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# HORIZONS

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## AMERICA AT CROSSROADS



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# UPENDING SCLEROSIS

## AMERICAN LEADERSHIP IN RECALIBRATING GLOBAL INSTITUTIONS

Danielle Pletka

**D**ONALD Trump has made no secret of his hostility to the World Health Organization (WHO). In the summer of the coronavirus, 2020, he lambasted the WHO's performance in stark and explicit terms: "The W.H.O. really blew it," Trump tweeted. "For some reason, funded largely by the United States, yet very China centric." Well, yes. But it's not just the WHO. China has over recent years engaged in a well-documented effort to extend its regulatory, technological, economic, political, and (when possible) security reach using United Nations bodies as its favored vehicle. Both the International Civil Aviation Organization (ICAO) and the World Intellectual Property Organization (WIPO) were recently in its sights, and China's now notorious stewardship of Interpol is well publicized.

But the China problem that has been exposed so dramatically as a result of the COVID-19 pandemic is a subset of a larger and more serious one.

**M**uch of the global infrastructure built in the wake of World War II—think the United Nations, NATO, the European Union, and the Bretton Woods institutions—is aged, sclerotic, corrupt, and incapable of addressing the challenges of the twenty-first century.

Consider the United Nations. Founded in 1945, it cemented in place the permanent membership of the Security Council. What is notionally the most powerful quinquvirate is made up of the United States, Russia (which inherited the Soviet Union's seat after the empire's collapse), France, the United Kingdom, and the People's Republic of China (which took the Republic of China's seat in 1971). Some of that makes sense—the United States remains the world's most potent economy and military power—but what of the others? If seats were allocated based on a rationale that wasn't rooted in the end of World War II—no Germany, no Japan—would Russia have a seat

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Photo: Gulliver Image/Getty Images

### *The Recalibrator-in-Chief?*

(it is now the world's eleventh largest economy)? France (seventh largest)? Would China have enjoyed a seat when its economy was less than one tenth of that of America? Perhaps, because it is the world's most populous nation. But then why isn't India a member?

**N**ATO was also founded on the ashes of World War II. But it has proven itself incapable of contending with the modern era. Repeated efforts to remind members of the importance of NATO as a defense pact—its actual and original purpose—have faltered in recent decades. Most members don't spend near the pledged 2 percent of

their GDP on defense, and there are real questions about their commitment to the principles underlying the organization, illustrated nicely by Turkey's recent purchase of Russia's NATO-killer S400 air defense system.

As of this writing, nine NATO member states are at their 2 percent target whilst the others have rapidly swelling social safety nets that all but ensure the odds of reaching 2 percent are close to zero. (Unemployment in the EU over the last decade averaged close to 10 percent, much higher in weaker economies such as Greece and Portugal; as the population ages, those numbers will inevitably

rise.) What is the alternative? As much as café society reviles the notion, the truth is that much of NATO has come to rely on the American military umbrella on those ultra-rare occasions when they can muster the enthusiasm for any military activity at all. The dubious NATO outing in Libya laid bare the pathetic state of Europe's militaries: incapable of sustaining action for more than days with short supplies of precision guided munitions, dumb bombs, and insufficient lift to manage without the United States. Surely some evolution is necessary to help the organization remain "resilient"—that favored twenty-first century notion.

Then there's the economic and political alliance that is the European Union, born originally with a view to ending the age of European conflict. To be fair, Europe *en masse* has not gone to war since the end of World War II; the EU has delivered integration once unthinkable.

But the rise of European populists, crushing imbalances in economic and foreign policy, a drift away from democracy among new members (ahem Hungary), and Brexit also underscore the fragility of the EU in its current form. Nor

has the EU reckoned how to manage the outside infiltration and destabilization efforts of powers like Russia and China.

Rather, the EU operates much as it has done for decades, increasing in

size even as substantial minorities within its member countries chafe at what they see as autocratic and undemocratic rule from Brussels.

The financial world is little different from the geopolitical and political. The World Bank and the International Monetary Fund—created by the Bretton

Woods Agreement as World War II still raged—are also showing their age. The World Bank went through a disastrous and demoralizing "reform" under Obama Administration appointee Jim Yong Kim, and is now weathering yet another scandal over the axing of a large part of its own anti-corruption team for being, incredibly, too anti-corruption. Similarly, the IMF has been under assault by angry leftists opposed to the IMF's institutional insistence on privatization, austerity, and small government that are the organization's hallmarks.

But like their counterparts in the strategic and political universe, the world's leading financial institutions

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and governors have resolutely kept their heads in the sand about new challenges to their development and lending models. The People's Republic of China awoke to the possibility of predatory lending some time ago, and has executed its Belt and Road project accordingly. Far from the strings-attached principle-driven practices of the Bank and IMF, Beijing is entirely transactional, looking to mechanisms from debt traps to dubious infrastructure projects to enmesh its victims in obligations. The Arab Gulf states, following the model, have also begun looking to Africa for quasi-client states they can entice with generous financial and project lending.

The quid pro quo school of lending pioneered by the People's Republic of China has led to Beijing enjoying a 99 year lease on a key strategic port in Sri Lanka after the South Asian nation was unable to pay back a loan. China also owns most of the debt owed by the government of Djibouti, in the Horn of Africa. China now has a military base there. And Arab Gulf countries are now engaging in similar transactional development and investment. As Karen Young of the American Enterprise Institute writes:

Gulf Arab states are engaging in unprecedented economic interventions across several key African states. Sudan and Ethiopia have received generous central bank deposits, aid, foreign

direct investment and commitments of future support totaling nearly \$20 billion since 2011. Gulf financial support (in loans, in-kind oil and gas, investment, and central bank deposits) to Egypt has reached nearly \$90 billion by some estimates in the same period. Pakistan is another major recipient of Saudi and Emirati aid and investment support, with commitments of more than \$30 billion in the past year alone.

Suffice it to say, these are not American or European lending and investment practices. Instead, they are focused on ensuring congenial leaders remain in power, cushioned by loans or grants that ensure their tenure rather than leveraging influence for good governance, market economic practices, and transparency.

**ALL SHOOK UP?**

Too many stars in the postwar constellation have struggled in recent decades, unsure of a path forward, uncertain about their own relevance, incapable of contending with new challenges ranging from the rise of populist parties and the tsunami of cyber threats to the spread of Salafi extremism and the birth of new diseases. Even the concept of competing with dangerous ideas has not occurred to most. The COVID-19 pandemic should be an inflection point for the world, a wake-up call to revisit and reform that infrastructure for the twenty-first century.

Part of the difficulty in upending post-war institutions is the difficulty of beating something with nothing. The consensus created by the twin crises of the war against Germany and Japan, and Stalin's march westward in the immediate aftermath was unprecedented. And the fact that almost no major nation except the United States escaped the war largely intact put all the marbles in Washington's hands. Those marbles are now well dispersed, and even 9/11 did not create a crisis that lasted long enough to allow for a major reinforcement of global institutions. To the contrary in some cases: While the first invocation of NATO's Article 5 initially restored lagging faith in the North Atlantic alliance, it quickly became evident that few of the nations stepping up actually had any real military capability.

The question is, can the rolling effects of the coronavirus pandemic shock the world enough to begin a recalibration? Enough to ask ourselves, for example:

*Should there be a global health organization made up only of responsible, transparent, and democratic nations?*

*Should there be a global security alliance, or group of alliances, of democracies*

*that will not invade and annex vast swaths of other nations' territory?*

*Should there be international development and lending institutions capable of adapting to compete with predacious efforts like China's Belt and Road Initiative?*

*Should there be trading alliances in which members respect intellectual property and the international rules of the road?*

*Should customs unions like the EU have rules about adherence to democratic norms and principles?*

*Should NATO be modernized?*

The answer to all of these questions is yes. But that requires not simply a vision about a positive agenda and reform to existing institutions, it requires the kind of leadership that few national leaders are willing to ante up. One of the reasons that such organizations were successfully formed and sustained over decades was the unique consensus forged during war. Both the negative incentive of future conflict and the positive agreement about elements of global leadership helped to smooth over what would otherwise have been significant differences. (Indeed, previous such efforts had always foundered over those very differences.)

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Can such circumstances be recreated absent conflict? Or is a shock to the system required in order to drive the parties from the predetermined path?

### OVERCOMING THE RETREAT CONSENSUS

During the Cold War, it was American leadership that constituted the engine of continued success for many multinational enterprises. But American leadership is now in doubt, as isolationists on the left and the right conspire to have the United States step back from its global role. Despite *sturm und drang* on the American political scene, there is surprising consensus around some form of global retreat. Democrats press for form—respect for allies, international institutions, international law—but functionally argue little differently than many Republicans. Contenders for the White House in 2020 both supported a retreat from the Middle East and a retreat from the two-decade war on terrorism. All agree that the People's Republic of China represents a unique threat, but there is little agreement about how to confront it. The mantra from the White House is likely to remain "do less" until something blasts the next president from his complacent position in the West Wing.

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American allies too could do more. Rumor had it that Trump frequently asked what U.S. allies were willing to do to confront challenges on the global stage, only to receive blank stares. After half a century of following, those allies were all too often unwilling to set out positions, hoping (despite their antipathy to Trump) that the United States would act instead. The initiative need not always fall to Washington. And there are other substitutes to American presidential initiative. In the United States, the Congress has often—more often than recent presidents—stepped in to guide important change. It was Congress that led the way on NATO expansion; Congress that led the way on marginalizing Russia; Congress that forced the White House to renegotiate America's dues to the United Nations, and more. National legislatures, while much weaker in Europe and Asia, can also play a role where the executive falls short.

Where to begin? The first is to forge a recognition that the status quo is unsustainable. A World Health Organization that serves Beijing is not what the American taxpayer had in mind, and likely not what Europeans aim for either. The United States has rethought its membership in the WHO until reforms are made

that marginalize states that falsify health data. Other UN groupings are also on notice that America will no longer fund specialized agencies like ICAO, WIPO, and the Human Rights Commission that are headed by states inimical to the aims of those agencies. But it shouldn't just be the United States; it will help in this and other projects to begin to gather a group of like-minded states—the UK, Australia, others—who see the problem the same way.

*It has become convenient to deny national powers agency, but in truth, it is they—and only they—that have the agency to effect reform.*

Part of this effort must understand that while it is tempting to blame “the WHO,” “the EU,” “NATO,” and “the IMF” for the troubles that beset these groupings, in reality, they are just that: groupings. The so-called international community is, despite the daydreams of Wilsonian internationalists, nothing more than a sum of its parts. When multilateral organizations like the WHO fail, it is because its members have allowed it to do so. The same is true for alliances like NATO, would-be global governors like the UN, development financiers like the World Bank, and all other such supranational organizations. It has become convenient to deny national powers agency, but in truth, it is they—and only they—that have the agency to effect reform.

**LEVERAGE**

The leverage that such a like-minded group can have is, unsurprisingly, money. Until Trump pulled the United States from the WHO, American contributions were almost 16 percent of the organization's annual budget. The United Kingdom's are almost 8 percent. Germany and the EU collectively add another 8 percent. The U.S.-dominated World Bank kicks in another 3 percent. In short, this group of countries can—if they can reach consensus on the imperative for change—reform the WHO in ways that increase the accountability of its leadership and the bureaucracy.

Likewise at the World Bank and IMF, a coalition of the willing can have transformative power. If these institutions are to compete with China and Arab Gulf states in lending with a view to development and best financial and governance practices, something will have to change. The notion that business-as-usual lending, with all of the attendant demands for austerity measures, free trade practices, and regulatory clean-up will continue to transform the world as it has over the last seven decades is fantasy.

If the Bretton Woods institutions are to take on the predatory and pernicious

practices of the Belt and Road Initiative and its Arab mimics, they will need new incentives and new thinking about how to compete with self-interested, unprincipled, and wealthy lenders in the Near and Far East. That new thinking may well include demands that countries ponying up to the window reveal the extent and nature of their other obligations; more proactive assistance proffered to help assess both the viability and wisdom of projects and project financing from non-bank sources; or facilitating debt restructuring to stabilize economies at risk.

*The era of consequence-free behavior must end.*

Within NATO, as in so many of these other aged organizations, there is a strong desire on the part of alliance members to “keep the myth alive,” as former U.S. Secretary of Defense Donald Rumsfeld used to complain. But continuing the pretense that NATO is a group of Western-oriented states is unacceptable when Turkish leader Recep Tayyip Erdoğan is playing footsie with Vladimir Putin's Russia, investing in NATO killing S-400 air defense systems. Some insist NATO cannot survive any bickering at the top, as it is already under strain from European leaders who hope to build a competing European Union military alliance. But allowing NATO's destruction from within is simply a quieter way to allow the organization to collapse.

There are interim steps that members can take to encourage reform. The first step is to recognize that reform is needed, and to frankly discuss problem members of the Atlantic Alliance. That requires leadership. Another early step should be to begin discussion of amendments to NATO's Charter that contemplate expelling non-cooperating or anti-democratic member states. The other is to offer a clear choice to those miscreants; there must be a pathway to better conduct, a clear choice posed to backsliders that on the one side rewards cooperation and on the other promises consequences. The era of consequence-free behavior must end.

The same kind of leadership is imperative for the European Union. As Brussels contemplates allowing in yet more EU members from the Western Balkans, insufficient thought has been given to just what these powers represent, and whether the EU is sustainable on its current growth path. Yes, French president Emmanuel Macron has suggested a pause in expansion, but treading water won't solve the problems either. In the first instance, major divergences in intra-EU economic practice have been solved with massive borrowing on a credit rate dictated by the German economy, but one that would more realistically be represented by the faith and credit of Italy. Disagreements over border practices and immigration have been shunted to the side with payoffs and

bizarre compacts that shuffle crowds of human misery from one shore to the next. This is, after all, Europe, not some Third World redoubt.

European powers are all too reluctant to look at the sources of their problems, whether in Damascus and Ankara, or closer to home in Moscow, or better still in Rome or Athens or Lisbon. The answer is not to demand that states relinquish yet more sovereignty to the great unelected mass in Brussels, but rather to build consensus around urgent challenges. Russia's invasion of Ukraine provided just such an opportunity, as has Putin's policy of extrajudicial assassination on European soil. But the reaction of European states as a collective has been slow and fraught. Rather, it is time for the financial backers of the great European experiment to begin to leverage their economic power to present choices to the collective. Part of the problem here is the central role of a hesitant and conflict averse Berlin. Ideally, it would become clearer to Germany and Europe's other

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economic leaders that a consensus regarding internal backsliding and external threats is imperative for the survival of the Union.

#### ADAPTATION AND CHANGE

In each instance, whether it's the EU or the World Bank or another of the post-war pillars of the international order, adaptation and change are necessary for survival. The EU won't last if its members cease paying in, cease observing democratic norms, and edge toward conflict with one another. The market principles the World Bank and the IMF once propagated without competition will weaken, and they risk being overtaken by regional fiefdoms that reject the open trading system that has transformed the world.

Failure to reform will eventually mean that the very instruments that made us at once prosperous and peaceful will fade in importance. And with their fading will go the prosperity and peace we have come to take for granted. ●