

# Geopolitical Shifts in the Evolving New World Order\*

György Szapáry – Dániel János Plósz

*Recent geopolitical developments point to the emergence of a multipolar new world order. Globalisation brought about by the internationalisation of trade and the diffusion of technology has radically changed the impact of world powers. A hegemon today is much better able to extend its influence and enforce its interest worldwide. The purpose of this paper is to look at what are the key requirements for a country to reach world power status in the current globalised world and discuss which countries meet the conditions to have a credible chance of becoming a dominant player in the emerging new world order. The paper concludes that China is best positioned to challenge the economic dominance of the United States. The European Union does not punch its weight in influencing global policies, and the question is whether it will be able to or want to assume the responsibilities of a world power. For the Visegrad 4 countries and the other Central and Eastern European countries, as members of the European Union and NATO that are situated at the cross roads between East and West, it is of vital interest to reflect on what geopolitical shifts one can expect in the decades ahead.*

**Journal of Economic Literature (JEL) codes:** O10, O20, O30

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## 1. Introduction

Recent geopolitical developments point to the emergence of a multipolar new world order. China's rise as an economic world power and Russia's new-found assertiveness are challenging the hithertofore generally undisputed unipolar world order dominated by the United States. Around the world and even in some quarters in the United States itself, many perceive that the American hegemony

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is on a course of rapid decline. However, geopolitical changes have typically been slow, often taking several centuries before a dominant world power was replaced by another. Sometimes the change was relatively peaceful, sometimes it was the result of a brutal war. In ancient times, hegemony's power and influence were at a regional level by current world standards. Athens and Rome basically ruled the Mediterranean basin, with extensions into Central and Northern Europe by the Romans. At its apogee, the Ottoman Empire spanned from Western Asia to parts of Europe and Africa. These were vast and populous territories with inhabitants belonging to different cultures speaking different languages. That region is rightly considered as the "cradle" of civilisation, although the contribution of ancient China to western civilisation must also be recognised.<sup>1</sup> Still, these ancient empires ruled over only a small part of the globe.

In the 19<sup>th</sup> and the first half of the 20<sup>th</sup> century, Great Britain came close to being a dominant world power even by current standards, as it possessed colonies in Asia, Africa, the Caribbean and territories in Oceania, had a dominant presence on the seas and enjoyed a decisive role in international trade and finance, with the pound sterling as an international reserve currency. Its hegemony abruptly disintegrated after WWII with Great Britain losing its colonies and the United States taking over dominance over the seas, international trade and finance, innovation and technology, and the US dollar becoming the universally accepted world reserve currency. Following the collapse of the Soviet Union in 1991, the United States has come to dominate the world in ways unmatched at any time in human history.

Globalisation brought about by the internationalisation of trade and the diffusion of technology has radically changed the impact of world powers. A hegemon today is much better able to extend its influence and enforce its interest worldwide. Hence, the contest for influence now plays out at the global level, but only a few have a shot at becoming a serious challenger. No respectable thinker would contend that America will cease to be a dominant world economic power in the foreseeable future, but it is a reality that its relative influence in the world order will decline as challengers emerge. America's lead is increasingly contested, or at least not looked upon as "natural".

Many authors have studied the rise and decline of world powers. *István Szilágyi (2018)* presents a broad overview of the theory of geopolitics and provides an extensive bibliography. He points out that the importance of production, trade and access to the seas were already mentioned by *Friedrich Ratzel (1897)* in the second half of the 19<sup>th</sup> century. Ratzel wrote of five great powers: England, Russia,

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<sup>1</sup> China has been the source of many innovations, such as papermaking, printing, gunpowder and the compass, to mention the most well-known ones.

China, United States and Brazil and expressed the idea of a European community defending the two wing forces (United States and Russia). Szilágyi also mentions that *Rudolf Johan Kjellén (1917)* made a distinction between hegemonies with world power and those with continental influence, with the Austro-Hungarian Monarchy belonging to the latter group in his opinion.

*George Modelski (1988)* developed a long-cycle theory which attempts to capture elements of regularity in the operation of world powers. He sees a connection between war cycles, economic supremacy and world leadership. He suggests five cycles since 1500, each corresponding to the existence of a hegemonic power: Portugal in the 16th century, the Netherlands in the 17th century, Great Britain in the 18th and 19th century and the United States in the 20th century. *William Thompson (1988)* and *Paul Kennedy (1988)* also focus on major wars and economic power in the rise and decline of global leadership.

*Zbigniew Brzezinski (2012)* already talks about the waning of America's global appeal and the decline of its international influence. He writes that "if America falters, the world is unlikely to be dominated by a single preeminent successor, such as China" (p.75). Rather, "in the absence of a recognized leader, the resulting uncertainty is likely to increase tensions among competitors and inspire self-serving behavior" (p.76). Behind these arguments is the author's conviction that America must remain strong to preserve world order. A similar concern surfaces in the thoughts of *Robert Kagan (2012)*. His greatest concern is "not really whether the United States can afford to continue playing its role in the world. It is whether the Americans are capable of solving any of their most pressing economic and social problems" (p.130). This is a relevant point, since many empires dissolved as a result of internal strife which made them weaker and the target of external interference. *Henry Kissinger (1979)* considers the United States as the guarantor of world peace and together with President Richard Nixon recognised early that America had to establish diplomatic ties with China, a potential challenger of US influence in East Asia, but also a potential partner in opposing the territorial ambitions of the Soviet Union.

*George Friedman (2012)* argues that the United States did not intend to be an empire: its world dominance was a consequence of events, few of which were under the control of America (p. 14). This bears little relation to reality. To become a superpower, a country must possess some objective geographical conditions, and if it has the good fortune to have them as America does, it is the ambition of its people and their leaders who will make their country a hegemon. *Kagan (2012, pp. 10–11)* is right that the attitude of the United States does not fit the perception of the "reluctant sheriff" which only goes to war because it has to. It did go to war to

defend itself from distant threats and to preserve its economic interests in Cuba against the Spanish, in Indochina against the communists and in the Middle East.

The purpose of this paper is to look at the major requirements for a country to reach world power status in the current globalised world and to discuss which countries meet the conditions to have a credible chance of becoming a dominant player in the emerging new world order.

## **2. Requirements for becoming a world power**

Size matters. A large, robust economy standing on firm footing is a *sine qua non* for having a claim to becoming one of the world leaders. GDP is the main indicator with which we measure the size of an economy. GDP depends on the number of workers in a country, and so the size of the population matters. GDP also depends on the productivity of workers, which in turn is determined by the technology used. Countries which are world leaders in innovation and use state-of-the-art technologies are best at boosting productivity and maintaining a competitive edge over others in the goods and services markets. Innovation is based on know-how that one gains through education. A system of education which is good at training people who can best perform the jobs of the future from the lowest skilled ones to the highest skilled levels is a must for a country vying for world leadership.

Hegemons exercise their influence through trade. Diversified, competitive exports resting on a structure of production of goods and services needed and imported by other countries gives clout to the exporting country. Possessing vast and varied natural resources is also an asset, as it reduces reliance on others for raw materials, and the latter can be also valuable export commodities. The larger the territory of a country, more likely it is that it will possess natural resources. Furthermore, the size of the territory of a country also matters from the perspective of being able to accommodate large populations.

Other attributes matter as well. In the current globalised world, a country whose currency is widely used as a means of international payments renders substantial benefits to its issuer, an “exorbitant privilege” as Valéry Giscard d’Estaing referred to these benefits when he was France’s minister of finance. *Barry Eichengreen (2011)* gives an excellent description of the rise of the US dollar to international prominence in trade and debt financing and as a global reserve currency. He also discusses the benefits that this dominance provides to the United States in the form of seigniorage, low interest rates and the capacity to finance large budget and current account deficits. In fact, increasing international financial integration has increased the systems’ reliance on the US dollar. This reliance has provided

the US with the ability to use the global financial system to serve its own security goals (*Leonard et al. 2019*). One example of this ability are the sanctions imposed by the US against Iran.

There are indispensable conditions for a national currency to become a dominant player. First, a large enough quantity must be available to lubricate international transactions, and the markets must have confidence in the stability of the currency. Only large, strong economies can fulfil these conditions. Second, the currency must be freely convertible, the debt instruments labelled in that currency must be liquid, and the capital market must be transparent and backed by solid financial and legal systems. The political stability of the issuer country also matters as political instability undermines confidence in the currency. Generally, a country that wants to be a dominant power on the world scene will want to gain international prominence for its currency.

Last but not least, there are two other requirements for a country to reach world power statute: military might and the ambition to be a world player. The two generally go hand in hand, as ambition feeds decisions to devote substantial resources to defence spending and military strength raises the level of ambition. Access to the seas is important from both the military and international trade perspective. Throughout history, empires enjoyed sea access either by their original geographic location or by conquest such the Ottomans and the Habsburgs, with the territory of the latter also boosted by marriage contracts.

To sum up, in the current globalised world the requirements for a country to play a dominant role in shaping the new world order are a large population and vast geographic territory, access to the seas, a strong economy measured by the size of its GDP, leadership in innovation and technology, trade and currency dominance, military strength and willingness to become a world power. We purposefully do not discuss the role of the State in the economy, because the mix between private and state ownership cannot be directly linked to hegemony. However, there is evidence that heavy intervention by the State in the economy constrains competitiveness, but what constitutes the right degree of the role of the State from the point of view of achieving world power status is open to debate. We also leave aside a discussion of the role of the political regime as a factor. One certainly hopes that democracy will spread across the globe and countries striving for world power role will be democratic. If in recent history America's lead has been accepted and sometimes even asked for in many parts of the world, it is because America has been looked upon as a freedom-loving democratic country governed by the rule of law. Yet again, there is no universal direct link between the political regime and world power, as we have also seen dictatorships and autocratic regimes attempting to shape the international order.

### 3. The qualifiers

*Table 1* ranks countries by population. China with 1.4 billion and India with 1.3 billion inhabitants are the world's most populous countries based on 2017 data. The US comes in third with 325 million people. Indonesia with 261 million, Brazil with 207 million, Pakistan with 197 million and Nigeria with 189 million inhabitants are the next four most populous countries. The European Union, although it is not a single country but comprises 28 countries forming a unified market, has a combined population of about 500 million and the 19 countries of the euro area cover a population of approximately 340 million.

<b>Table 1</b>			
<b>Most populous countries, 2017–2019</b>			
<i>(million people)</i>			
<b>Country</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>China</b>	<b>1,390.1</b>	<b>1,395.4</b>	<b>1,400.2</b>
<b>India</b>	<b>1,316.9</b>	<b>1,334.2</b>	<b>1,351.8</b>
<b>European Union (EU–28)</b>	<b>502.5</b>	<b>502.9</b>	<b>503.4</b>
United Kingdom	66.0	66.5	66.9
Visegrad Countries	63.8	63.8	63.8
<b>Eurozone (EA–19)</b>	<b>338.5</b>	<b>338.5</b>	<b>338.5</b>
Germany	82.7	82.9	83.0
France	64.6	64.7	65.0
Italy	60.6	60.5	60.7
<b>United States</b>	<b>325.3</b>	<b>327.4</b>	<b>329.6</b>
<b>Indonesia</b>	<b>261.4</b>	<b>264.2</b>	<b>267.0</b>
<b>Brazil</b>	<b>206.8</b>	<b>208.3</b>	<b>209.8</b>
<b>Pakistan</b>	<b>197.3</b>	<b>201.0</b>	<b>204.7</b>
<b>Nigeria</b>	<b>188.7</b>	<b>193.9</b>	<b>199.2</b>
<b>Bangladesh</b>	<b>163.2</b>	<b>164.9</b>	<b>166.6</b>
<b>Russia</b>	<b>144.0</b>	<b>144.0</b>	<b>143.9</b>
<b>Japan</b>	<b>126.7</b>	<b>126.5</b>	<b>126.2</b>

*Note: Forecast from 2018.*  
*Source: IMF World Economic Outlook, April 2019*

Russia ranks first in terms of the size of its territory, followed by Canada, China and the United States (*Table 2*). India, the second most populous country, only ranks eight in terms of the size of its territory. Canada, Brazil and Australia occupy large land areas, but have relatively small populations. The EU–28 have a combined land area of circa 4.4 million square kilometres, larger than that of India.

<b>Table 2</b>	
<b>The 10 largest countries</b>	
<i>(Thousand square kilometres)</i>	
<b>Country</b>	<b>Area</b>
Russia	17,098
Canada	9,985
China	9,707
United States	9,373
Brazil	8,516
Australia	7,692
European Union (EU–28)	4,388
India	3,288
Argentina	2,780
Eurozone (EA–19)	2,762

*Source: <https://www.worldometers.info/geography/largest-countries-in-the-world/>*

From these two data sets, the clear frontrunner to challenge the hegemony of the United States would be China, with Russia and the EU as possible candidates, but let us look at the other requirements before drawing any conclusions.

There are several ways of measuring the economic strength of a country: the size of its GDP relative to world GDP, its per capita GDP and its importance in world trade. Between 2001 and 2018, the United States' share in global GDP fell from 31.5 per cent to 24.2 per cent. Among the challenger countries, China's performance is spectacular. In 2001, its share of world GDP was 4 per cent, increasing almost fourfold to almost 15.8 per cent by 2018 and fast approaching that of the United States (*Table 3*). Real GDP per capita on the basis of purchasing power parity was forty times higher in the United States than in China in 1980, but by 2018, it was only 3.5 times higher (*Table 4*). This is still a large gap, but the improvement in living standards has been enormous in China in recent decades. It is worth noting that the fastest period of the catching up in per capita GDP of China started in the early 1990s, i.e., only about 25 year ago, making this rapid convergence even more remarkable. While the share in world GDP of other potential challengers has also increased, their advances have been far smaller than of China. The performance

of the Visegrad 4 (V4) countries<sup>2</sup> is also remarkable. Although their share in global GDP is small, it increased by about 30 per cent to 1.3 per cent between 2001 and 2018, largely due to the strong performance of Poland, the largest country in this group, and Hungary.

**Table 3**

**Share in world GDP, 2001–2018**

(in per cent, based on current US dollar prices)

Countries	2001	2010	2018
<b>United States</b>	<b>31.5</b>	<b>22.7</b>	<b>24.2</b>
<b>European Union (EU–28)</b>	<b>26.8</b>	<b>25.8</b>	<b>22.1</b>
United Kingdom	4.8	3.7	3.3
Visegrad Countries	1.0	1.4	1.3
<b>Eurozone (EA–19)</b>	<b>19.6</b>	<b>19.2</b>	<b>16.1</b>
Germany	5.8	5.2	4.7
France	4.1	4.0	3.3
Italy	3.5	3.2	2.4
<b>China</b>	<b>4.0</b>	<b>9.2</b>	<b>15.8</b>
<b>Japan</b>	<b>12.8</b>	<b>8.6</b>	<b>5.9</b>
<b>India</b>	<b>1.5</b>	<b>2.6</b>	<b>3.2</b>
<b>Brazil</b>	<b>1.7</b>	<b>3.3</b>	<b>2.2</b>

Source: Calculation based on IMF World Economic Outlook, April 2019

**Table 4**

**Ratios of real GDP per capita in PPP terms compared to the United States, 1980–2018**

Countries	1980	1990	2001	2018
China	40.38	24.25	11.52	3.46
India	22.46	20.40	17.36	7.95
Russia	n. a.	1.77	3.08	2.14
Brazil	2.56	3.43	3.98	3.88
Japan	1.40	1.20	1.34	1.42
EU–28	1.37	1.42	1.46	1.45
V4	n. a.	2.95	2.74	1.89

Note: 1995 is the first available data for V4.

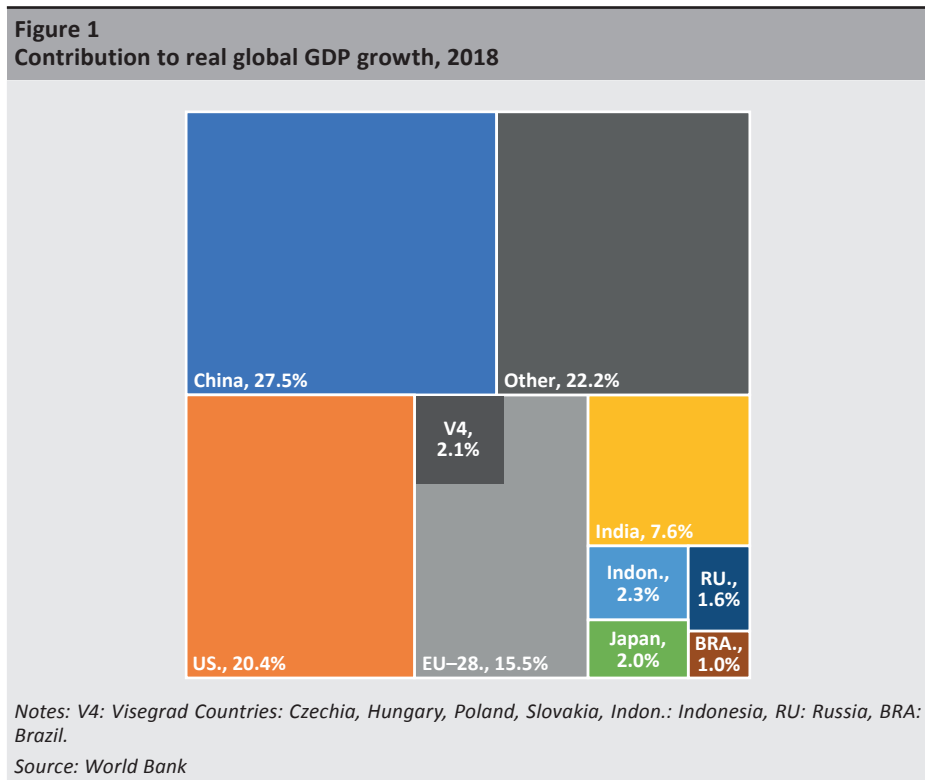
Source: Calculation based on IMF World Economic Outlook, April 2019

<sup>2</sup> V4 countries: Czechia, Hungary, Poland, Slovakia.



Figure 1 shows the estimated contribution to global GDP growth in 2018. China is the leader with 27.5 per cent, followed by the United States (20.4 per cent), the European Union (15.5 per cent) and India (7.6 per cent). It is worth noting that, within the European Union, the contribution to global GDP growth of the V4 countries amounts to 2.1 per cent, more than that of Russia (1.6 per cent) or Brazil (1 per cent).

These various GDP figures of the major countries are an indication of their potential influence on the world economy that may possibly encourage these countries' ambition to play a significant role in building a new world order.



A country's share in international trade is another benchmark indicator for its influence in the world economy. The US share in world exports declined from 11.9 per cent to 8.7 per cent between 2001 and 2018, while that of China rose from 4.3 per cent to 13 per cent during the same period (Table 5). As for imports, during the same period, the share of the United States declined from 18.1 per cent to 13.3 per cent, while that of China rose from 3.9 per cent to 10.9 per cent (Table 6). The United States' share in imports is still somewhat higher than China's share, but with regard to exports China has overtaken the United States. The share of the EU-28,

at about 13 per cent, remained essentially unchanged in the field of exports and declined somewhat in imports, falling from 14.7 per cent to slightly more than 13 per cent. By contrast, the share of V4 countries rose both in exports and imports, a significant trend that underscores the competitiveness gains in these countries.

<b>Table 5</b>			
<b>Share in world exports, 2001–2018</b>			
<i>(in per cent)</i>			
<b>Countries</b>	<b>2001</b>	<b>2010</b>	<b>2018</b>
China	4.3	10.5	13.0
European Union (EU–28)	13.0	12.0	12.8
<i>Visegrad Countries</i>	<i>1.6</i>	<i>2.5</i>	<i>3.0</i>
United States	11.9	8.5	8.7
Japan	6.6	5.1	3.8
Russia	1.6	2.6	2.3
India	0.7	1.5	1.7
Brazil	1.0	1.3	1.2

*Source: International Trade Center*

<b>Table 6</b>			
<b>Share in world imports, 2001–2018</b>			
<i>(in per cent)</i>			
<b>Countries</b>	<b>2001</b>	<b>2010</b>	<b>2018</b>
United States	18.1	12.8	13.3
European Union (EU–28)	14.7	14.3	13.3
<i>Visegrad Countries</i>	<i>1.9</i>	<i>2.6</i>	<i>2.9</i>
China	3.9	9.1	10.9
Japan	5.5	4.5	3.8
India	0.8	2.3	2.6
Russia	0.7	1.5	1.2
Brazil	0.9	1.2	0.9

*Source: International Trade Center*

Another way of evaluating the relative economic strength of a country is to look at the number of the world’s largest companies owned and operated by it (*Table 7*). Among the top Fortune 500 companies, 126 are American and 111 are Chinese. In the four EU countries which make it into the top ten (Germany, France, Great Britain, the Netherlands), there are in total 94 top 500 companies. Here again China stands out as the major challenger to the US, while Europe is falling behind.

**Table 7**  
**TOP 500 companies by countries, 2018**

Countries	Number of companies	Total Revenues (million USD)
USA	126	8,881,646
China	111	6,765,498
Japan	52	2,900,464
Germany	32	2,019,931
France	28	1,675,121
Great Britain	20	1,133,731
South Korea	16	844,899
Netherlands	14	960,460
Switzerland	14	756,021
Canada	12	425,169

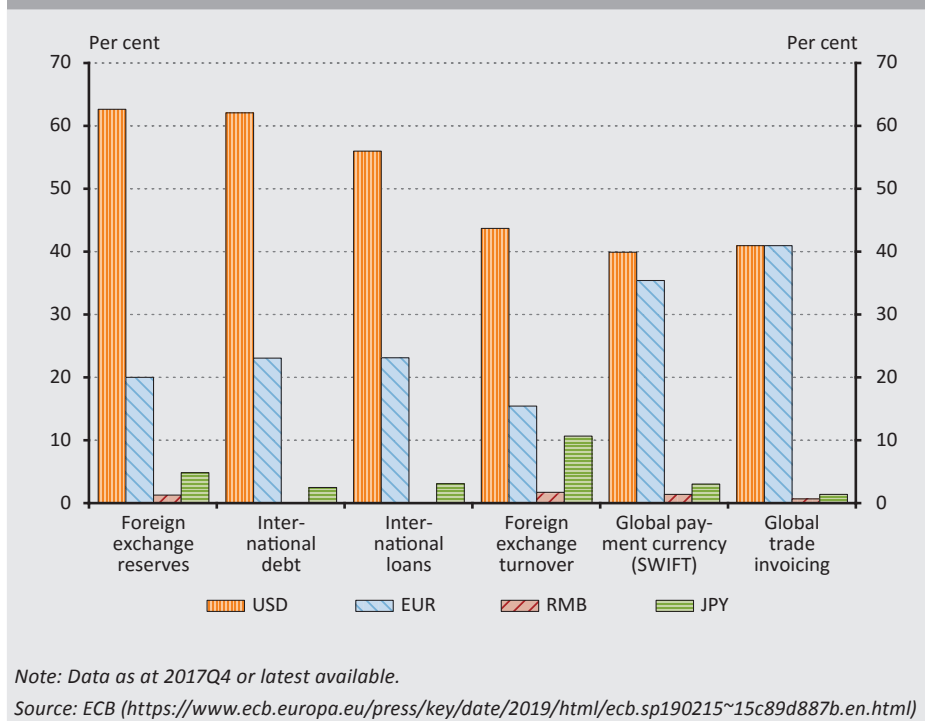
*Source: Fortune 500 Companies*

As mentioned earlier, widespread use of a country's currency in international financial transactions gives the issuer country clout and influence in international relations. *Figure 2* and *3* show that the US dollar currently dominates the composition of foreign exchange reserves (62 per cent), the international debt market (62 per cent), loan transactions (56 per cent) and foreign exchange turnover (42 per cent). The euro comes in a distant second, except in trade invoicing where its share, at 40 per cent, is the same as that of the US dollar. The goal of the European Commission is to expand the international role of the euro in order to increase the financial autonomy of the monetary union. Currently, via swaps the US dollar serves as the backstop for international banks and the US is the largest supplier of safe assets in the form of US treasury bills and bonds.<sup>3</sup> In order for the euro to play a stronger role in international transactions, the Banking Union would have to be completed, measures aimed at creating a true capital market union would have to be introduced, the ECB would have to accept providing large euro swaps if needed and a European safe asset would have to be created. All of this is easier said than done in the EU context, because it requires a commitment to higher cooperation at the political level – for instance, risk sharing – than is currently contemplated. For the euro to play the same role as the US dollar in the international monetary system, the EU also needs to forge a common foreign policy in matters of global significance, since divergence will weaken confidence in the currency.

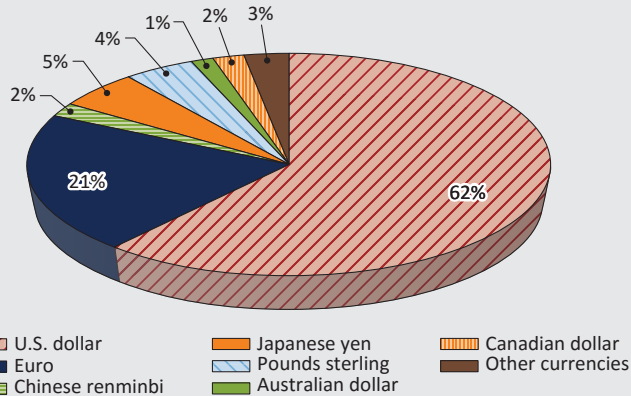
<sup>3</sup> Leonard et al. (2019)

The Chinese renminbi currently has an insignificant weight in international financial transactions. However, China’s plan is to progressively increase the international role of its currency by allowing the issuance of renminbi bonds both offshore and onshore (Panda bonds). In 2016, the renminbi was included in the SDR basket with a weight of 10.92 per cent. China foresees a more prominent international role for its currency, but that would require capital market liberalisation and implementing a more transparent system of financial regulation and exchange rate policy. China is cautiously moving in that direction, and hence it can be expected that the renminbi will play an increasingly important role on the international scene, but it is a long way ahead before the renminbi will be able to challenge the US dollar or the euro as a global currency.

**Figure 2**  
**Importance of different currencies in the international monetary system, 2017Q4**



**Figure 3**  
**Official foreign exchange reserves by currency, 2018 Q4**



Source: IMF

Finally, let us look at defence expenditures. Although the amount of military spending does tell a story about the military strength of a country, it is only an imperfect indicator of true military might. Salaries in the military and the cost of production of the same weaponry can vary greatly from country to country. The true military strength is defined by the type of weaponry and their available numbers, most typically whether a country has nuclear capabilities, a large naval force, military bases around the world, etc. Moreover, given the secrecy generally surrounding military spending, the available numbers might not always show the true extent of defence expenditure. With these reservations in mind, the amount of money spent year after year on the military nevertheless provides a good impression of the ambitions harboured by a country.

As *Table 8* shows, the United States spends by far the most on defence in dollar terms, (USD 706 billion, representing 3.4 per cent of its GDP in 2018), followed by the EU–28 (USD 263 billion, or 1.4 per cent of GDP), China (estimated at USD 250 billion, or 1.9 per cent of GDP), India (USD 66 billion, or 2.4 per cent of GDP) and Russia (estimated at USD 61 billion, or 3.8 per cent of GDP). Except for China, defence expenditures declined in all countries under consideration between 2011 and 2017 and only increased in a few in 2018. In China, the military spending rose by over 80 per cent from 2011 to 2018. China is expanding its naval forces and has started to build up naval bases. Among the countries under review, the United States, Russia, the United Kingdom, France, China and India possess nuclear weapons (outside this group of countries, Israel and Pakistan also have nuclear weapons).

**Table 8**  
**Defence expenditures, 2011–2018**  
*(million USD)*

Country	2011	2012	2013	2014	2015	2016	2017	2018
United States	740,744	712,947	680,856	653,942	641,253	656,059	685,957	706,063
European Union (EU–28)	260,639	242,432	247,420	249,073	217,216	219,077	230,641	262,991
<i>United Kingdom</i>	<i>62,852</i>	<i>58,016</i>	<i>62,258</i>	<i>65,658</i>	<i>59,492</i>	<i>56,964</i>	<i>55,344</i>	<i>61,508</i>
<i>France</i>	<i>53,441</i>	<i>50,245</i>	<i>52,316</i>	<i>51,940</i>	<i>43,474</i>	<i>44,191</i>	<i>46,036</i>	<i>52,025</i>
<i>Germany</i>	<i>48,140</i>	<i>46,470</i>	<i>45,931</i>	<i>46,102</i>	<i>39,813</i>	<i>41,590</i>	<i>45,580</i>	<i>51,009</i>
<i>Italy</i>	<i>30,223</i>	<i>26,468</i>	<i>26,658</i>	<i>24,448</i>	<i>19,566</i>	<i>22,373</i>	<i>23,852</i>	<i>25,780</i>
China	137,967	157,390	179,880	200,772	214,093	216,031	227,829	249,997
Russia	70,238	81,469	88,353	84,697	66,419	69,245	66,527	61,388
Japan	60,762	60,012	49,024	46,881	42,106	46,471	45,387	46,618
India	49,634	47,217	47,404	50,914	51,295	56,638	64,559	66,510
Brazil	36,936	33,987	32,875	32,660	24,618	24,225	29,283	27,766

*Notes: Data for China are estimates for the entire period and data for Russia are estimates for 2011 and 2012 by the Stockholm International Peace Research Institute (SIPRI). Data for the other countries are from NATO. 2018 data are estimates.*

#### 4. Toward a multipolar world order

History has taught us that hegemony tends to emerge time and time again, but they end up being challenged. The decline of a dominant world power and the emergence of a new hegemon has taken generally a long time, often lasting centuries. In today’s world of rapid technological changes and increasing global competition, the geopolitical shifts will be significantly faster than in previous centuries.

Looking at today’s developments, it seems obvious that the *relative* power of the United States to shape and direct global events is diminishing. The ‘*Pax Americana*’ as we have known it since the Second World War is coming to an end. That does not mean by any means that America will not remain a world leader for decades to come. America has a strong economy based on its leading role in innovation and technology and its capacity to attract talent from all over the world. It possesses vast natural resources and has a determining position in international trade, while the dominance of the US dollar in the international monetary system provides it with benefits that no other country currently enjoys. The country lies between two oceans and has the means and will to remain the strongest military power. Zbigniew Brzezinski adds another dimension to America’s strength which he calls “reactive mobilization”, defined as social mobilisation in the face of danger that prompts

national unity.<sup>4</sup> Brzezinski cites the “Remember Pearl Harbor” as a slogan that mobilised the country’s war effort. A more recent example of this national unity is 9/11, when tens of millions of cars flew a flag, so much so that even a Hungarian company received orders to supply American flags.

America feels that it is destined to lead the world. American exceptionalism is ingrained in the leaders of the United States and is shared by many in the population. It is rooted in its history of fighting for freedom, democracy and equality. It can be best captured by the famous Gettysburg speech of Abraham Lincoln when he proclaimed the “government of the people, by the people, for the people” and it is enshrined in the Bill of Rights. As Robert Kagan writes,<sup>5</sup> even today “presidents and politicians speak of the ‘leader of the free world’ (Barack Obama), the ‘indispensable nation’ (Madeline Albright) upon which the ‘world is counting’ for ‘global leadership’ (Hillary Clinton)”. However, the “America First” slogan of Donald Trump suggests that America is becoming increasingly reluctant to assume the responsibility of global leadership, even as it is prepared to wield its economic and military power to pursue its own economic interests and security goals. Good examples of the US using its economic power in defence of its perceived interests are the trade war with China, the threat of imposing tariff on imports from the EU to the United States and, as a way of dividing the unity of Europe, the US endorsement of Brexit, coupled with the offer to the UK a fast track to conclude a free trade agreement.

The picture unfolding from the data and the discussion presented in this paper is that China is the best placed to challenge the economic dominance of the United States. Its large population, vast territory, rapid economic growth, strength in innovation and technological developments, and its leading role in international trade all predestine China to be a world leader. Its ambition to be part of shaping the new world order is also clear. While the dominance of the United States in international organisations such as the IMF, the World Bank and the UN is still prevalent, China is member of over 300 international and regional organisations and its weight in these organisations is on the rise. The Belt and Road and 17+1<sup>6</sup> initiatives and the Chinese investments in the United States, Europe, Asia, Africa and South America reveal a strategy on the part of China of expanding its economic ties well beyond the confines of its national borders and reaching out across the globe. A true leader of the world needs a strong army to back up its aspirations and China is building up its military strength even as it stresses that it is for defence purposes and we have no proof to believe otherwise. A challenge that China is facing is the aging of its population as a result of the decades long “one-child only”

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<sup>4</sup> Brzezinski (2012), p. 60.

<sup>5</sup> Kagan (2012), p. 14.

<sup>6</sup> The 17+1 cooperation is an initiative by China aimed at intensifying and expanding cooperation with Central and Eastern European countries. It comprises 12 EU Member States and 5 Balkan countries.

policy. That policy was changed recently, but it will take many years before this aging can be halted. China has the room and ability to raise productivity that can offset the shrinking of the labour force, but aging is a factor which will be a constraint on growth. This, however, will not prevent China from becoming a world power.

Russia could be another challenger and it certainly wants to play a role in shaping the emerging new order. It has the military might, but its economy is on a relatively weak footing for the time being, relying heavily on the oil and gas industry. That will certainly change over time so that Russia is among the powers that will play a defining role in the new multipolar world order.

The European Union has the size, the economic and innovative strength and the military power to be an important player in world affairs, but the fact that it does not have a common foreign policy and a unified view on such questions as a common defence policy and the macroeconomic role of an EU-wide budget limits its influence. Unfortunately, Brexit drives a wedge between the United Kingdom and the EU, fragmenting European unity. Henry Kissinger has a grim view of Europe when it says that there is *“a continuing weakening of European relevance because of Europe’s loss of a sense of global mission”*.<sup>7</sup> Carl Bildt, the former Prime Minister of Sweden, rightly suggests that the EU *“should establish a political process at the European level that develops the ability to act independently and, at the same time, forges new mechanisms for encouraging unity among member states”*.<sup>8</sup> Considering the diverse interests of the Member States, this will require some time. However, Europe can usefully intermedicate in helping to solve regional conflicts and can be an initiator of and driving force behind good causes, such as for instance the protection of the environment.

The future of world power politics is technology. *“Data and technological sovereignty, not nuclear warheads, will determine the global distribution of power and wealth in this century”* notes Joschka Fischer, former German Foreign Minister.<sup>9</sup> In the realm of the platform economy, such as Microsoft, Apple, Alibaba, etc., artificial intelligence and Big Data, Europe is a distant third behind the US and China. As György Matolcsy (2019) writes, *“disruptive new technologies tend to redistribute power, economic strength and financial resources globally....the European elites lost the American option for winning together in the new tides of disruptive technologies”* (p. 32). In part this is a consequence of the lack of single market in research and capital finance. To meet the challenges of the future and maintain competitiveness, Europe needs retooling and reskilling. While all individual countries have a responsibility in this process, EU-level government support is indispensable. In the case of China, the determining role of government in

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<sup>7</sup> Henry Kissinger, Nobel Prize Forum, Oslo, December 11, 2016.

<sup>8</sup> Fischer (2019).

<sup>9</sup> Bildt (2019).



innovation is not in doubt. In the US also, the role of the government in supporting innovation has been essential through spending on space exploration and defence. The EU needs to work toward achieving digital sovereignty and this cannot be done without a concerted EU-level policy.

The question is how the multipolar world order will function. Will there be peace or war? Nuclear peace? Or regional wars where the interests of competing hegemony clash? Will there be well defined geographic spheres with the dominance of a specific world power? One could imagine a world order in which China plays a dominant role in Asia, the United States in Latin America, Russia in Eurasia and Europe in Africa. Or will the competing hegemony want to shape events across the globe? These are the questions to be asked and everyone can speculate about the outcome. One thing seems to be sure: the US hegemony over the world will fade as challengers gain power. The influence of China and Russia and later perhaps that of India in shaping the course of world events will increase. Europe will need to be more unified in key policy areas if it wants to defend its interests and keep its rightful place among the world leaders in an increasingly competitive environment. The EU must engage with China while upholding its traditional ties with the US. The Belt and Road initiative and the 17+1 cooperation must not be looked at as a divisive factor between the eastern and western parts of Europe – as some like to present it – but as an opportunity to forge closer ties with China.

All told, there is a need for strong, democratic countries which are world leaders to maintain peace and order in the world. To conclude with Robert Kagan's words: *"There can be no world order without power to preserve it, to shape its norms, uphold its institutions, defend the sinews of its economic system, and keep the peace"*.<sup>10</sup> In the future, this will be a shared power between two or three hegemony and it will be their responsibility to maintain the world order Kagan is referring to.

Finally, let us recall that over the centuries, the V4 countries were often caught up in the rivalries among powers trying to extend their dominance in Europe. Today, they are members of the European Union at the east-west and north-south crossroads of trade routes in Europe. They are also valuable members of NATO. It is of vital interest for the V4 countries and the other Central and Eastern European countries to reflect on what geopolitical shifts one can expect in the decades ahead.

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<sup>10</sup> Kagan (2012), p. 139.

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