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I would like to make it clear first that I am not a sociologist, and therefore I decided to prevent myself from invading your specific field. Even though, as a specialist of international relations, I have to say that, as everyone knows, it is impossible to study the crisis and its consequences without *at least* studying all the links between its economic, social, political and also cultural facets. As everyone knows, for example, it is impossible to evaluate the internal and international political evolution of China without considering the social fragility of its economic development – which is the fastest that humanity has ever experienced.

I start this presentation quoting a document published in November 2008 by the US National Intelligence Council under the title *Global Trend 2025: A Transformed World*. Its introduction (p. iv “Global Landscape. Relative Certainties”) reads:

- 1) A global multipolar system is emerging with the rise of China, India, and other
- 2) The relative power of nonstate actors— businesses, tribes, religious organizations, and even criminal networks—also will increase
- 3) The unprecedented shift in relative wealth and economic power roughly from West to East now under way will continue.
- 4) The United States will remain the single most powerful country but will be less dominant.

Along with some other questions (such as energy, water, food, demography) deeply linked to the four main trends that I have just mentioned, the NIC Report introduced what we can call the “macro-political” questions of our times.

The most important trend, which has been at the very center of the international debate at least in the last 10 years (but I would say even longer) is number 3: “The unprecedented shift in relative wealth and economic power roughly from West to East”, in particular, I would add, from the United States to China.

The rise of China is at the same time vitally necessary and lethally dangerous for the United States. Some analysts even say that the 2003 Gulf War was the flip side of the indispensable admission of China in the World Trade Organization, a way to insure that the Chinese energy thirst be kept under the US indirect control.

If this analysis is correct, we can say that the US tactic has not been completely successful. In fact, 8 years later, the president of the US needs to say openly (in his “State of the Union” speech, on January 27, 2010): “I do not accept second-place for the United States of America.”

The research associate at the Center for International Security and Cooperation at Stanford, Litai Xue, explains: “Obama meant to say to China: “I will not allow you to become number one”¹.

The United States reached the top of its power in 1945: when it destroyed the two preceding industrial and military powers; when it controlled America, part of Europe and part of Asia; when it controlled the Atlantic, the Pacific and the access to the Indian oceans; when it manufactured half of the world industrial production. Therefore one could say that the US has been trying to avoid the fall to “second-place” since 1945.

So why today it should be different? Because at the time of the wars in Korea and in Vietnam, the risk was only potential. Since the 1980’s, the growth of Japan and, since the 1990’s, the

¹ Litai Xue, “Can China Stably Rank the Second of the World?”, *Hong Kong Economic Journal*, February 4, 2010.

European process made the threat much more concrete. But still, neither the Japan growth nor the European process were as dramatically intense and fast as the rise of China.

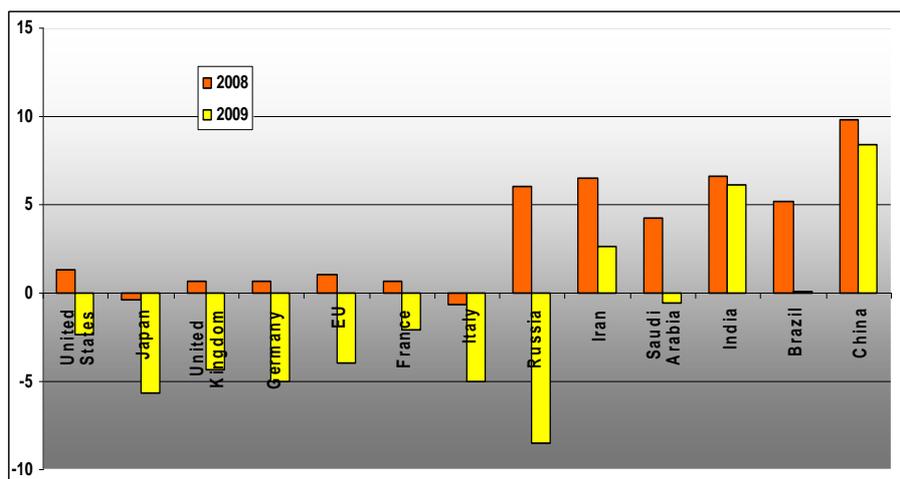
For at least 10 years (but I would say even more) a colossal geopolitical landslide has therefore been in progress. At the very beginning of this crisis, on September 22, 2008, *The Korea Times* published an article under the title “Geopolitical Consequences of Ongoing Financial Crisis”. The author (Harold James, from Princeton University) opened the article by talking about the “obsession” with the Great Depression analogies, and wrote: “But the lesson of 1931 is only in part financial or economic. The 1931 crisis was so big and so destructive because it was a financial drama played out on a geopolitical stage”. Well, the 2008 crisis too has precisely been “a financial drama played out on a geopolitical stage”.

According to Henry Kissinger, “The financial collapse represents a major blow to the standing of the United States”². The financial collapse started in the United States, it is true; as Sarkozy and other world leaders insisted, it was the fault of the America. But this is only one side of the blow to the standing of the US. The other side – we can evaluate it now, more than one year after Kissinger’s article – is the speeding up of “the shift in relative wealth and economic power from West to East”. The crisis widened the gap between the rising China and the declining US (or even between the rising East and the declining West), and deeply modified the balance of power on the international stage.

Let’s see in detail what “shift in relative wealth and economic power roughly from West to East” means in the wake of the crisis:

GDP 2008/2009

	2008	2009
United States	1.3	-2.4
Japan	-0.4	-5.7
United Kingdom	0.7	-4.3
Germany	1.3	-5
European Union	1	-4
France	0.7	-2.1
Italy	-0.7	-5
Russia	6	-8.5
Iran	6.5	2.6
Saudi Arabia	4.2	-0.6
India	6.6	6.1
Brazil	5.2	0.1
China	9.8	8.4



(data CIA The World Factbook; 2009: estimated data)

As we can see, the gap between the United States and China went from 8.5 points to 10.8; the gap between European Union and China went from 8.8 points to 12.4.

According to the Chinese statistical bureau, in 2009 China’s nominal GDP overtook that of Japan: \$ 4,900 billion vs 4,600. If it were the case, China would already be the second ranking power in terms of GDP at least.

Paul Kennedy, in 1986, gave the debate about the American decline its most famous book *The Rise and Fall of the Great Powers*. In April 2009, he wrote: “The economic tectonic plates — Marx’s oft-derided “substructures” — are still moving, away from the West, and toward the successful parts of the Rest. These shifts will affect the 1) Bretton Woods institutions; 2) the place of the dollar in world currency markets; 3) the EU’s frazzled 50-year bid to be a major player in

² Henry Kissinger, “Après le déluge. The Chance for a New World Order”, *The New York Times*, January 12, 2009

world affairs before being pushed aside by China and India; and, ultimately, 4) the position of the United States as the fulcrum of our globe”³.

Eight months later, when the time to take stock of the crisis finally came, *Le Monde* expressed the same judgment: “This is the century in which the tectonic plates of the geopolitics of the power are moving not gradually, but at an incredible speed. This is the century in which the Western preponderance is jeopardized a little more every day”⁴.

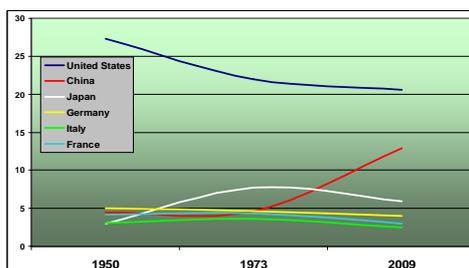
Other analysts say that the “Post-America era” is still far away, and that China is not about to threaten the US pre-eminence. They suggest some “structural” reasons:

- 1) The wide gap between their nominal GDPs (GDP calculated in purchasing power parity doesn’t make any sense in international comparisons, they say): US three times as much as China’s (to be precise: 2.99 in 2009 ; but it was 3.38 en 2008);
- 2) The even wider gap between the per capita income (at 13 times in 2009; it was 14 times in 2008; but it is only 7.1 times if calculated in PPP – which makes much more sense);
- 3) The gap between military expenditures (7.1 times in 2008, but US is accountable 41.5% of global military expenditure; China is the second spender, with \$85 billion in 2008, i.e. 5.8% of the global amount). Just to compare: Germany is the sixth spender with \$47 billion (3.2%) and Italy is the eighth, with \$40.6 billion (2.8%).

All the details of their snapshot are correct. The problem is that a snapshot freezes a reality that is moving very fast, and whose movement has been accelerated by the crisis. Let’s have a look to the long-term trend (% world share), calculated in purchasing power parity:

	1950	1973	2009
United States	27.3	22	20.6
China	4.5	4.6	12.9
Japan	3	7.7	5.9
Germany	5	4.6	4
Italy	3.1	3.6	2.5
France	4.2	4.3	3

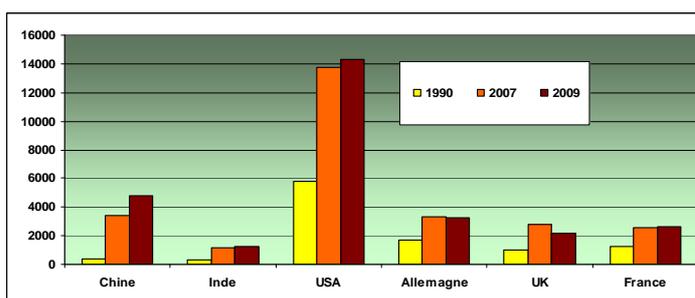
1950; 1973: Angus Maddison (2007); 2009 CIA World Factbook



Now a medium-term comparison 1990-2009, calculated this time in nominal GDP:

	1990	2007	2009	increase
China	404.5	3400.35	4758	11.76
India	326.8	1141.3	1243	3.80
USA	5775.2	13776.4	14270	2.47
Germany	1714.4	3317.4	3235	1.88
UK	995.9	2767.9	2198	2.21
France	1244.4	2545.7	2635	2.12

World Bank data (\$ billion. NB: the values have not been adjusted for inflation)



The closer to the present we are the more evident the trend appears. Since 1995, Asia’s real GDP has grown more than twice as fast as that of America or Western Europe.

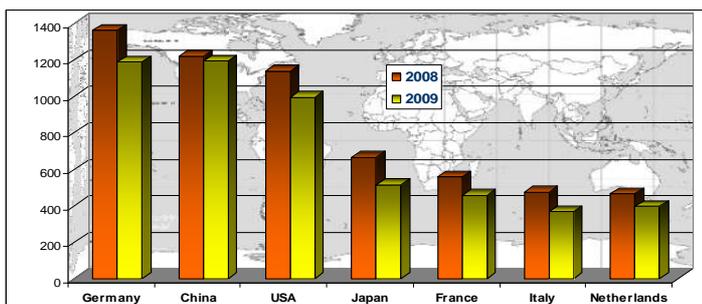
As for the push that the crisis gave to the shift in economic power, we can cite two other major indicators. The first – to which the German reader is understandably more sensitive – is the shift in the ranking of countries by exports:

³ Paul Kennedy, “Karl Marx and the G- 20”, *International Herald Tribune*, April 3, 2009

⁴ « Ce siècle est celui du glissement non pas progressif, mais ultrarapide des plaques tectoniques de la géopolitique du pouvoir. Il est celui d’une redistribution des cartes qui voit la prépondérance occidentale chaque jour un peu plus ébranlée ». “ONU ou G20 ?”, *Le Monde* January 13, 2010.

Export country ranks				
2008		2009		
1	Germany	1,361	China	1,194
2	China	1,221	Germany	1,187
3	USA	1,140	USA	994
4	Japan	665	Japan	516
5	France	559	France	457
6	Italy	475	Netherlands	398
7	Netherlands	465	Italy	369

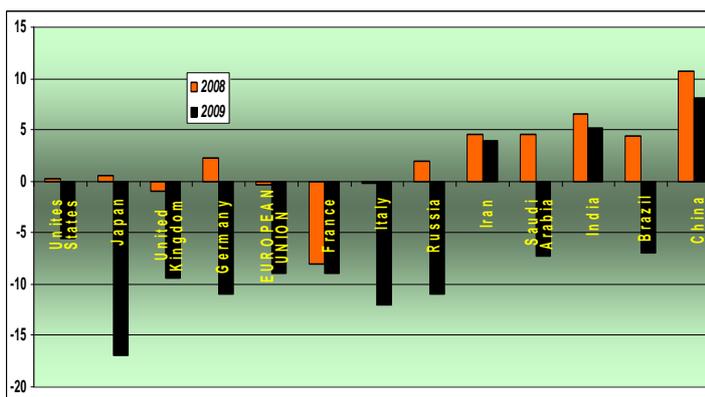
(data CIA World Factbook)



But let's take another unit of measurement: the compared industrial production's growth in 2008 and in 2009.

Industrial production	2008	2009
United States	0.2	-5.5
Japan	0.5	-17
United Kingdom	-1	-9.4
Germany	2.2	-11
EU	-0.4	-9
France	-8	-9
Italy	-0.2	-12
Russia	1.9	-11
Iran	4.5	4
Saudi Arabia	4.5	-7.2
India	6.5	5.2
Brazil	4.4	-7
China	10.7	8.1

(data CIA World Factbook)



The industrial production data are important because they allow another analogy. As soon as the crisis started, there were people “obsessed with Great Depression analogies” everywhere. If we want to dare some analogies with that crisis, we should wait for at least a couple of years: in fact, between 1929 and 1933, the United States lost 50% of its industrial production. It is more rare to see comparisons to the 1974 crisis, which would probably make much more sense.

In fact, the 1974 crisis revealed some important changes in the international balance of powers. The newly industrialized countries appeared, in particular the so-called “Four Tigers” (Hong Kong, Singapore, Taiwan and South Korea); the petrodollars announced the rise of Middle East countries; a new free-trade global cycle begun, and it brought huge political consequences (liberal policies and deregulations). All the economical and political processes were accelerated by this crisis, and eventually they led, among other results, to a more intense interpenetration of the markets in Europe, and between Western and Eastern Europe. In general, the new free-trade global cycle weakened the countries that tried to resist liberalization, as such Italy, Japan, and, finally and catastrophically, the USSR.

In brief: the impact of the mid-70's crisis was extraordinary. We can say that the “shift in relative wealth and economic power roughly from West to East” started then.

I mentioned the importance of the manufacture data because in 1974 industrial production of the developed countries receded of 0.5%, while production of the developing countries grew 7.2% (the gap was 7.7 points in favor of developing countries). Today (2009) the gap is much wider: 10.7 between India and the United States; 13.6 between China and the US; 14.1 between India and the European Union; 17.1 between China and the EU.

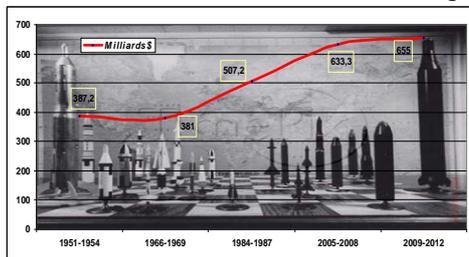
Just a few words about the military superiority, which is of course important but not decisive. Let's remember that when the USSR collapsed, and lost in a few weeks what it had conquered in three centuries, it was the second major military power, and moreover a nuclear power.

Immanuel Wallerstein, historian from the University of Yale (who thinks that “the United States has been fading as a global power since the 1970s”, reminds us that “The dominant power concentrates (to its detriment) on the military; the candidate for successor concentrates on the economy.”⁵

The recent history of the US military expenditure seems to prove it: in 2000, it was 37% of the global military expenditure; in 2008 it was 41.5% and, under the Nobel peace prize’s administration, the plan is to reach about 44-45% in 2012. In absolute figures (\$ 2010):

	\$ billion
1951-1954	387,2
1966-1969	381
1984-1987	507,2
2005-2008	633,3
2009-2012	655

Source: US Department of Defense



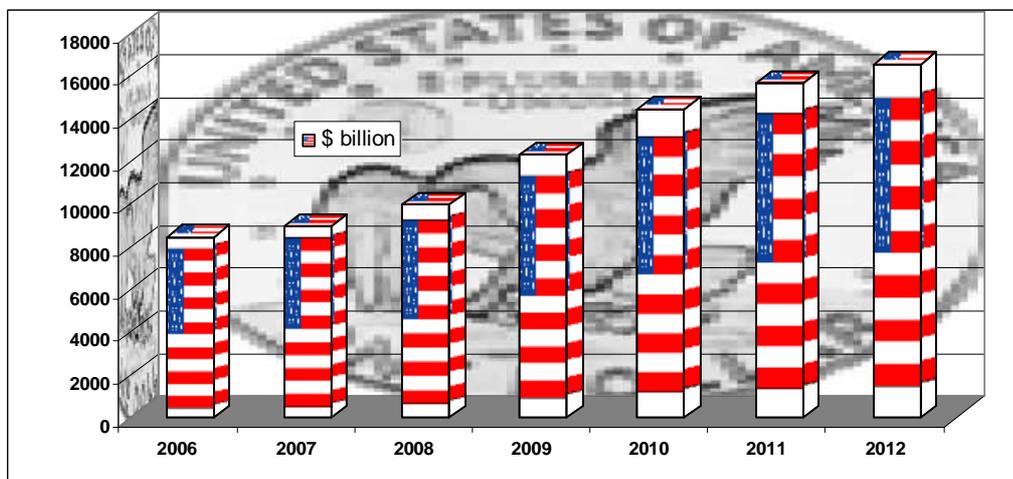
It is obviously too soon to appreciate *all* the geopolitical consequences of the 2008 crisis. Nevertheless, some of them became immediately evident (besides the substantial modification of the balance of power):

- The “second birth” of the G20
- The debt crisis
- Asia’s increased search for its geopolitical identity
- Europe’s increased lack of geopolitical identity

All this new evidence of the sliding of geopolitical tectonic plates is understandable only if linked to each other and to the “macro-political” trend (which is one with two complementary faces): the increased assertiveness of China; the increased American fear to fall to second-place.

We do not have enough time to describe in detail these major changes that characterize the next international stage. Let’s just say a few words.

The debt crisis is indubitably the biggest interrogation mark hanging dangerously over the future of the world. In March 2009, the US Congressional Budget Office estimated that gross debt (public debt + government held debts) will rise from 70.2% of GDP in 2008 to 100.6% in 2012 (in absolute figures, from \$ 8,950.7 billion in 2007 up to \$ 18,350 billion in 2014, i.e. more than double).



⁵ Immanuel Wallerstein, “The Eagle Has Crash Landed”, in *Foreign Policy Magazine*, July-August 2002.

“Explosions of public debt incur bills that fall due much sooner than we expect” wrote Niall Ferguson on the *Financial Times* recently, at the moment of the Greek problem⁶. And he continued: “The worse things get in the eurozone, the more the US dollar rallies as nervous investors park their cash in the “safe haven” of American government debt”. However, he concluded, “US government debt is a safe haven the way Pearl Harbor was a safe haven in 1941”

All the questions are strictly linked: to cope with its debt, the United States has to sell more Treasury bonds; and to find buyers it has to raise their rates, which implies that money will be more expensive, and which implies that growth will presumably get lower.

Meanwhile, the Chinese government is trying to walk away from this Pearl Harbor: its purchases of US Treasury bonds, says Ferguson, fell from about 47 % (of the new issuance) in 2006 to 20% in 2008 to an estimated 5% in 2009. If China deserts the American public debt, the problems can only get worse: in December 2009, in fact, mainland China owned 24.3% of the US Treasury Securities sold to international investors (which represented 28% of the US debt in September 2008), i.e. \$894.8 billion, while Japan owned \$765.7 billion, i.e. 20.8% (data by the US Treasury).

Since the beginning of the crisis, China is insisting on the urgency of an alternative to the supremacy of the dollar. On March 24, 2010, Zhou Xiaochuan, President of the People’s Bank of China notably said: “The crisis again calls for creative reform of the existing international monetary system towards an international reserve currency with a stable value, rule-based issuance and manageable supply, so as to achieve the objective of safeguarding global economic and financial stability”.

On the 1st of March, China, Japan and South Korea launched the *Chiang Mai* Initiative, in order to create a \$120 b reserve to prevent new crises. During 2009, China signed agreements with several countries (among them Brazil, Argentina, Korea, Indonesia, Malaysia) in order to use yuan instead of \$ for reciprocal exchanges. On October 10th, China, South Korea and Japan met in Beijing and planned the creation of an Asian free-trade area. On January 1st, 2010, China entered the ASEAN free-trade area.

Since the United States is number one, and China is the first challenger, analysts tend to focus on what *The Economist* (in its Oct. 22, 2009 issue) called the “odd couple”, whose interests are strongly interlocked. To put it simply: the US needs China in order to pay its bills, and China needs the US in order to carry on its growth.

But no geopolitical option is thinkable for either of them without considering that we are in a multi-polar world. Balance of power is (it has always been, but today it is much more noticeable) a very complicated chess game, played on a multilateral chess table in front of which are seated also Europe, Japan, Russia, India, Brazil, oil producer countries, South Africa, just to mention the most important players. As in a “normal” chess game each movement implies consequences to every piece, but here we have many players, and the value of the pieces is different for each of them – objectively but also subjectively.

The G20 is one of the forms officially taken today by this complicated chess game.

The *1974 crisis* engendered the G5, which can be considered as the real birth of the multipolar world: Japan, the United Kingdom and the Franco-German axis imposed themselves as new poles, with the dual goal of helping, but also competing with a weakened United States (as the end of convertibility dollar/gold and the almost simultaneous Vietnam defeat showed).

The *2008 crisis* engendered the second birth of the G20 (which actually it has been in existence since 1999, but very few people noticed it): new emerging powers that offer their help to the old powers (essentially the G5) but will also impose their conditions and, in a long range, will challenge their declining power.

⁶ Niall Ferguson, “A Greek Crisis is Coming to America”, *Financial Times*, February 10, 2010.

The paradox is that today the United States is probably more interested in a multipolar world than some of its competitors. Let's see why.

When Americans talk of "G2" (Henry Kissinger, Zbigniew Brzezinski or Fred Bergsten among others) they are thinking of the best way to counterbalance, contain or accompany the rise of China. The "G2" phrase was invented by Fred Bergsten (who served at the National Security Council under Nixon and at the US Dept of Treasury under Carter) as director of the Institute for International Economics, in 1987, following a 1986 suggestion of James Baker. This was the scheme: 1) the balance of powers is changing to the detriment of the US; 2) the major challenger is Japan; 3) therefore, in order to prevent Japan from following its own way without – and possibly *against* – the US, we should involve Japan to the world leadership in a "Group of 2". This association would have at the same time reduced its freedom of movement, in the same way that France did with Germany in the European Community and, especially, in the European Union after 1989.

In September 2008, the Peterson Institute for International Economics published an essay – *China's Rise: Challenges and Opportunities* – written by Fred Bergsten, Charles Freeman, Nicholas R. Lardy et Derek J. Mitchell. This book launched the "G2" idea (we should say: launched again) this time concerning China, but with the same dual purpose as in 1987. In fact, the worst American nightmare is an Asian form of economic or – even worse – political *and* economic integration following the European model. To put it more precisely: the worst nightmare is a "G3", which would reproduce the "co-prosperity spheres" of the 1930's: 1) the Greater East Asia Co-Prospersity Sphere; 2) the German *Lebensraum*; and 3) the Monroe Doctrine.

It is thus more than comprehensible that the greatest geopolitical effort of the US in the foreseeable future is how to avoid the convergence of the East Asian countries and China. Traditional and new counterbalances will be used (as far it is possible to "use" them): Russia, Japan, India and even Europe.

Let's then conclude with the third membership of this potential "G3": Europe.

In the September/October 2009 issue of *Foreign Affairs*, Josef Joffe published an article: "The Default Power", in which he explains that "the United States is the default power, the country that occupies center stage because there is nobody else with the requisite power and purpose". Among those who lack "the requisite power and purpose", there is, of course, Europe: "Europe is hardly a prime player in the contemporary great-power game: it does not think like a global power, nor can it move with the speed or decisiveness of a real state".

This opinion is broadly shared, and the recent Greek crisis did not help to boost European standing. Even the unofficial organ of one of the most consistent, influential and steady supporters of the European unification – *L'Osservatore Romano* – published an editorial on February 13th under the title "L'Europa che non c'è" – "The never-never Europe": "The indecision showed by European leaders at the Brussels summit represents the most severe blow to the credibility of the euro and, more in depth, to European political identity. A step back in the difficult, and still very long, process of integration and legitimacy of the EU".

From the American point of view, Europe is either "taken for granted" (that is: it fidgets restlessly but eventually will follow us) or inconsistent (that is: it fidgets restlessly but that doesn't change anything therefore we can ignore it). From the Chinese point of view, as *The Economist* put it last spring, "Europe and Japan, embroiled in the deepest post-war recession, are barely worth consideration as rivals. [...] Europe, that speck on the horizon, is ignored"⁷.

As the Vatican newspaper says, the European problem is first and foremost a problem of geopolitical identity, that is a problem of political strategy. Like many others, the editors of the

⁷ "How China sees the world. And how the world should see China", *The Economist*, March 17, 2009.

Vatican newspaper think that identity and strategy can be products of “political will” (which from the Catholic Church’s point of view makes sense because the Vatican is insistently offering an identity to Europe).

It is a certainly also a problem of political will, but, in politics, political will is far from being decisive. For example, for many years Tony Blair, his government, the majority of the House of Commons and the overwhelming majority of British business *wanted* to join the Euroclub – but they couldn’t do it.

The European process has advanced very fast and brilliantly as long as things were going well for Europe – politically and economically: despite Mitterrand’s fears, the reunification of Germany made the European project of de Gaulle possible; despite German fears, the euro was astonishingly successful; barriers between the European states started to fall, and this time without moving troops, except Russia’s and America’s that were withdrawn from the Iron Curtain boundaries; and in December 2001 a convention was created in order to write the new European Constitution.

This rising trend was slowed or even broken by the 2003 Gulf War and the 2005 French referendum. The 2003 War was a very sophisticated multipolar and multi-purpose action: with the control of one of the most important sources of energy in the world the US could at the same time: threaten and/or impose conditions on the East-Asian development; impose conditions on other regional powers; deflate the possibility of Russian energy blackmail; and divide the “old Europe” from the new one, undermining the European process.

In politics in general and in international politics in particular it is very rare that one can reach one’s goals, precisely because politics is a field in which many different wills, with many different goals, clash. But in the case of the 2003 war, concerning the European goal, the United States achieved probably even more than they hoped.

One can compare what was in the 2000 Lisbon Agenda: its aim was to make the EU “the most dynamic and competitive knowledge-based economy in the world by 2010 capable of sustainable economic growth with more and better jobs and greater social cohesion and respect for the environment.” That is not exactly what happened.

Recently Europe tried again to play one of its most valuable cards: the card of its “moral superiority”. At Davos, on January 27, Nicolas Sarkozy explained one more time what a “moral” capitalism is: environmental, labor and health rules should enjoy the same status as rules imposing free trade. According to *The Economist*, this speech was protectionism “by any other name”: “Underneath, this was code for an age-old French wish: community preference, or rules to handicap imports and favour EU goods. Mr Sarkozy talked of Europe’s expensive climate-change commitments and the need to fight “environmental dumping”⁸.

It is interesting to read what Thérèse Delpech, researcher at the Centre d’études et de recherches internationales (CERI) wrote in April 2009: “China has had an impressive growth for ten years, it has colossal savings that enables it to create stimulus programs, but it is still a developing country which would suffer terribly if, for example, it had to submit to quality standards on its products, on social protection or on the environment”⁹.

Delpech’s text helps to understand the Copenhagen Conference goal: Asia consumes 35% of the world’s energy, up from 26% in 1995; it has consumed 2/3 of the increase in world energy demand since 2000. Based on EIA data, some analysts calculated that the strict implementation of the standards discussed there would have slowed the Chinese additional energy demand by about ten years compared with today’s trends (in other words: they would have consumed in 20 years what they would have needed in 10 years). Moreover the same standards would have represented for the US what many American people call “the biggest tax increase in American history”. With a purpose hard to contest, Europe hoped to reduce its backwardness vis-à-vis both its major competitors, and also other emerging powers. It’s not surprising thus that China had seen in the

⁸ “Rompuyng along”, *The Economist*, February 4, 2010.

⁹ Thérèse Delpech, “Penser le monde de l’après-crise”, *Le Monde* April 15, 2009.

Copenhagen Conference the second try to hit its growth after the 2003 war – a kind of continuation of the 2003 war by other means. And it's no surprising that the Copenhagen Conference had failed.

But Beijing transformed a possible defeat into a new step forward: it created a sort of “common front” with other rising powers in order to defend their “right to development”: you – old powers – already polluted for your development; now it's our turn to develop – and in any case we will do it more watchfully than you did. For this “new front” there is also a new acronym: BASIC (Brazil, South Africa, India and China).

So Europe lost its battle with BASIC, and immediately after it was subjected to the internal attack of PIGS (Portugal, Italy – or Ireland –, Greece and Spain). The Vatican newspaper's disappointment is more than understandable.

We can only say a little about the new “economic government” for Europe, announced at the European summit on February the 11th. According to *The Economist*, “those words are empty: they mean one thing to Germany and other governments wedded to budget discipline and strict independence for the ECB and something very different to more interventionist countries like France”¹⁰.

It is true, but largely incomplete, because for the very first time Germany agreed to talk about an “economic government” for Europe; and the European Council said openly that the *entire* EU is this “economic government”, not only the 16 countries that use the euro. This has two major implications: 1) this “government” is too large to be able to make crucial decisions like, for instance, the euro change rate (which is the first worry of the Germans); 2) the United Kingdom is associated with the economic government of Europe. This is a way to accelerate a process that is now slow and hesitant. In fact, the strategic problem, for Europe, is to be able to push the UK onto its own side, in order to reverse the 2003 situation.

In conclusion: in the near future the main characters on the geopolitical stage will be the United States and China: the US trying to avoid “the second-place”; China trying to overcome the Western opposition and impose itself as a main actor of any global political and economic decision; four “poles” – Europe, Russia, India and Brazil – that will try to improve their position in the balance of powers by exploiting the rivalries (but also the accords) between the US and China; three “swing states” – Japan, United Kingdom and Turkey – which are now on the edge: depending on their decision (or indecision) the balance can change considerably.

Whatever happens, the next great game will be multi-polar, and like the devil who hides himself in details, the future of international relations hides in the various links between all the great powers.

¹⁰ “A half-hearted effort”, February 11, 2010.