



STRATEGY
& CHANGE

A NARRATIVE FOR THE AGE OF MULTIPOLARITY

THE HAGUE CENTRE FOR STRATEGIC STUDIES AND TNO



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The TNO and *The Hague* Centre for Strategic Studies (HCSS) programme Strategy & Change analyses global trends in a dynamic world affecting the foundations of our security, welfare and well-being.

The programme attempts to answer the critical question: what are the policies and strategies that must be developed to effectively anticipate on these emerging challenges?

Strategy & Change provides both a better understanding and feeds the agenda for a sustainable future of our society.

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1 KEY MESSAGE

Something is very wrong with the world. Western publics everywhere sense this, mostly as a general feeling of unease, even if they uncomfortably cannot place the exact cause of the malaise. Vital sectors of modern society are in grave disrepute. We are living in a time where governments are palpably failing to govern, the world economy is suffering from the worst recession since World War II, business is demonstrably unable to create wealth but instead ravenously consumes it, and warriors are fighting conflicts without end and seemingly without point. It is not too much to say that there is ample practical evidence, dots supposedly unrelated on the policy map, that confirm the existence of a fundamental crisis of (democratic) legitimacy for current governments and major business and intellectual elites, especially in the West.

This crisis does not take place in a vacuum. It is occurring against the backdrop of accelerating, profound and irreversible shifts in the global balance of power and economics, surging demands for scarce resources, and revolutionary developments in the fields of science and technology, which combine to drastically and rapidly undermine the stability of the old geopolitical and economic world order; but as of yet there is no clear understanding of how these forces interact, let alone a coherent vision that illuminates the road ahead and enables us to leapfrog our way out of this systemic crisis.

We are indeed watching a rapidly changing geopolitical landscape unfolding before our eyes, marking the end of the Pax Americana, but as of yet without the contours of a potential Pax Pacifica in sight. There will be no return to business-as-usual, something that is taken for granted by the newcomers, but is largely ignored by the old garde. It is therefore entirely fair to say that at the beginning of the third Millennium, humanity finds itself at an epochal tipping point.

It is our unapologetically ambitious effort (for now is the time for such ambition) to connect the seemingly unrelated dots that define the new world we live in – resource scarcity, energy policy, geo-economics, global economic imbalances, the failures of global governance, the crisis of democratic legitimacy – with the root problem lying underneath; the fundamental failure to conceive what the new multipolar era will actually look like, and then devise policies that allow us to survive and thrive in this uncharted territory.

The Strategy & Change Programme, using a kaleidoscopic perspective of looking across disciplines and over issue areas, will attempt to point out what the contours of our new multipolar map actually looks like at this vital level, the crucial first step to devising policies that proactively get ahead of the intellectual curve in this strange new world.

Against this background, five fundamental pillars characterise our approach, which we present here as general recommendations, specifically to those public policymakers and business executives that find themselves at the steering wheel amidst these times of change:

- We need to first and foremost connect the dots and regain the big picture before even discussing possible policy options.
- We should make a habit of avoiding intellectual stovepiping, and instead try to proactively step outside our comfort zones, making a priority of talking to different stakeholders.
- We must move beyond the general herd mentality that has characterised the last decade and stop fearing being cast aside as a contemporary Cassandra. This means that we must talk bravely and forthrightly about possible disasters to come as well as seeing that creative opportunities that exist, matching the peril.
- We must prepare for the era of multipolarity because the window-of-opportunity is closing for Europe and the West, and broaden our views of potential alliance partners to incorporate the world beyond the Transatlantic relationship.
- We must again learn to calmly talk about the unthinkable, or it will be visited upon us time and again.

This radical new intellectual mindset, to determine our policies by the acquiring and assessing of uncomfortable but fundamental facts, forms the very different basis for the Strategy & Change programme.

2 SOMETHING IS WRONG

Lehman Brothers, The Great Recession, bank bail outs, Iran acquiring nukes, Afghanistan, Greece, PIIG country bailouts (Portugal, Italy, Ireland, Greece, Spain), unsustainable personal and governmental debts, the age of austerity; something is very wrong with the world. Western publics everywhere sense this, mostly as a general feeling of unease, even if they uncomfortably cannot place the exact cause of the malaise. They do know the list of problems confronting the world is daunting and growing, even as old problems remain unsolved. Worse, they can clearly see that their governments are simply not up to the task of meeting the immediate challenges strewn in their path. An Ipsos Public Affairs poll of American attitudes, released March 3, 2010, confirms this. By a staggering 80-17%, those polled flatly stated that Washington is broken; that the federal government cannot accomplish anything significant because of party polarisation and infighting between the branches of government. Trust is no higher in governmental institutions in Europe. In September 2009, according to Eurobarometer, no more than a miserly 22% of those polled felt the European Union was best able to take effective action to stanch the overwhelming danger of the financial and economic crisis.¹ To put it mildly, this is not a ringing endorsement of either Western civilisation, or Western governance.

But it is not just the political realm that is broken. Other vital sectors of modern society, from the military to business, are also in grave disrepute. To be blunt: we are living in a time where governments are palpably failing to govern, the world economy is suffering from the worst recession since World War II, business is demonstrably unable to create wealth but instead ravenously consumes it, and warriors are fighting conflicts without end

¹ Eurobarometer, 'Public Opinion in the European Union,' December 2009.

and seemingly without point. It is not too much to say that there is ample practical evidence, dots supposedly unrelated on the policy map, that confirm the existence of a fundamental crisis of (democratic) legitimacy for current governments and major business and intellectual elites, especially in the West.

Further, this crisis does not take place in a vacuum. It is occurring against the backdrop of accelerating, profound and irreversible shifts in the global balance of power and economics, surging demands for scarce resources, and revolutionary developments in the fields of science and technology, which combine to drastically and rapidly undermine the stability of the old geopolitical and economic world order; but as of yet there is no clear understanding of how these forces interact, let alone a coherent vision that illuminates the road ahead and enables us to leapfrog our way out of this systemic crisis.

Amidst these currents, the rest of the world is not waiting around for the old dominant power elite to get its act together. According to PriceWaterhouseCoopers, in 2000 the EU accounted for 25% of gross global product (GGP), closely trailed by the US at 23%, with China bringing up the rear at 7%. By 2030, a blink of the eye in historical terms, these numbers are set to be dramatically reversed, with China accounting for 19% of GGP, the US 16%, the EU countries 15%, and India (up to now a blip on the global economic screen) amounting to 9%. This is further exemplified by the fact that since 2007 the BRICs have accounted for 45% of global growth, twice as much as during the period 2000-2006 and three times as much as during the 1990s.

While the global economic crisis provided a bolt of lightning to illuminate this trend of power ebbing away from the West and migrating toward Asia and the Indian Ocean Rim, the pattern was established long before, harkening back to Deng Xiaoping's opening in 1979 and to then Indian Finance Minister Singh's liberalizing efforts in the early 1990s. Even before the crisis hit in 2008, China and India together accounted for more than one-half of all global economic growth generated. Whether the West is prepared or not (and it isn't) the world is clearly on course for a radical change in terms of both global economic and political power. There is little doubt that we are moving toward a multipolar era, just as there is little

doubt that the West has yet to develop an economic, military, and political strategy to manage this systemic change, and to thrive in the brave new world thrust upon us.

For we have not even begun to think through what a multipolar world will truly look like in practice, let alone what that means for our citizens. The West, like doomed passengers on the *Titanic*, has spotted the economic and political iceberg dead ahead, but has made precious little effort to correct the ship of state's course.

Our societies seemingly face assault from every side, comprising both fundamental and seemingly intractable external and internal challenges to our countries. These include – but are certainly not limited to – a desperate resource scarcity, fundamental geo-economic imbalances, multipolarity and its discontents, the glaring failure of contemporary efforts at global governance, and the unavoidable crisis of democratic legitimacy. The causes and effects of this daunting laundry list are, as we will explain, all heavily intertwined, and must not be seen – if we are to truly solve modern problems – in isolation. Rather, the trick is to intellectually cut the Gordian knot, to take on seemingly unrelated problems at once and develop a holistic approach to policymaking, one that has been sorely lacking up to now.

In addition to the general menacing laundry list, both Western continents have additional and stark problems of their own. In Europe, the demographic problem is especially worrying, making European welfare models unsustainable in the medium term and posing a grave and largely neglected threat to the future competitiveness of its economies. At the exact moment its share of world GDP is set to shrink substantially between now and 2025 (from 26-15%), its demographic bill will be coming due. Over the course of this time, German retirees will grow from one-fifth to one-third of the population, while the overall number of Germans shrinks by one-tenth; and this is definitely not limited to Germany alone: a demographic spectre is haunting the entire European continent. The broad policy responses are as simple as they are unpalatable: raise taxes (hardly possible), lower benefits and raise the retirement age (hardly popular), or take in significantly greater numbers of immigrants (hardly likely).

In marked contrast to the rising powers, the current economic crisis has discredited capitalism in many European quarters, without putting any other sustainable economic system in its place. Given their growth rates of the past decade, it is not necessary to lecture either the Chinese or Indian leaderships about the merits of a capitalistic system, for all its flaws, as the primary engine of growth and power. The same is not true for many Europeans. After the collapse of Lehman brothers there were notable examples of European *schadenfreude* about the limits of the very market system that had resurrected the continent from the ashes of World War II. As French President Nicolas Sarkozy put it, 'The all-powerful market that is always right, it's finished. The market is sometimes wrong.'² Quite right of course, but entirely besides the point. For Europeans to pretend they are not stakeholders in the world capitalistic system was a conceit that did not long endure, given the fact that the crisis spread like wildfire, quickly subsuming a Europe that had precious few concrete answers as to how to truly reform the capitalist leviathan.

The very means to provide part of the answer to Europe's systemic economic problems – creating investment climates conducive to competition and promoting greater liberalisation leading to higher systemic growth rates – has been severely intellectually discredited. But without the motor of the market driving economic innovation, it is very hard to see how Europe, should it choose to address its serious economic problems, can successfully slay the demographic dragon it confronts.

The implications of the looming demographic disaster may be partly addressed through economic innovation to boost factor productivity and cope with exploding health costs. European policymakers, however, 'talk the talk' when it comes to innovation and economic competitiveness, but their collective failure to carry out the economic reforms agreed to as part of the Lisbon Agenda and its successor Europe 2020 illustrates vividly that not a single political leader really 'walks the walk'.

2 Edward Cody, 'Sarkozy Advocates Systematic Change After Crisis,' *The Washington Post*, September 26, 2008.

For it is far too easy just to say that to surmount the demographic challenge calls for an increase in economic productivity. To capture this genie in the bottle, certainly in the age of globalisation, demands a primary investment in intellectual capital above all else. Yet Churchill's dictum that 'the empires of the future are the empires of the mind', seems to be largely forgotten in Europe.

In direct contrast, North American universities seem to have picked up on the slowly but relentlessly changing global balance-of-knowledge, opening up regional branches in the Middle East, Singapore, and China, amongst other places. US universities have also attracted increasing numbers of foreign science and engineering (S&E) students; at present, foreign engineering students now outnumber their US colleagues in American universities. The largest groups of these foreign S&E students come from China and India,³ and tend to pursue a professional career in America after graduation (a significant example of US soft power); 90% of Chinese and 85% of Indian students plan to remain in the US after graduation for at least five years. However, Beijing, aware of all this, has just embarked on a serious effort to lure its talented expatriate students back.⁴

For the developing economies of the two giants are narrowing the intellectual gap with Western countries at a rapid pace. China more than doubled its enrolment figures, while India increased its student population by over half. It is expected that both countries will become world leaders in education enrolment over the next decade with India on top.⁵ The EU-15 and the US each account for a third of the world's scientific publications;

3 National Science Board, 'Graduate Students and Postdoctorates in Science and Engineering: Fall 2006', (NSB, 2007); National Science Board, 'Science and Engineering Indicators: 2008', (NSB, 2009).

4 National Science Board, 'Science and Engineering Indicators, 2006', (NSB, 2007): figure 3, p. 65, five-year stay rates for US S&E doctorate recipients with temporary visas, by place of origin; Wang Zhuoqiong, 'China fishing in pool of global talent', China Daily, April 16, 2009.

5 National Science Foundation, 'Asia's Rising Science and Technology Strength: Comparative Indicators for Asia, the European Union, and the United States', (NSF, 2007).

however, China's share has more than quadrupled between 1985 and 2007.⁶

Instead of acknowledging the direness of the situation it finds itself in economically, demographically, educationally – a *fin de siècle* sunset is descending on the continent. Rather than face up to these monstrous problems ahead, a lethargic Europe is burying its head in the sand.

But Europe is not alone in failing to adjust to the changing times. America, too, is struggling to deal with the perilous structural problems that lie dead ahead. The cancer lying at the heart of the American political system is epitomised by out-of-control federal spending and the consequent rise of the American debt burden, and both parties' signal inability to confront it. Against the background of ever increasing expenditures in the field of defence, health care, and social security, American debt is set to double over the next decade from its pre-Great Recession levels, to \$20 trillion. The greatest power in the world will have become Greece.

The numbers tell the story. The projected immediate deficit in 2010 is set to run at \$1.5 trillion, or 11% of GDP, the largest percentage since World War II. Incredibly, this coming year the American government will be forced to borrow 1 of every 3 dollars it spends.

The American problem in turn is tied to a structural failure of democracy; endemic short-termism. As Niall Ferguson rightly provokes, is there a single member of Congress who is willing to significantly cut subsidies and increase taxes in order to avoid a crisis that will culminate only when today's babies are retirees?

And the problem is systemic. Even after the immediate crisis abates, White House projections suggest an average deficit of 5.5% being run for the next decade, far above what almost all economists would find to be a sustainable level. The reason for this is a series of long-term bills coming

6 Zhou & Leyersdorff, 'China ranks second in scientific publications since 2006', ISSI newsletter, nr. 13, March 2008, pp.7-9.

due at the same time the American political system seems chronically unserious about tackling the country's structural economic problems.

By 2020, the top 5 elements of the federal budget – Social Security, Medicare, Medicaid, Defense Spending, and paying the interest on the debt – will account for 80% of all federal spending. Of this only the defence budget is discretionary; the rest amount to commitments already made, severely impeding the federal government's room for economic maneuver. For the first time this coming year, social security will pay more out in benefits than it collects in payroll taxes; this has been true of Medicare since 2008. Either the economic elephant in the corner of the room will be recognised and dealt with, or he is likely to trample the rest of us under foot.

And it is a case of apocalypse now. Starting with George W. Bush's decisive failure to reform social security and continuing through to Barack Obama's politically excruciating efforts to remake health care, the American political system is not proving responsive. Worse even than the endemic polarisation that both parties have shown in the face of the other's efforts at reform, is the never-land quality of their simplistic economic sloganeering, which further encourages public cynicism in its governing elite.

Republicans reflexively call for tax cuts as the solution for everything, without ever clearly specifying matching (and necessarily swingeing) federal spending cuts to render their efforts to free the market budget neutral. Likewise, Democrats, like alcoholics going on a last bender before swearing off the stuff, talk about ever-increasing federal spending as though this will be handled responsibly, and will be the last time such a remedy is called for. Neither prescription passes the laugh test. Both are illustrative of the greater crisis of political legitimacy currently gripping and defining the Western world at the dawn of the multipolar era, as having a serious substantive political discussion across party divides leading to policy outputs becomes almost impossible.

This crisis extends far beyond the political realm: it is buttressed from the bottom up by partisanship and polarisation permeating societies on both sides of the Atlantic, and is aggravated by a fragmented media landscape.

Citizens with a set of fixed values and convictions tune in to media outlets that share a similar outlook on the world while receiving little to no exposure to ideas outside the confines of their ideological environment. Anti-intellectualist and anti-rationalist attitudes, demonstrably prevalent amongst large cohorts of the population, have prompted characterisations of contemporary societies as idiocracies.⁷ The virtual absence of cross cutting cleavages amongst the different communities in such a poisonous environment further undermines the socio-political stability and the governability of Western states. Worse, it calls into question the very viability of the democratic system itself. For as the founders of America made clear, representative government only works with an informed citizenry. It is more than an open question as to whether this presently exists.

Another gigantic open question relates to whether the West exists as a coherent entity anymore at all. For this economic and political sclerosis on both sides of the Atlantic has inevitably spilled over into foreign policy. For example, Afghanistan, the test case for NATO evolving from a primarily defensive alliance into an instrument of Western power projection, has predictably run into trouble. Not lost in all the clear-eyed talk about the mission itself resting on a knife's edge, was the fact that only 5 of 28 NATO countries (including the US) have bothered to meet the alliance's agreed-upon overall spending level of 2% of GDP; in a crisis this does not make for *esprit de corps*.

The two general reasons for this lack of solidarity are both highly worrying. First, there is a general American suspicion that some (though certainly not all) of the European allies simply have no cultural stomach for fighting wars; public opinion in many countries generally eschews the use of force as a tool of foreign policy. Pacifist allies, as Secretary of Defense Gates wryly mentioned, are not terribly helpful in a military alliance. Second, given the European demographic and economic pressures outlined here, the easiest place to look for cuts, in terms of public opinion, is to raid the defence cookie jar to preserve social spending as long as possible.

7 Sweijs, T. et al., *Idiocracy and the Changing Balance of Knowledge*, (HCSS Press 2009).

Sadly, the selling of the family silver to pay the butcher bill is an irrevocable decision at some point. Europeans would do well to remember the fate of the highly commercial but militarily defenceless Venetian Republic. Having only carrots (and no sticks) with which to conduct foreign policy only suits a world entirely populated by rabbits. And Vladimir Putin, Hu Jintao, and the Iranian elite are many things, but rabbits they are not.

Nor has diplomatic coordination between Europe and America been working better than strategic efforts. Europe and America came to Copenhagen with clearly uncoordinated policy positions on a post-Kyoto protocol; it is little wonder that China rolled them both, emasculating efforts to reach a substantive agreement on global warming. Ironically, on coordinating positions over the global economic crisis, it can be argued that Beijing and Washington have worked hand in glove in terms of linking their stimulus efforts, with the Europeans sullenly and largely ineffectually watching from the sidelines. Transatlantic coordination seems to be another casualty of the West's systemic political failure to find innovative policy solutions to the problems of both now and the future.

3 IT'S TIME TO GET OUR ACT TOGETHER

In sum: it is indeed neither the time nor the place for Panglossian optimism. We need to get our act together and we need to get our act together quickly. Because if the West isn't ready, the same cannot be said of the rising powers, particularly Beijing. Clearly seeing a world set to have 9.2 billion people in 2050 (up from 6.2 billion today), and recognizing that this inevitably means that a race for resources may well come to define international relations in the new era, over everything from renewable energy to water, China has pursued a clearly mercantilist strategy, designed to put them in the global driver's seat by guaranteeing access to natural resources for their ever-growing economy.

With a governing elite capable of taking resolute, timely decisions, Beijing has been able to move decisively around the world in pursuit of this strategy. Worse, as the case of Africa shows, it is in the process of evolving a counter-narrative to that of the hapless West, challenging its long-held dominance of soft power. As opposed to the Western-dominated Bretton Woods institutions (IMF, World Bank), China has come to resource-rich Africa with simple demands – the desire for long-term, secure contracts providing it with access to the raw materials it so fundamentally needs to secure its place as a rising power.

Having been granted this, China offers Africa's leaders the intoxicating inducements of building roads and other infrastructure (ports, airports) for them, training their armies (to keep order and stability), offering them loans at reasonable rates (without the hateful conditionality preferred by the IMF and World Bank) and access to the coveted Chinese market. These practical blandishments, coupled with the growing sense that this is a government that knows what it is doing, explains Africa's increasing shift into China's orbit.

We are watching a rapidly changing geopolitical landscape unfolding before our eyes, marking the end of the Pax Americana, but as of yet without the contours of a potential Pax Pacifica in sight. There will be no return to business-as-usual, something that is taken for granted by the newcomers, but is largely ignored by the old *garde*. It is therefore entirely fair to say that at the beginning of the third Millennium, humanity finds itself at an epochal tipping point, while it is ill equipped to navigate the rough seas it is sailing, and steer the future course of history.

Yet there is an intellectual way forward for Europe and the West, but only if we realise fundamental change has occurred and act quickly; this is no time for half measures. A number of seemingly counterintuitive overarching *leitmotifs* lie at the heart of the Strategy & Change Programme, our broad compass points as we guide our way through the undiscovered sea of multipolarity.

One overall theme is the surprising, seemingly counterintuitive fact that the US and the EU, much like the aging Rolling Stones – given the poor quality of their solo work and the enduring strength of their partnership – actually need each other far more than ever, if they are to play a positive and long-term role in the new, challenging era.

Structurally both poles of power find themselves in the same position – they are in relative decline – even if from a commanding geopolitical position. This, given even marginally rational politics, ought to foster greatly increased cooperation. This is particularly true if problems are genuinely to be solved, the only way to overcome the crisis in democratic legitimacy currently plaguing the West.

Nor are the poles in the new world equidistant; for a long time to come Europe and America, in terms of both interests and values, will continue to have more in common and see eye-to-eye more often than either does with China or Russia. This sense of shared general policy unity based on similar values ought to be a great geopolitical Western advantage in the new era, and will be; but only if it is fostered.

The second counterintuitive point is that while the West remains vital to any hope of effective global governance, it is no longer enough to solve

the world's biggest problems. As the global economic crisis made clear to all (and crises tend to be the clarifiers of international politics, bolts from the blue that illuminate long-ignored but profound processes), the Indian Ocean Rim (South Africa, the Gulf States, India, Southeast Asia, and Australia) and next door China are where most of the economic promise of the world resides along with most of the peril. It is here over the next decades that either the engine of global growth will be politically stabilised, or the endemic tensions of the region will undermine its great economic promise. Whatever the West does or does not do, it is on the Indian Ocean rim where the fundamental character of the multipolar world will be forged.

The third provocative theme is that actually facing up to decline will help alleviate it. The real issue isn't about whether the West is in decline – given the rise of the rest of the world that reality is a foregone conclusion for all those not willfully averting their eyes. All orders are condemned to decline; that is the way of history. The US, despite its goodness, cannot forever resist the laws of geopolitical gravity.

The key question is what form and especially what shape decline takes. If the West finds itself in the role of post-Waterloo Britain—even in relative decline, still by far the greatest single power in the world for a hundred years, and a major player for a further 50 – we ought to weep no bitter tears. Rather, we can make use of the luxury of this geopolitical breathing space to set in place many of the norms for the new multipolar era, from championing a capitalism that leads to pluralism to enmeshing the rising states in international institutions and habits of common cooperation that are in their interests to uphold as they more forcefully take to the global stage.

The key point must be the curve of decline – whether it is sharp and sudden, or whether it is gradual enough to facilitate the largely peaceful and stable transition to the new multipolar world – where the rising powers are accommodated, based on shared interests, with the establishment West. To paraphrase Shakespeare, the answer lies not in the stars, but in ourselves. Fortrightly dealing with major policy issues such as the crisis of democratic legitimacy, our systemic economic problems, and issues related to resource scarcity, will determine the

speed and suddenness of our decline, and consequently condition the future we all live in. In other words, everything is to play for. The Strategy & Change programme intends nothing less than to play a vital role in this central process of our time.

The fourth and final arresting theme governing our approach is that realism, based on a forthright discussion of our interests with the other great powers – rather than the old, stale ineffectual normative approach – is the only way forward in the new era if effective international cooperation is to be successfully attained. Using the old, tired, inadequate phrases underwriting missionary zeal in foreign affairs illustrates their total bankruptcy. We in the West do not share common values with authoritarian China and Russia, and it is an open question as to whether we truly do across the board with rising democratic nationalist countries such as Brazil and India. To talk in such language to China is to risk being more than otherworldly; indeed this false moralism can in a real sense so alienate our relationship with Beijing that we lose the ability to work with the most important rising power, even when our interests would dictate that we should.

For whether we like it or not, the Westphalian nation-state has not withered away, as the EU's more fervent supporters have dreamt of, nor has the European post-modern example proven to be the global template for the new epoch. Rather, the nation-state is alive and well. Think of the often abused BRIC analogy for a minute and separate the individual countries which comprise its highly diverse membership: Brazil, Russia, India, and China. Other than rising (with Russia being the possible outlier) relative to the old West, these countries have little in common beyond the fact that they *are* countries, classical nation-states with unitary decision-making processes.

Beyond this there is only one thing more; they are more sovereigntist, jealous of their state's autonomy and prerogatives, than even the United States, whose similarly exhibited tendencies have frustrated so many in Europe. For anyone who has spoken to a Brazilian about *Yanqui* imperialism, a Russian about its dominance in its near abroad, an Indian about the cluster of smaller states that lie on its immediate periphery, or a Chinese about much of anything, knows first-hand that many in these

elites see the present multilateral system, and multilateral cooperation in general, as a Western confidence trick designed to keep them from assuming their proper and rising place in the international order.

Multilateralism is not a self-evident truth, nor can we in the West merely whistle past the graveyard, pretending that common values exist that do not, and that common solutions naturally arise from merely sitting in the same room.

A new language must be used if we are to make common cause as often as we can with these very different beasts in the jungle. This new language actually amounts to a very old language: the only way forward for effective global governance in the multipolar world is to talk to each other in the language of common interests. Take the extreme example of the Great Recession. The Chinese did not help coordinate a response with the Americans to the fundamental threat to the global economic system (which they did magnificently) because they shared America's values; anyone who suggests such a thing ought to be institutionalised. Rather, they did so because the stricken American government owed Beijing close to \$700 billion. If America sank into the sea, it would take China and the rest of the world with it. This fact and this alone explains the coordination and China's efforts in tandem with the United States to prime the Keynesian pump. Our fundamental economic interests are so intertwined that the Chinese have little choice but to be responsible stakeholders in the global economic system.

The ability of Western policymakers to work entirely differently than they have up to now is the key to everything. The new *modus operandi* means accepting that in a world of constantly shifting alliances it pays to make as few enemies as possible, for today's rival will be tomorrow's ally. For example, while China and the US may not see eye-to-eye regarding the importance of Iran acquiring nuclear weapons, they have much more in common over managing the North Korean threat, which – if it became politically septic – could lead to a refugee crisis next door to the Middle Kingdom, or to a nuclear arms race in Beijing's backyard, a turn of events obviously not in their interests. Should an America, angered by China's lack of concern about Iran turn its back on its rival/partner's necessary help in keeping Kim Jong Il's regime within bounds?

Again, at the policy level, it all comes back to interests. In the words of the arch realist Michael Corleone, 'It's just business.' Such an attitude, which goes out of its way not to demonise temporary foes or romanticise temporary friends, is the only strategy that actually advances an effective global governance agenda in the age of multipolarity. But it will call for an entirely new manner of thinking in the West, both in Europe and the US, used to drawing quick normative conclusions about countries, rather than analytically viewing the world as being a place where states merely possess interests.

That is not to say that the West should turn its back on its values and what it cares about, including human rights. It is to say that we should worry more about doing good than feeling good; the worst quality in foreign affairs thinking is a false moralism, that gets squarely in the way of the real morality of trying to make a flawed and complicated planet a little better (if not perfect) than we found it. To do so, it is imperative that we talk about human rights and other seemingly normative issues in terms of interests, if we wish to actually help anyone.

For example, while we largely spent our time lecturing the Chinese about their human rights flaws over supporting oil-rich Sudan's horrible repression in Darfur, absolutely nothing positive happened. However, things have begun to move (albeit very slowly) when we linked the Khartoum regime's ruthless policies to actual real world negatives to Beijing - that propping up the Bashir regime without condition was actually allowing it to avoid making the human rights compromises necessary to stabilise the situation on the ground, and thus safeguard China's large resource interests there. In a new era, we must think anew, and act anew, all the while holding fast to the things we believe in.

4 DECLINE IS NOT LINEAR

Yet, history, blessedly, is not inevitable. The good news in this Gibbon-like tale of peril for the EU is that the greatest problem confronting us is a failure of thinking, a failure of vision. So far it is safe to say that conference after conference is held, all for little practical purpose, being mostly a get-together of the usual suspects that repeat the same old same old, like broken records from eras long gone.

The Strategy & Change Programme is our unapologetically ambitious effort (for now is the time for such ambition) to connect the seemingly unrelated dots that define the new world we live in – resource scarcity, energy policy, geo-economics, global economic imbalances, the failures of global governance, the crisis of democratic legitimacy – with the root problem lying underneath; the fundamental failure to conceive what the new multipolar era will actually look like, and then devise policies that allow us to survive and thrive in this uncharted territory.

This grand and bold vision of renewal must be buttressed by a new manner of conceiving the world along the way. That is the challenge and the promise of the Strategy & Change Programme. For faulty institutions, be they in the business, government, or military worlds, are the direct result of flawed thinking. Three major intellectual flaws demand decisive correction, if we are to really map out and master the new multipolar era.

First, there has been a huge analytical timing problem. We have been like firefighters trying to extinguish blazes after the house has already burned down, rather than striving to stop fires from occurring in the first place. Analysts—after the fact—describe, they do not predict. Terrorism was mentioned at conferences without enthusiasm for years in the 1990s; it was only after 9/11 that it was taken seriously. Likewise, China has been rising since Deng Xiaoping sent it on its dynamic course in 1979; many

people seem to have only realised this in the wake of the current global financial crisis. The economic numbers surrounding Europe's way of life have failed to add up for decades; yet only now is it dawning on most analysts that in the words of the great Cole Porter, 'Something's got to give.' In terms of seeing ahead, seeing what's next, we have all been dismal failures. We have to analyse trends before they spin out of control, not after problems have become acute.

A conceptual key to this all will be to craft a foreign policy of analysis and prevention rather than one of mitigation, to craft proactive policies to get ahead of the curve, rather than to after-the-fact, try and stop the proverbial bleeding after crises have invariably exploded.

Second, there has been a huge paradigm problem due to intellectual stovepiping; simply put, the business world rarely speaks to the political world, which in turn rarely communicates with military elites. Worse, these three groups have almost nothing culturally in common, self-select memberships, and in essence, speak their own insiders' language to each other, rarely venturing outside their comfortable cocoon of groupthink. They almost never intellectually intermingle, robbing one another of creative cross-fertilisation. At best, in such a case, premier analysts will only see a tiny part of the picture, dots on a canvas, without realizing it is a pointillist painting.

The crucial, seemingly unrelated links necessary to view the whole analytical picture remain entirely out of reach, with analysts becoming little more than area specialists, drilling deep but failing to see the vital connections that must lead to new thinking and then new policies. In making these unconventional links, using a kaleidoscopic perspective of looking across disciplines and over issue areas, the Strategy & Change Programme will attempt to point out what the contours of our new multipolar map actually looks like at this vital level, the crucial first step to devising policies that proactively get ahead of the intellectual curve in this strange new world.

Finally, there is the general fear of being a contemporary Cassandra in modern societies. It is always easier, and far safer for one's career, to go along with the herd on an issue. If you turn out to be wrong, well then

everyone is wrong and there is little chance that a professional penalty will be paid for the mistake. Further, if someone proposes anything daring, provocative, or the least bit heretical – in the business, government, or political worlds – one-third of the room is bound to be viscerally against it from the start, frightened and a little challenged by having their intellectual sacred cows disturbed. Given an annoying and contradictory fact that forces one to challenge long-held and cherished assumptions, far too many analysts have done the morally comfortable thing they have thrown out the offending fact, and often its messenger.

Those who did raise their voices were often met with career-ending moves against them. It is far better to remain quiet. Yet in all of us remaining quiet we have not well served the world. We must again learn to calmly talk about the unthinkable, or it will be visited upon us time and again. This radical new intellectual mindset, to determine our policies by the acquiring and assessing of uncomfortable but fundamental facts, forms the very different basis for the Strategy & Change programme.

5 MOVING ON: A ROADMAP FOR THE FUTURE

This all provides a basic answer to the question as to why the general public in the West is so nervous, and angry about their governments obvious inability to cope with the changing times. In essence they are right: the West, particularly the United States, has a unipolar mindset, a bipolar toolbox, and lives in a multipolar world. That is the most basic problem.

But it goes a step further. Multipolarity has thrown up a new primary set of issue areas that will largely determine the fate of the new epoch, a set of challenges and opportunities that are rarely thought about, and certainly not often in creative detail down to the policy level. Just as our mindset in Europe must rapidly evolve, so the areas we bring that mindset primarily to bear upon must change as well.

Connecting the dots, moving from the grand geopolitical narrative outlined here, through broad and largely ignored vital issue areas, linking this analysis to the very specific, to discrete policy suggestions that can operationalise what policy makers should do, based on this larger assessment

- in other words to present a holistic analytical picture - is almost never attempted, but is precisely what is necessary if we are to thrive in the age of multipolarity, first mapping out its broad contours then, ever narrowing, derive practical policy responses that mesh with this just-charted world.

Such a response allows us to link seemingly unrelated and daunting trends - resource scarcity, the fundamental global economic imbalance, the rise of the BRICs, economic austerity and a crisis of global democratic legitimacy in the West - in fascinating horizontal ways, across issue areas. In other words, we can make both vertical and horizontal links, seeing

correlations that simply don't get noticed, while presenting a picture of global life as it is actually lived.

Further, the timeframe we use is self-consciously different than that of many other assessments. To go out in thinking beyond 20 years is to think in futuristic terms. Such an approach, with an almost limitless number of alternate futures, imponderables, and drivers, becomes a form of religion, telling one more about the analyst (and his state of mind) than the world as it will be lived by the inhabitants of this planet. This is of very limited use to both the policymaker and to the general public. However, utilizing too short a timeframe is an equally fraught process. In such a case the dangers are following the siren calls of the morning papers, of pursuing a trendyism that sees the immediate and misses the larger, more profound systemic patterns, lying just beneath the surface of the water. This is best left to op-ed writers.

Rather, by looking 10-15 years out, we combine the best of the two; premier foreign policy analysis is almost always about medium-term thinking, an approach linking the immediate goings-on in the world to the broader trends that will mold the new era. To succeed at this level provides a fresh and compelling narrative, almost wholly absent from today's debate.

6 NEW THEMES FOR A NEW ERA

We will focus on an unconventional and urgent set of issue areas, looking into the medium term.

6.1 RESOURCE SCARCITY

The general Western malaise is further aggravated by those challenges which transcend the domestic front and demand interdependent responses that are truly global in nature. Perhaps the most emblematic of these 'new' challenges is natural resource scarcity and the closely intertwined problem of climate change. Both have been propelled from virtual non-issues (remember *The Economist* predicting an oil price of five dollars per barrel in 1999?) to becoming two of the most pressing problems on the global policy agenda of the early 21st century. Policy-makers from Brussels to Beijing grew from concerned, to uneasy, to alarmed over the past decade, as they watched prices for resources shoot through the roof in what the World Bank has called the largest and longest boom in resource prices since 1900. Similarly, even the Pentagon hawks came to realise that man-made climate change constituted a serious and urgent security threat, after having dismissed it for years as the sentimental gloom of tree-hugging environmentalists.

For obvious reasons, much of the attention has been focused on the indispensable super-commodity, oil. Despite the futuristic mantra of the approaching post-petroleum order and increasing investments into alternatives, it is clear that oil will remain the name of the game for the time being, with forecasts showing that it will likely continue to dominate the global energy mix for the next 20 years. This will not only challenge oil consumers, but also many of today's producers. By 2030, many of these countries will have run down their conventional oil reserves and will no longer have the capacity to produce for exports, leaving a small cadre of six key oil-producers to dominate the market: Russia, Saudi Arabia, Iraq,

Iran, Kuwait, and the United Arab Emirates.⁸ Growing demand and increasing concentration of supply will profoundly impact geopolitical dynamics in ways that surprisingly little thought has been given to until now.

Consider the case for cooperation. Dependence on foreign oil will enhance relations between consumers and producers. Stability of the oil market and security of supplies create a very significant common incentive for states to cooperate. While consumers are dependent on oil as the primary source of energy, producers are equally dependent on oil for revenues. This logic of mutual interdependence could mitigate rivalry and foster cooperation as it is important for consumers and producers to cooperate in order to secure energy transportation networks linking supplies to markets around the globe, including chokepoints, pipelines, and on the high seas.

However, the case for increased conflict is also compelling. The hunger for natural resources will be exacerbated by the fact that emerging states need resources to continue growing, while traditional powers require them to curb further decline. These competing economic and policy imperatives could well make the new era one of almost perpetual conflict. According to realist thinking, from a geopolitical perspective scarcity of resources is a strategic issue to be exploited in the changing relations in international politics. Because natural resources are vital for building up national power, access to and denial of resources have significant repercussions for relations among states. Both consumers and producers will exploit the vulnerability of resource dependence to boost their influence and undermine their rivals. From the producers' point of view, history furnishes many examples of how suppliers used oil prices and exports as a political weapon, such as OPEC's actions following the Yom Kippur War of 1973. On the other hand, some consumers have the means to pressure producers by denying market access (revenues), foreign direct investment (FDI), and technology transfer. In sum, rivalry for scarce natural resources is already here, but will surely be intensified in the days ahead.

8 International Energy Agency, 'World Energy Outlook 2008 - Global Energy Trends To 2030,' p. 106.

But the emerging resource politics go far beyond oil. In the shadow of the competition for black gold, a green energy race is emerging with the geopolitical stakes quickly rising. While the US missed the starter's gun, determined policy and heavy investment have allowed China to wrestle the pole position from the willing but lethargic Europeans. The Copenhagen-killer can now proudly call itself the biggest investor into green energies on the planet.

It helps China that it holds a commanding share in the global supply of many rare metals, which are a critical input for green technologies from wind turbines to the engines and batteries of hybrid vehicles. European and US policymakers have begun panicking as China keeps curbing exports in order to ensure its own growing demand and capturing bigger parts of the fast-growing downstream markets. Beijing wants to sell the world high-tech permanent magnets, not the metals used to make them. Despite being by all measures tiny markets, rare metals and so-called rare-earth elements in particular have emerged as one of the focal points of the new resource politics by virtue of their concentrated supply and strategic role not only in green technologies, but also in advanced ICT, aeronautics and defence applications.

Increasing scarcity of water and food are also further clouds on the horizon. Mismanagement, a growing world population, changing diets in emerging markets, biofuels and climate change all contribute to sky-high food prices and dwindling fresh-water reserves in many parts of the world. This directly endangers the livelihoods of hundreds of millions of people around and constitutes a very real threat to regional stability across much of the global south, with fragile states, wars and large refugee streams as a potential and devastating consequence. This explains why these issues must be regarded as policy priorities also for Western policymakers, even if their affluent populations are very unlikely to go hungry or thirsty anytime soon.

Looking at these issues, it should not come as a surprise then if governments around the world are scrambling to bolster their security of supply for energy, food, water and mineral resources and have not hesitated to enact blunt protectionist measures to reach their goals. State-led companies and sovereign wealth funds increasingly dominate

the development of oil and mineral resources and even seek to gain control of large swaths of fertile lands far from home. Simultaneously, resource rich countries have dramatically increased their role in production and trade in an effort to increase their political control and profits from steep prices. Where they have seen their interests threatened, national governments have not shied away from nationalizing industries or restricting exports. This phenomenon has not only exacerbated scarcity, but also has led to growing international frictions.

6.2 GEO-ECONOMICS: TRADE AND FINANCE

Chronic trade- and macro-financial imbalances between former, current and emerging powers have reached a boiling point already: simply put, the West consumes too much and saves too little, and the rising powers save too much and consume too little. Managing this immense cultural and psychological shift over the next decades – while maintaining global growth and averting a trade war – will require the deepest levels of ingenuity.

For more than three decades free market forces have been gaining momentum worldwide, breaking down trade barriers, promoting deregulation and privatisation, and spearheading financial liberalisation. In the 1980s, the policies of liberalisation first enacted in the West were imported by many developing countries. The end of the Cold War enforced and accelerated that trend, with the ex-Soviet economies integrating into the global economy. By all measures globalisation thrived. The average trade tariffs in developing countries declined from 30 percent in 1985 to about 10 percent in 2005.⁹ Between 1980 and 2007 international trade increased by sevenfold, while foreign direct investment (FDI) increased from \$579 billion in 1980 to \$16206 billion in 2008.¹⁰ The pace of globalisation, many observed, was not only irreversible, but will continue to quicken and change the world ad infinitum, leading the globe to a glorious future of peace and prosperity.

9 Fredrik Erixon and Razeen Sally, 'Trade, Globalization And Emerging Protectionism Since the Crisis,' ECIPE Working Paper. No. 02/2010, p. 3 <http://www.ecipe.org/trade-globalisation-and-emerging-protectionism-since-the-crisis/PDF>.

10 *Ibid.*, p. 2.

However, a rude awakening was in order. The economic crisis of 2008 was a watershed event intellectually, calling this simple but potent fairy tale into question. As Willem Buiter, the chief economist at Citigroup has put it, with the exception of wartime, ‘the public finances in the majority of advanced industrial countries are in a worse state today than at any time since the industrial revolution.’¹¹ This has called into primary question the process of globalisation itself.

The explosion of the economic crisis in the United States and its spread to the rest of the world radically transformed the economic situation and fundamentally altered the policy outlook. International capital flows shrunk by 82 percent in 2008, international trade in goods and services contracted by 11.9 percent in 2009, cross-border bank lending contracted by 13 percent between March and December 2009, and global FDI declined by 15 percent in 2008.¹² The response to the economic crisis inaugurated a new era of government interventionism and a creeping reversal of market liberalisation. To avert a financial meltdown and avoid depression major governments responded with huge bailouts and subsidies as well as loose monetary policies and fiscal stimulus packages.

New protectionist instruments have been introduced: industrial subsidies, restrictions on migrant workers, and FDI restrictions. As for trade protectionism, for the time being it has been restrained. However, looking ahead the picture for free trade is bleak. For the US seems to have abdicated its role as the champion of free trade, yet no other traditional or rising power is ready or willing to grasp the free market baton. Protectionist measures and government expansion as responses to the crisis will surely heighten tensions among major powers.

Meanwhile, tensions between major players have ensued over issues related to export restrictions, government procurement, and exchange rates. While these conflicts have not reached a boiling point, they do signal trouble down the road. Consider for instance two of the most

11 Nelson D. Schwartz and Eric Dash, ‘Fears Intensify That Euro Crisis Could Snowball,’ *The New York Times*, May 16, 2010.

12 Erixon and Sally, ‘Trade, Globalization and Emerging Protectionism since the Crisis,’ p. 4.

heated issues of the day, the future of the dollar as the world reserve currency and the undervalued RMB. China's currency peg at an undervalued rate has provoked fierce criticism from both Republican and Democratic lawmakers, because of negative consequences for job creation in the US. In turn China raised concerns about the value of the dollar and their investment in US treasury bonds. Much to the annoyance of the US, as a remedy to such risks in the existing international monetary system, China suggested a new basket of global currencies to replace the dollar as the world reserve currency. Similar sentiment was expressed by other countries, including Russia, South Korea, and India. The exception is the EU, which expressed support for the dollar remaining the reserve currency. While the call to replace the dollar as the global currency is unlikely to come to pass even in the medium term, it should be seen as a first shot across the bow of American economic primacy.

Yet economic differences need not degenerate into conflict, given a degree of creativity exhibited by policymakers. It has long been argued that extensive and valuable economic ties serve as an impetus for peace among nations (JS Mill, Adam Smith, and John Locke), binding them together in a web of interdependence, by creating strong incentives for the great powers to be status quo supporters of the current world order. Or as Ralph Waldo Emerson would put it, 'Every man is a conservative after dinner.' This Great Capitalist Peace is the jewel in the crown of the new era¹³, for if both the rising and established powers do well enough economically, based on their trade and investment links, then a stable, prosperous world is within reach.

But a dreary counter-narrative is at least equally believable at present. The crisis in Greece, just the tip of the iceberg of larger sovereign debt worries in Europe, could derail the world economy. As the poet William Butler Yeats would have it, 'The center falls away, things fall apart.' If the European banks who supported profligate Greece over the decades run into trouble, European economic stability itself will be called into question. If the European domino falls, America, as the largest recipient and

13 See Anatol Lieven and John C. Hulsman, *Ethical Realism: A Vision for America's Future in the World*, (New York: Random House, 2006).

distributor of European Foreign Direct Investment (FDI) would surely be caught up in the maelstrom, with developing China and the rest of the BRICs soon to follow. In other words, interdependence is not a good in and of itself, but is instead a two-way street, leading to both prosperity and peace, as well as having the possibility of ushering in utter ruin. This is the challenge of the age.

6.3 MULTIPOLARITY AND ITS DISCONTENTS

At the very moment systemic stability is most needed, the world finds itself undergoing the most significant great power realignment since 1945. Rather than the comparatively stable bipolar world of the Cold War, or the beguiling (for Americans at least) promise of a unipolar planet, we now undoubtedly find ourselves facing the coming age of multipolarity.

Even worse, it is a form of the system no one has given very much thought to. For the poles are not, and are not about to become, relatively similar in size. For the foreseeable future, the US will remain Chairman of the Board, even as the other board members (such as South Africa, China, Brazil, and India) gain in global power shares. It is not at all clear that Europe (as a coherent entity) will get its political, economic, and military act together enough to emerge as a global power at all.

Further, the issue of what constitutes national power in the emerging geopolitical landscape merits our fullest attention. Traditional indicators of national capabilities such as steel and iron production, population size and military spending, are less important in the Information Age than they were in the Industrial Era. Yet, they cannot be discarded entirely in a world in which territorial security continues to be a prime concern for nation-states and developed and developing economies still rely on natural resources (carbon fuels, minerals etc.).

Likewise, so-called soft power attributes – which by their nature are difficult to measure – may have assumed greater importance, but by themselves they won't do the job either. Being on the receiving end of favorable views in global opinion polls, or having a massively popular entertainment export industry (i.e., Bolly- and Hollywood) does not buy you territorial or economic security. The pillars of power of the 21st century will be an amalgam of hard and soft power capabilities, of which we

desperately need a better understanding. Only then can we identify potential sources of conflict and potential sources of overlapping interest and cooperation in the coming global order.

Against this background, the trick for the West must be to integrate the rising powers into the global status quo, based upon it being in their interests to do so. This will take many things, but above all, a fundamental shift in thinking if this most difficult feat – established great powers accommodating the rise of others – is to be pulled off.

Will the great and emerging powers be able to navigate the turbulent seas of the global power transition? At the highest analytical level, this is perhaps the only question that really matters in the new era. The historical record is not encouraging. Britain never managed to reach an accommodation with Revolutionary (and then Napoleonic) France at the end of the 18th and the beginning of the 19th centuries; the result was two decades of continental war. Likewise, despite Salisbury's genius in reconciling British interests with those of rising Japan, America, and Russia at the end of the 19th century, great power rival Germany was not successfully accommodated, leading to the suicide of Europe, the calamities of World Wars I and II. We certainly have our work cut out for us in the West if we are to avoid a repetition of this doleful record.

As this paper has made clear, beyond very practical policy steps which the Strategy & Change programme will delve into, a perhaps even more profound challenge will be changing the mindsets of both the West and the rest. It will be very hard, over only a period of years, for American policymakers to accept the fact that they no longer exclusively call the shots; that multi-state solutions to global problems are no longer a luxury but are now a necessity. It will be very hard for Europeans, largely infantilised at the policy level by American dominance, to quickly regain their voice and direction as a great power (or powers) in their own right, often, but not exclusively, working with a United States that remains the greatest single power (by a long way) in the world. It will be hard for the rising powers, frustrated by centuries of not being listened to, to accept that while they have burst forth onto the global scene as a significant force, they must still show restraint – working with those many still view as their recent oppressors – if any of us are to accomplish goals at the

international level. For the West is in relative decline but it still exists. How this can be managed through the identification and articulation of speaking the language of shared and important interests, is a primary question for our time.

6.4 GLOBAL GOVERNANCE IN THE AGE OF MANY VOICES: PIPEDREAM OR ACHIEVABLE REALITY?

If global governance is to flourish, very different thinking is required. The first step is an acknowledgement that the Bretton Woods institutions, and indeed almost the entirety of the multilateral world, are not working very well. Be the venue the UN or the World Bank, the simple fact is that organisations created in the post-1945 bipolar setting are showing their age, and are not reflective of the very different power realities of 2010, let alone the near future. For example, a permanent UN Security Council that doesn't have India, Brazil, or South Africa as members doesn't pass the laugh test. Until these old institutions and their established great power masters far more readily cede power to the rising states, they will continue to perform poorly, all the while providing no incentive for the rising powers to support formal multilateralism. Memberships and voting weights must be quickly altered, if the rising powers are to be made stakeholders of the new era, which must be a primary goal of the West and all those interested in the effective functioning of global governance in the age of multipolarity.

In addition to these reforms, wholly new institutions, as well as a different level of focus, must intellectually complete the reform of the multilateral process. The G20, cumbersome as it is, is a step in the right direction, for unlike the antiquated G8 it at least broadly reflects the economic power distribution in the new era necessary to get things done; the right people are finally in the room to begin to grapple with the most important global economic issues. As Woody Allen put it, 'half of life is just about showing up.' With the creation of the G20, the right people have finally shown up.

Likewise, regionalism rather than globalism may increasingly be the way forward to solve and manage transnational problems. The G20, as critics allege, is indeed a clunky beast. Here again it mirrors today's power realities. Multipolarity, more than the unipolar and bipolar systems predating it, leads to a far more cumbersome world to live in and get

things done; we would be hard-pressed to get 20 individuals to agree to choose a single ice cream flavor, let alone decide matters of state.

All the more reason to look at the next, lower level of analysis, regionalism and regional blocs, to get things done. Whether it's the rise of the EU, the possible blossoming of the African Union, or the advent of the Mercosur, Nafta (and the possible APEC) trading blocs, regionalism is a growing force on the global scene. Increasingly focusing on this level of analysis allows the policy-maker to often have the right people in the room to solve a real problem, but not so many that the initiative devolves into yet another institutional talking shop. In a world without a single ordering power, it stands to reason that regionalism is bound to emerge as more and more often the highest level of politics where real world problems can be effectively solved. How this process will evolve, and what it actually means, will be something the Strategy & Change program uniquely examines in detail.

And if the answer to all of this is a generally gloomy negative, can, at the Bismarckean state level, the great powers form a sort of informal power directorate, capable of addressing the truly important global transnational issues amongst themselves, when their interests are in line? Such an approach forces policymakers to remember an older *modus operandi*, one not practiced in recent memory, especially in Europe. Rediscovering the joys of working using an interest based mindset will certainly be vital in this more rough and ready world. For without really answering these general questions about how coordination can be made to work in practice, means that policy initiatives, however clever, must be doomed to fail.

Assuming these monumental problems can be overcome, can the West itself find a new *modus vivendi*? Beyond the immediate institutional questions of what would this mean for the transatlantic alliance (i.e. can the Europeans be collectively induced to pay for enough military capacity to count in the new era?) and the EU (can the Europeans develop enough common foreign policy stances to more coherently address the rest of the world?) a larger question must first be answered: is it in the two pole's interests to continue to have such a close alliance in the very different

multipolar world, and if so what would the terms of that new concord actually look like?

Very specific and controversial answers must be provided if the alliance, in obviously real trouble over both the political shambles of Iraq and the policy unease over Afghanistan, is to regain its footing. A very different and new look at this very old question is necessary; the Strategy & Change Programme will ask the difficult questions, to provide a more contemporary answer for extending the enduring power of the transatlantic relationship.

For while the new world will certainly be multipolar, it is not yet a sure bet that it will also be multilateral, a fact missed by the vast majority of foreign policy analysts, who so confidently predicted that the collapse of an American-led world would somehow magically lead to improved international cooperation. Copenhagen put an end to this fantasy, as the uncoordinated Americans and Europeans were diplomatically routed by the rising powers, led by China, who removed all hard numbers from the final protocol. Worse, from a European perspective, they were text messaged the result of the decisive meeting, as the rising countries did not even feel the need to include them in that pivotal deliberation. To put it mildly, this is not the future Europeans imagined when they confidently looked forward to the dawn of the multilateral age. New thinking about global governance, about actually solving problems in this more complicated world of many important voices, is desperately needed.

6.5 THE CRISIS OF DEMOCRATIC LEGITIMACY: CAN THE WEST GET ITS ACT TOGETHER; SHOULD THE WEST GET ITS ACT TOGETHER?

Along with this rightful focus on the rising powers, gauging the ability of the older ones – both the US and Europe – to overcome their current democratic malaise is a vital issue area to consider in assessing the likely outlines of the new era. America governmentally has always worked best when politically it was blest with a loyal, creative opposition, who challenged the White House when they disagreed with administrations, but worked with the president when they could. Leaders such as Republican Wendell Willkie, who supported FDR's internationalist foreign

policy, policymakers such as Republican Secretary of Defense Robert Lovett, who loyally served Democratic President Harry Truman, and Congresses such as Republicans during the time of Lyndon Johnson, a majority of whom went along with the President's then controversial advocacy of the Civil Rights Act, have exemplified the creative best of the American policymaking scene.

Sadly, such examples are becoming a distant memory. With the notable current exception of Secretary of Defense Gates, such bipartisan standards have fallen by the wayside. This has reflected the coarsening of the American political discourse, with criticisms of Presidents Clinton, Bush, and Obama assuming hysterical proportions. As such, creative long-term thinking – seeded by the cross-fertilisation of working across party lines – has become almost impossible. Given the intractability of America's current global predicament, this must change, if the US is not to avoid the fate of rather quickly fading from the world scene.

At the supranational level, it has long been argued (admittedly largely in esoteric journals few people have read) that the European Union is characterised by a deep crisis in democratic legitimacy. There is a propensity among elites to make voters go to the polls numerous times until they receive the policy answer that suits them (Ireland over the Lisbon Treaty leaps to mind).

There is also a tendency to rather nakedly change the electoral rules midway through the game, a political sleight of hand that doesn't further confidence among the general public that their concerns are being taken on board. For example, the shelving of the European constitution based on the negative France and Dutch results, only to see an almost exact replica reemerge as the Lisbon Treaty shortly thereafter, was a ruse that fooled no one. What it did do was further already heightened public cynicism between the rulers and the ruled in Europe, seeming to confirm one of the Euro-skeptics main charges: the whole EU edifice was an elite construct that cared little for the consent of the governed if that came into conflict with the ultimate goal of ever-closer union and centralisation.

This is morally suspect behavior in a democratic Europe; in policy terms it is even more disastrous. For now, in the wake of Greece, that Brussels may

well need the enactment of a further treaty to deal with the aftermath of the economic crisis (one requiring referenda in such traditionally skeptical states such as Ireland and Great Britain), past undemocratic actions make such a course almost politically impossible to achieve. That is the butcher's bill the EU must pay for seeming to ignore its people's wishes over the long term.

And if a far away Brussels – one with power but no accountability – is part of the problem, so increasingly are the individual democratic states in Europe, which have accountability but little real power. For the Europeans, the increasing Italianisation of national politics (with relevant examples being both the Dutch and even now the UK elections) is a worrying trend. While the endemic creation of coalition governments safeguards immediate stability in Europe by including a broad number of political voices in the government, it also inevitably discourages the bold policy actions that will be necessary if Europe is to put its economic and demographic house in order in the midst of ongoing and wrenching global changes; instead as ever, incremental compromises will be the order of the day, in a new era that calls for far bolder measures.

Likewise, at the national level as well, governing elites are increasingly seen as a class apart, not of the people, but ruling the people from afar. Such a belief easily begets cynicism, leading to the rise of populist parties, with easy answers to complicated questions. Of course their failure begets yet more cynicism, further poisoning the process. How can this vicious cycle be broken? How can Europe's politics be adjusted to fit the new global realities, making it a significant player in the new era?

7 CONCLUSION: FINDING WHAT MATTERS

Like a world-class sculptor, we are at the vital first step in the creative process for the Strategy & Change Programme, the moment when one-third of the marble is chiseled away, to begin to hone the work down to a more manageable size. The excitement of such a step in the creative process is palpable, but so is the danger; for we are making big picture choices that cannot later be unmade; the marble on the floor cannot be put back onto the pedestal.

That is to live in a world where choices need making. Far too often in projects such as this, the choices made amount to not making choices at all. To think everything is important is to acknowledge the complexity of the world, which itself is certainly a necessary thing. But to accept the importance of everything is really to accept the importance of nothing.

To mention glancingly all the major problems of the world is to write yet another mushy, shallow report, dutifully put on a bookshelf and forgotten almost immediately. In these exciting, demanding times, when the world's entire basis is shifting beneath us as we speak, that simply isn't good enough any more.

If we are to get ahead of the curve, to solve problems, rather than merely mitigate their effects, making choices about what is central – and what is important and interesting but more peripheral – is the duty of us all. We are not here to write merely another laundry list of the world's ills. Rather, the Strategy & Change Programme is an ambitious, creative effort to chart the outlines of the new era, get ahead of the analytical curve, and then armed with that knowledge and the choices it represents, attempt to find real answers to the world's real problems.

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