



# Here comes the second world

BY PARAG KHANNA

*From Asia to eastern Europe to Latin America, middle-income countries are growing increasingly assertive. These “second-world” states are forging links among themselves and are adept at playing off first-world powers against each other*

The term “second world” has fallen out of use. It used to mean countries of the socialist world; today I use the phrase to refer to those countries in eastern Europe and central Asia, Latin America, the middle east and southeast Asia which are both rich and poor, developed and underdeveloped, postmodern and pre-modern, cosmopolitan and tribal—all at the same time. This is not a temporary state between third world and first, but a permanent condition in which winners and losers are chosen by collectives like cities and corporations rather than entire states.

I spent most of 2005–07 travelling through over 40 second-world countries, and the message I kept hearing was that each country plans to shape its future its own way, not according to the “Washing-

ton consensus” or any other foreign action plan. Kazakh ministers tout the “Kazakh way,” Indian diplomats boast of the “Indian way,” Brazilian officials confidently assert the “Brazilian way.” They all want globalisation, not America, to be their patron. They may all have big internal weaknesses, but they are all players in the new geopolitical marketplace in which Europe and China offer packages of aid, trade and military assistance at least as attractive as the American one. Why align with any one patron when you can play off all sides to get what you want? India’s trade with China is booming, while it gets many of its weapons from Russia and pursues a nuclear deal with the US. Non-alignment is passé; this is the age of multialignment.

There is a vast second world intermediate layer between the first-world core and third-world periphery. In his recent *National Interest* essay “World Without the West,” Steven Weber pointed to Asian regionalism and new alliance blocs such as the Shanghai Cooperation Organisation. But this is not just about the rise of China and India. It is also a story of oil-producing states around the world, Arab statelets with big sovereign wealth funds and other regional swing states from Brazil to Malaysia. In many ways these “emerging markets” have already emerged; they receive most of the world’s foreign direct investment, hold a majority of its currency reserves, and are rapidly growing consumer markets whose preferences western producers cannot ignore.

The second world is shaking up the western order most visibly in economic bodies like the World Bank, IMF and WTO. Voting rights on the IMF’s board are shifting, while each year brings new demands that neither the IMF nor World Bank leadership should automatically be chosen by Washington, London or Paris. Both institutions are now just aid and advisory bodies for Africa, since Asian nations have paid off their debts—and are launching their own Asian Monetary Fund—while Brazil and Argentina, previously the IMF’s two largest debtors, have accelerated their payments of arrears (Argentina with the help of Hugo Chávez’s \$2.5bn) and have washed their hands of the Washington consensus. In the WTO, it is increasingly clear who has to make the concessions to move the Doha round forward: the west.

But the second world phenomenon is more than economic. Consider UN security council reform, where Brazil, India, South Africa and Nigeria are leading candidates for new permanent seats. Then there is the aforementioned Shanghai Cooperation Organisation (SCO), a young alliance led by China

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and Russia sometimes called the “Nato of the east.” It sets the terms of trade, business standards and counterterrorism and narcotics policies for all of central Asia. Iran, Afghanistan and Pakistan are soon to become members. At the SCO’s most recent summit in Kyrgyzstan, Russia and others called for an international conference to discuss options for stabilising Afghanistan—implying that Nato had failed. A Chinese-led “provisional reconstruction team” is being planned for Afghanistan; China has acquired rights to develop what could be the world’s largest copper mine in Logar province, where it will also build electric power plants and a railway.

Meanwhile, a new Arabism is emerging. It is fuelled by Gulf oil revenues being reinvested within the region rather than in London or Geneva, building hotels and housing, creating jobs, launching media such as Al-Jazeera and Al-Arabiya, and even tacitly teaming up with Islamist movements to inspire an overall rejection of western meddling in Arab politics. You feel this energy most powerfully in Dubai, the new capital of Arab civilisation (see last month’s *Prospect*). Here, first-world European technology and managerial skill has met the manpower coming from third-world Asia to create a 21st-century Manhattan on the Persian Gulf.

**T**he second world is reshaping the world, but it does not control it. What can be felt just as powerfully is the relative decline of the US and the increasing assertiveness of both the EU and China. It may not be a multipolar world—certainly not militarily—but these three represent distinct imperial systems whose gravity is pulling on the second and third worlds. The friction can already be felt in second-world zones such as South America, where China’s growing economic presence, particularly in Venezuela and Brazil, has diminished America’s Monroe doctrine—that Latin America is in the US’s exclusive sphere of influence—prompting a quiet visit of US officials to Beijing to warn about not undermining democracy in the region. Meanwhile, China has extended a \$50bn line of credit to Nigeria, more than the entire annual western foreign aid budget. The shift of leverage away from the US is also noticeable in Saudi Arabia, where American bases are being vacated and the royal regime’s investments are being distributed more equally to American, European and Chinese recipients.

The cold war, and its aftermath, was a geographical anomaly: America was able to run the world from the other side of it. But it is the rising Europe and China which sit on opposite ends of Eurasia, their influence expanding towards each other to meet in the middle around the Caspian sea. This is why Russia is the second world’s ultimate swing state. But

Russia knows that in the long term its rhetoric of strategic partnership with China cannot hold, for China is exploiting the timber and mineral resources of the Russian far east at a rapid rate. Russians are voting with their feet, migrating westwards out of Siberia towards more amiable climes, and leaving behind them empty resource-rich expanses bordering the world’s most resource-hungry nation. As Russia sees the real east rising, it will realise that it must throw its lot in with the west.

For now, however, Russia fits the second world archetype of an upstart power with a mind of its own. So too does Turkey, which despite being a Nato anchor in the cold war shunned America’s Iraq war in 2003 and has set its sights ever more closely on some kind of permanent relationship with the EU. It takes only one glance at Istanbul’s shimmering skyline to realise that even if Turkey never becomes an actual EU member, it is becoming ever more Europeanised. Turkey receives over \$3bn in FDI from EU countries, plus 23m tourists last year. Ninety per cent of the Turkish diaspora lives in western Europe and sends home \$1bn per year in remittances and investments. This capital is spreading growth and development eastwards with new housing, kilim factories and schools.

Yet growing Turkish wealth and confidence has also fuelled a neo-Ottoman spirit that is tangible in Istanbul and Ankara, a feeling that the Turks are powerful enough to play by their own rules with respect to Iraq and its Kurdistan region, Syria, Israel and the Caucasus. With the rising volume of oil coming through the Baku-Ceyhan pipeline from Azerbaijan, Turkey is now the conduit for over 10 per cent of the west’s energy needs.

We might ask: are the superpowers pulling the second world—or the second world pulling the superpowers? The answer is: neither. The second world is becoming a self-bootstrapping anti-imperial belt, with links flourishing across its regional zones. Russia has offered to build nuclear reactors for Iran and Libya, Kazakhstan and Malaysia are holding trade conferences to link their regions, and an oil production alliance is sprouting between Iran, Indonesia and Venezuela. Chinese fly directly to Brazil, while Brazilians fly directly to Africa, Indians are investing from Syria to Vietnam and the Abu Dhabi investment authority spreads its wealth from Wall Street to Nanjing Road. The intensity, complexity and density of second-world ties within itself—no longer routed through Washington or Moscow—is more than any one power can control.

**T**he way to understand these changes is to think regionally: to evaluate how power dynamics are evolving within eastern Europe, central Asia, South

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America, the middle east, Africa and southeast Asia—and to assess the relative and changing influence of America, Europe and China in these regions.

America once dominated the Pacific through a “hub-and-spoke” model of alliances with Australia, Japan, Korea and Thailand, but that is now giving way to Asian regional institutions ranging from the Association of Southeast Asian Nations (Asean) to the annual East Asian summit—to which America is not invited. China will lead this new Asian hemispheric order, which ties together all countries falling in the India-Japan-Australia triangle, with China sitting at the centre. Trade within this greater Asian zone has surpassed trade across the Pacific. The region’s impressive network of global cities—Tokyo, Taipei, Singapore, Seoul—increasingly serve as portals channelling capital and investments into China or into projects and companies with heavy Chinese involvement. Overall, it is as if the Asian tradition of imperial hierarchy, which pre-dates the western, Westphalian nation-state system by millennia, is returning, with China at its the heart.

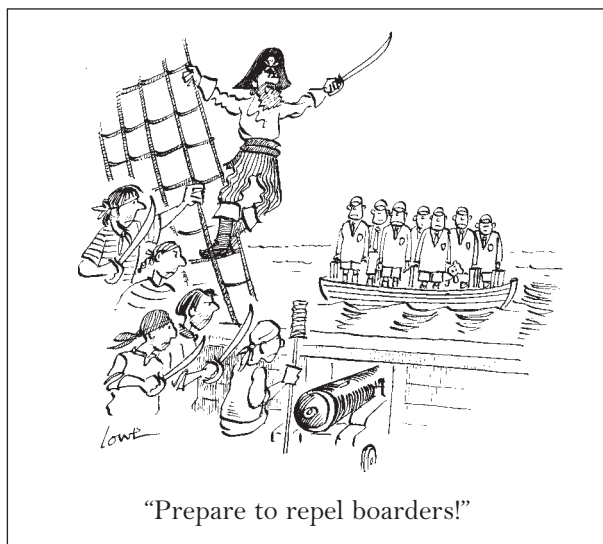
China may be the imperial system which towers over the region as America does in its hemisphere and the EU in the eurozone, but remember that in second-world zones everyone is playing all sides at once. First-world Japan maintains a close alliance with the US and could rearm rapidly, while third-world India is drawing America ever closer as well

through naval assistance, arms purchases and a nuclear deal. Malaysia and Thailand continue to conduct joint military exercises with the US, but also buy ever more weapons from China. Geopolitical theories would predict that in such a period of flux, and in such a region where the declining hegemon (America) and rising contender (China) experience a power transition, conflict is inevitable. We will soon find out whether the theory is correct.

**I**t is time to stop pretending that the US will stay on top until a clear rival emerges to directly challenge its pre-eminence. Look at its recent foreign policy record: failure in Iraq and Afghanistan, failure to eradicate al Qaeda or to create peace in Palestine, failure to advance global trade talks or to reconcile with Latin America—the list goes on. The present caution on interventions and democratisation is motivated not by sudden enlightenment, but by the shock of failure. America is waking up to soft power and public diplomacy because hard power has failed and no alternative remains.

Getting America’s house in order won’t happen on a single chilly inauguration day in January 2009. The state department is broken to an extent that outsiders fail to appreciate. And nobody seems to know how to restore American prestige. One would expect hard-headed guidance based on experience, observation and connections, yet instead one hears—from ex-administration officials from the Clinton or Bush eras—the platitudes of detached utopians. Grand acronyms for new multilateral institutions are proposed—ignoring the fact that even security council reform has not budged in over a decade. Massive civilian reserve corps are plotted—while congress cuts the diplomatic budget by 10 per cent. These are proposals suited either to a world that no longer exists, or a country that no longer has the will or power to carry them out.

The test for the west is not whether an introspective Europe and a stubborn America can see eye-to-eye again, but whether or not they can shape an increasingly assertive second world. Can the transatlantic powers set global trade, labour and environmental standards? Can they roll back radicalism in the Arab world? Can they do anything about Chinese arms shipments to Sudan or Burma? Can they thwart Russia’s attempts to regain control of its near abroad and its manipulation of gas markets? These are questions Bush, Barack, Barroso, Blair and anyone aspiring to a pan-western role must be able to answer if they still believe in the power of the west. ■



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