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The European Union: Protagonist in a Multilateral World Order or Peripheral Power in the »Asia-Pacific« Century?

As the world moves towards a multipolar power constellation with China and India challenging the established US-dominated western world order, Europe risks marginalization. Europe should react by promoting fair and effective multilateralism and developing strategic partnerships with the rising powers of the 21st century.

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With 25 member states, 450 million inhabitants and a contribution to the world GDP of 25 percent the European Union belongs among those actors which influence global-governance processes and can help to deal with global problems. The EU articulated its readiness to assume global responsibilities in the European Security Strategy of December 2003. At the same time, European foreign policy is still in the process of development. A common perspective on central global issues, as well as a definition of pan-European interests which must go beyond

the sum of the interests of member states remains to be attained.

In what follows, we shall first list a number of fundamentally positive factors to which the EU can appeal when going about the construction of its global-governance capacities. Against these assets, however, we shall set a number of central weak points which the EU must overcome if it is to gain in importance as a global-governance actor. Furthermore, we shall sketch the consequences for the world order of the rise of China and India. It is clear that the transition from a quasi-unilateral, us-dominated power constellation to a multipolar one can lead to a creeping erosion of multilateral institutions. Neither the »old world power«, i.e. the US, nor the rising global powers in

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Asia are investing in the stabilization or even the further development of the multilateral order. At present the European Union is the most important actor in world politics that is firmly pursuing a multilateral concept of the world order. The EU could therefore, in the developmental phase of the multipolar power constellation, become the central protagonist of an effective and fair multilateralism. However, this will require enormous efforts on Europe's part because there is nothing resembling a »senior partner« by whose side the EU could stand as »junior partner« in the stabilization and modernization of the multilateral global-governance architecture. The EU must be grown-up about foreign policy and establish alliances for a world order based on compromise, human rights, and cooperation – or it will become a peripheral region in an Asia-Pacific century.

Four Strengths of the EU on the Way to Becoming an Influential Global-Governance Actor

The EU can fall back on four assets when it comes to developing its global governance capacities. First, the European Union has globally been ascribed the mostly positive role of an international negotiating or civil power, which stands for the development of a fair multilateralism. In comparison to the USA and other influential states, the EU is perceived as a »benevolent actor« and a broker of conflicting interests (for example, in the Middle East, in dealing with Iran) and a serious problem solver in important areas of world politics (for example, as regards climate change).

Secondly, against this background the EU is helping to put a brake on rampant anti-Western world views and perceptions which have gained impetus due to the Iraq war, human rights abuses in Abu Ghraib, the erosion of human rights at Guantánamo Bay, and the unilateralism exhibited by the Bush government. Francis Fukuyama in his most recent book »America at the Crossroads« describes how after September 11, 2001 the USA proceeded to damage its reputation as a »benevolent hegemon.« Charles Kupchan (2003), adviser to the Clinton government on European politics, and Jeremy Rifkin (2004) underline, in contrast, that in many parts of the world Europe enjoys trust which could serve as a founda-

tion for more effective international initiatives on the part of the EU but also of the West in general. The EU therefore possesses moral capital which could be of the highest importance in the translation of economic, political or even military potential into legitimate global action.

Third, the EU is often reproached with making only marginal contributions to stability and security in the international system. The EU's engagement in the successor states of the Soviet Union, as well as – in particular – the process of eastern enlargement of the Union, have contributed substantially to the largely peaceful transformation process in the former socialist countries. In this context the EU has made major political and financial investments in Europe's stability and security and so also in that of the international system, although this strategy has been controversial in many member states. The EU should capitalize on these successes both internally and externally to make its mark as an effective player in international politics.

Fourthly, the EU itself constitutes a kind of regional »laboratory for global governance«. Multilevel politics between national states and the Union, the far-reaching juridification of its international cooperation (European jurisdiction), the bundling of »shared sovereignties,« the continuous development of common interests between the member states, as well as the division of labor between national states, the quasi-supranational EU Commission and the EU Parliament – that is, the complicated but unavoidable »governing beyond nation states« – has been practiced in the EU for a number of decades. The experiences obtained in this way and the political habits handed down and internalized in this process represent for both the EU and the member states a political competitive advantage which is not to be undervalued when it comes to helping effectively to shape the development of the global-governance architecture. The EU is both the most advanced and at the same time the most ambitious project of regional cooperation in the world and in principle an appropriate answer to the challenges of globalization, which are increasingly giving rise to transnational sets of problems and necessitating cross-border governance.

Four Weaknesses on the Way to Becoming a Cooperative World Power

However, a number of weak points must be set against these assets in terms of the EU setting itself up as a cooperative world power. First, Europe's only limited economic, technological, and scientific attractiveness in comparison with the USA (and in future possibly also China and India) implies a loss of »soft power« which should not be underestimated. The capacity to act globally is based not only, perhaps not even principally, on military power, but on top of that on political, economic, and cultural attractiveness. Europe can therefore in the future only become a relevant »cooperative world power« if it simultaneously overcomes its economic weaknesses and becomes a motor of innovation in the world economy.

Secondly, despite the »European Security Strategy« of 2003 the EU has still not managed to develop pan-European interests – which can even be opposed to individual national interests – and, on that basis, common strategies for helping to shape the international system, which can also withstand »heavy storms and a bumpy journey.« The crisis of the EU in the run-up to the Iraq war showed that in difficult international crises it is still the nation states and their capital cities, not the EU, Brussels, for the European Council of Foreign Ministers which ultimately are the relevant actors. The dispute between some European member states concerning the reform of the Security Council last year only strengthened this impression. The EU is the most developed regional cooperation project in the world, but still »work in progress«: no longer merely the sum of nation states, more than an association of states, but still clearly not a federal state of Europe. Moreover, with the crisis of the European constitution the project of a more effective common EU foreign policy remains blocked for the time being. If this blockade and the loose cooperation between the foreign policies of the member states, as well as of the Commission, remains in place the EU's global influence will ultimately remain very limited. Only a common European foreign policy would provide the opportunity to play a major role in global politics.

Thirdly, although the EU is regarded worldwide as a »benevolent player« on the inter-

national stage, at the same time it is considered a political actor which, in the context of the troubled further development of the European cooperation and integration project, is preoccupied above all with itself, its complicated decision-making processes and its confusing institutional structures. The breath-taking political and economic dynamics in parts of Asia contrast with the often finicky and stolid machinery of the European Union. And while the USA are reproached with exhibiting the hubris of power, the EU must often give the appearance of being involved internationally »with the handbrake on.« Against Europe's good international reputation overall must be set the not unjustified observation that the EU is still not a truly globally thinking and capable »cooperative world power.«

Fourthly, the EU's efforts to develop its global capacity to act continue to be undermined by the internationally widespread image of »Fortress Europe«. Two things in particular which contribute to this image of the walled-in fortress are, on the one hand, the disputed immigration and migration policy of the Union which in the context of rising refugee movements from Africa have gained in importance in recent months; and, on the other hand, above all European agricultural policy is a symbol of the protectionism which inflicts great damage on the image of a cosmopolitan actor with a far-sighted interest in global issues. For example, Europe's intransigence on agricultural questions in the negotiations with Mercosur on a free trade zone have harmed Europe's standing in South America.

This sketch of the EU's strengths and weaknesses shows that it has a good starting position from which to gain significance as a global power without giving rise to international worries about an aggressive Europe, or one solely orientated towards its own, narrow interests. On the other hand, the economic, political and institutional construction work is visible on which the EU must build in order to translate its global-governance potential into an effective capacity to act.

The EU Needs a Strategy for Dealing with the Rising Powers of China and India

China and India are developing into significant global-governance actors which are fundamentally changing the basic pattern of the world economy and politics. We are currently witnessing a transition from the quasi-unilateral »western world order« dominated by the USA to a multipolar power constellation in which the two Asian countries – the most populous in the world – play a central role (Humphrey/Messner 2006). The European attitude to the two rising Asian powers will in future be as important as transatlantic relations. Clearly China and India are giving rise to tectonic changes in the world economy:

- China's share in US imports rose from »virtually nothing« in 1985 to 15 percent in 2004.
- Chinese exports rose from USD 50 billion in 1990 to USD 772 billion in 2005, making China the third largest trading nation in the world; the forecast is that by 2010 China could become the largest export economy in the world.
- China's share in world demand for important base metals has risen from 5–7 percent to 20–25 percent since 1990.
- China currently holds the second largest (after Japan) currency reserves in the world, at USD 900 billion.
- Since 2003 China has been the second largest energy consumer and emitter of CO₂ in the world.
- Between 2002 and 2004, 723 strongly R&D-based, that is, technology intensive direct investment projects were realized in China. That corresponds to 41 percent of all investment projects worldwide in this area: in the course of the last decade 700 technology centers have been established in China by foreign companies and around 100 in India – the Asian low-wage economies are therefore gradually becoming motors of innovation for the world economy.
- After decades of falling prices for primary goods the terms of trade for raw materials and agricultural goods have been going in the opposite direction since 2001 due to demand from China and India.

India finds itself on a similar economic path to China but with a 10–15 year lag (Müller 2006; World Bank 2006). If the catch-up processes of the two Asian giants continue India would play a similar role in 2020 as China does now – and both together would significantly change the world economy.

The economic dynamics of China and India are taking the form of increasing initiatives and interventions by both countries in the most varied areas of world politics (Kaplinsky 2006; Humphrey/Messner 2006). Owing to the enormous demand for resources and energy the Asian giants are pursuing active strategies to secure raw materials and energy sources in Africa, the Middle East, Latin America, and the Caucasus – in competition with the USA and the EU. China and India also have to take a position regarding climate policy given rapidly increasing CO₂ emissions: their stance in relation to Kyoto Phase II will be as important as that of the US government; China and India are participating in the »climate initiative« launched by the Bush government which seeks to avoid putting upper limits on CO₂ and instead to encourage technological innovations; China is endeavoring, in the Shanghai Cooperation Organization (China, Russia, Tajikistan, Kirgizstan, Uzbekistan), to harmonize its raw materials and energy policy with Russia. Within the framework of the two negotiations in Cancún, the G-22, led by India and Brazil and supported by China, showed the industrialized countries the limits of their trade policy power. India has joined forces with Brazil and South Africa to form a G-3 of the south in order to be able to act more effectively against the G-7/8 of the north.

The trend in the global-governance architecture is therefore an enormous pressure for adaptation – a new global power configuration is emerging. It can scarcely be imagined that the UN, the G-8, the WTO, the Bretton Woods organizations, and the climate regime will look the same in 2020 as they do in 2006. The decisive question is whether China and India, on the analogy of their remarkable economic and technological catch-up processes, will also, as global-governance actors, be able to go through similarly rapid political learning processes, and what models they will emulate in world politics.

The rise of China and India not only means that two more actors will become players in world politics. The transition from a unipolar

to a multipolar power constellation implies a radical change to a new world order. This new multipolar power constellation and the resulting competition for power and influence in world politics in the coming two or three decades will turn into the central and decisive line of conflict in the global-governance architecture – similar to the system conflict during the Cold War or the drawn-out conflict between the European central powers before the First World War.

In the past, extreme shifts in power in the international system, the »rise and fall of great powers« (Kennedy 2000) were accompanied by long periods of instability and conflict. One of the forefathers of geo political thought, Mackinder (1904), argued that the great wars of history as a rule were the direct or indirect consequence of unequal development between nations. The somewhat martial title of a contemporary publication on power shifts in the world economy in favor of Asia, »Weltkrieg um Wohlstand« [World War about Prosperity] (Steingart 2006), shows that Mackinder's analyses still find their adherents after 100 years. Also, many neorealist authors consider military conflicts between rising and declining hegemonic powers as almost inevitable. The decisive question is therefore whether the conceivable rise of China and India to become potential great powers in the coming decades, the accompanying relative loss of power of the USA, and the possible decline in the importance of European nation states will lead to a renaissance in the »power rivalries of great actors« and possibly even to violent conflicts. Theoretically, fundamental shifts in power could result in three constellations: »war, cold peace (stability based on competition and mutual deterrence), or warm peace (stability based on cooperation and mutual reassurance). War is the historical norm; most power transitions lead to violent conflict« (Charles Kupchan 2001, 7).

Should it not prove possible to gradually integrate China and India into a system of effective multilateralism, the new multipolarity could escalate into an unbridled power struggle between the USA, China, India, and possibly the EU, giving rise to instability, conflict, and constant turmoil – thereby tying up energies which are urgently required to deal with the dark side of globalization (poverty, destruction of the environment, climate change, state collapse). This sketch of global power shifts in the direction

of Asia clearly shows that the EU cannot confine itself to an incremental development of its global-governance approaches but needs a »grand strategy« to take account of radical global change.

While the US have been concerned with dynamics in Asia for some time German and European thinking is ultimately still strongly shaped by a transatlantic world order. For example, in the European Security Strategy of 2003 Asia, China and India are only of marginal concern. This overlooks the fact that in the coming decades Europe could find itself marginalized in world politics if it fails to develop its global-governance capacities energetically. What is certain is that in the future all European nation states, in comparison with the USA, China and India, will be minor actors with quite limited power resources. The EU will therefore end up at the periphery of world politics if it does not find common solutions to these challenges. The EU has often been capable, under considerable external pressure, of great reforms: for example, the breakdown of the Eastern bloc and German reunification became the motor of the European monetary union. Perhaps the dynamic of change emanating from China and India will force acceleration in the development of a globally oriented European foreign policy. The point of departure of such a strategy may not be the question of whether China and India will become powerful actors, but how they will deploy their growing power. From a European perspective three elements are of particular importance:

1. Europe's role could be to act as a catalyst and main protagonist of a fair and effective multilateralism which will increasingly come under pressure from the threatening »competition of the great powers.«
2. Europe must test and adapt its strategies in the global-governance arenas particularly affected by the rise of the Asian powers.
3. Europe must develop strategic partnerships with China and India without neglecting relations with the USA.

The EU as Catalyst of an Effective and Fair Multilateralism ... as Multilateral Politics Comes under Threat?

Against the background of reflections on the radical change from a uni- to a multipolar power constellation it is clear that a development in the direction of a cooperative global-governance architecture, characterized by a fair multilateralism, will in no way take place of its own accord but rather requires great political efforts from the global actors concerned. If this process should fail the consequence will be a revival of »competition between the great powers«: »The choice ... is between an effective multilateralism and either a gradual return to a world of great power competition or a world overwhelmed by disruptive forces or both« (Richard Haass 2005, 17).

In this context Europe should play a major role, on the one hand to fulfill its role as important protagonist of a multilateral political approach, and on the other hand to take advantage of the potential following wind that could arise from the EU being globally ascribed the role of an international actor inclined (primarily) towards compromise. If Europe managed to be effective in this demanding sphere the EU could assume a key role in the transition from the uni- to the multipolar power constellation, and contribute to limiting conflict and ensuring stability in the international system.

In order to tackle such a task the EU has to develop strategies to overcome the traps emerging for multilateralism in the transition to multipolarity. Three mechanisms are important here.

It will be hard for the sole superpower to say goodbye to »Global Dominance«

It is generally difficult for superpowers to switch from a strategy of »global dominance« to a concept of »global or even shared global leadership.« This currently applies to the USA, as the renowned US academic and foreign policy adviser to a series of US presidents Brzezinski argues. Brzezinski (2004, 216) first cites Peter Bender (2003, 155) who compares the current power hubris of the US superpower with the dominance of the Roman Empire:

»World powers without rivals are in a class of their own. They accept no one as their equal and are quick to describe loyal followers as their friends or *amicus populi Romani*. They no longer fight, they only punish. They no longer engage in wars, they only create peace. They are genuinely indignant when vassals do not act as vassals. « Brzezinski shares Bender's view and adds: »One is tempted to add that they do not invade other countries, they only liberate. The author wrote this before September 11, but his observation applies amazingly well to the stance of some US political decision-makers« (Brzezinski 2004, 216). Brzezinski is right – and hence, also under a Democrats-led government, the US will not do much to promote the stabilization or further development of the multilateral system. The EU should therefore hone its foreign policy profile in this direction– not as junior partner of the USA but as main instigator.

The Established »Transatlantic Multilateralism« of the Twentieth Century no Longer Applies

A further central challenge consists in the fact that the »fair multilateralism « of the future cannot just follow on from the »Western« or »transatlantic« multilateralism of recent decades. This is being undermined by the following dynamics:

- The unilateral attitudes of US foreign policy in recent years, to the persistence of which Brzezinski draws attention.
- The limits of classical international multilateralism which have become clear due to the increasing significance of private actors (multinational corporations, NGOs and other civil society actors), as well as the growing complexity of globalization, all of which require a degree of political control beyond the nation state which is too much for the existing international organizations: the crises of the »inclusive global governance arenas« (such as the WTO, the UN, the Kyoto process) and the increasing significance of exclusive forms of »global governance in clubs« (trend towards bilateral trade agreements; alliances against the Kyoto process; upgrading of the G-7/8 instead of using the UN as the nucleus of global cooperation; the coalition of the willing in Iraq) are indicators of the weak-

nesses of the established multilateral system.

- The rise of China and India which is significantly shifting global power constellations and eroding the project of an ultimately transatlantic-controlled multilateralism.

Multilateralism must therefore be reinvented. The EU should make substantial efforts to contribute here. However, at the moment the relative weaknesses of European foreign policy are only reinforcing the vacuum left by the USA in international organizations.

USA, China, India: Classical concepts of the state, power, and sovereignty are shaping world politics

In China and India classical concepts of sovereignty, power, and the nation state dominate the thinking of large sections of the political elite, even if these states make use of a multilateral rhetoric. These perspectives derive not least from the perception in the »rising countries« that their national trading potential and influence in world politics are at present rather increasing than eroding. The perception in Europe goes precisely in the opposite direction. In the EU the decision-makers are gradually learning, in the context of the globalization debates, that with regard to the limited scope of national politics and the growing importance of global interdependences the delegation of sovereignty, for example, to the EU, the bundling of national governance and steering capacities through international cooperation and the modification of the concept of non-intervention (for example, when it is a matter of protecting human rights as against non-intervention in internal affairs) are necessary reactions to maintaining political capacities to act and solve problems in a globalized world. It is interesting that China and India's classical understanding of sovereignty, power and the state concurs with the political thinking of the current US government. The idea that »multilateralism is a concept for weak states, « as neoconservative Robert Kagan tried to explain to Europeans in the Iraq debate, finds plenty of adherents in the rising Asian powers, too.

Against this background it is becoming clear that the EU is at present and in the

immediate future the most influential actor when it comes to the stabilization and »re-invention« of multilateralism. This is not necessarily good news for the future of multilateralism because it is questionable whether the EU can perform this role. Certainly it must develop a fundamentally new self-understanding as a world-political actor. It is a question of outgrowing the established model of the EU as the junior partner of the USA or even of a partner on »almost the same level« as the USA and taking on the role of a, probably *the* central motor of a revival of multilateralism, if Europe wants to stick to the concept of an effective and fair multilateral world order. Whether Europe is capable of such a show of strength remains to be seen. If such a reorientation does not succeed not only a creeping erosion of multilateralism is to be feared, but also Europe's probable relegation to the periphery of an Asia-Pacific world order shaped by the USA, China, and India.

Initiatives to Strengthen and Modernize Multilateralism

The EU should make it clear to the central global players, but especially to the »medium sized« anchor countries such as Brazil, Russia, South Africa and Indonesia, that although multilateral organizations have weaknesses (which must be identified and worked on) there is no alternative. Europe must become a point of crystallization for a »coalition of the willing« for further development of the global-governance architecture. The point of departure of such a coalition must be the central argument that an institutionally (through the UN, the WTO, the Bretton Woods organizations, and so on) ineffective global power competition in the transition from a quasi-unilateral to the multipolar world order would be dangerous and irresponsible. A US empire will as little be accepted by the international community as a conceivable Asian one. An author not known as an enthusiast for multilateralism such as Martin Wolf (Financial Times, June 14, 2006) is right when he writes: »The world will not accept the US (or any other power) as Master ... The (global) institutions are central ... and must be made to work.« Without the cooperation of those with the capacity to act this will not happen. And it speaks well for this that Europe (in

cooperation with other actors) could and should assume this role by means of effective initiatives to persuade the USA, China and India to take this path – because the three central powers will for the foreseeable future be preoccupied primarily with their reciprocal power wrangling. Ultimately, from the European perspective it is a matter of promoting an international system characterized by structures and rules that secures for Europe, which is losing power relatively (in respect of Asia), possibilities for exerting influence in the world order of 2025.

Global-Governance Arenas

The EU must in particular launch initiatives in the global-governance arenas, in which, due to the rise of China and India, power parameters and development dynamics have significantly changed and trends are emerging which run counter to European interests. In addition, in all areas in which relevant world problems cannot be solved without the involvement of China and India the EU must develop cooperation and intervention strategies in relation to the Asian giants. As examples we can cite three areas of global governance:¹

Climate, energy and sustainability policy is increasing in significance: climate change is becoming one of the critical international problems of the coming decades because it will be scarcely possible to achieve the goal of two degrees being pursued by the EU (as the upper limit of the rise in global temperature) without great efforts in terms of climate policy, corresponding socio-economic and security policy consequences of far reaching climate change (WBGU 2007). China is already responsible for 16.5 percent of global CO₂ emissions and India for four percent (Germany 3.5 percent). By 2025 and 2050 the Chinese share in worldwide carbon dioxide emissions could be 25 percent and 40 percent respectively.

China's energy requirements will approximately double by 2015, while India's energy consumption will increase by around 50 percent. This hunger for energy can only be satisfied in both countries by growing imports. China already imports 45 percent of

its oil needs; in 2030 the import share is expected to be around 75 percent. Since the world's energy reserves are predominantly in crisis regions such as the Middle East, the Caucasus, Africa, and Russia, international stability and security will depend not least on how the USA, China, India and the EU will handle their future competition for energy resources: In an institutionally regulated and moderated way or in an increasingly conflictive way which could trigger off or accelerate regional destabilization processes. The current arguments between the West and China about the close relations of the Asian giant with the governments of Sudan, Iran, and Venezuela clearly show the enormous conflict potential in competition for global energy resources.

The topic of sustainability which has been neglected for the last decade will become a central topic of world politics again due to the enormous energy requirements of China and India, as well as the inability of the OECD countries so far to improve their energy and climate balances. If efforts towards global sustainability fail a revival of geopolitics and conflicts about energy reserves, resources, and the costs of climate change will shape the future of the international system.

The EU has crucial significance, particularly in the Kyoto II process. It will be important to lead China, India and also Brazil gradually to take responsibility for CO₂ reduction. At the first attempt it probably won't be possible to commit these states to quantified CO₂ reductions, but it is conceivable to negotiate with China and India about significantly increasing shares of renewable energy in their national energy supply, and also to launch energy policy partnerships with the world's fastest growing economies, geared to mutual benefit.

Challenges in international development policy: the influence of Western (and also European) development policy is based on the combination of the financial power of the donor countries, their attractiveness as strong and prosperous economies, and their ability to set the international agenda for development policy. There is a lot to suggest that these three pillars of the supremacy of the industrialized countries in international development cooperation could gradually be eroded due to the new role of China and in future also of India. This dynamic also affects European development policies.

¹ Security policy challenges in the narrow sense (Iran and North Korea crises, fight against terrorism) will not be discussed. See Bergsten et al. (2006, 118 ff.).

First, China is still not challenging the financial hegemony of the Western donor states in international development cooperation, but on the basis of its high foreign currency reserves the Chinese government is in a position to change the development policy map. At the beginning of the decade Angola preferred a USD two billion credit for infrastructural investment from China to an offer from the IMF – at a lower interest rate and without the usual governance conditions of the Washington organization. In return China secured access to the Angolan oil industry. Worries that China's increasing involvement in development policy could lead to the erosion of the environmental, social, human rights and governance standards established by the Western donor countries is entirely justified given China's close cooperation with »difficult partner countries, « such as Zimbabwe, Sudan, and Algeria.

Second, some observers confirm that China is gradually increasing its »soft power potential« on the basis of its economic and cultural attractiveness and political leadership capability. In Africa and Latin America China has become an important economic, but also political actor in the last decade. In Asia, Japan has lost its role as leading nation to China. An EU report on Europe's strategic interests with regard to China emphasizes: »In the last five years the perception of China in Asia, particularly South East Asia, has changed. The region looks to China as a source of ideas and innovation. That is new« (Eias – Nomisma 2005, 31).

Third, China has implemented a development strategy which is congruent with neither the earlier Anglo-Saxon (post-) Washington consensus, nor the concept of the »social market economy.« Instead of a free or social market economy, democracy and the intervention of the industrialized countries in the internal affairs of development countries (human rights, good governance), China is oriented towards a concept of a planned market economy, authoritarian rule and the principle of nonintervention in internal affairs. In Africa, Latin America, and Asia this »Beijing consensus« (Ramo 2005) is increasingly finding followers, not least in relation to the failure of many structural adjustment programs initiated by the World Bank and the IMF since the 1980s, and Chinese economic advisers are finding listeners who are interested in the basis of the economic miracle of the Middle Kingdom. The to a large extent unrestricted agenda

setting capacity of the Western world since the end of the East-West conflict is being challenged.

EU development policy must accommodate itself to this new competition which is emerging because China and India are gradually developing into new donor countries. It should set itself the goal of converting Europe's (EU plus member states) contributions to global Official Development Aid (ODA) investments in the amount of around 55 percent into corresponding European development policy influence. Through a clear division of labor between the development policies of member states and the EU Commission, as well as a bundling of the votes of the European members of multilateral organizations in around ten years it might be possible to have the same political weight in global development policy as the World Bank does today. No European nation state can bring about such a political quantum leap, yet the EU – given the political will – would be in a position to do it.

Challenges in global innovation systems: the EU's global-governance strategies depend on Europe's economic and technological attractiveness. The position of European countries in global innovation competition is therefore the reverse side of the potential global influence of European policy. Innovation activities in the world economy have for decades been concentrated in the Western industrialized countries. Japan's modernization drive since the 1960s, as well as processes of catch-up industrialization in medium-sized economies such as South Korea and Taiwan have modified this picture and added an Asian innovation pole to the two innovation poles of the USA and the EU, although the hierarchy within the global innovation system has not fundamentally changed.

If China and India manage in the coming two decades to achieve the transition from primary labor-intensive production for the world market to knowledge and technology based production as successfully as South Korea and Taiwan in the 1970s and 1980s, such a process, given the size of these two economies, would lead to a radical shift in global innovation activities. The first signs of that are visible: India has above all some interesting innovation poles based on the new communication technologies (the »Bangalore phenomenon«); in China impressive industrial learning processes can be observed; both countries are investing

more than the average in research, development, and technological education. The decisive question here is whether in the coming two decades the two Asian drivers of global change become, due to their size, significant innovation actors at the intermediate level of complexity or poles of innovation in which global state-of-the-art technologies are driven forward (Altenburg 2006). For example, the Chinese government has expressed the ambition in future to be among the pioneers in the development of renewable technologies in order to help shape the transition of the global energy system from the fossil era to renewable energies. The Indian government is investing in building up a competitive advantage in IT-based service sectors. If China and/or India manage to advance to world leadership in a significant number of technological fields Asia could become the new innovation centre of the world economy. From a European perspective these dynamics yield a multitude of opportunities and risks. One thing is certain, Europe's current level of prosperity and the EU's position in the global-governance architecture can only be ensured in the long run through a great innovatory drive in the European economic area. On the one hand, technological catch-up processes in Asia imply growing export markets for European suppliers of technology and knowledge, while on the other hand innovation competition is increasing worldwide so that Europe must defend its role as an important innovation pole in the global economy. Both, the EU and European enterprises, universities and R&D institutions must develop strategies towards China and India in order to profit from the technological dynamic of the Asian drivers – also in the interest of an influential role for Europe in world politics.

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