

Unilateralism does not work! Global Interdependence supports Multilateralism

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It goes without saying that appointing an open Bush critic as a minister and dropping hints at distancing Britain from US exceptionalism are part of a well-calculated move of Gordon Brown's new premiership to shed his predecessor's 'poodle' image. Such moves however reflect a realization that a one-sided alliance may no longer be fit for purpose in today's global interdependent geopolitics.

Brown's key EU allies, Sarkozy and Merkel, are likely to think along similar lines. While maintaining good relations with the US as the world's superpower, they are unlikely to be willing to be led by the nose. As there is movement towards greater consensus on a closer European Union, the EU is forging ahead towards a 'constitutional' framework, albeit camouflaged as a treaty. This underlies the EU's own growing economic clout symbolized by a much stronger Euro compared with the US Dollar. After all, the EU is now the world's largest economy.

As for the Lugovoi affair, setting aside speculation about hidden Russian internal politics, Putin's measured response is in a way consistent with his Azerbaijan alternative (initial huffy outbursts notwithstanding) against the US's recent missile defence deployment in Eastern Europe. Now powered by rising energy wealth, Russia is poised to re-assert her international status. But with the former Soviet Bloc gone, Russia has woken up to the reality that she cannot rely on Bush gazing into her eyes and trusting her 'soul'. She has to nurture multilateral relations with a host of countries including those as varied as China, India, Germany and France, more on the basis of specific mutual interests (especially energy security) rather than ideology.

There is also an awakening in the US that neoconservative unilateralism is no panacea in an interdependent world driven more by asymmetric forces and surging nationalism worldwide, where 'soft power' or 'smart power' are beginning to carry more sway. *(After the Neocons, Francis Fukuyama, 2006)* Likewise, the so-called one-size-fits-all Washington Consensus formula has lost much of its shine. *(The Beijing Consensus, Joshua Cooper Ramo, 2004)*

While US exceptionalism still remains strong, there is now a greater willingness to talk to 'the enemy' as in the case of North Korea and Iran. While the full impact of a US military surge in Iraq remains to be seen, it begs the question whether it is a question of isolated insurgents or a matter of hearts and minds amongst a multitude of stakeholders. Indeed, translated into Europe, it also begs the question whether Germany and France spending substantially less on defence than Britain both in absolute and GDP percentage terms, thereby become less secure.

Meanwhile, global geodynamics are moving East. A 2005 proprietary study by Credit Suisse First Boston is telling. Taking into account gradual RMB appreciation, the USD size of China's consumer economy is likely to grow to 90% of the US' by 2014 with an annual growth twice that of the US. The consumer pendulum has begun to swing towards China. (*The Rise of the Chinese Consumer - Theory and Evidence, Jonathan Garner, 2005*)

A much more recent graph by Goldman Sachs is even more revealing, although linear projections are not to be taken at their face value. This predicts China's economy not only to catch up with the US by 2027/8 but to exceed it by 75% by 2050, at the same point as India's economy matches the US. (*The Economist, 30 June, 2007*)

The whole world is now embracing this Eastern re-emergence in a turbo-charged globalization of the 21st century. At the centre of it all is the US economy, which is increasingly linked to China's. Not only is this evident from the myriad US trade and investment activities including sourcing, out-sourcing, off-shoring, and retail sales in China, but a worrying symbiosis has developed. China's surplus capital is financing US borrowed profligacy through heavy investment in US Treasuries, giving the US economy an easy ride and sustaining a risky, if not vicious, circle crying out for adjustment. (*Debtor Nation, the Rising Risks of the American Dream on a Borrowed Dollar, Jonathan Shaw, Managing Editor, Harvard Magazine, July-August 2007*)

The EU has not been slow in this eastward move. She has recently displaced the US as China's largest trading partner. Neither has Japan, which is seeing China exceeding the US as her largest trading partner, as a vast proportion of her manufacturing has been off-shored to China, which in turn imports Japan's higher-end components.

Similarly, the ASEAN countries are forging much smoother and closer economic ties with China, which has become the main contributor to their

economic growth and generally positive trade balance. India, too, in spite of a degree of competition, is also forging closer trade, technology and youth links with China. With intra-regional trade, including Japan, rising by the day, we are seeing the gradual emergence of an Asian Economic Community and the promise of a future Asian Dollar.

As the world's leading manufacturing countries are now in Asia, energy and minerals are also drawing countries such as Australia, the Middle East, Central Asia, Africa and Latin America much closer to the East, particularly China.

China, however, needs the West and the rest of the world perhaps even more than they need China. She is now the 4th largest economy in the world, but with a population of a fifth of humankind, she still ranks below 100th in terms of per capita GDP, amongst some of the poorest countries in Africa. Moreover she has only 7% of the world's arable land and only a third to a quarter of the world's per capita water resources, much of which have become polluted. She needs to produce 24 million jobs each year just to stay even. She has to maintain a relatively rapid growth rate, achieve higher value-added in her productivity, and develop a sound economic foundation before her aging population profile begins to bite in 30 to 40 years time. She has to grapple with rising inequality and corruption and build better governance and rule of law. She has to do all these, yet maintaining the sustainability of her environment as more and more of the West's energy-intensive manufacturing is being off-shored to China. That's why China does not want, and cannot afford to be aggressive. She needs peace and Harmony, both at home and internationally, to continue to build a better society for her people, and for the Party to stay in power. So China welcomes international help and cooperation, especially in technology, innovation, resources, and in clean and efficient energies. She is honing her skills in playing a better game in engaging the rest of the world, including the West, as a leading Responsible Stakeholder. In short, while nurturing relations and cooperation across the globe, she shuns the old concept of 'blocs' and whole-heartedly embraces multilateralism.

Indeed, as Capitalism and Socialism are converging across the world, we need a paradigm shift in our thinking how to engage with other countries, and how to promote peace, stability and development in a world now virtually without borders.

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