

# PREMATURE SWAN SONG FOR THE WEST

## CURRENT BOOKS ARE WARNING AGAINST SIMPLIFICATION

*Frank Priess*

If you look at the current press and book market, we seem to be at that point once again: The demise of the Western world is nigh, the United States are subject to comparisons with ancient Rome, Europe seems to be doomed to become a minor player in the future on account of its demographic problems alone. The current financial and economic crisis is doing the rest. The Dean of the Lee Kuan Yew School of Public Policy in Singapore, Kishore Mabubani, gave the starting signal back in 2008 with his book *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East*. A Mexican political advisor used a current forum to state that you could observe the past in Europe, the present in the USA and the future in China. And the renowned *Economist* accompanied a commentary with the following headline in August 2011: "What's Schadenfreude in Chinese?" However, the author then comes to the conclusion that Asian triumphalism might be premature.

And there are parallels to this, which the grand old man Joseph S. Nye reminds us of in his recently published book *The Future of Power*. He does, however, also state: "Two great power shifts are occurring in this century: a power transition among states and a power diffusion away from all states to nonstate actors." In his opinion, whose armies are the strongest has not been the determining factor for a long time. Whose story is the most convincing has already been important for quite some time now. Legitimacy and credibility are the common currency with respect to the latter. "The best propaganda", according to Nye, "is not propaganda", the lived example exerting its own attraction.



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As everyone knows, even the best advertising cannot sell an unpopular product in the long run, especially not in times of re-kindled institutional competition with new fronts. "Politics has become a contest of competitive credibility", Nye comments. But this also means that no government can exert total control here, especially in these days of social networks. The culture of a country, its values and the lived reality must be matched by appropriate foreign policy if that policy is to be credible and claims moral authority.

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As these few comments make clear already, the West is not that badly placed in this respect for the future either. Its great power of attraction is unbroken, especially that of the USA; that is where innovations relying on creativity still often start. Young, open-minded people are still finding their way particularly to the elite universities with their numerous Nobel laureates, to which there is no equal anywhere else in the world. Social mobility and, not least, a never-ending stream of migrants are creating advantages for the United States, which even other industrialised nations cannot easily match. Even if the dollar is weakening, it won't be replaced by a new lead currency any time soon, and there will be no sudden changes to the military dominance of the USA with its global reach either. According to Nye, the mixture of hard power and soft power is intact, whatever the problems. "Describing power transition in the twenty-first century as an issue of American decline is inaccurate and misleading." But he thinks that the USA needs a strategy on how to deal with the "rise of the rest". The world is not becoming unipolar or multipolar or chaotic, but all three at the same time.

The same line – albeit in a more pessimistic vein – had earlier been taken by Fareed Zakaria in his book *The Post-American World*, but he had also given the following warning: "At a political-military level, we are still in a world with a single superpower. But in all other areas – economic, financial, educational, social and cultural – the power balance is shifting, away from American dominance. That does not mean that we are entering an anti-American world. But we are headed towards a post-American era that will be defined from numerous places and by many actors." In Zakaria's opinion, the war in Iraq and George W. Bush's

foreign policy had taken away the legitimisation basis for America's military-political power in the eyes of the world, and the financial crisis had done the same for the economic power of the USA. This would also affect the so-called soft power factors of the USA. The sop with respect to them: According to Zakaria the "rise of the others" would be mainly to the detriment of Western Europe and Japan, which were "in a slow demographic decline".

And that then brings us back to Joseph S. Nye, who reminds us that it is hardly two decades ago that alarming books had been written stating that Japan was about to take over control of the world – and there was no shortage of correspondingly self-confident comments from the Land of the Rising Sun either. Innovative management techniques of Mitsubishi and others dominated the economics literature, the Ministry of International Trade and Industry MITI was considered a model for the entire world. But then it all turned out different after all. Linear extrapolations of current developments and success stories should only ever be viewed with caution.

Nye therefore looks with a critical eye at new and old competitors of the USA. The author is not keen on the term BRIC for emerging markets for instance, which tries to link highly diverse countries and whose internal development focus is actually very Chinese in nature. Light and shadow are close together in the various 'member countries'. Even in the case of China, says Nye, you have to ask yourself whether it will retain its political stability, whether growth will not weaken with the rising level of development here as well, whether the country can conquer its demographic problems and social divisions, especially given the complex environment. Nye reckons that it remains to be seen whether China will turn from a "free rider" into a "responsible stakeholder" of world politics, a role commensurate with its importance. Also, the resurgence of the Middle Kingdom is not being viewed with universal enthusiasm at all by other important actors of the region, such as Japan and India.

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This is not to belittle the enormous progress China has made in terms of development and its prospects. These are

also mentioned in Henry Kissinger's new book *On China*, embedded in a detailed description of Chinese history and – of course – the author's many encounters with the country and its leaders over the years. He picks out one person in particular as having been fundamental to the success story of the last few decades: "China as the present-day economic superpower is the legacy of Deng Xiaoping."

Obviously, what is of particular importance to Kissinger is the bilateral relationship between China and the USA, a process that not least he himself played a considerable role in. In Kissinger's opinion, the USA has to consider whether insisting on coming back to the subject of human rights is really the best way of dealing with the new superpower. On the other hand, America's partners have to understand that the claim for worldwide enforcement of democracy and human rights is virtually part of the American genome, even if it might occasionally be detrimental to the immediate 'national interest'. To Kissinger, this balancing act is really quite problematic: "Democratic values and human rights are the core of America's belief in itself. But like all values they have an absolute character, and this challenges the element of nuance by which foreign policy is generally obliged to operate. If adoption of American principles for governance is made the central condition for progress in all other areas of the relationship, deadlock is inevitable."

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Kissinger is pointing to a dilemma here, which the entire Western world keeps coming up against and where congruence is not always easy to find. To what extent do you make human rights the guiding principle for dealing with other governments? Do you apply the same standards everywhere? Does the justification of defending human rights in one country – violating that country's national sovereignty – practically automatically mean that you will have to intervene elsewhere as well if you apply the same standard, possibly at higher cost? Is Syria that different from Libya in that respect? Do different rules apply for failed states such as Somalia? And what about potentates, who you are still friends with and who are also of particularly high economic significance as in the case of

Saudi-Arabia? Kissinger himself gives an answer to this that comes across as realistic not only for the USA: "It is a choice that needs to be made and cannot be fudged. I respect those who are prepared to battle for their views of the imperatives of spreading American values. But foreign policy must define means as well as objectives, and if the means employed grow beyond the tolerance of the international framework or of a relationship considered essential for national security, a choice must be made. What we must not do is to minimize the nature of the choice. The best outcome in the American debate would be to combine the two approaches: for the idealist to recognize that principles need to be implemented over time and hence must be occasionally adjusted to circumstance, and for the 'realists' to accept that values have their own reality and must be built into operational policies."

And China is a separate case anyway in this respect, as made clear by a phrase quoted by Kissinger that his successor in office Madeleine Albright had uttered: China "is in its own category – too big to ignore, too repressive to embrace, difficult to influence, and very, very proud". Although the competition within the bilateral relationship will, according to Kissinger, be more likely to take place in the economic and social arena than in the military sphere, it is important to take China's military ambitions seriously as well and to recognise the hazards inherent in the perceptions the two countries have of each other. China's perception is that the U.S. is trying to hold back its development; the American perception is that China is trying to push the U.S. out of Asia – in other words an obvious potential for conflict. "In Asia [...] the states consider themselves in potential confrontation with their neighbors. It is not that they necessarily plan on war; they simply do not exclude it", Kissinger reminds us. Ignoring this is not a good thing.

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However, China itself does not seem to be entirely sure of how to present itself in future. Should it prefer to hide its light under a bushel for now or flex its muscles, in line with its view of itself as a country slowly regaining the place that it is entitled to historically and which corresponds to Chinese hegemony over many centuries? Fareed Zakaria asks us to consider the following: "If an emerging power

goes up against the leading world power, so history shows us, the bilateral relationship deteriorates. And that happens even if neither side wants to acknowledge it publicly. Both China and the United States are anxious and preparing for problems to come." And he goes on to say: "Serious rivalry between the USA and China would mean an end to integration, economic interrelationships, and globalization, and signal a new era."

Important sections of Francis Fukuyama's latest work *The Origins of Political Order – From Prehuman Times to the French Revolution* are also contributing to the analysis of Chinese self-evaluation. This book moves away from focusing on Western state models and describes how and under which conditions politics and the use of political power have developed in parallel in different parts of the world, what keeps societies together and allows development beyond primary groups, which types of value base and self-image prove to be sustainable. The impressive panoramic picture takes in a wide swathe, from Africa to the Arab world, Asia, the Americas with their diverse regions all the way to the highly diverse development paths in Europe.

Once again, China is an unavoidable reference here – with astonishing parallels from the development of the "first modern state", so Fukuyama says, to the present-day situation. According to the author, the road

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to the modern state has never involved the development of a constitutional state where the power of the state is restricted by the rule of law: "China was the first world civilization to create a modern state. But it created a modern state that was not restrained by a rule of law or by institutions of accountability to limit the power of the sovereign." And this still applies today, even though, contrary to many other developing societies, this situation does not diminish China's attraction to investors. Fukuyama generally: "The absence of a strong rule of law is indeed one of the principal reasons why poor countries can't achieve higher rates of growth." But: "On the other hand, it is perfectly possible to have 'good enough' property rights and contract enforcement that permit economic development without the existence of a true rule of law in the sense of the law being the final sovereign. A good example is the People's

Republic of China. There is no true rule of law in China today: the Chinese Communist Party does not accept the authority of any other institution in China as superior to it or able to overturn its decisions. Although the PRC has a constitution, the party makes the constitution rather than the reverse. If the current Chinese government wanted to nationalize all existing foreign investments, or renationalize the holdings of private individuals and return the country to Maoism, there is no legal framework preventing it from doing so. The Chinese government chooses not to do so out of self-interest, which seems to be regarded by most parties as a sufficiently credible assurance to future good behavior.”

However, there is no reason why this has to remain the case; many German SMEs with ambitious dreams involving China can already tell you a thing or two about it today. Because as Fukuyama also makes clear: An authoritarian but responsible, sensible and efficient leadership can actually celebrate astonishing developmental achievements without a constitutional state. But if authority is not accompanied by these qualities, unthinkable cruelty and human suffering are also possible – and there are plenty of examples of this in history. And Fareed Zakaria writes the following on the same subject: “That an undemocratic government should be able to sustain such a continuous high level of economic growth over such a long time is unusual. Most autocratic governments become inflexible, corrupt, and incompetent after a short period of time; they plunder the economy and cause stagnation. The legacy of the Marcos, Mobutus, und Mugabes of this world is far more typical in this respect.”

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Fukuyama bases his deliberations on a revised version of Samuel Huntington’s classic *Political Order in Changing Societies* from the late sixties. “Countries are not trapped by their pasts. But in many cases, things that happened hundreds or even thousands of years ago continue to exert major influence on the nature of politics”, says Fukuyama, in this instance agreeing with Kissinger in believing that although one should not overstate the explanatory potential of historic analogies for current developments – see above in connection with “theories of decay” –, it does

represent an essential component of proper analysis. And one should not forget that political development and any milestones achieved along the way are not at all secure for the long term; regression is always possible. Fukuyama: "Political decay occurs when political systems fail to adjust to changing circumstances."

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This then takes us back to the question as to whether the West has passed its zenith, whether the current phase of crisis especially in the economic sphere has done irrevocable damage to its partly self-declared model status. Because a value structure is rarely self-sustaining unless people experience direct positive effects on their daily lives. Fukuyama once again: "The mere fact that a country has democratic institutions tells us very little about whether it is well or badly governed. This failure to deliver on the promise of democracy poses what is perhaps the greatest challenge to the legitimacy of such political systems." And he continues: "Democracy's failure [...] lies less in concept than in execution: most people around the world would strongly prefer to live in a society in which their government was accountable *and* effective, where it delivered the sorts of services demanded by citizens in a timely and cost-effective way. But few governments are actually able to do both, because institutions are weak, corrupt, lacking capacity, or in some cases absent altogether."

At this front too, the West has to face up to institutional competition once more, especially with the Asian countries on the rise: "One of dynastic China's great legacies, then, is high-quality authoritarian government. It is no accident that virtually all of the world's successful authoritarian modernizers, including South Korea, Taiwan, Singapore, and modern China itself, are East Asian countries sharing a common Chinese cultural heritage." The interesting aspect here is that in cases such as South Korea and Taiwan the economic development, which started under authoritarian circumstances, was followed ultimately by democratisation and that even Singapore is asking itself whether the cost of limiting democratic rights is not greater than its perceived benefit from a certain development status onwards after all. "While having a coherent state and reasonably good governance is a condition for growth, it is not clear that



democracy plays the same positive role”, argues Fukuyama and he continues: “There are many potential paths to modernization possible today.”

But even disregarding the question on the extent to which achievements and experiences can be transferred from a particular culture into a completely different environment, the West obviously needs to do its homework. And in this context, the economic crisis emanating from the industrialised countries and especially the USA has thrown the deficits into sharp relief. Particularly the purely liberal model, which expects the pursuit of individual interests to automatically lead to the greatest possible social benefits, is under the spotlight; but so is a development model that shifts the burden of the cost of current well-being onto future generations. “In the history of modern capitalism, crises are the norm, not the exception”, as Nouriel Roubini and Stephen Mihm remind us in their book *Crisis Economics: A Crash Course in the Future of Finance*, an eminently good read. They state that John Maynard Keynes had known back in 1933: “The decadent international but individualistic capitalism in the hands of which we found ourselves after the war is not a success. It is not intelligent. It is not beautiful. It is not just. It is not virtuous. And it doesn’t deliver the goods. We don’t like it, and we are starting to hate it. But when we ask ourselves what should take its place, we don’t have an answer.” Once again, Roubini und Mihm think, the important thing is to draw the right conclusions and think about them without excluding any taboo areas – the ‘market fundamentalism’ fashion for one did actually avoid taking earlier experiences into account. Their book uncovers the weaknesses mercilessly and provides instructions on how to do so; the “near-death experience of a financial crisis” makes people inventive. The drastic recommendation here, which it seems politicians have not followed in spite of the Lehman Brothers saga and criticism of the too big to fail concept, is: “Not only do we need to reduce the TBTF problems by making each institution smaller, we also need to unbundle financial services within financial institutions to reduce the too-interconnected-to-fail problem.” And this is the advice the authors give the USA: “The status quo is unsustainable and dangerous, and absent some difficulties it will ultimately unravel. Indeed,

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if the United States doesn't get its fiscal house in order and start saving more, it's headed for a nasty reckoning. When that reckoning will come is anyone's guess, but the notion that it might be put off for decades is delusional. Indeed, some signs suggest that the tide is already beginning to turn." Their remaining suggestions also pack quite a punch: a modified remuneration system for traders and bankers in conformance with shareholders' interests, reform in the area of derivatives and securities, a modified business model for the rating agencies, and finally: more international regulation. "Unfortunately, while finance has gone global, its regulation remains a national affair. All this increases the likelihood of future crises that could assume global proportions", Roubini and Mihm write. The waning reforming zeal at G20 meetings and similar events and the 'implementation backlog' of measures that have, in principle, already been agreed don't give much hope for rapid progress.

It would be necessary, in the circumstances, to redefine especially terms such as responsibility and sustainability in an appropriate way, to advocate models such as that of a social market economy with conviction. And you should not shy back from reminding people of existing differences, as Christoph Schwennicke does in the *Spiegel* magazine when he writes: "Why is the supposedly fallen superstar Germany so well positioned in the largest economic crisis of the post-war era? Because it has stayed more solidly faithful to its industrial mix and has also made itself more future-proof than the Anglo-Saxon model, which has been in fashion over the last 30 years, looking down on Germany with pity and arrogance. Because chimneys keep smoking here and conveyor belts keep running, because it is not financial products that are packaged until they are totally unrecognisable, but real products."<sup>1</sup> "Europe", says the author, "has more to offer and more to lose than just a common currency. It is more than just a large trading arena. Continental Europe is a cultural arena with the most exemplary political value system in the world. Those who attack it or talk it down are following an agenda. An economic or a hegemonic one."

1 | Christoph Schwennicke, "Comeback des Superstars", *Der Spiegel* 2/2011, January 10, 2011, 26-27, <http://spiegel.de/spiegel/print/d-76229460.html> (accessed October 25, 2011).

Actually, society and not least the younger generation have been making themselves heard for quite a while and not left politics entirely to the politicians. Countries with active, watchful civil societies and established participation channels have the advantage in the medium and long term. If anybody still needs proof of the increasing importance of non-state actors and the rapid changes in the world – the role Facebook and Twitter played in the social protests of recent times has been stressed often enough – they only need to take a look at the current list of the most powerful women of the world, which has just been published again in *Forbes* magazine. With Angela Merkel, Hillary Clinton and Dilma Rousseff from Brazil, it does show three politicians in the top three places, but they are immediately followed by the CEO of Pepsico India und Sheryl Sandberg, COO at the social network Facebook, directly followed by Melinda Gates. Even fashion icons such as Gisele Bündchen are still amongst the first 60 thanks to their social activities – you will incidentally look in vain for a Chinese woman anywhere near the top.

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“Political freedom is not won, it would seem, only when the power of the state is constrained but when a strong state comes up against an equally strong society that seeks to restrict its power”, writes Francis Fukuyama. This is no doubt also the key to what people should consciously cherish and strive for especially in the West these days, totally in line with the thoughts of U.S. President Barack Obama, who shouted the following to the U.S. allies during his European trip in May 2011: “Our alliance will remain indispensable to the goal of a century that is more peaceful, more prosperous and more just.” There is no cause for pessimism or a mood of impending doom.

#### Books read:

- Francis Fukuyama, *The origins of political order – From pre-human times to the french revolution*, New York, 2011.
- Henry Kissinger, *On China*, New York, 2011.
- Kishore Mahbubani, *The new asian hemisphere: The irresistible shift of global power to the east*, New York, 2008.
- Joseph S. Nye Jr., *The future of power*, New York, 2011.
- Nouriel Roubini und Stephen Mihm, *Crisis Economics: A Crash Course in the Future of Finance*, New York, 2010.
- Fareed Zakaria, *Der Aufstieg der Anderen – Das post-amerikanische Zeitalter*, Munich, 2009.