

Who runs the world?

Wrestling for influence

The post-war global institutions have largely worked well. But rising countries and growing threats are challenging their pre-eminence

Jul 3rd 2008

THE powerful, like the victorious, do not just write history. They grab the seats at the top tables, from the United Nations Security Council to the boards of the big international economic and financial institutions. They collude behind closed doors. They decide who can join their cosy clubs and expect the rest of the world to obey the instructions they hand down.

That is how many outsiders, not just in the poor world, will see the summit that takes place from July 7th to 9th of the G8, the closest the world has to an informal (ie, self-appointed) steering group. Leaders of seven of the world's richest democracies, plus oil-and gas-fired Russia, gather this year in Toyako, on Hokkaido in northern Japan, to ruminate on climate change, rising food and energy prices, and the best way to combat global scourges from disease to nuclear proliferation.

But in an age when people, money and goods move around as never before, this little group no longer commands the heights of the global economy and the world's financial system as the core G7 used to do when their small, purposeful gatherings of the democratic world's consenting capitalists first got going in the 1970s. Nowadays summits produce mostly lengthy communiqués and photo-opportunities. And Russia's slide from democracy into state-directed capitalism has lowered the club's political tone.

In an effort to show that the G8 is still up with the times, Japan, like Germany last year, has invited along for a brief chat leaders from five "outreach" countries: Brazil, China, India, Mexico and South Africa. Yet this handshake between those who did best out of the 20th century and some potential shapers of the 21st leaves hanging the question of how the old world order should be adapting to the new.

Might the world be better managed by such a G13? Or a G15 or G16, to include a couple of weighty Islamic states too? Or, to preserve the group's original globe-steering purpose, by a G12 of the world's biggest economies? Meanwhile, the global institutions set up after the second world war are also having to look hard at their own futures. Unlike the G7/8, which takes on a bit of everything, these institutions basically divide into two sorts: economic and financial, and political.

At the pinnacle of world political management, but looking increasingly anachronistic, is the UN Security Council. Of its 15 members, ten rotate at the whim of the various UN regional groupings. The other five, which wield vetoes and are permanent, are America, Russia, China, Britain and France, roughly speaking the victors of the last long-ago world war. Alongside them is a secretary-general (currently Ban Ki-Moon from South Korea; this job, too, tends to go by regional turn), a vast bureaucracy at UN headquarters in New York, and hundreds of specialised agencies and offshoots (see table).

Busy busy busy

	Year started	Number of staff	Budget, \$bn, 2007*	What it does
Some of the UN programmes and funds				
UNCTAD	1964	450	0.1	Integration of developing countries into the world economy
UNEP	1972	890	0.2	Promotes the environment
UNICEF	1946	7,200	3.1	Assistance to children and mothers in developing countries
UNDP	1965	5,300	4.9	Helps countries in their economic development

UNHCR	1950	6,300	1.0	Protection of refugees and resolution of refugee problems
WFP	1963	10,600	3.0 [†]	Food for emergency needs and economic development
Some of the specialised agencies				
ILO	1919	1,900	0.5	Rights at work and employment opportunities
FAO	1945	3,600	0.8	Food and agriculture including forestry and fisheries
UNESCO	1942	2,100	0.7	Education, science, culture and communication
WHO	1948	8,000	1.6	Co-ordinating health matters
World Bank [‡]	1944	10,000	26.8 [§]	Technical advice, loans, credits and grants for poverty reduction and the improvement of living standards
IMF	1944	2,500	0.9	Monitoring countries' economic and financial development, lending for balance-of-payments difficulties
IFAD	1976	430	0.1	Rural poverty
UNIDO	1966	650	0.2	Promotes growth in small and medium enterprises
Related organisations				
WTO (GATT)	1948	625	0.2	Trade agreements, negotiations and disputes
IAEA	1957	2,200	0.3	Scientific and technical co-operation in nuclear technologies; nuclear safeguards and inspections
Other organisations				
OECD	1961	2,500	0.5	Analyses and forecasts economic development, research on trade, environment, agriculture, technology, taxation
BIS	1930	578	0.2	Co-operation among central banks, monetary and financial stability

^{*}Regular budget and extrabudgetary resources [†]2005 [‡]Includes IDA (low-income) and IBRD (middle-income) [§]FY07: administrative budget \$2.1bn, commitments \$24.7bn

Sources: Official documents; annual reports

The world had to be saved not just from another war, but from a repeat of the Great Depression of the 1930s. That job went to a clutch of institutions: the World Bank and the International Monetary Fund (IMF), jointly known as the Bretton Woods institutions after the place of their creation; the Organisation for Economic Co-operation and Development, a rich-country think-tank set up in 1961; the much older central bankers' Bank for International Settlements; and the World Trade Organisation (WTO, formerly the GATT).

They have been buttressed too by conventions, conferences, courts, declarations, dispute-mechanisms, special mandates and treaties governing everything from human rights to anti-dumping complaints. The whole elaborate architecture has had extra underpinning from strong regional organisations, such as the European Union, and less elaborate ones like the African Union and the various talking-shops of Latin America, the Arab world and Asia, as well as from steadying alliances, such as NATO. As a result, there has been no return to the disastrous global conflicts of the first half of the 20th century.

Yet that very success has become one of three powerful pressures to adjust the way the world is run, as new economic winners (and some new losers) demand a say. Pressure also stems from intensifying resentment and frustration. After ringing declarations on human rights and even the adoption by a UN world summit in 2005 of a "responsibility to protect" against genocide and crimes against humanity, the UN Security Council still finds itself unable to agree to do much to protect the people of Darfur, Zimbabwe, Myanmar and others from the murderous contempt of their rulers—just as in the 1990s the UN failed the genocide victims in Rwanda.

If the Security Council, with a charter of high principles at its back, shows such feebleness towards tyrants (or to those who cavalierly flout nuclear treaties), doesn't it deserve to be bypassed? John McCain, the Republican candidate for president of the United States, supports the creation of a new League of Democracies which, its boosters argue, would have not only the moral legitimacy but also the will to right the world's wrongs effectively.

The third impetus to rejig the way the world organises itself is a dawning realisation on the part of governments, rich and poor, that the biggest challenges shaping their future—climate change, the flaws and the forces of globalisation, the scramble for resources, state failure, mass terrorism, the spread of weapons of mass destruction—often need global, not just national or regional, solutions. The shift in 21st-century economic power alone is justification for rebalancing influence in the top clubs. Much harder to figure out is which bits of the global architecture need mere tweaking, which need retooling or replacing—and who should have the right to decide.

After decades of dividing the world into the rich and powerful West and the developing (or emerging) "rest", China's rapid growth and the economic dynamism of East Asia had led to talk of a new "Pacific" century well before the old "Atlantic" one had ended. On present trends, somewhere between 2025 and 2030 three of the world's four largest economies will be from

Asia. China will just pip America to top the global league, with India and Japan, both determined but so far unsuccessful campaigners for permanent seats on the UN Security Council, following on (though Chinese and Indians will still be, on average, much poorer than Americans or Japanese).

Not unipolar but what?

Yet talk of an Asian century sounds quaint. Despite America's brief "unipolar moment" as its rival pole, the Soviet Union, collapsed, Russia has recovered to join a rising China, America, Europe and Japan in a new constellation of big powers that is based on far more than the old boot-and-rocket counts of the cold war. Bring India into the snapshot, and you capture 54% of the world's population and 70% of GDP. Whether the leaders of this multipolar world will rub along or bash elbows remains to be seen.

Globalisation's increasingly unfettered flow of information, technology, capital, goods, services and people has helped spread opportunity and influence far and wide. To re-emergent China and Russia, add not just India but Brazil (these four bracketed by Goldman Sachs in 2001 as the upcoming BRICs), Mexico, South Africa, Saudi Arabia, South Korea and Australia, to name just some of the new winners as money changes pockets and the world turns faster.

A modern map of power and influence should also include transformational tools such as the internet; manipulators from lobbying NGOs to terrorist groups; profit-takers such as global corporations and sovereign wealth funds; and unpredictable forces such as global financial flows. The principal characteristic of this world, argues Richard Haass of the Council on Foreign Relations in a recent *Foreign Affairs* article, is not multipolarity but "nonpolarity". Dozens of actors, exercising different kinds of power, vastly complicate the effort to find a better balance of influence and responsibility. But the excuse of complexity is no answer to the demand for equity.

Some clubs have proved more responsive than others. China got a new economic start simply by ditching Marx, Lenin and Mao. But its reformers were able to tap the liberal rules-based system codified in the rules of the IMF and the World Bank (and later the WTO) for ideas as well as cash. China rejoined the bank in 1980 (the Nationalist government on Taiwan had been a founder member) just as its reforms got under way. Ironically, Communist-run China has since been one of the system's biggest beneficiaries. But it is by no means the only one. Despite the latest stockmarket dips and credit squeezes, world income per head has increased by more over the past five years than during any other similar period on record.

The IMF and the World Bank, pragmatic institutions from the outset, have adapted already, in fits and starts. In April the IMF reformed the peculiar formula by which it allocates votes and financial contributions according to economic size, reserves and other measures (see chart). China's share of votes will increase to 3.81%, still far short of its weight in the world economy. Meanwhile, old power patterns still determine who holds the two top jobs: the bank is run by an American, the fund by a European. But a bigger problem for both organisations is relevance.

Until the late 1990s the IMF, monitor of exchange rates and lender of last resort to struggling governments, had plenty of work. But emerging economies, once its chief clients and source of earnings in repaid interest and loans, are these days often awash with their own cash. Earlier this year the IMF board voted to cut staff and sell off about an eighth of its gold reserves (some 400 tonnes) to meet expected future funding shortfalls. With no obvious role in coping with the aftermath of the recent banking and stockmarket turbulence, its future role may be more as an expert economic adviser.

Some worry that the world may still need a lender of last resort. Critics think the fund's days

Lenders and borrowers			
Voting shares, % (% of total loans outstanding)			
	IMF	World Bank	
		IDA	IBRD
United States	17	13	16 (0)
Japan	6	10	8 (0)
Germany	6	7	4 (0)
Britain	5	5	4 (0)
France	5	4	4 (0)
China	4	2	3 (12)
Russia	3	0	3 (5)
India	2*	4*	3* (7)
Brazil	2†	3‡	4† (10)
Others	53	52	50 (67)

*Total for Bangladesh, Bhutan, India, Sri Lanka
†Total for Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Trinidad and Tobago
‡Total for Brazil, Colombia, Dominican Republic, Ecuador, Guyana, Haiti, Panama, Suriname, Trinidad and Tobago
Sources: IMF; World Bank

should be numbered and its reserves put to better use for development. Still others muse that what is needed is a World Investment Organisation, to set basic rules and better track the huge and complex flows of cash that now wash around in hedge funds, sovereign wealth funds, banks and financial markets.

The World Bank has a more certain future, but still needs to retool. Competition has stiffened from private capital markets. Many governments that once needed the bank's help for dams, roads and other big projects are earning plenty from the sale of raw materials. Even in Africa, the readiness of China and India to spend liberally without strings in pursuit of oil and minerals means that the Sudans and the Congos can take the bank's cash and ignore the conditions attached.

Yet the bank still has a role lending to unfashionable causes, or countries which donors neglect. It could also provide global public goods: funding energy-infrastructure and climate-change projects are two examples, agriculture another.

A bit too equal

While the bank and the fund are steered by their biggest shareholders, the WTO, though relying on a representative caucus of states to hammer out deals, belongs to all its members: India and Brazil, for example, are at the heart of the Doha round of trade talks. But egalitarianism can be a weakness as well as a strength.

Much admired, at least by government lawyers, are the 60,000 pages of jurisprudence that govern the workings of the WTO dispute mechanism, which has helped resolve many a trade spat. The WTO ensures that members do not discriminate among each other—the best deal they offer to anyone must be extended to everyone. This has helped level the playing field and expand world trade. Russia's is the only large economy still outside the WTO, and that is its choice.

Yet those wanting to join must strike deals with each of the existing members—now a daunting 152. Operating by consensus means that the Doha "development" round has bogged down in disputes between developed and developing countries over complex, reciprocal cuts in farm subsidies and tariff barriers. The prospects for moving on to services look dim. Slow progress has helped push many to forge bilateral or regional deals instead. And if the Doha round fails completely, the recriminations could run far and wide—threatening any attempt, for example, to get agreement between the developed and developing world on new mechanisms to deal with climate change.

Economic and financial power is to some extent up for bids by governments with a stake in the game, and trade rules are (arduously) negotiable. Yet the distribution of political power has proved stubbornly—debilitatingly—resistant to change.

Most bitterly contested is membership of the UN Security Council, which has the right (whether exclusively or not is hotly debated) to decide what constitutes a threat to world peace and security, and what to do about it. In the UN's other big decision-making institution, the General Assembly, all the world can have its say, and does. But here outsiders take their revenge: a caucus of mostly developing countries called the G77 (but these days comprising 130 members including China) tends to dominate and filibuster.

Might it assuage resentment and improve the council's authority and the UN's effectiveness if America, Britain, France Russia and China invited other permanent members to join them—and considered giving up their veto? When the P5, as they are called, first grabbed the most powerful slots, the UN had 51 members; decades of decolonisation and splintering self-determination later, it has 192. The obstacles to reform grow no smaller either.

Most recently a concerted effort by Brazil, Germany, India and Japan (a self-styled G4) to join the council's permanent movers and shakers was thwarted by a combination of foot-dragging, jealousy and stiff-arming. African countries failed to agree on which of their several aspirants

should join the bid. Regional rivals—Argentina and Mexico, Italy, Indonesia, Pakistan and others—lobbied to block the front-runners. China made it clear it would veto Japan; America, in supporting only Japan, helped destroy its friend's chances.

New permanent members would broaden the regional balance. That could add authority and legitimacy to council decisions. Bringing in not only nuclear-armed India, but soft-powered Japan and the rest, would undercut the notion, perpetuated by the P5, that to be a winner you need first to crash the nuclear club.

But might the price of a larger, permanently more diverse council be more potential spanner-tossers and thus greater deadlock? The hope would be that once difficult outsiders got their feet permanently under the table, sharing the responsibility for managing the world would stop them protecting bad elements, as South Africa (currently a rotating member) has been doing with Zimbabwe, in part to defy the permanent five.

Prising the P5 from their vetoes might, however, have adverse effects. It was dependable veto power, ensuring their vital interests were never overridden, that kept America and Russia talking at the UN—and Nikita Khrushchev shoe-banging—through the darkest episodes of the cold war. Russia will not forget the mistake of the brief Soviet boycott of the council that led to force being authorised to repel North Korea at the start of the Korean war in 1950. China shows no sign of veto self-effacement, either.

But staying at the table does not guarantee agreement. The UN is deliberately an organisation of states, and states differ for reasons good and bad. George Bush went to war in Iraq without explicit backing from the Security Council (just as NATO went to war to end ethnic cleansing in Kosovo, despite Russia's certain veto had the issue come to a council vote). But the council's divisions on the most contentious issues have not prevented responsible stewardship elsewhere. A Security Council summit in 1992 agreed that the proliferation of weapons of mass destruction was a "threat to peace and security" to be dealt with forcibly if need be. After the attacks of September 11th 2001, new resolutions were passed to curb terrorists' finance and keep nuclear, chemical and biological weapons out of their hands.

There has been a huge increase over the past 15 years in the numbers of blue helmets, with 100,000 soldiers and police currently deployed. This is credited with helping to reduce the number of conflicts between states, as well as calming civil wars from Bosnia to Haiti, from Cambodia to Sudan, from Congo to Lebanon. Acceptance, at least politically, of a "responsibility to protect" takes the council towards territory which, earlier this decade, it would not have approached: an International Criminal Court, for example, separate from the UN but able to take its referrals, and ready to prosecute the worst crimes.

Yet divisions among the P5 have often slowed deployment of peacekeepers where they are most needed, such as in Sudan's war-torn province of Darfur. Pessimists doubt that China and Russia, both arch-defenders of the Westphalian principle that state sovereignty trumps all, will ever seriously contemplate authorising forceful intervention even to end a genocide. A new UN Human Rights Council has yet to prove it is any better than its discredited predecessor at bringing brutal governments to book.

Meanwhile it took years, and North Korea's 2006 bomb test, for China to condemn Kim Jong Il's nuclear cheating and let the Security Council pass judgment on it. The P5 plus Germany have worked together over the past three years, slapping a series of UN resolutions and sanctions on the regime in Iran for defiance over its suspect nuclear work, yet Russia and China have doggedly watered down each text, line by line.

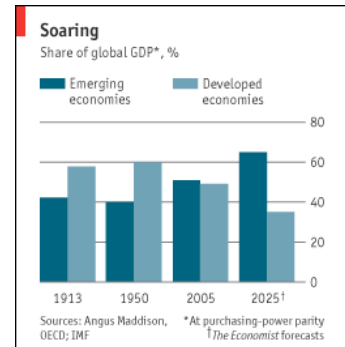
Doing it for themselves

There is much the UN Security Council will never be able to do, no matter who occupies its plush seats. And there are lots of other ways to get useful things done these days. The

internet helps campaigners on human rights, as on other issues, to get their message round the world rather effectively. Stung by constant exposure and criticism of its policy in Sudan and Darfur, China appointed a special envoy (who soon found he had a lot of explaining to do) and shifted ground on the need for a UN force, even though deployment is agonisingly slow.

In some cases, regional organisations are better equipped to take the strain. Enlargement of the EU and NATO has helped stabilise Europe's borderlands, with mostly European troops and police these days in the Balkans. Russia may protest, but its western frontier has never been more peaceful.

On a similar principle of African solutions to African problems, the African Union has provided troops in Sudan and elsewhere. But devolving security jobs to the neighbours can be a disaster: the AU delegated the problem of what to do about Zimbabwe's Robert Mugabe to a southern African grouping, SADC, which left it to South Africa's Thabo Mbeki, who did nothing. The hard-pressed people of Zimbabwe are still waiting for relief.



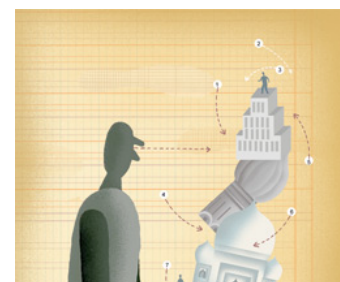
East Asia, the other big potential battlefield in the cold war, used to look very different from Europe, which has long had more than its share of shock-absorbing regional clubs and institutions. Now, alongside the Association of South-East Asian Nations (ASEAN), a still limited talking-shop, other regional conversations are starting up. The ASEAN Regional Forum draws in not only China, Japan and Korea, but Americans, Russians and Europeans; ASEAN-plus-three summits are clubbier, involving only regional rivals China, Japan and Korea. A new East Asian Summit excludes America but brings in India and Australia, among others; Americans naturally prefer to boost the Asia-Pacific Economic Co-operation forum (APEC). Meanwhile Russia, China and their Central Asian neighbours have founded the Shanghai Co-operation Organisation, in part to counter Western influence in the region as NATO battles on in Afghanistan, but in part so that Russia and China can keep an eye on each other. Annual joint military exercises are a new feature.

Problem-solving groups come in all shapes and sizes, from quartets (for promoting Middle East peace or trying to settle the future of Kosovo) to entire posses. Some 80 countries in the Proliferation Security Initiative (an "activity not an organisation") exchange information and train together to sharpen skills for blocking illicit shipments of nuclear or other weapons materials. Like the P5 plus 1 talks on Iran (sometimes called the E3 plus 3 by Europeans), there are six-party talks hosted by China on North Korea (and including America, South Korea, Japan and Russia), which could yet evolve into a formal north-east Asian security dialogue.

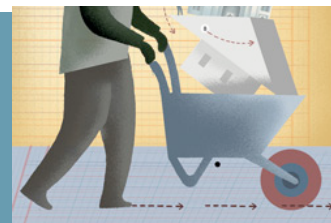
More countries are taking the initiative. China, Japan and South Korea, East Asia's rival powers, will meet this year for a first 3-minus-ASEAN summit. China, India and Russia meet from time to time to re-swear allegiance to multipolarity. They may have little more in common than an ambition to put Europe and America in the shade, but earlier this year the foreign ministers of the four BRIC countries got together for the first time; their economic and finance ministers will soon meet too. And with a wary eye to China's growing economic and military weight, America, Australia and Japan have formed something of a security threesome, though Japan's plan to include India too was deemed a bit provocative.

Quirky but familiar globe-spanning organisations include the Commonwealth, which knits together Britain's former colonies plus other volunteers and does good works in all sorts of out-of-the-way places, and the Non-Aligned Movement, a cold-war hold-over with 116 members and communiqués that leave no prejudice unrecorded. But what of Mr McCain's endorsement of a League of Democracies?

The notion isn't new. An American sponsored Community of



Democracies got going with fanfare in 2000. There is nothing wrong with mobilising freedom-loving governments to speak up for democracy. But there are difficulties.



Last time, America found it hard to say no to friends, and not all its friends are democrats. The new League (or Concert) of Democracies would have clearer rules for ins and outs. Supporters see it as potentially an alternative source of legitimacy, should the Security Council be hopelessly divided: a two-thirds majority of the roughly 60 countries that might qualify could even authorise the use of force to deal with threats to peace or to uphold the principle of a “responsibility to protect”.

But would a group of countries that spans all continents from Botswana to Chile, and Israel to the Philippines, ever manage to agree on much? A supposed democracy caucus at the UN has achieved little. Dividing the world ideologically again seems a step backwards to some. Nor could such a club solve pressing global problems. Coping with climate change needs China as well as India; energy security needs Saudi Arabia and Russia, as well as oil-dependent Japan or the Europeans.

The good news, given the rise of lots of new powers and players, is that this is not the 19th century. Then governments had few means other than gunboats to settle their differences. There are plenty of guns about these days, but also many other ways to settle the world’s disputes.

Briefing

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