

American Leadership and the Future of the Liberal International Order

Joseph S. Nye, Jr. †

One of the great problems in international relations is the creation of order and the production of global public goods. Today, in the words of Martin Wolf, “we are at the end of both an economic period – that of Western led globalization – and a geopolitical one, the post-cold war ‘unipolar moment’ of a US-led global order. The question is whether what follows will be an unravelling of the post-second world war era into a period of deglobalization and conflict much like the first half of the 20th century, or a new period in which non-western powers, especially China and India, play a larger role in sustaining a co-operative global order.”¹

Since World War II, the United States has had unprecedented power in global politics. Some call this American “hegemony” and compare it to the so-called *Pax Britannica* before World War I, when Britain, central to 19th century global order, helped to provide such public goods as stable currency, relatively open markets, and freedom of the seas. But Britain was not as preponderant then as the U.S. is now. In 1914, Britain ranked only fourth in GDP, and third in military spending, while the United States today is first on both these measures of hard power resources, as well as in the soft power of attraction.² Some analysts, however, believe the American liberal

† Joseph S. Nye, Jr. is University Distinguished Service Professor and former Dean of the Kennedy School of Government at Harvard University.

order may be coming to an end. In the words of the Financial Times columnist Philip Stephens, “the liberal rules-based system established in 1945 and expanded after the end of the cold war – is under unprecedented strain. Globalization is in retreat.”³

Two major power shifts in world politics pose a challenge to the liberal order that has been associated with American power. One is a power transition among states from West to East represented by the dramatic rise of Asian economies like China and India. The other is power diffusion from governments to non-state actors from a rapid revolution of information technologies, ultimately symbolized by the rise of the Internet. Will the American order be replaced by the rise of authoritarian state challengers? Alternatively, will it succumb to the entropy of a neo-feudalism of non-state actors?

I. THE AMERICAN LIBERAL WORLD ORDER

The post-1945 liberal international order was an American-led system where weaker states were given institutional access to the exercise of American power, and the United States provided global public goods such as open trade and freedom of the seas within a loose system of multilateral rules and institutions. And despite support for dictators during the Cold War competition with the Soviet Union, the U.S. exercised a general preference for democracy and openness. Whatever the imperfections of the American liberal international order, the second half of the 20th century would have looked very different if Germany had won World War II or the Soviet Union had prevailed in the Cold War. And the second half of the 21st century will look very different if it is ordered by authoritarian states, or if there is no order at all.

Careful analysis must be wary of rosy views of the past that make the present unduly grim. A lot of fiction is mixed with the facts in the mythology of the American liberal order. As Henry Kissinger has pointed out, no truly global world order has ever existed.⁴ The American liberal order was a group of like-minded states centered primarily in the Americas and Western Europe, and it did not always have benign effects on non-members. Since the most

populous countries -- China, India, and the Soviet Bloc -- were not members, the American “world” order was less than half the world. In global military terms, the U.S. was not hegemonic because of the Soviet Union balanced American power. In economics, American leadership created the liberal Bretton Woods institutions as well as rules and practices that governed the world economy, but it could accurately be called a “half-hegemony.” There are also myths about how much order and control America enjoyed even when its power was greatest – witness the inability to prevent the “loss of China” in 1949; the Soviet invasion of Hungary in 1956; the creation and survival of Castro in Cuba; and American failure in Vietnam in the 1960s. Now some analysts proclaim that we are entering a post-American world, but the so-called hegemony in the past was never as complete as our myths suggest.

II. ORIGINS

How did the United States get where it is today? In the 19th century, following George Washington’s advice to avoid entangling alliances and the Monroe Doctrine that focused on the Western Hemisphere, the U.S. played a minor role in the global balance of power. The big change was American entry into World War I when Woodrow Wilson broke with tradition and sent two million Americans to fight in Europe. Moreover, he proposed a League of Nations to organize collective security on a global basis. After the Senate rejected American membership in the League, the troops came home and America “returned to normal”. Though it was now a major factor in the global power balance, the United States became virulently isolationist in the 1930s. Not even the eloquence of Franklin Roosevelt could persuade the American people to stand up to Hitler’s threat. The United States had become the world’s largest power, but did not want to live up to the leader’s role of providing global public goods. There was no American led liberal order in the 1930s, and the result was economic depression, genocide, and world war.

The turning point and the beginning of the seventy years in which the United States has been central to the global balance

of power was Harry Truman's post-war decisions that led to permanent alliances with a military presence abroad. When Britain was too weak to support Greece and Turkey in 1947, the U.S. took its place. It invested heavily in the Marshall Plan in 1948, created NATO in 1949, and led a United Nations coalition that fought in Korea in 1950. In 1960, we signed a new security treaty with Japan. These actions were part of the strategy of containment of Soviet power. As George Kennan (and others) saw the world after the war, there were five main areas of industrial productivity and strength; the U.S., the Soviet Union, Britain, Europe and Japan. It was in the American interest to ally with the other three, and American troops remain in Europe, Japan, South Korea and elsewhere to this day.

While Americans have had bitter debates and partisan differences over intervention in developing countries like Vietnam and Iraq, the bedrock consensus in American foreign policy for seven decades has been our alliance system and multilateral institutions. For the first time, in the 2016 election, that bedrock consensus was called into question by a major political party presidential candidate -- a radical change in American foreign policy. While presidents and secretaries of defense have often complained about the levels of alliance defense spending, they have always understood that alliances are best judged as stabilizing commitments like marriages rather than real estate transactions where one tries to strike the sharpest bargain. Even though American leaders have complained about free riders, until the presidency of Donald Trump they have not questioned the alliance structures. But will it continue?

III. RISING POWERS AND GLOBAL PUBLIC GOODS

In well-ordered domestic polities, governments produce public goods such as policing or a clean environment from which all can benefit and none are excluded. In the absence of international government, global public goods – things like a clean climate or financial stability or freedom of the seas – are produced by coalitions led by the largest power. Small countries cannot be taxed and have little incentive to pay the freight for public goods. Since their contributions make little difference to their benefits, it

is rational for them to ride for free. But the largest power can also see it in its self-interest to continue to contribute to public goods, regardless of free riders, as it sees that maintaining the system outweighs the consequences of abandoning it altogether. Thus it is rational for it to lead, and when it does not, global public goods are under-produced. When Britain became too weak to play that role after World War I and the United States did not step up to its new role and responsibilities as a leading power, the result was disastrous for the world.

Likewise, some observers worry that China is about to pass the United States in power but will not contribute to an international order that it did not help to create. But this overstates the “not invented here” problem. I call this the “Kindleberger Trap” after the MIT economist who attributed the great depression to American free riding in the 1930s.⁵ China benefits from the post-1945 international order, but will it cooperate in the production of public goods? In the United Nations Security Council, it is one of the five countries with a veto. China is now the second largest funder of UN peacekeeping forces and participated in UN programs related to Ebola and climate change. China has also benefited greatly from the liberal economic institutions like the World Trade Organization (where it accepts dispute settlement judgments that go against it) and the International Monetary Fund, where its voting rights increased and it fills an important deputy director position. In 2015, China started an Asian Infrastructure Investment Bank that some saw as an alternative to the World Bank, but the new institution adheres to international rules and cooperates with the World Bank. In 2015, China joined with the U.S. in developing new norms for cyber conflict, as well as for dealing with climate change. While China’s rejection of the Law of the Seas Hague tribunal ruling in 2016 raises troublesome issues, such behavior need not mean the breakdown of the liberal international order. The United States, too, has also sometimes treated its legal obligations a la carte, witness the mining of Nicaraguan harbors in the 1980s. Overall, Chinese behavior has not tried to overthrow but rather to increase its influence within the liberal world order from which it benefits.⁶

Even more important the rise of China does not signify the

end of the American liberal order because, contrary to current conventional wisdom, China is not yet about to replace the U.S. as the world's largest power. China has an eleven trillion dollar economy compared to a twenty trillion dollar American economy measured by exchange rates.⁷ Some expect China to pass the U.S. as the world's largest economy (measured in dollars), but the estimated date varies from 2030 to 2050 depending on what one assumes about the slowing rate of Chinese growth. Even if China some day passes the U.S. in total economic size, that is not the only measure of geopolitical importance.

Power — the ability to affect others to get what you want — has three aspects: coercion, payment and the soft power of attraction. Economic might is just part of the geopolitical equation, and even in economic power China will still lag in per capita income (a measure of the sophistication of an economy). In addition, China is well behind the U.S. in military and soft power indices. U.S. military expenditure is four times that of China. While Chinese military capabilities have been increasing in recent years, analysts who look carefully at the military balance conclude that China will not be able to exclude the United States from the Western Pacific, much less exercise global military hegemony. And in soft power, a recent index published by Portland, a London consultancy, ranks China in twenty-eighth place while the U.S. is ranked first.⁸

Moreover, the U.S. will not be standing still. Americans have a long history of worrying about decline, but despite its various problems, the U.S. is not in absolute decline. It is the only major developed country that will hold its place (third) in the demographic ranking of countries, rather than shrinking in population or being overtaken by other countries. In contrast, China will soon lose its first place population rank to India. U.S. dependence on imported energy has decreased, while China's is increasing. America remains at the forefront in the development of key technologies (bio, nano, information) that are central to this century's economic growth, and American universities dominate higher education. In a ranking by Shanghai Jiaotong University, 15 of the top twenty global universities are in the U.S.; none are in China.

Of course, the continuation of the American liberal world

order will not look like the 20th century. As China, India and other economies grow, the U.S. share of the world economy will be less than it was in the middle of the past century, and the complexity represented by the rise of other countries will make it more difficult to organize action. But no other country – including China – is about to replace the U.S. Europe lacks unity; and the “BRICS” are not an entity. Russia is in demographic decline; India and Brazil (each with a two trillion dollar economy) remain developing countries. Nor is a real alliance of emerging challengers plausible given the underlying mistrust between Russia and China. Rapid Asian economic growth has encouraged a power shift to the region, but inside Asia, Chinese power is balanced by Japan, India, and Australia among others. The U.S. will remain crucial to that Asian balance of power.

IV. NON-STATE ACTORS, NEO-FEUDALISM AND ENTROPY

The more interesting questions for the future arise from power diffusion away from governments. Power transitions among states are familiar in world politics, but the shift of power away from states to non-state actors brings a new and unfamiliar complexity. The current information revolution is putting a number of transnational issues like financial stability, climate change, terrorism, and pandemics, and cyber security on the global agenda at the same time that it tends to weaken the ability of all governments to respond. The realm of transnational relations that cross borders outside of government control includes actors as diverse as bankers electronically transferring funds, terrorists transferring weapons, hackers threatening cyber-security, and threats such as pandemics and climate change.

Complexity is growing. One model for the future is great power conflict or concert, but a second model involves “information entropy.” In that world, the answer to the question “who’s next?” is “no-one”. While this answer is too simple, it does indicate important trends that may not spell the end the American liberal order but will certainly change it.

World politics will not be the sole province of governments.

Individuals and private organizations, ranging from WikiLeaks to corporations to NGOs to terrorists to spontaneous societal movements are all empowered to play direct roles in world politics. The spread of information means that power will be more widely distributed and informal networks will undercut the monopoly of traditional bureaucracy. The speed of the transmission of information on the Internet means that all governments have less control of their agendas. Governments have only just begun the task of developing norms for cyber space, and institutions like the Internet Corporation for Assigned Names and Numbers emphasize a multi-stakeholder model. In the cyber world, political leaders enjoy fewer degrees of freedom before they must respond to events, and then must communicate not only with other governments but with civil societies as well.

Governments and large states will have larger resources, but the stage on which they play is more crowded with information-empowered private actors – including transnational companies, terrorists, mobs, criminals, or individuals. We are only just beginning to comprehend the effects of the information revolution on power in this century. The one clear point is that the growth in complexity of the international system makes governmental control more difficult. It is an oversimplification to see contemporary world politics as an “age of entropy” or the inability to do useful work, but as Moises Naim argues, the government vacuum throws up “terrible simplifiers” – demagogic populists of the left and right who further deepen paralysis without offering real solutions.⁹ It is difficult to formulate policy in 140 characters.

Under the influence of the information revolution and globalization, world politics is changing in a way that means that, even if the U.S. remains the largest power, it cannot achieve many of its international goals acting alone. For example, international financial stability is vital to the prosperity of Americans, but the United States needs the cooperation of others to ensure it. Climate change and rising sea levels will affect quality of life for all global citizens, but Americans cannot manage the problem alone. And in a world where borders are becoming more porous to everything from drugs to infectious diseases to terrorism, nations must use soft

power to develop networks and build institutions to address shared threats and challenges.

The case for the largest country providing leadership in organizing the production of global collective goods remains strong. In some areas of military and economic goods, American leadership can provide a large part of the answer. For example, the American navy is crucial in policing the law of the seas and defending freedom of navigation, and in the 2008/9 financial crisis, the confidence that comes from having a lender of last resort was provided by the Federal Reserve.

But on the new transnational issues, while American leadership will be important, success will require the cooperation of others. In this sense, power becomes a positive sum game. If the American liberal order is to continue, it will not be enough to think in terms of American power *over* others. One must also think in terms of power *to* accomplish joint goals which involves power *with* others. On many transnational issues, empowering others can help the U.S. to accomplish its own goals. The United States benefits if China improves its energy efficiency and emits less carbon dioxide. In this world, networks and connectedness become an important source of relevant power. In a world of growing complexity, the most connected states are the most powerful. Fortunately, the U.S. comes first in Australia's Lowy Institute ranking of nations by number of embassies, consulates and missions. Washington also has some 60 treaty allies; China has few.

The openness of the U.S. has enhanced its capacity to build networks, maintain institutions and sustain alliances. But will that openness and willingness to engage with the rest of the world prove sustainable in domestic politics or will we see a 21st century analogue to the 1930s? Perhaps the major threat to the future of the American liberal order is not from without but from within?

V. THE THREAT FROM WITHIN

Even if the United States continues to possess more military, economic and soft power resources than any other country, it may not choose to convert those resources into effective power behavior

on the global scene. As noted earlier, between the two world wars, it did not.

The 2016 presidential election was marked by populist reactions to globalization and trade agreements in both parties. Populism generally signifies a resistance to elites, including the type of institutions and commentators who supported the liberal international order over the past seven decades. Populism is not new and it is as American as pumpkin pie. Some populist reactions are healthy for democracy (think of Andrew Jackson or William Jennings Bryant), while other populists such as the anti-immigrant Know-Nothing Party in the 19th century or more recently Senator Joe McCarthy and Governor George Wallace have emphasized xenophobia and insularity. The Trump phenomena fall more in the second category.

The roots of populist reactions are both economic and cultural. Polls show that districts that had lost jobs to foreign competition tended to support Trump, but so also did groups like older white males who lost status in the culture wars that involved changing values related to race, gender and sexual preference. Even if there had been no economic globalization, cultural and demographic changes would have created some degree of populism. Trumpism is likely to continue even after Trump as jobs are lost to robotics as much as to trade, and cultural change continues.

Some observers believe that the 2016 election marks the end of the rapid growth in trade and investment flows. They compare the situation to 1914 when a century of rapid globalization had enriched many but also increased inequality and led to the rise of communism, fascism and nationalism that degenerated into war. But there were few social safety nets in 1914. The lessons for policy elites who support globalization and an open economy is that they will have to be seen to pay more attention to issues of economic inequality as well as adjustment assistance for those disrupted by change. Policies that stimulate growth, such as infra-structure investment, will also be important. Attitudes towards immigration, for example, improve as the economy improves. In a Pew survey, in 2015, 51% of US adults said immigrants strengthened the country while 41% believed they were a burden, compared to

39% believing immigrants were strengthening the country and 50% viewing them as a burden in mid-2010, when the effects of the Great Recession were still being felt.¹⁰

At the same time, it would be a mistake to read too much about long term trends in American public opinion from the heated rhetoric of the 2016 election. While Trump won the election he did not win the popular vote. While the prospects for elaborate trade agreements like TPP and TTIP suffered, unlike the 1930s (or even the 1980s) there has not yet been a widespread reversion to protectionism. While some analysts believe that technology will produce de-globalization, a recent Brookings Institution study of long term trends finds the opposite. And some economists like Martin Feldstein argue that official figures fail to capture technological improvements and exaggerate apparent economic stagnation.¹¹ In fact, the U.S. economy has increased its dependence on international trade. According to World Bank data, from 1995 to 2015, merchandise trade volume as a percentage of total GDP has increased by 4.8 percentage points, and in 2014, the U.S. exported \$400 billion in information and communication technologies (ICT)-enabled services, which was almost half of all U.S. exports of services. And a September 2016 poll by the Chicago Council on Global Affairs found that 65 per cent of Americans say that globalization is mostly good for the U.S. despite the concern about jobs.¹² The label “isolationism” is not an accurate description of current American attitudes.

Some Americans worry whether the U.S. can afford to sustain the liberal economic order, but their concerns are misplaced. The U.S. currently spends about 3.5 per cent of its GDP on defense and foreign affairs. As a portion of GDP, the U.S. is spending less than half of what it did at the peak of the Cold War years. Alliances are not that expensive. The problem is not guns vs. butter, but guns vs. butter vs. taxes. Unless the budget is expanded by a willingness to raise taxes, defense expenditure is locked in a zero-sum trade-off with important investments such as domestic repair of education, infrastructure, and spending on R&D. This can hurt both defense and domestic reform. And the U.S. remains among the most lightly taxed of all the major developed countries, with the OECD average

income tax rate in 2012 being 10 percentage points higher than that of the U.S.

Another domestic challenge for maintaining the liberal order is the issue of intervention. How and in what way should the United States become involved in the internal affairs of other countries? The problem is not new – John Quincy Adams wrestled with domestic demands for intervention in the Greek war for independence nearly two centuries ago when he announced that we go not abroad in search of monsters to destroy. But in an age of transnational terrorism and transnational refugee crises, some degree of intervention is unavoidable – witness the way the Syrian civil war haunted the Obama Administration. The Middle East is likely to experience political and religious revolutions for decades much like Germany in the Thirty Years War of the seventeenth century. These crises will create temptations to intervene, but the U.S. will need to stay out of the business of invasion and occupation. In an age of nationalism and socially mobilized populations, foreign occupation is bound to breed resentment, and periods of maximalist over-commitment have done more damage than retrenchment to the domestic consensus needed to support a modest liberal international order. A political reaction to Woodrow Wilson’s global idealism produced the intense isolationism that delayed America’s response to Hitler; Kennedy and Johnson’s escalation of the war in Vietnam produced an inward oriented decade in the 1970s; as did Bush’s invasion of Iraq in 2003.

Another problem for sustaining domestic support for the liberal international order is political fragmentation and the tendency to use demagogic tactics on foreign policy issues. Trumpism may not vanish with Trump. Such tactics undercut the American ability to bolster institutions, create networks and establish policies for dealing with the new transnational. It reduces the American asset of network centrality, and reduces American soft power. Domestic political gridlock often blocks such international leadership. For example, the U.S. Senate has failed to ratify the Law of the Seas Treaty despite the fact that the U.S. needs it to bolster freedom of navigation in the South China Sea. Similarly, Congress failed for five years to fulfill an American commitment to support the reallocation

of IMF quotas from Europe to China though it would cost the U.S. almost nothing. And Congress has passed domestic laws violating the international legal principle of sovereign immunity that protects Americans abroad. In terms of leading on climate change, there is strong domestic resistance to putting a price on carbon emissions. Such attitudes weaken the ability of the U.S. to take the lead in dealing with global public goods.

CONCLUSIONS

The U.S. will remain the world's leading military power in the decades to come, and military force will remain an important component of power in global politics. As Steven Brooks and William Wohlforth argue in their recent book, *America Abroad: The United States' Global Role in the 21st Century*, "the distribution of capabilities among states is not shifting nearly as much or as quickly as is commonly believed."¹³ But they also point out that the scholarly conventional wisdom about what the U.S. should do with its power has undergone a sea change. The newfound popularity of a grand strategic approach that is alternatively called offshore balancing, retrenchment, disengagement, or restraint tracked shifts in U.S. public opinion after the Cold War. Even before the inauguration of the Trump Administration in 2017, some scholars were questioning this post-1945 order. And the dilemmas of humanitarian intervention that arose after the Cold War were represented in very different approaches by the Clinton, Bush and Obama administrations.

At the same time, a rising China and a declining Russia frighten their neighbors, and American security guarantees in Asia and Europe provide critical reassurance for the stability that underlies the prosperity of the liberal order. At the same time, military force is a blunt instrument. Trying to occupy and control the domestic politics of nationalistic populations in the Middle East revolutions is a recipe for failure that will prove counter-productive. And on many transnational issues like climate change or financial stability or norms to govern the Internet, military force is not the answer. Maintaining networks, working with institutions, creating norms

for new areas like cyber and climate change create the soft power needed to complement America's hard power resources. Yet this is the type of power which Trump's unilateralist policies challenge. Although it is early in the new administration, it appears that campaign rhetoric about disruption of alliances is unlikely to be fulfilled. High officials have reassured Europe and Japan, and the military balance may be more robust than early rhetoric suggested. But the same cannot be said about the international economic system or governance of global commons such as climate change. The term "liberal international order" covers political-military affairs; economic relations; ecological relations; and promotion of liberal values, whether directly or indirectly. It remains to be seen to what degree these depend on each other and what the result will be if the 1945 package is unpacked. Some aspects may persist while others vanish.

In conclusion, leadership is not the same as domination. There have always been degrees of leadership and degrees of influence during the seven decades of the American liberal order. Now with slightly less preponderance and a more complex world, American provision of global public goods, in cooperation with others, will remain crucial but that leadership role may be threatened more by the rise of domestic populist politics than the rise of China.

¹ Martin Wolfe, "The long and painful journey to world disorder," *Financial Times*, January 5, 2017, <https://www.ft.com/content/ef13e61a-ccce-11e6-b8ce-b9c03770f8b1>.

² Joseph Nye, *Is the American Century Over?* (London: Polity Press, 2015).

³ Philip Stephens, "The Trumpian threat to the global order," *Financial Times*, September 22, 2016, <https://www.ft.com/content/3f16e476-7e5c-11e6-8e50-8ec15fb462f4>.

⁴ Henry Kissinger, *World Order* (New York: Penguin Press, 2014), 2.

⁵ Charles Kindleberger, *The World in Depression, 1929-1939* (Berkeley: University of California Press, 1973).

⁶ Ceri Parker, "China's Xi Jinping defends globalization from the Davos stage," *World Economic Forum*, January 27, 2017, <https://www.weforum.org/agenda/2017/01/chinas-xi-jinping-defends-globalization-from-the-davos-stage/>; "Statement by Wang Yi," filmed February 17, 2017, Munich Security Conference, 23:41, <https://www.securityconference.de/en/media-library/munich-security-conference-2017/video/statement-by-wang-yi/filter/video/>.

⁷ "World CDP Ranking 2016," *Knoema*, April 10, 2017, <https://knoema.com/nwnfkne/world->

gdp-ranking-2016-data-and-charts-forecast ranks China first if purchasing power parity is used.

⁸ Portland Consultancy, *The Soft Power 30: A Global Ranking of Soft Power* (London: Portland Consultancy, 2016).

⁹ Moises Naim, *The End of Power* (New York: Basic Books, 2013), 52.

¹⁰ “Chapter 4: U.S. Public Has Mixed Views of Immigrants and Immigration,” *Pew Research Center*, September 28, 2015, <http://www.pewhispanic.org/2015/09/28/chapter-4-u-s-public-has-mixed-views-of-immigrants-and-immigration/>; “Most Say Illegal Immigrants Should Be Allowed to Stay, But Citizenship is More Divisive,” *Pew Research Center*, March 28, 2013, <http://www.people-press.org/2013/03/28/most-say-illegal-immigrants-should-be-allowed-to-stay-but-citizenship-is-more-divisive/>.

¹¹ Martin Feldstein, “The U.S. Underestimates Growth,” *Wall Street Journal*, May 19, 2015, <https://www.wsj.com/articles/the-u-s-underestimates-growth-1431989720>.

¹² Dina Smeltz, Craig Kafura, and Lily Wojtowicz, “Actually, Americans Like Free Trade,” *The Chicago Council on Global Affairs*, September 7, 2016, <https://www.thechicagocouncil.org/publication/actually-americans-free-trade#tablist1-tab1>.

¹³ Stephen Brooks and William Wohlforth, *America Abroad: The United States’ Global Role in the 21st Century* (Oxford: Oxford University Press, 2016): ix.