

ILLUSTRATION BY BINAY SINHA



# NOBODY'S MOMENT... NOT INDIA'S EITHER

The current economic and political instability in the world has created a global leadership vacuum that may be hard to fill, says CLAUDE SMADJA

**E**UROPE is in a shambles and will remain there for the next few years, consigned to minimal growth, at best, high unemployment and indebtedness. Germany's decision to use the crisis to enforce the Berlin consensus on the euro area and its stubborn adherence to economic orthodoxy, which has no relevance to the present realities, have turned a Greek crisis – which was containable and manageable at the origin – into an economic disaster. As a result, the whole of Europe is engulfed in a vicious chain reaction and the existence of the euro is under threat.

It was not so long ago. On the 10th anniversary of the euro, European integration was celebrated almost like the eighth marvel of the world, between the Taj Mahal and the Joconde painting, a proof of Europe's new clout as a force in the world. However, the present crisis has put an end to any hope of Europe as an entity being a significant player on the world scene. Remember some musings at the turn of the century that Europe's moment was coming? We can forget those.

Looking at the US, the picture is not more promising. The irrepressible perception has now set off a decline in America; it is still struggling to recover from recession and seems incapable of reversing its spiral of indebtedness; its public education sys-

tem and infrastructure are now sub-par; and a combination of political paralysis and leadership anaemia is blocking any prospect of significant reform. While the Obama administration is proving to be a disappointment, there seems to be no new leader on the horizon who can claim that "It is morning in America", as Reagan did so successfully in the eighties. Given that US public opinion is polarised in such an unprecedented way in modern history, the question today is whether America's vital instincts – its capacity to project itself into the future – are still fully intact. One can still point at the US' undisputed military superiority, its technological lead in some crucial areas, and one still hears about "US soft power". However, the American moment belongs more to the eighties and the nineties than to the present era.

If the developments in Europe and the US have been predictable to some extent, the more perplexing phenomenon relates to China. This is supposed to be China's moment: it overtook Japan as the world's second largest economy and Germany as the world's second-largest trading nation in 2010, and continues to move at seemingly quite a robust pace. Beijing's handling of the 2008 crisis and the way it manages the economy have made those who kept repeating that China cannot

continue to grow at such a pace sound like hapless, envious people.

However, for all its successes, China does not behave as a leader on the global scene and strenuously avoids taking the lead on any international issue. The only matter on which it shows assertiveness, close to bullying, is its claims in the South China Sea. And even on that issue, China's attitude could reflect more insecurity at the top, and maybe lack of coordination, than inner strength.

In fact, the Chinese leadership has never been so nervous and insecure. The widening wealth distribution gap in the country, as well as the growing manifestations of revolt against the widespread abuse of power, inequality among people and generalised corruption, is generating pervasive social discontent ready to burst into violent forms at any moment. Domestic challenges are cropping up as the central government tries to shift away from over-reliance on fixed investment, massive resources utilisation and export-led growth towards a path of low-carbon, domestic consumption-led and knowledge-based growth. Not only is such a strategic shift extremely difficult to achieve, as Japan's experience shows, this also pits Beijing against many provincial governments still determined to continue with resource-intensive, quantitative – rather

than qualitative – economic development. This will absorb the leadership energies for many years to come.

Yes, despite all the difficulties and the complexity of the challenges to overcome, despite the impending slowdown in growth from the 10 per cent+ levels to something around eight per cent, one can assume that China will continue its ascendancy. But it would be premature to assert that this is China's moment – and Chinese leaders would be the last ones to make such a claim, not just out of any sense of humility.

If it is not any country's moment, is it, then, the moment of multilateralism? Here again, close observation leads to sobering conclusions. If the creation of the G20 in 1999 was celebrated as recognition that the growing complexity and inter-connections of the key issues of the global economy necessitated a multilateral approach, one has to recognise that after 12 years of existence this grouping remains mostly a discussion club, certainly useful but with no enforcement power. In the same way, the United Nations is frozen in its limitations by the obsolete composition of the permanent members of the Security Council. So much, then, for this being the moment of multilateralism – whatever some fashionable rhetoric would have us believe.

In that context, could there not be an opportunity for India's moment? Would that not be the right time for a more confident India to claim some moral ground by highlighting a vision of economic development that would combine high growth with inclusiveness, to assert its version of globalisation and of a new world order able to integrate the aspirations of emerging market economies, and their newfound assertiveness, in win-win partnerships? Theoretically, yes – if only India wasn't so absorbed in corruption scandals, most of its political class was not so selfish and its government had not lost its way. An opportunity has been lost, at least for the time being.

Meanwhile, this vacuum of leadership at the international and the national levels means continuing difficulties in facing our global challenges, whether it is the correction of the macroeconomic imbalances threatening economic growth, the fight against climate change or the growing pressures on the world resources. Let's face it: this is a volatile world and a dangerous moment.

*The author is President of Smadja & Smadja, a Strategic Advisory Firm*