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AS THE UNIPOLAR MOMENT WANES

Soli Özel

Professor of International Relations at the University of Bilgi, Istanbul

In ways both expected and unexpected 2005 gave plenty of evidence for Fred Halliday's contention that the new international order is now fast shaping. In his review of the year for this *Anuario's* 2004 edition Halliday identified conjectural and structural processes that he saw as marking the end of the interregnum or the post-Cold War era. Asia's rise continued as did environmental deterioration. The unipolar moment that an overwhelmingly powerful United States wasted with his misadventure in Iraq gradually gave way to a vaguely shaping multilateralism.

Many scientists and NGO's have long warned the international public about the irreversible course the planet is on in environmental issues. This year there were enough signs to suggest that they finally started to get the hearing they deserved. Many more pundits started to draw attention to this issue, the volume of the literature on the topic increased and life's own lessons began to alter an apathetic public's nonchalance about the urgency of the matter. This year, too, was marked by catastrophic strikes of nature even if the sum total of these has not matched the destruction wrought by last year's tsunami. Floods, droughts, and increasingly frequent hurricanes caused considerable damage to life and property and raised the alarm flags on the environmental problem. The fact that last year was the hottest in recent times added to the urgency of the matter in a world that is fast depleting its aquifers. The earthquake that mostly hit the Pakistani-administered part of Kashmir that claimed around 30,000 lives and left one million people homeless, proved exceedingly costly for the poor inhabitants of the region. The inaccessibility of the region and less than enthusiastic efforts for help from the international community including rich Muslim states rendered them totally vulnerable to harsh weather conditions.

The international system is still in the process of finding its framework and rules as well as its new global and regional balances five years after the attacks of September 11. Multilateral organizations as well as states are attempting to define their new roles in the prevailing disorder. In this sense September 11 was

undoubtedly a turning point. First and foremost this was an attack against the state system by a non-state actor. The magnitude of this defiance against the state system engendered a common reaction that was manifested in the extent and intensity of the support the United States received from the world. This reaction also pointed to a reassertion of the states' primacy in world politics. Simultaneously it also reflected a desire to recover the ground lost to non-state actors in the heyday of globalization and in the absence of a new ordering system.

Washington's choices subsequent to the war against Taliban's Afghanistan broke this initial unity. American actions brought about reactions to and, where possible, subversion of US policies by friend and foe alike. At another level the attacks of September 11 were clearly the result of transnational currents and the organizational abilities of non-state actors. The political manifestation of such trends was facilitated by the technological revolutions in finance, communications, transport and information. In other words September 11 and al-Qaeda, as well as the ideology the organization subscribed to were quintessential, if macabre, outcomes of globalization and some of the forces that it unleashed. This is, at least in part, the age of transnational social movements.

In assessing the political developments in the world that took place in the past year one must therefore keep in mind the tension between the vicissitudes of globalization and the imperatives of nation-states. The nation-states continued to struggle with the effects of globalization and at times fought a rearguard action against transnational forces, particularly in the realm of economics. To the extent that this year saw the precipitous decline of America's unilateralist will and even faster erosion in its ability to shape developments, the shadings of a multi-polar world became visible. Punctuated not only by the rise of China and India and the return of Russia to great power politics but also by the stubborn stance of an Iran or a Venezuela, nation-state centered politics was in full force. IN all instances state actors tried to look for options and alignments in order to secure positions for themselves that might prove useful in the eventual redistribution of power on a global scale.

Similarly, transnational forces and currents have been at work, relentlessly challenging the established order of things. The pressures of globalization

unleashed waves of reaction around the globe against a whole gamut of developments. These reactions manifested themselves in both violent and nonviolent forms of protest and in both secular and non-secular political movements. In the overused and abused thesis of “clash of civilizations”, militants of extremist politics found a convenient way of fueling prejudices and pushing for polarization. The violence-worshipping Jihadist movement and its local followers/imitators almost hijacked not just all Islamist movements but Muslim communities throughout the world as well. The reactions engendered by the violence of the Jihadists and fundamentalists fueled, in turn, the flames of xenophobia *cum* racism particularly in certain European countries.

In the Middle East the permanent disruption of established sectarian and ethnic power structures caused by the Iraq war continued to cause shock waves in the entire region. These fundamental changes unleashed by the war increasingly threatened the *status quo*. This threat was directed both to the political geography of the region designed some 85 years ago by Imperial interests and to the balance of power among different communities. Combined with the loosening of the grip of Republican autocratic regimes over their population, this new reality foretold the rise of Islamic politics throughout the region. In other words, whether through democratic means or not, the year’s developments suggested a non-secular future for the politics of the Arab Middle East, particularly in the *Mashreq*. In the longest lingering conflict in the world, that between the Israelis and the Palestinians, serious and potentially consequential developments took place. Whether the Israeli withdrawal from the Gaza strip would be the harbinger of developments towards a permanent resolution remained to be seen.

In short, 2005 segued into 2006 with the prospects of harder times ahead looming large. What was more distressing was the apparent absence of global or national leadership that these times call for. In the absence of such strong and determined leadership with a well founded legitimacy, efforts to build a new order were destined to flounder. In fact, the American human rights record in Iraq combined with the abominable treatment of prisoners in Guantanamo or Bagram voided Washington’s democracy discourse of all moral content. In ways not foreseen before the war but in conjunction with developments in Europe, the West’s claim to represent the ultimate civilizational model for the rest of the

world lost much of its remaining vigor. At a time when economically, the power shift towards Asia is well advanced such a loss is likely to have negative consequences for the Western world. While the world desperately needed an actor capable of reordering its politics such a decline in prestige also augured ill for the quest for order.

Growth, oil and politics

Fossil fuels are considered to be the main cause for environmental degradation and the green house effect. Despite alarming calls for the development of alternative energy sources, world economic growth will continue to rely overwhelmingly on their use for the foreseeable future. Particularly with the rise of the two giant Asian economies, competition over secure access to oil and gas intensifies. Therefore one of the underlying determinants of global positioning by major states is their need to secure access to much needed oil and gas. China's and India's separate deals for energy with Iran explain in large part their reluctance to go along all the way with American policies and threats against Tehran's hardening regime.

The increasing demand by the two Asian giants along with the chaotic environment in Iraq and the sporadic turbulence in Nigeria that effected supplies pushed the price of oil to \$70/bbl at its peak this past year. Despite such a phenomenal rise that brought the real price of oil to the levels of crisis ridden years 1979-1981, the impact on the world economy was almost negligible. The rise in oil prices translated into increased revenues for oil producing countries and provided them with a comfortable margin for political maneuvering as well as a windfall. As one of the world's largest oil producers Russia benefited immensely from such increases. President Putin was thus able to take further steps in consolidating the new regime in Russia. His historical task of reinstating the state's authority, clean the economic system from the parasites (oligarchs) that the 1990s brought to the fore of Russian society and politics is almost accomplished. A more authoritarian domestic order consolidated, as the arrest, incarceration and conviction of the last defiant oligarch Mikhail Khodorkovsky showed.

The growing authoritarianism of Russia triggered protests on the part of Western publics that questioned the adequacy of Putin in terms of his democratic credentials as the host of the G-8 summit in 2006. Parallel to this consolidation Russian foreign policy, after early mishaps, became more active. Putin was bitterly disappointed by the failure of his gambit to have the pro-Moscow candidate Viktor Yanukovich get elected in last year's presidential elections in the Ukraine. In the end he had to bow to Western pressures and the will of the street, dubbed the "Orange Revolution", and acquiesced to the election of Victor Yushchenko in February. Throughout the year Moscow tried to undermine the Ukrainian regime as well as the Georgian one. Towards the end of the year Moscow declared its intention to bring the price of gas it sold to the Ukraine to market levels as a coup de grace against Yushchenko just prior to the upcoming parliamentary elections. With its new found activism in the "near abroad" Moscow took a protective position vis a vis Uzbekistan where the regime massacred protesting civilians. Finally, as Iran's main supplier of nuclear technology Russia was also an active player in the unfolding drama of Iran's nuclear aspirations. By all indications Moscow is quite determined to thwart Western, particularly American, attempts to penalize the Tehran regime if it is left out of the high stakes diplomatic game in its own neighborhood. On his first visit to Moscow, President Bush famously said that he looked into the soul of Mr. Putin and liked what he saw. It is quite doubtful that he would have such kind words for his guest after this year's G-8 summit.

Skyrocketing oil prices served other major producers well too. They certainly relieved some of the pressure that the United States exerted on Arab countries. At the same time the extra money helped the regimes stave off domestic troubles as well by allowing them to buy off key constituents. Venezuela was also one of the beneficiaries of higher oil prices. The increased revenues enabled Venezuelan President Hugo Chavez to continue with his domestically popular policies such as free health care for the urban poor. Thus strengthening his domestic base of support Chavez took steps to control both domestic capitalists and capital flows into the country. The policy of intimate relations with Cuba and the defiant posture against the United States made President Chavez an increasingly appealing figure in the rest of Latin America. Indeed a leftward shift in politics had already begun in the region with Chavez' ascent to the Presidency and later with Lula's victory in Brazil. The trend became quite visible in the wake

of the elections in Chile where the socialist candidate Michelle Bachelet came ahead in the first round and in Bolivia where the first indigenous candidate ever, Evo Morales, made it to the Presidential palace.

Another country that higher oil prices emboldened was Iran, the fourth largest oil exporter in the world. The regime in Tehran had so far been the main beneficiary in strategic terms of the American misadventure in Iraq. It has extensive links to Shiite groups in Iraq, has gradually begun to make its influence felt in Lebanon, filling in the political space left by the departing Syrians and made inroads through Hamas into Palestinian politics. After eight years of a failed reformist experiment under President Muhammad Khatami the country took a sharp turn towards radicalism in its Presidential elections. Radical, presently uncorrupted and unsophisticated, the former mayor of Tehran Mahmud Ahmedinejad won a major victory against former President Hashemi Rafsanjani. Ahmedinejad is a representative of the revolution's second generation of leaders who aspire to return to the purity of the early days. He ran as the underdog in a crowded field of candidates but received the support of the spiritual leader, Ali Khamenei. Throughout the year Iran continued its cat and mouse game with the International Atomic Energy agency and the EU's troika(UK, France and Germany) on Iran's nuclear program. When two years of ultimately fruitless negotiations collapsed, the United States and the European powers wished to take the matter to the UN Security Council immediately. Such a move is not favored either by Russia that aspires to have 20 billion dollars worth of trade with its neighbor or by China that has 100 billion dollars worth of energy contracts over the next twenty years or India that signed its own gas pipeline contracts.

President Ahmedinejad's hard line on Israel, his call for the removal of that country to Europe and his absurd denials of the Holocaust had also raised the tensions between Tehran and the West. Talks of a possible American air attack against Iran's nuclear facilities were heard with increasing frequency by the end of the year, although the impossibility to put an end to Iran's nuclear ambitions thus was also recognized. Some voices were also being raised in favor of a grand bargain between Washington and Tehran whereby Iran's security concerns will be assuaged and its legitimate interests would be recognized. In return Iran will give up on thwarting Western efforts to build a stable Middle

East and to bring the Israeli-Palestinian conflict to a peaceful end. As the year came to a close the chances for that sensible road to be taken in the short run were almost nil.

The withdrawal of Israel from the Gaza strip as it totally emptied and destroyed the settlements inhabited by about eight thousand settlers was one of the most highly praised developments of the year. That the move was undertaken by Ariel Sharon, Israel's hardline Prime Minister, the guardian angel of the settlers and hitherto known for his uncompromising denial of Palestinian national rights was all the more astounding. Over the past two years Sharon gradually moved away from his negationist line, spoke of occupation in the territories and recognized the right of the Palestinians to a state. Yet he was careful never to delineate where the border between the two countries would be drawn. For the carefully calibrated and successfully implemented evacuation opposed by the religious/nationalist settlers to the bitter end but without recourse to violence, Sharon managed to get the overwhelming support of the Israeli public.

Sharon's unilateralism based on the claim that there was no partner to negotiate with raised concerns about his possible next steps. The appropriateness of the method and the impact of his moves on the plight of the Palestinians and indeed for a final settlement were questionable. In fact, an argument could be made that Sharon's policy of not engaging the Palestinian President Mahmud Abbas, who was elected by a landslide to head the Palestinian authority at the beginning of the year was one of the reasons for the erosion of the latter's authority. Israeli unilateralism significantly contributed to the weakening of Abbas' position at a time when electoral competition for local and then national elections were taking place in occupied territories. In a sense Mr. Abbas was a tragic figure. As soon as he came to power on a platform to stop violence he worked hard to arrange a ceasefire and give the battered Palestinian population a respite from Israeli reprisals. The gradual erosion of authority in Palestinian territories led to a breakdown of law and order and to a proliferation of gangs and the resurrection of tribal networks. Throughout the year the Islamist organization Hamas that held on to the ceasefire increased its power. Still the Fatah movement did well in local elections that took place towards the end of the year. A power struggle broke between the old guard of Fatah and the younger generation of leaders that rose to prominence during the first intifada.

Combined with growing Palestinian discontent caused by rampant corruption in the PA, this split and confrontational intra-party politics weakened the organization on the eve of Parliamentary elections scheduled for January 2006. Soon after the withdrawal from Gaza was finished Ariel Sharon was challenged within his party's right wing. He then decided to call early elections and left Likud of which he was a founder and formed a new party called Kadima as his electoral machine.

Elsewhere in the Middle East this was also a year of elections. Presidential elections in Azerbaijan, Parliamentary and regional elections in Afghanistan, local elections in Saudi Arabia took place. In Kuwait women finally got the right to participate in elections as voters and as candidates. In Algeria where a decade and a half old civil war claimed close to one hundred and fifty thousand lives, a general amnesty was approved by referendum. IN the largest Arab country, Egypt, Presidential and then Parliamentary elections were held. The standards of fair and free elections were not present in either. Yet despite obstacles, obfuscations and a significant dose of violence to intimidate voters, independent candidates fielded by the Muslim Brotherhood won 88 seats in the Assembly as a result of elections that only a quarter of the electorate bothered to vote. The victory of the Islamist parties in Egypt and later on in Iraq raised questions in the United States about the wisdom of democratization in friendly Arab regimes that would bring mostly anti-Western Islamists to power. Although the US Secretary of State Condoleeza Rice famously declared in Egypt in May that by preferring stability over freedom the US ended up having neither, there were signs that an easing up on the pressure to democratize was in the offing.

Arguably a most profound series of developments took place in Lebanon in the wake of the brutal assassination of former Prime Minister Rafik Hariri, a prominent Sunni politician with close ties to the Saudi ruling family and the Presidential Palace in France. A spontaneous and genuine outpouring of protests shook the country in the wake of the murder and led to the fall of the government. The Lebanese Hezbollah's show of force in favor of the Syrians was countered by an even more ostentatious demonstration demanding the withdrawal of the Syrians from Lebanon. In May, faced with Lebanese and international pressures codified in the UN Resolution 1559 the Syrians finally

withdrew their forces from Lebanon after 29 years of occupation. The regime in Damascus would later be seriously implicated in the murder of Hariri in the reports prepared by the UN commission headed by the German prosecutor Detlev Mehlis.

The Lebanese bloc that opposed Syria obtained a majority in the May elections that also gave a substantial number of seats to Hezbollah that joined the new government as well. Yet, Syrian meddling in Lebanese affairs arguably did not end. Spectacular assassinations of prominent and anti-Syrian journalists Samir Kassir and Gibran Tuani were indicative of the unchanged realities on the ground. Mehlis prepared two reports before retiring from his position that incriminated the highest echelons of the Syrian regime in the murder of Hariri through an elaborate plot that involved Lebanese security officials who were indicted. Soon after the investigative commission's mandate got a six month extension, former vice President of Syria Abdelhalim Haddam accused the Syrian regime for having ordered the assassination. Although besieged by the Franco-American cooperation on this matter and facing Kurdish subversion domestically Damascus managed to stave off the pressures and tried to ingratiate itself to the Americans by increasing its cooperation on terrorist infiltration to Iraq from Syria.

The gravedigger of Empire

Unsurprisingly throughout the year the world was tuned in to the news from Iraq. Despite uplifting political developments such as the two elections at the beginning and at the end of the year and the referendum for the Constitution, the overall situation on the ground continued to deteriorate. This arguably brought the country to the brink of a sectarian civil war and a breakdown that could mean disaster for the region in general. One bright ray of hope about the country was perhaps the beginning of Saddam Hussein's trial in a court of law, a privilege his opponents or dissenters never enjoyed. The year commenced with the unexpectedly calm and successful elections for the Parliament that the Sunni groups boycotted, a move they would come to regret and reverse by the end of the year. Contrary to the expectations of the American administration the voting that strictly followed ethnic divisions brought Islamist Shi'a parties to the fore. As religious rule came to dominate both Shi'a and Sunni regions the Kurdish

leader Jalal Talabani was elected President. This move symbolized the Kurds' perhaps tactical commitment to the unity of the country.

The violence escalated throughout the year encompassing whole communities and increasingly turning into a sectarian civil war rather than a resistance against American and British occupation. Sunni groups, resentful of the fact that the absolute power they enjoyed now eluded them resorted to extreme acts of terror either within a Baathist or a fundamentalist format. Another factor in the widening of violence was the "Jihadists", transnational radical Islamists who mainly came from abroad and led by Abu Musab al-Zarkawi, a notorious killer and the head of "al-Qaeda in Mesopotamia". Militias belonging to the majority Shi'a, particularly those belonging to the pro-Iranian SCIRI retaliated in force to the Sunni atrocities against their kin. Increasingly Shi'a militia were integrated into the police force and special units of the Interior Ministry and thus acted more like officially sanctioned death squads than impartial law enforcement and security forces.

Such developments exacerbated tendencies for polarization and reduced politics entirely into one of primal identities. In the Hobbesian world of total insecurity that the Americans, through their ineptitude, helped create individuals had to seek the certainty of communal identities. Inter-communal existence continued to dwindle as even mixed marriages could no longer be protected against the venom of sectarian polarization that the extremists were only too happy to foster. In the north of the country where the Kurds have been building their own political order since the end of the Gulf War and that remained militantly tribal and secular, peace and order reigned. It was all too clear that if matters reached a breaking point in Iraq the Kurds would be ready to retreat to their enclave and act as an independent entity in all but name.

Despite the violence the Iraqis managed to hold both a referendum and a general election to elect a new Parliament. The American ambassador Zalmay Khalilzad played a key role in persuading the Sunni groups to participate, thereby making it clear that the United States was moving away from earlier policies of excluding the Sunnis from the power structure. In fact, representatives of all major Sunni groups met with Khalilzad in Istanbul a few days before the election to strike their final deal. The high turnout proved that the Sunnis were ready to play the electoral game alongside the violence one.

The Parliament would have the power to amend the draft constitution as well and therefore redistribute power and revenues among the main communities that constitute Iraq. The results showed once more the overwhelming power of religious parties among both the Sunni and the Shi'a. While the radical cleric Muqtada al-Sadr's power within the Shi'a national list as well as on the ground increased considerably the secular politicians supported by Washington performed rather badly.

The expectation for the new year was the formation of a new government that would include the Sunnis and would amend the Constitution. If no agreement is reached on the proper distribution of political power within the next six to nine months, most observers fear a widening civil war that could only be averted so long as the American troops remained in place. On that particular matter it is usually expected that the United States will start withdrawing some troops before the end of 2006 since the pressure in Congress and among the public for such a move is fast rising.

A Disastrous Year for the President

On the day of his second inauguration the thought that his Presidency might be unraveling before the year was out must have been the last thing in George W. Bush's mind. Boosted by a clear and comfortable victory in the elections against his Democratic rival, Mr. Bush believed that he had a mandate to do almost whatever he wanted. Between his second inaugural and the end of the year though Mr. Bush's approval ratings took a nosedive and his ability to control his own party let alone the national agenda was seriously in jeopardy.

On almost all counts save for the economy failure defined the record of the President. The resilient American economy continued to surprise all observers and performed relatively well, acting as the buyer of last resort for the entire world but financed at a tune of about 700 billion dollars by outsiders, mainly the Chinese and other Asian countries. Whether the trade deficit along with its twin, the budget deficit is a symptom of America's economic decline or the mechanism for the restructuring of the globalizing world economy continues to be a matter of intense debate among economists. Bush's big push to overhaul the social security system met with stiff resistance from the public and the Congress. By

mid-year it was quietly dropped. A disastrous Medicare bill dealing with prescription drugs that was enacted in 2003 came into effect though and caused considerable pain for many recipients and gradually eating away at the President's popularity.

Perhaps more importantly the administration came under fierce attack because of its nonchalance concerning the moral dimension of American foreign policy and the self-serving, probably unconstitutional interpretation of the President's prerogatives in the "war on terror". Even the Republican dominated Congress could no longer tolerate Mr. Bush's near contempt for the reports of torture emanating from Iraq, the justifications for torture as a method to obtain information and the subversion of international law in the treatment of prisoners in Guantanamo(Cuba) and Bagram(Afghanistan) bases. The revelations about a CIA operated system of secret prisons for al-Qaeda suspects in eight countries in Eastern Europe and Asia fell like a bomb shell in transatlantic relation in this context. The existence of secret CIA flights to Europe created further unease in Europe and Secretary Rice's lame response during this debate was to say that the US respected other countries' sovereignty and that it did not practice torture. Needless to say this was far from satisfying the European publics. Yet the second Bush administration under the stewardship of Rice at the State Department, which had at last taken the sole responsibility for Iraq policy from the Pentagon, made a significant effort to improve relations with Europe.

Perhaps neither the catastrophe of the Iraq war, nor the torture scandals, nor the social security debacle would have harmed the President as much if it were not for the political damage of hurricane Katrina. Katrina hit the Gulf region of the United States and all but destroyed the city of New Orleans. It also exposed Bush's indifference and his administration's cronyism. Over a thousand people died amidst scenes of looting, poverty, helplessness more reminiscent of a poor African backwater than the mightiest and richest country in the world. The overwhelming proportion of blacks among victims and the ones left behind, the utter failure of rescue efforts, the conditions in which victims were made to wait or sleep proved agonizing and deeply embarrassing for the general public. The federal emergency management administration (FEMA) managed the crisis with phenomenal incompetence. Bush's own nearly cynical, lackluster performance in

a moment of national urgency has arguably cost him the trust of the public for the remainder of his term.

The year also witnessed the first mass protest against the war since it was waged as one hundred thousand people marched in Washington. The scandal over the leaking of the name of a CIA agent shook the administration leading to high level resignations. The outing of the agent, Valerie Plame, also shook the credibility of Washington Post's Bob Woodward who concealed his knowledge about the case and New York Times' Judith Miller although the latter even spent time in jail for not revealing the name of her source. Finally, in a surprise development that finally closed a chapter in American political history the identity of "Deep Throat" whose leaks to Woodward and his colleague Bernstein paved the way for the resignation of President Richard Nixon in 1974. He was Mark Felt, at the time the number two at the FBI.

As if to symbolize the absence of wisdom in American foreign policy in recent years, one of the original wise men who created America's cold war system and the architect of the theory of containment that underpinned US policies during the Cold War, George Kennan died at the age of 101.

Tigers and others

The slow but certain rise of Asia to prominence in world affairs continued apace as a new Asian political order also began to take shape. The historical enmities and rivalries as well as unresolved conflicts still played their part in the flow of politics but the accent was on the economic record of the vibrant countries of the biggest and most populous continent. While China became Japan's biggest trading partner, the outstanding political problems between the two historical rivals flared up occasionally. The one issue that constantly raises tensions is Japanese textbooks that gloss over Japan's wartime atrocities. Therefore, the Chinese opposed Japan's hopes of becoming a permanent member of the UN Security Council. Another outstanding issue was Japan's decision to issue drilling rights in the East China Sea that Beijing considered to be a provocation. As these points of contention and potential confrontation simmered, the Chinese effort to stop democracy at its borders was extended to the cyberspace as well. Microsoft agreed to block the words "democracy" and "freedom" on its new

internet portal in China with the shameful excuse that it was just respecting local laws.

All in all major actors in Asia began to take positions and hedge their strategic bets preparing themselves for the new power configuration in the Continent where the United States is also expected to be a major player. Perhaps the most striking instance of this search is the warming relations between Russia and China that are using the Shanghai Cooperation Organization to build an Asian collective security system. Whether this cooperation can hold for the long haul is still questionable but the effort is worth paying attention to.

China, which launched its second manned space-rocket with two astronauts this year, played a critical and mostly constructive role in the ongoing controversy over North Korea's nuclear weapons. The tensions between China and Taiwan that occasionally surfaced particularly after Beijing passed a law on cessation did not prevent either the further deepening of economic relations or the visit by Kuomintang's leader to the mainland, the first ever such visit since KMT had to flee China in 1949. A similar first took place in June when 30 years after the fall of Saigon and the ignominious departure of the Americans, the Vietnamese Prime Minister visited Washington. As the growing clout of China allowed Beijing to make diplomatic openings on many fronts including the first ever joint military exercises with Russia to practice combating "international terrorism, extremism and separatism". India whose economy performed phenomenally well in the past few years began to shift its foreign policy orientation towards the West. The visit by Prime Minister Manmohan Singh to the United States ended with a pledge by Washington to sell nuclear technology to New Delhi, a move widely interpreted as one for balancing China. Although no major steps were taken for the resolution of the Kashmir dispute between India and Pakistan Mr. Singh became the first Prime Minister to meet with a group of Kashmiri separatists. The European Union too signed a co-operation agreement with India on trade, security, climate change and research and development. In the Sudan a genocide that claimed almost four hundred thousand lives in the Darfur region continued as the international community watched mostly passively. The G-8 forum of the world's leading industrial democracies (that includes the not so democratic Russia) signed an agreement that would write off the debt of 18 developing countries at their summit in Gleneagles, Scotland. Days before the

G-8 summit, millions flocked throughout the world to the “Live 8” concerts organized by Bob Geldoff and friends to pressure the world leaders to act on world poverty, particularly in Africa. A large UN conference was organized in New York to review what progress has been made towards the goals of the Millennium Development Agenda. In December trade negotiators who met in Hong Kong had their almost ritualistic confrontation over how agricultural subsidies of the rich countries hurt the farmers and peasants in the poor developing world.

Meanwhile in Europe

The European Union whose relations with the United States visibly improved right from the beginning of the second Bush administration faced unexpected but existential challenges and shocks. The rejection of the proposed Constitution by the voters in France and the Netherlands, two founding members, after the Spaniards have given it a resounding yes raised serious concerns about the future of the Union. Such a result was the end of the aspiration to have a more cohesive government model and a common foreign policy for the Union. The EU proved unable to overcome its economic malaise. Far from reaching its goal of becoming the most technologically advanced economy in the world by the end of the decade as stipulated in the Lisbon strategy, the EU zone was mostly defined by stagnant economies and high unemployment.

The twin rejections, which relieved Tony Blair’s government by letting the UK off the hook, revealed the profound legitimacy crisis of the EU. The coalition that killed the constitution in France included almost all segments of the population that formed an anti-market rejection front. Perhaps most striking datum from the demographic distribution of the vote was the disenchantment of the youth. In both France and Holland the naysayers used anti-immigrant language that clearly bordered on racism. IN the French case the proverbial “Polish plumber” came to symbolize the rising xenophobia even against the citizens of a fellow member country. In fact, once the dust has settled and France had the obligatory rolling of the head of the Prime Minister, most observers agreed that the vote against the constitution was in large part a delayed reaction against the enlargement of the Union with ten new members in May of 2004. In an

environment of high unemployment, economic uncertainty and the disruption of the accustomed rhythms of life for ordinary people, the Eurocrats' design for an ever wider and closer union had no appeal. It was mostly assumed that another attempt to present the constitution to a vote would have to wait the French Presidential elections. Just on the heel of the Constitution debacle came the budget crisis as France's Jacques Chirac and Britain's Tony Blair came head to head over their countries sacred cows. Chirac would not allow Blair to touch the common agricultural policy and Blair would not give in on Britain's cherished rebate. Ultimately the newly crowned Chancellor of Germany Angela Merkel came up with a sensible compromise, brokered a deal and ended this embarrassing episode that would have further deepened the EU's existential crisis.

Just a week into his country's Presidency of the European Union and during the G-8 summit Tony Blair had to deal with the shocking terrorist incidents in London. Four British citizens, born in that country, blew themselves up in metro stations and buses and killed close to sixty people. Another such attempt two weeks later was unsuccessful. Many observers and analysts saw in these incidents perpetrated by Britain born Muslims the result of the failure of Britain's integration model of multiculturalism. Evidence also suggested a direct link between British participation in the Iraq war and the radicalization of the youth in parts of Britain's Muslim communities.

Before the ink was dry on interpretations of the events in Britain, France which has a strictly assimilationist policy for its own migrant citizens was shaken by a week of riots. The rioting that began in the suburbs of Paris spread across the country. Although only one fatality was reported, hundreds of cars were burned. Although the rioters were mainly if not exclusively from among the Muslim communities the cause of their rage and their demands were thoroughly secular and reflected an outcry or a revolt against social exclusion and discrimination. That the French government whose interior minister used quasi-racist language about the rioters resurrected a law from the time of the war in Algeria to quell the violence also spoke volumes about the true state of affairs in the land of *égalité* and *fraternité*. In Germany, the early elections called by Chancellor Gerhard Schroeder delivered a grand coalition between the Christian Democrats and the Social Democrats under the leadership of Angela Merkel. Ms. Merkel's

early visits to the United States, France and Russia and her deft handling of her interlocutors won her praise and respect. Whether she would be able to pull the largest economy of Europe from the atrophy it finds itself in will determine her durability as Chancellor.

The economic and political crises of Europe generated serious dislocations and social upheaval in most countries. One manifestation of that malaise that is harming the very essence of the Union is the increasing number of instances of economic nationalism such as the blocking by France of the sale of Danone to PepsiCo, a multinational American firm. Combined with the problems of integration Muslim communities faced and the incidents of Islamist terrorism in member countries such turmoil resurrected the continent's old demons of intolerance and racism. In this day and age they take the form of Islamophobia. The publication of cartoons in a Danish newspaper depicting the prophet Muhammed in ways that were offensive to Muslims created a small diplomatic row particularly after Prime Minister Rasmussen, beholden to the votes of the ultranationalists in the Parliament refused to meet with the ambassadors of Muslim countries. Such developments had the potential to harm the relations between the EU and Turkey as well. For a while whether the negotiations between the parties would start on the 3rd of October as was agreed appeared to be in question. In the end, with the help of Britain's considerable diplomatic skills the EU was to honor its promise to start accession negotiations with Turkey even if the decision came at the price of yielding to Austria's blackmail and starting negotiations with Croatia as well.

The times for Europe in the short run appear to be tough and full of unpleasant surprises. The Union will need to muster its resources, pull itself out of its political lethargy and forge a vision that would be acceptable to member countries and most importantly to their publics. No mean task. More broadly than that, it is quite clear that as the Pacific economies are rising the West's hegemony over the globe that lasted for the last few hundred years is about to fade away as well. Still the West has one more chance to build a world order because it is in a position to do so and still has the capability. The newly rising powers of Asia which will have their turn in all likelihood before the Century is out are yet lacking the maturity to handle that responsibility.

There is no doubt on the other hand that the legacy of the Iraq war and its incomprehensibly incompetent and at times vile execution harmed the West and its value claims in significant ways. Therefore the future shape of the world order could not be a solo act of the West and its architecture will require the consensual cooperation of other centers of power. To that end the behavior and outlook of the Western powers will also have to change considerably. Bush's lax attitude in face of torture and extra-legality, his own and his vice-president's extra-constitutional and at times almost despotic reflexes betrayed the goal of democratization that was meant to exonerate the Iraq war and Bush's policies in the Middle East. The irresolution of the Palestine-Israeli conflict, although it is not the be-all end-all of all problems further undermines the legitimacy of US policies and its broader goals. As for Europe, the Continent will have a hard time fighting its demons unless the EU can revitalize its sclerotic economy and reach a consensus over its own future vision. More than just its standard of living hangs in the balance.