforts as an opportunistic attempt to free itself from the strictures of preexisting multilateral arrangements. Moreover, rising anti-Americanism across the globe has made it harder for those governments willing to cooperate with the United States to do so.

The Bush administration faces obstacles at home, too. Some Democrats in Congress opposed the White House's initiative to give China greater influence within the IMF on the grounds that doing so meant rewarding an unfair player in the global economy; thanks to the 2006 midterm elections, this kind of opposition will now have an even louder voice. Exit polls showed strong support among voters for geopolitical realism and economic populism -- positions that could complicate efforts to rework global governance arrangements. On the one hand, Americans seem more likely to endorse any multilateral security initiative that would take some pressure off the overstretched and overburdened U.S. military; on the other hand, they seem primed to oppose the accommodation of rising economic powers.

In or out?

It may seem odd for the United States today to seek to disenfranchise its long-standing allies in Europe in order to reward governments that often have agendas that deviate from its own. But the alternative is even more disconcerting: if these countries are not integrated, they might go it alone and create international organizations that fundamentally clash with U.S. interests. In the past few years, fueled by anti-Americanism, dormant groups such as the Nonaligned Movement have found new life.

If India and China are not made to feel like co-managers of the international system, they could make the future very uncomfortable for the United States. Nationalists in rising powers will be eager to exploit any policy fissures that may develop between their countries and the United States.

China, in particular, has already begun to create new institutional structures outside of the United States' reach. The Shanghai Cooperation Organization, for example, which consists of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan (with India, Iran, Mongolia, and Pakistan as observers), has facilitated military and energy cooperation among its members, although still at a low level.

At the SCO's June 2006 summit in Beijing, Iranian President Mahmoud Ahmadinejad proposed that the organization "ward off the threats of domineering powers to use their force against and interfere in the affairs of other states." The joint declaration issued at the end of the summit appeared to endorse this sentiment, noting that "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."

China is also aggressively courting resource-rich countries. In October 2006, it hosted a summit with more than 40 leaders from Africa to ensure continued access to the energy-rich continent. And its leaders have proposed creating free-trade areas within the SCO and APEC -- displaying such willingness to go ahead that President Bush was forced to remove the global war on terrorism from the top of his APEC agenda, and in November 2006, he called for an APEC free-trade zone.

China's efforts do not necessarily conflict with U.S. interests, but they could if Beijing so desired. From a U.S. perspective, it would be preferable for China and India to advance their interests within U.S.-led global governance structures rather than outside of them. The United States could get something in return for accommodating these states in institutions such as the UN and the IMF and giving them the recognition and prestige they demand: a commitment by Beijing and New Delhi that they will accept the key rules of the global game.

The United States faces a challenging road ahead. European countries remain vital allies. On issues such as human rights and democracy promotion, Europe speaks with a powerful, constructive voice. Bringing China and India into the concert of great powers without alienating the EU or its members will require prodigious amounts of diplomatic will and skill. The Bush administration has gotten off to a solid start. As it proceeds, its task is simple to articulate but hard to execute: keep the United States' old friends close and its new friends closer.

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