



## **Germany, Europe and the Challenges of a Multipolar World**

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### **Abstract**

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Globalization is the mega trend of our time. The center of gravity in the global economy and world politics is shifting from the North Atlantic area to Asia. Alongside the “BRICS” led by China and India also the “next eleven” increase their influence in global affairs. Compared to the heydays of Pax Americana US influence is steadily decreasing. The rise of China and others symbolizes the start of a new order whose contours are only gradually becoming visible. Although the rising countries have all contributed to the demise of the West-dominated post-war order, due to their conflicting interests they are unable, or unwilling to cooperate constructively on building a new order.

Post-unification Germany is at the peak of its power, but due to its demographics and lack of economic dynamism its only chance to remain a relevant power in the future is together with a strengthened EU and strong European partners. The task of German and European Policy must be to contribute as much as possible to a new liberal international order based on the old one, to which we owe our prosperity, security and freedom.

### **About ISPSW**

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The Institute for Strategic, Political, Security and Economic Consultancy (ISPSW) is a private institute for research and consultancy. The ISPSW is objective and task oriented and is above party politics.

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## Analysis

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We are living in an age of ever-faster change. Globalisation and the resulting rise of new powers and the simultaneous relative decline of the US, Europe and Japan is the megatrend of our time. Together with technological developments, the triumph of the West over the Soviet Union in the Cold War led to an enormous acceleration in globalisation and thus change.

The unipolar phase with only one remaining superpower – the US – only lasted around 20 years until the post-war order ended and the parameters of a new multipolar world became obvious. China's rapid economic and political rise has led some to talk already of a new bipolarity (G2), while others believe that an Asian century lies ahead with China and India (ChinIndia) at its heart. There's no doubt that the centre of gravity in the global economy and world politics is shifting from the North Atlantic area to Asia – from the West and North to the East and South.

Alongside the world's two most densely populated countries – China and India – more than half of the second tier of rising economies, the Next Eleven, namely South Korea, Indonesia, the Philippines, Pakistan, Bangladesh and Viet Nam, are in Asia. However, South Africa, Egypt and Nigeria – the most populous countries in Africa – are emerging as global players, as are Brazil and Mexico in Latin America, Saudi Arabia in the Middle East – thanks to its rich oil deposits – and Kazakhstan in Central Asia. Russia's assertive policy on Ukraine which culminated in 2014 with its annexation of the Crimean Peninsula and its active support for East Ukrainian insurgents has probably also – at least temporarily – increased its influence in global affairs.

All of these countries have already evolved into regional powers and are thus part of the new multipolarism. However, globalisation has also led to the ascent of non-state actors. These – especially multinational companies and NGOs – are exercising ever more influence on the international agenda and are thus restricting the scope for action of nation states and international organisations.

The group of major rising economies known as the BRICs – Brazil, Russia, India, China and South Africa – account for around 43 per cent of the world's population. Their share of global production has now reached 20 per cent – and this figure is steadily rising. The high overall economic dynamism of this group of states has now reached the second-tier countries, which have also become new centres in the global economy. Increasing economic power is usually accompanied by growing political influence. Although the shift of global power is not a tsunami, since it will last for many years to come, it's probably just as unstoppable. Despite its relative loss of power, the US will continue to be *primus inter pares* – the most powerful of the major powers – for some time.

However, it's by no means certain that America can maintain its current status in the coming two decades. Compared to the heyday of Pax Americana, American influence in the world has been steadily decreasing for some years. The withdrawal from Afghanistan and before that from Iraq has made this evident to everybody. The American age and with it the old order are thus coming to an end – an era marked by the two World Wars, the Depression and the Cold War.

The rise of China and other new global players symbolises the start of a new order whose contours are only gradually becoming visible. China is expected to become the world's largest economy by the end of this decade and could even catch up with the US in terms of defence spending by 2025.

To date, the rise of new global players has by no means been uniform, nor will it be so in future. The rising economies are not only very different with regard to population and resources but also in terms of per-capita



income, economic clout and dynamism as well as their political systems. China – a non-democratic, non-liberal state – is ascending in the global economic and political hierarchy and could become a political development model for other states in competition to the West. During the last 35 years, China has created a highly successful development and modernisation model which combines authoritarian political leadership with state-supervised capitalism.

On the other hand, there are four democratic states among the up-and-coming ones – Brazil, India, Indonesia and Turkey – which have growing influence, and not only regionally. However, Western pluralism and free-market capitalism are regarded with a certain scepticism even in these countries, as are Western norms and values and the existing liberal world order.

Instead of opting for the market economy, many of the rising economies favour state-controlled capitalism. Their industrial policies are marked by the dominance of state-owned companies and national champions. Sovereign wealth funds, subsidies and capital controls as well as the manipulation of exchange rates are the key instruments in such a strategy.

An economic policy of this kind has produced favourable results, not only in China but also in some other authoritarian countries. This has meant that there has been little pressure for democratisation or for citizens to have a greater say in how their society is run. Nor is it likely that any impetus for the renewal of the current liberal world order will come from these countries – on the contrary.

This is increasingly evident. For example, the response to the Arab Spring in early 2011 – which led to the fall of Ben Ali in Tunisia and Mubarak in Egypt – was restrained in many rising economies while the sweeping changes were welcomed and given wholehearted support in the West. Likewise in 2011, Brazil and Turkey – much to the displeasure of the US and Europe – made an unsuccessful attempt to undermine the West's policy on Iran. Thanks to their veto in the UN Security Council, Russia and China have greatly influenced the international community's policy on Syria on repeated occasions and prevented a possible humanitarian intervention against the Assad regime from the outset. And as Western countries decided on economic sanctions against Russia after its annexation of Crimea in March 2014 BRIC-partners of Russia and other developing countries did not only not join, but some even rushed to increase their business relations with Moscow.

Although most of the new global players share an anti-imperialist and anti-colonial attitude towards the West, many also regard each other with some wariness. These countries have little interest in tying themselves long-term to a powerful partner – for instance the US or China. It would thus be a mistake – despite their summit meetings and the recent establishment of a development bank – to see the BRICs as a coherent new bloc. For their interests are too different.

These interests have led in the past to armed conflicts between Russia and China as well as between China and India. In the course of their economic rise, nearly all new global players have increased their defence budgets and modernised their military apparatus. Particularly in Asia, rising military spending is likely due to continuing – and in some cases growing – regional rivalries as well as a reaction to the perceived US loss of influence and the doubts this has raised about the ability of the US to protect its alliance partners.

Many of the new global players are focused on narrow national and, at best, regional interests. In the sphere of global trade, for example, Brazil did not let its strategic partnership with China or the common partnership in the BRICs group prevent it – together with the US and the EU – from taking action at the WTO and accusing China of dumping.



Despite growing global interdependence, institution-building and political integration are only taking place at regional level. In South America, Brazil is promoting a new integration project in the Union of South American Nations, while the ASEAN states are seeking to counterbalance their increasing economic dependency on China with greater cooperation amongst themselves as well as with the US, Japan and India.

Despite their rise, however, many of the new global players continue to have characteristics typical of developing countries. Some of them rely too much on raw materials and their processing (for instance Brazil, South Africa), while others have only developed a few globally competitive core industries so far (India, for example).

Although the rising economies have all contributed to the demise of the West-dominated post-war order, due to their conflicting interests they are unable, or unwilling, to cooperate constructively on building a new order. Together, however, we can assume that they are keen, and strong enough, to prevent a new hierarchical order. Therefore, the future will most likely see a multipolar world the stabilisation of which should be an objective of German and European foreign policy.

Early in the second decade of the 21st century, Germany – and with it the Federal Chancellor – are at the zenith of their international standing. Germany came top in a BBC poll in which those surveyed were asked which country they wanted to see take on a greater international role. Germany has achieved an unprecedented measure of prosperity, security and freedom. Hardly any other country has benefited more than Germany from globalisation and the liberal international order as well as from European integration. Conversely, that means that few other countries are as dependent as Germany on the continuation of the free world order based on cooperation (open markets and trading routes as well as direct access to raw materials) and from an intact European Union.

It's therefore very much in Germany's interest that the crisis in the southern EU member states is overcome. Germany has close relations based on mutual trust with all its neighbours and hence the "German question" – which drew almost the whole of Europe into bloody wars on two occasions in the last century – has been resolved.

In the long term, also Germany is unlikely to have any chance of maintaining its position in the global economy unless Europe remains competitive. Even in the best case scenario, namely the swift resolution of the crisis in Greece, in future Germany and Europe will lose economic and consequently political clout. Europe's share of global economic production is set to fall from 26 per cent in 2010 to 17-18 per cent by 2030, as the major emerging economies in particular, but also the US, will grow considerably faster than Europe. Between 2002 and 2007, the emerging economies' share in global economic growth was greater than that in OECD countries for the first time.

For the period from 2012 to 2017, the rising economies will produce 75 per cent of global economic growth. Accelerated by the crisis in the eurozone, Europe's share will fall to 5.7 per cent and not one European country – not even Germany – will be among the top ten engines of growth. Nevertheless, Europe is currently still the world's largest economic area and the relative fall does not necessarily mean that absolute prosperity has to decline in Europe.

In terms of per capita income and productivity, Europe is still far ahead of China, the top performer among the new global players. Europe's Achilles' heel is its slow economic growth. The European Union has not achieved the goal set out in the 2000 Lisbon Strategy, namely to become "the world's most competitive and dynamic knowledge-based economic area" by 2010. Today, the EU is experiencing its most serious crisis, marked by



demographic problems (especially in Germany), high national debts, weak and uneven growth, falling productivity, structural unemployment (especially high youth unemployment) and political crises in key member states. While the EU was always lacking in hard power, it's now also lost soft power as a result of the crisis.

It's perceived to a lesser degree than ever before in the rising economies as a role model or strong partner. Instead, it is regarded as an ageing and declining continent which is preoccupied with itself. This is also having an impact on traditional partners in Africa, Latin America or Central Asia which are increasingly looking to China and other rising economies.

The international, liberal post-war order, to which Germany owes its rise to prosperity in freedom, is under considerable pressure. However, there's no new order as yet. At best, only its vague contours are discernible. While the old order proved to be relatively stable, the transition to a new order is likely to bring major uncertainties and the risk of instability. Whether and when a stable new order will emerge, and what form it will take, is still in the stars. What is certain is that the United Nations, NATO and the EU – which Germany and Europe regard as key components of a global order – are undergoing change and that even the US, the guarantor of the old liberal order, is increasingly losing influence.

Europe has to quickly restore its effectiveness in the face of the rise of new global players. In order to achieve that, the EU must overcome the sovereign debt crisis and ensure the competitiveness of its enterprises or – where it has been lost – restore it. Otherwise, there is a danger that Europe will be left behind and pushed to the margins of the global economic order and, consequently, the margins of international politics. Only by strengthening its economic foundations and furthering political integration, including the rectification of its democratic deficit, can the European Union bring its weight fully to bear and help shape a future new order in keeping with our interests and to play a key role in it.

Due to its own loss of influence, in future Germany will have to rely more than ever on a strong EU in order to push through its own ideas on the new global order. The aim of Germany's policy on Europe must therefore be to strengthen the community, thus ensuring that the Union is effective even in the shadow of an emerging new global order. The stabilisation and further development of the euro area and the EU as a whole remain a priority in Germany's policy on Europe. Monetary union must be complemented by economic and fiscal union. Large-scale investments are needed not only in physical infrastructure but also in education and research if Germany and Europe are to remain competitive.

The world of the 21st century is marked by large populous and at the same time dynamic states such as the US, China, India as well as Brazil. In order to compete with them as a market, it's essential that we complete the European single market. Europe could become more attractive to qualified immigrants and thus slow down the looming demographic crisis by, among other others, creating a single European labour market. Europe and Germany have to adopt a coordinated approach if they are to master the challenges of global change. "Right now, the EU still has seven per cent of the global population."

If it is to continue playing a role in shaping the world, Europe needs a strong Common Foreign and Security Policy (CFSP) as well as a Common Security and Defence Policy (CSDP). This would involve strengthening the European External Action Service as well as the position of the High Representative, Federica Mogherini. The neighbourhood policy should be to the fore and in fact it is. The EU is taking on its natural role as regional heavyweight in its eastern and southern neighbourhood. Germany and Europe have a fundamental interest in sustainable stability and democracy in Eastern Europe, the Maghreb and Mashreq countries as well as in



anchoring Turkey to Europe on a permanent basis. And German and European Foreign Policy is acting accordingly.

The annexation of the Crimean Peninsula by Russia and its military support for separatist insurgents in Eastern Ukraine are representing the most serious threat to European peace since the end of the Cold war and the wars following the disintegration of Yugoslavia. Germany together with France took the initiative which led to the agreements of Minsk in order to stabilize Ukraine and open a political process to settle the massive conflict between Russia and Ukraine.

Germany together with its two European P5 partners – Great Britain and France – and the EU High Representative for Foreign Affairs worked over many years together with the US, China and Russia on the Iran nuclear issue which resulted on July 14 in the historic Joint Comprehensive Plan of Action (JCPOA) signed with the Islamic Republic of Iran to ensure that Iran's nuclear program will be exclusively peaceful. There is hope that this agreement will also contribute to the stabilization of the whole Near and Middle East with the self-declared Islamic State as the biggest destabilizing factor which is already spreading its brutal ideology to Northern Africa and threatening European countries.

The promotion of democracy, pluralism, good governance and the rule of law as well as respect for human rights are and remain at the top of the EU's agenda in its relations around the world and, in particular, in Europe's neighbourhood – even in times like the current one when tensions and conflicts there are on the rise. It's essential that member states and the EU speak with one, stronger voice, also in international institutions – the United Nations, the International Monetary Fund (IMF) and the World Bank Group – in order to keep in check the impending loss of influence there due to the growing demands of the new global players for greater representation.

Although the global shift of power towards the new global players cannot be averted, Germany and Europe can play a role in shaping the new multipolar order, only the contours of which are evident to date. The strategic aim of German and European foreign policy is to ensure that the transition is peaceful and that the new order is as liberal and rules-based as possible and geared to cooperation. German and European foreign policy must be aimed at gaining partners and with their help securing and, if possible, further expanding the normative network which has been developed in the West in the last few decades. Germany and the EU must therefore try to strengthen relations with the like-minded. These include traditional partners in Europe, including Turkey, the non-European NATO partners the US and Canada as well as Japan and South Korea, Australia and New Zealand, Mexico and Chile and also Israel.

However, Germany and Europe must also aim to broaden and deepen relations with the new global players, in particular those with values and norms closest to our own. There is no doubt that these include Latin American states led by Brazil as well as India. With these countries, as well as with China, the European Union has entered into strategic partnerships which either have to be filled with substance or deepened.

However, relations with the Next Eleven should also be further expanded: among others with Egypt, South Africa and Nigeria, Indonesia and Viet Nam as well as Pakistan, Saudi Arabia and Kazakhstan, which have all become regional players. In expanding relations with these countries, we must support their appropriate representation in international organisations if we are to retain or arouse their interest in these institutions. Otherwise there is a great danger that these organisations will lose influence to regional institutions, like the Asian Infrastructure Investment Bank (AIIB) initiated in 2014 by China and headquartered in Beijing.



The aim of German and European foreign policy must be to persuade the new global players – in keeping with their increased power – to shoulder greater responsibility for the international order. This includes dealing with those countries which are causing problems, for example North Korea, and helping to prevent the failure of states and the consequences, for instance in Somalia, which has become a breeding ground and safe haven for terrorists and pirates.

Since reunification and the increasingly successful efforts to overcome the consequences of division in Germany and Europe, Germany has come to take on a leading role in Europe and Europe's neighbourhood. On the one hand, Germany is being urged to step up to the plate and take on this new role – for example by Radek Sikorski, Poland's Foreign Minister until Sept. 2014 – while, on the other, the idea of German leadership has stirred up unease – especially in Greece and other southern member countries of the Eurozone, partly as a result of the sovereign debt crisis there. The *ECONOMIST* is right when it concludes an article on Germany's role in Europe in its August 8, 2015 edition by stating "In short, there is no crisis in Europe that can be solved without Germany."

Germany must accept this leading role but, at the same time, show considerable prudence, patience and a readiness to reconcile interests. Given their relative loss of power and the re-focusing of the US on its own core interests and priority regions – to which Europe and its neighbourhood belong less and less – Germany and Europe must do more to ensure that no vacuum of power and thus instability – for example in North Africa – emerges in its neighbourhood. Never before has there been such a great opportunity – as well as an absolute necessity – to ensure a true partnership between Germany, Europe and the US within the global West. Ultimately, our task is to maintain a liberal international order, or create a new one under the new conditions in world politics, to which we owe our prosperity, security and freedom – and to secure it for the future.

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**Remarks:** Opinions expressed in this contribution are those of the author.

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### About the Author of this Issue

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As diplomat he was stationed in La Paz (1988-91), in Tokyo (1991-94) and Washington D.C. (2002-04). In the Foreign Ministry he was a member of the Policy Planning Staff (in charge of the Americas, Asia and Economic Issues 1996-2001); Visiting Fellow at The Henry L Stimson Center (July – December 2001), at the Heritage Foundation (January – March 2002) and the Woodrow Wilson Center (April – June 2002) in Washington, D.C.; Senior Strategic Analyst and Deputy Head of the Policy Planning Staff of the German Foreign Ministry in Berlin (2004-06); Lecturer on International Politics.

Numerous publications on major power political and economic relations; International Security; the Arab World; European, American and Asian political and economic affairs. Most recent publications on the Arab Awakening; Islam and German Foreign Policy; Geopolitics and Culture and on German and European Foreign Policy.

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