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IN TRANSITION TO A NEW INTERNATIONAL ORDER

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A NEW INTERNATIONAL ORDER

Fabián NOVAK and Sandra NAMIHAS*

A new international order of a transitory nature has been developed since 2008. It shows presenting a set of characteristics that will be the subject matter of this document. We speak of an *international order* to the extent that we limit our analysis to the order that prevails among sovereign states and we point out that it is transitory because its characteristics are not fully defined or established, and might vary along time. Likewise, we mark the beginning of this new order in 2008, as it is from then that the relative decline of the world superpower is evident.

1

Relative decline of the U.S.A. and Europe

A first characteristic of the current transitional order is the relative decline of the world superpower and its main ally the European Union, who have led the liberal order that has prevailed in the world since 1945.

Just as an example, while the USA and its main allies produced 60% of world products in 1995, they now only produce 40%; likewise, both were responsible for 80% of defense expenditures globally, today they are responsible for only 52%. There is then a clear decline (Lind & Wohlforth, 2019, p. 74).

In the case of the US, although it remains the largest political and military power in the world, with the highest scientific, technological, business and educational level, its gradual economic decline can be observed as of 2008, with consequences in other areas. As is well known, this crisis was a product of the stock bubble that began in 1987, the real estate bubble that of 2002, which resulted in the derivative-packaged securities bubble of 2006-2007, to which the global financial crisis of 2008 was added.

This not only caused a decline in the US GDP in 2009 (-2.8%), but also in those of European countries (Germany -5.2%, United Kingdom -4.3%,

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France -2.9%); but at the same time it determined growth and consolidation of emerging countries, especially in Asia. Thus, in that year, China grew by 10.5%, Nigeria by 9.3%, India by 7.2%, Saudi Arabia by 5.1%, Russia by 4.9%, Iran by 4.8%, among others, causing these countries to generate more than 80% of the world economic growth.

Consequently, the emerging powers began to play an important role in the international scene, accompanying the United States in making certain important decisions or influencing them. Another effect was the redirection of foreign investment to emerging markets; which explains why China matched the US in revenues from foreign investment in 2009, and that the growth of investments in other emerging or reemerging countries reached historical dimensions between 2005 and 2013, (Russia by 346%, India by 287%, Brazil by 423%, among others).

The US economic weakening was also the result of armed interventions abroad, forcing military spending from 3% of GDP in 2000 to 5% in 2010. In parallel, the superpower underwent a process of reverse industrialization due to relocation and business automation, negatively impacting employment. In addition, industrial production decline determined an increase in manufactured goods imports, causing a vertiginous increase in the US trade deficit; Thus, the deficit went from 2 billion dollars in 1971 to 497.82 billion dollars in 2010, continuing the trend in later years.

To handle this US trade deficit, the US became indebted by issuing and selling public debt bonds at excessive levels, exceeding its own GDP and generating dependence on the holders of that debt, among which China is a main one.

The economic crisis also impacted on the levels of scientific and technological development, in the field of research and innovation, in a number of social indicators at internal level, diminishing its capacities as a superpower. As if this were not enough, its foreign policy would begin to generate distrust among its traditional partners, first during the government of George W. Bush and then that of Donald Trump, also diminishing its legitimacy and influence.

In the case of Europe, it has had to face a set of problems such as: the 2007-2009 economic crisis, the emergence of nationalist and populist governments and political movements, the questioning of the European integration process itself, migratory waves, insecurity and terrorism problems, among others, that have led it to concentrate on solving them, losing energy to fulfill its role in the international space.

Although there has been a recovery, the truth is that the economic situation of the countries that make up the Union remains a concern:



Italy is in recession, Germany almost is, and there is fear that economic problems will affect the anemic France and other parts of Europe, whose structural problems remain unsolved. These include rigid labor markets and high unemployment rates - 15% in Spain, 9.1% in France, 18% in Greece, for example - which also tend to be long-term. Youth unemployment is even higher: 33% in Spain, 21% in France, 39% in Greece. Public debt has also increased. It is 99% of GDP in France, 125% in Portugal and 182% in Greece. This, in addition, does not take into account the implicit debt of State social programs that become several times the size of the respective economies, so they are not sustainable. (Vásquez, March 19, 2019)

Moreover, an obvious deficit of the European Union is the absence of consensus in foreign policy on issues as relevant as the way in which the Russian threat must be addressed, on military conflicts near its borders and on how to deal with the new international order. This lack undoubtedly reduces the influence that the European bloc may have, weakening its leadership (Pomorska & Noutcheva, 2017, pp. 165-166).

Emergence of China and other powers

China's economic growth has led it to position itself as the second economic power in the world, but with possibilities of surpassing the US. and stand by its side as a global power, giving way to the construction of a bipolar order. In this sense, according to projections of the Standard Chartered multinational bank, China will reach 64.2 billion dollars in its nominal GDP by 2030, doubling the US economy that would only reach 31 billion dollars. This trend is confirmed by the firm PwC in its calculations for the year 2050, although with somewhat different figures, attributing 58.5 billion dollars to China and 34.1 billion dollars to the US. (Gestión, April 24, 2018; BBC edition, January 14, 2019). In the same vein, the Lowy Institute in its study on the index of power in Asia, projects that by 2030 China will be the main economic power in the world, specifying that the economy of this country will double the size of those of the next two powers -USA. and India-, which will undoubtedly give it greater political influence (Parra, 2018, pp. 6-7).

We should add that China has also become the largest exporter in the world, the one which accumulates the largest amount of foreign exchange reserves (40% of the world total) and the second most important source of foreign direct investment in the world. Likewise, China has been developing space programs, it is the main computer exporting country, it is the second world power in terms of research and innovation expenses, the second power in terms of military expenses (14% of

total world spending), has begun to establish naval bases in other countries, and has also been running a number of global initiatives in clear competition with the US. such as the BAI, FTAAP, the RCEP or the BRI, in addition to being inserted in Africa, Latin America and its own continent, displacing Europe or the USA in various economic areas in which they remained as first or second partners.

All of the above allows us to reach two fundamental conclusions. The first is that China's relations with the US can hardly be framed into a strategic alliance in the future. On the contrary, we believe that these relationships will be tense and will be rather characterized by strategic rivalries.

The second conclusion is that, although the US will continue for a long time as a world superpower, it will not be in the same way as in the past, being accompanied by China in that role - at least in economic issues-, in addition to having to share decisions of a global nature with this and others powers

3

Globalization and multilateralism crisis

At present, various political, social and academic sectors question the globalization process. Specifically, they argue that this has in some cases widened the inequalities generated by wealth growth and lack of solidarity distribution; the fact that globalization has accentuated the tendencies to individualization and moral relativism, has led the states to be more vulnerable to the economic effects of external shocks and gradually relativized the concept of nation-state as well as that of national borders, generating a voracious growth in the mobility of people that has served as a breeding ground for the return of old and extreme nationalisms and even xenophobia, pointing out at migrants as responsible for insecurity and lack of jobs.

However, the truth is that, beyond the validity of some criticism that can be formulated against globalization, in our opinion it is a process that has brought extensive benefits to the world and that it is irreversible above all. Besides, critics of globalization do not usually propose an alternative to this, at least of a viable nature.

Regarding the crisis of multilateralism, it has several explanations. The first is that the emergence or re-emergence of powers (mainly China and Russia) has been accompanied by their questioning of the current institutional and regulatory architecture that the United States and the West established in the world since 1945. The second reason that explains this

crisis is that the alliance between the United States and Europe -which allowed the consolidation of this multilateral architecture- is also seen in crisis today, which contributes to weakening the foundations of the current multilateral system.

A third explanation derives from the actions of some US administrations (such as those of George W. Bush and Donald Trump) that are openly opposed to multilateralism, with the adoption of unilateral decisions outside these schemes, weakening the image of these multilateral organizations in front of the world. The fourth reason is the loss of legitimacy in these institutions due to internal problems such as their lack of leadership, their ineffectiveness or questions about their lack of transparency and accountability.

In view of this crisis, three possible future scenarios can be established: the first would be the termination of multilateralism and the consequent decrease in global interdependencies; the second would imply re-negotiating the multilateralism scheme in force in order to adapt it to the current power structure; and the third would be to revive multilateralism although limiting it to certain issues. In our opinion, multilateralism continues to make sense, although it requires reforms. Besides, it can be exercised not only through international organizations, but also through other more flexible and effective forms of association.

4 Integration crisis

Another characteristic of the current international order that generates an important consensus is the integration processes or initiatives crisis in the world. Although there are still processes that have significant or relative success, this is not the general rule but rather the exception. This crisis in most of the integration processes in the world responds to various factors, such as: lack of political will for transferring sovereign powers, different growth levels among the members of the bloc, differences in development models, opposing ideologies, lack of economic complementarity, among others; all of which reflects the existence of greater fragmentation among the States, an emphasis on national interests above the common good and a primacy of bilateralism as a mechanism for the protection of those interests, characteristics that seem to be maintained for a long time.

5 Emerging economic and commercial protectionism

In this case, we are not properly faced with a new characteristic. On the contrary, since the 20th century, several States -including free trade promoters among them- have appealed to these policies with the purpose of strengthening their economies in internal crisis situations.

In this sense, Levy (2009) distinguishes the existence of up to three types of protectionism, today fully in force. The first, which is called intentional protectionism, would consist of subsidies, tariff barriers and other restrictions deliberately imposed by a State to favor its national producers. As examples of the above are not only the decisions adopted in the US by the current government of President Donald Trump, but also by the government of Barak Obama, who sought to favor the purchase of national iron and steel to the detriment of foreign competitors through the *Buy American* policy . Another example is the subsidy given to the General Motors company by the government of President George W. Bush seeking to favor it vis-a-vis its foreign competitors (Barone & Ben-dini, 2015, p. 35).

The second type, called incidental protectionism, is one that appears to be legal - for example for defending public health - but which actually contains a violation of free trade and free competition. Here you can cite the case of Barak Obama's announcement to curb the import of Chinese toys for allegedly affecting the health of children by their chemical composition. Finally, the third type is the instrumental protectionism that consists in imposing these measures to get another State to a certain behavior; It is therefore a pressure mechanism. In President Trump's government, there are numerous examples of this third type of restriction aiming at achieving renegotiation of commercial agreements with China, the European Union, Mexico, and Canada, among other countries.

These practices extend to all continents, and China is a particularly remarkable case, due to the difficulties for foreign investors to enter this country of and the multiple discriminatory market practices that have been reported by various States, besides other practices contrary to intellectual property.

Emergence of nationalisms and populisms

Emergence of nationalist and populist groups in the world has been possible due to the concurrence of a number of facts or factors within certain countries that have strengthened extreme speeches, allowing for their electoral growth. Among these factors we have: a) economic and financial crises, b) growth of unemployment rates -especially among young people-, c) adjustment policies established by the IMF, WB or EU - which were perceived by the population as an act of external interfer-

ence that impoverished the less favored sectors-, d) the loss of popularity among traditional political parties, e) high corruption rates in government and politics, f) cartelization of parties seeking to prevent other movements from entering the political arena, g) violence level increase, and h) progressive loss of traditional values that used to be a source of order in society.

Likewise, the strengthening of these movements has been facilitated by the appearance of charismatic leaders who handle a simple and popular language, with the ability to understand the needs and feelings of marginalized sectors, taking advantage of them through promises of prompt solution to these problems.

This phenomenon, moreover, extends geographically to the entire world, not distinguishing between developing or developed countries, such as Germany, Austria, Belgium, Bolivia, Brazil, Ecuador, USA, Spain, the Philippines, Finland, France, Greece, Holland, Hungary, Italy, Mexico, Norway, Poland, United Kingdom, Sweden, Turkey, Venezuela, among others, even reaching power in some cases. However, it should be noted that these movements respond to each country's characteristics, so it is possible to find differences both in the internally achieved power and in the position they assume in relation to various issues. For this reason it is not advisable to group or identify them under the same label. On the contrary, it is necessary to study these movements and parties individually, although all have in common their populist character, with strong aversion for the traditional elite.

The rise of these groups in several places in the world is undeniable and they all represent a danger, not only for the validity of representative democracy and human rights, but also for international relations and the integration of peoples. The foregoing obliges democratic parties, social organizations, the media and all those committed to the rule of law to combat the causes that give rise to the emergence and growth of these groups.

Crisis of liberal democracy

Most analysts seem to agree that a democratic crisis arose as of 2006. In effect, we have apparently entered a period of democratic decline or recession due to various factors such as: a) emergence of authoritarian and hybrid systems of government; b) crisis of democratic political parties; c) limitation of democracies to consolidate higher levels of equality; d) discrediting of the political class as a result of corruption; e) emergence of non-democratic powers that question the current democratic model;

and, f) because some of the countries that lead the promotion of democracy seem to lack the will to continue fulfilling that role in the world.

It is difficult to predict whether democracy will continue to prevail as a model of government in the world or if it will be replaced by an alternative system; however, we have an optimistic view based, first, on that freedom is a necessity of human nature; second, in that democracy has had a resilience, which has allowed it to go on and be acknowledged as the best government system for decades, and; finally, that in regions such as Europe or Latin America and the Caribbean, there is still capacity to react and act to face the rise of non-democratic regimes.

Impact of technological progress

The vertiginous technological progress that has taken place in recent decades has a crucial impact not only on people's daily lives but also on states. It is an irreversible process that not only brings benefits but also dangers and challenges.

In this sense, technological progress is being promoted by states in order to strengthen their national economies and their ability to insert themselves in international markets (through the consolidation of industrialization, technological development, innovation and knowledge) and to ensure and strengthen democracy and human rights (through the exercise of the vote through electronic means, transparency portals, strengthening freedom of expression through social networks, etc.).

These advances also pose challenges for the states such as: a) having national plans to prevent cyber-crimes (cyber terrorism, hacking, computer extortion, distribution of illegal content, pornography and trafficking in persons, information kidnapping, invasion and collapse of financial systems), b) avoid computer espionage between States, c) counteract any measures aimed at violating their sovereignty in favor of third powers' interests (for example, with the intervention in electoral processes, through fake news, cyborgs, political bots, social bots, trolls), d) mitigate the negative effects that may arise for the environment and employment (due to automation, robotization, digitalization and artificial intelligence), e) prevent these means from being used to cut people's freedom, among others.

Finally, for regional or global powers the challenge is greater, since all of the above must be added to the use of these advances as a tool to consolidate their better positioning in the new international order that is being configured. In this sense, the impact of technological advances has and will have a direct and capital impact on configuring the current international transitional order.

9

Final thoughts

The transitory world order that has been imposed since 2008 and whose characteristics have been described obliges Latin America and the Caribbean - and Peru within it - to rethink what their foreign policy strategy should be, in order to respond properly and benefit from this new scheme.

In our opinion, Latin America and Peru must bet on a multiple relationship with traditional and emerging powers. However, we believe that this multiple and pragmatic relationship must be developed in a careful and balanced way, taking into account four aspects in particular.

The first is that this relationship can in no way imply a departure from the principles we share with the US and Europe, not only for allowing us to maintain background coincidences with these actors - which will remain very relevant - but mainly because they are the values that are enthroned in our societies.

The second aspect implies that the relationship with the new powers, in particular with China, should not lead to resentment and tension with our traditional partners. Therefore, this cannot be extended to those areas that are especially sensitive in our relations with the United States.

The third aspect is that the relationship with the new powers should not mean in any way for the countries of Latin America and the Caribbean to mortgage their future or their autonomy.

The fourth and final aspect is that in addition to each country in the region seeking a natural relationship with the new powers in the bilateral sphere, it should seek at least a minimum consensus for a regional relationship.

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