

POLICY PLANNING FOR A POST-COVID-19 WORLD

Debrief Notes: Digital Discussion between Think Tanks and MoFA Policy Planners on Systemic Rivalry and Evolving Global and Regional Powers
March 23, 2021

OBJECTIVES AND LEADING QUESTIONS OF THE DISCUSSION

- The combination of increasing systemic rivalry and great power competition crucially determines both the evolution of the international system and national foreign policies. In this session, we discussed the effects of and potential responses to systemic rivalry. We focused on concrete examples, policy choices, and trade-offs that national and European foreign policy are facing, in particular regarding the Indo-Pacific region.
- Which policy areas have been most affected by a rising China and a more detached United States? How might US-China competition affect these areas in the future? How could other major powers – such as India and Russia – react? What are Europe's potential responses in the respective areas?
- How is great power competition playing out in an institutional context, and how might it impact the future of multilateral cooperation (G7, G20, NATO, WTO, etc.)?
- How is great power competition playing out concretely in the Indo-Pacific region and what are adequate responses from a Western perspective?
- How should Europe, the United States, and their partners think about systemic transformation going forward?

KEY FINDINGS OF THE DISCUSSION

- 1** The pandemic management of authoritarian regimes like China has bolstered their output legitimacy, thus challenging democracies' long-held claim of representing the superior systems of governance catering to the public interest.
- 2** The moralization of European foreign policy has diminished its access to and leverage over authoritarian states such as Russia, China, and Turkey.
- 3** Europe and the United States should work towards a change of engagement in multilateral institutions, making them more inclusive and formed around sectoral interests.

4 In order to support those Indo-Pacific states under pressure from China, Europe and the United States should speak out more often and more clearly in defense of human rights and the rule of law.

5 Europe and the United States need to actively engage in and enhance regional multilateralism – such as the Association of Southeast Asian Nations (ASEAN) – to support and sustain a normative framework in Asia.

SYSTEMIC RIVALRY IN TIMES OF COVID-19

Leaving the controversy surrounding the term “systemic rivalry” aside, all parties agree that it has become a trend in recent years. Given the economic size and military hard power of the United States and China, tensions in their relationship pose an especially serious and lasting challenge to the international community.

Is democracy in retreat? If anything, seeing how authoritarian and democratic states have coped with the pandemic has sharpened the discussion on systemic rivalry and the competition between the different models. While democracies have always been convinced that they are the far more efficient learning systems, they have come under increasing pressure while trying to manage the ramifications of the coronavirus crisis. Leading the pack of the authoritarian regimes, China has not only proven it can successfully manage the fight against the Covid-19 and maintain economic stability, but it has also challenged Western democratic states on leadership in technology development and innovation. According to a 2019 projection by the International Monetary Fund, the GDP of authoritarian regimes will surpass that of Western democracies in the next five years. As the combined economic output of democracies like the United States, Germany, France, and Japan will then be surmounted by that of autocracies like China, Russia, Turkey, and Saudi Arabia, Western democracies should become humbler and more realistic about their own geopolitical clout. Furthermore, according to an opinion poll by the Centre for Eastern European and International Studies, Russian and Eastern European citizens no longer consider Europe to be attractive while they increasingly see China as more appealing.

At its core, a one-party state always fears for its survival. Consequently, it will limit its integration in broader global systems and seek a relatively docile neighborhood. China will certainly take allies where it can find them. At the same time, the United States will not accept that a radically different system of governance, such as China’s, grows unchecked because it fears a much more unpredictable foreign policy.

NO IN-BETWEEN OPTION FOR EUROPE

For Europe, systemic rivalry with China is a far more difficult and complex challenge. Europe not only defines China as an economic competitor and systemic rival but also as an essential cooperation and negotiation partner. Hence, the idea of “decoupling” from China is not an option for Europe as it might be for the United States. Instead, Europe is developing its own instruments for a more coordinated China policy while seeking close coordination with the administration of US President Joe Biden.

Although Europe and the United States have different approaches to China and different perspectives on whether it is fundamentally viewed as a rival or partner, all parties agree that they are mostly on the same page regarding human rights violations and the rule of law. This should be officially acknowledged by the United States, especially because it could positively affect cooperation in the Indo-Pacific.

Europe’s main contribution to systemic rivalry is to ensure that the stability of its neighborhood is resilient without expecting major help from the United States. Europe must not allow Russia to make gains in its eastern neighborhood; needs to emphasize its engagement in Africa; and should increase its presence in the Mediterranean, particularly to deal with regional divergences of economic opportunity and political instability.

Lastly, Europe must avoid strategic autonomy becoming a manifestation of how it positions itself between China and the United States. There is no in-between option for European countries because it poses the risk of getting caught between two fronts. Europe needs to commit to and protect the autonomy of the transatlantic relationship while being inclusive of other countries – such as Australia, Japan, and South Korea – that share its interests and values.

THE IMPACT OF GREAT POWER COMEPTITION ON FOREIGN POLICY AND THE FUTURE OF MULTILATERAL COOPERATION

The multilateral system has been damaged by the administration of US President Donald Trump, a divided Europe, and the backsliding of democracy across the globe. This damage necessitates changing the practice of Western engagement in multilateralism. Systemic rivalry is forcing multilateral institutions to reconfigure their traditional roles and operating principles. In general, all parties agree that these institutions should have more output-legitimacy, be more inclusive, and be formed around sectoral interests in addition to common values. Thinking about expanding liberal democratic alliances, however, does not mean having to drop values and principles. Instead, these alliances could allow for broader coalitions in regions like the Indo-Pacific or for cooperation on global public goods.

There is a general tendency to moralize foreign policy not only in the United States but also in Europe. “We know what is right and wrong. We criticize loudly, impose sanctions, and wait for

countersanctions. The louder we get, the smaller our leverage is.” Europe and especially Germany is becoming more moral, losing leverage and strength against Chinese economic capability and Russian dominance. In order to regain influence in multilateral institutions and reactivate channels to states like Russia, China, and Turkey, Europe needs to figure out its leverage and how to influence decisions in multilateral alliances.

STATE OF PLAY IN THE INDO-PACIFIC REGION

The Indo-Pacific is characterized by substantial strategic tension and dynamism as well as enormous economic opportunities. In this respect, China has already gained significantly in influence while the United States is focusing on strategic partnerships in the Indo-Pacific region.

There are serious limits to the capabilities of European countries in the Indo-Pacific region. All parties agree that Europe should focus on providing support in broad economic networks of cooperation rather than attempting to contribute to the region’s security with an increased military presence.

Australia, a key strategic partner of the transatlantic alliance, generally welcomes China’s rise, which has also generated enormous economic opportunity down under. However, Chinese foreign policy under Xi Jinping has led Australia to become increasingly concerned with Beijing’s intentions regarding, for example, China’s assertiveness in the South China Sea, Hong Kong, India, and Taiwan; its substantial human rights abuses against weaker minorities; etc. While Australia respects China’s ambition for greatness – assumed appropriate for a nation of its size – China has a choice between being perceived as “great and respected” and “great and feared.” Australia’s concern is, therefore, not China’s dominance in the region but rather the way it is going about it that affects the sovereignty of smaller nations and the rules and norms that have governed the region for the last 75 years.

TRANSATLANTIC ENGAGEMENT AND OPPORTUNITIES FOR COOPERATION IN THE INDO-PACIFIC

The Indo-Pacific is becoming increasingly important in Europe’s foreign policy. Its presence there, however, is insufficient to safeguard geo-economic interests and protect the rule of law in the region. There needs to be a better understanding of how important the region is for Europe’s strategic security and for driving Europe’s and the world’s economic recovery.

In order to build trust between the Indo-Pacific region and Europe, European states should speak out more often and more clearly in defense of human rights and the rule of law – particularly regarding the semi-autonomous status of Hong Kong and the territorial disputes

in the South China Sea. According to Philip Green, the Australian Ambassador to Germany, Switzerland, and Liechtenstein, while Europe's support for the rule of law can be demonstrated by a certain level of military presence, a demonstration of Europe's soft power is much more important. The Indo-Pacific region would, for instance, welcome more visits from European leaders to balance their visits to China in order to demonstrate support for the sovereignty of the Indo-Pacific States, particularly those under pressure from China.

The election of US President Biden is a clear turning point and great opportunity for increased cooperation in the Indo-Pacific region. With Biden's new administration in place, the region is expecting a more sophisticated foreign policy. Together with Europe, the United States needs to reach out to those states under pressure from China and rebuild a positive perception of the United States as an ally and partner.

In order to support and sustain a normative framework in the region, Europe and the United States need to engage in and enhance regional multilateralism such as that in ASEAN, the core of cooperation in the area. Europe and the United States should work more frequently with those states in the Indo-Pacific that believe in the liberal order, open system, free trade, the rule of law, and human rights and utilize engagement in global forums such as the UN, WTO, OECD, and G7.

POLICY PLANNING FOR A POST-COVID-19 WORLD

Debrief Notes: Virtual Discussion Between Think Tanks and MoFA Policy Planners on the Weaponization of the Economy and Emerging Global Tech Order

April 28, 2021 || Authored by: IFRI

OBJECTIVES AND GUIDING QUESTIONS OF THE DISCUSSION

The weaponization of the economy and the emerging global tech order have become issues that acutely affect the international order. Today, the world is shaped by the power of very few nations. Consequently, the competitors play hard to gain or preserve national assets by securing key markets and strategic influence abroad. In this session, we discussed the factors, the various types, and the main consequences of these two emerging trends for the United States, China, and Europe. The main concern is now whether the international community will remain in a period of geo-economic contest between China and the United States – or whether the world is heading toward geo-economic combat. The following questions were at the center of the discussion:

- How is the weaponization of the economy playing out in the United States, China, and Europe?
- What does the weaponization of the economy mean for European governments?
- How should governments and multilateral alliances deal with the emerging global tech order?
- To what extent is digital sovereignty the solution?

KEY FINDINGS OF THE DISCUSSION

- 1** The world has forgotten that economic policy can be used as a geopolitical tool. The rhetoric of “weaponization” is new and stands in contrast to the “use” of the economy as a geopolitical “tool.”
- 2** Great power competition between China and the United States has increased sharply, putting Europe in an uncomfortable position between the two superpowers.
- 3** The benefits of globalization are increasingly unevenly distributed. Choke points have been seized by aggressive actors who aim to shape spheres of influences in the world.
- 4** Reliance on advanced technologies could become an acute risk carrier for Europe and beyond when technologies become compatible with aggressive and peaceful uses.

WEAPONIZATION OF THE ECONOMY AND THE EMERGING GLOBAL TECH ORDER

The world has forgotten that the economy can be used as a geopolitical tool. International tensions are on the rise, spurred on by the COVID-19 pandemic. States are now fighting for the control of vaccine supply chains although they are dependent on each other for growth-related purposes. Nevertheless, such economic conflicts are not a new phenomenon – as the US-Japanese economic standoff of the 1980s showed. But the rhetoric of weaponization is quite new and has flourished with the escalation of the tensions between Beijing and Washington. The word “weaponization” implies deliberately causing damage to someone else while also risking collateral damage to oneself. Therefore, the international community should be aware of the full meaning of the term.

GREAT POWER COMPETITION BETWEEN CHINA AND THE UNITED STATES

As a result of the geo-economic contest that has been taking place between China and the United States for at least a decade, billions in trade exports – as well as years of technology cooperation between the two nations – have been torn apart. Tensions have risen as the number of cases of Chinese espionage and US “countermeasures” has skyrocketed. In 2018, the administration of US President Donald Trump took this geo-economic contest to a new level, imposing unilateral tariffs on over 50 percent of imports from China. His administration also initiated a new phase of economic and technological combat with China, placing leading Chinese technology companies on the “entity list” to which US companies were forbidden to sell their microchips and other advanced technologies.

THE EFFECTS OF GLOBALIZATION ON COMPETITION AND ECONOMIC DEVELOPMENT

For a long time, globalization was seen as the positive process of cementing the opening of the world economy and bringing about mutual benefits. Now, it is widely acknowledged that the benefits of economic growth are very unevenly distributed across the globe. In a balkanized world, this development could lead to the emergence of public and private superpowers on whom every other actor under their influence depends. The present design of our globalized world reinforces this tendency rather than bringing nations closer together.

Globalization depends on a few choke points, including who can provide tech chips and which currency will be used as the reserve currency. Although these choke points were designed as

tools to reduce costs and facilitate much faster flow exchanges, they can also be used as a powerful political tool. As soon as any choke point is conquered by an aggressive actor, the others involved face an increased risk of blackmail.

THE RELIANCE ON DATA AND NEW TECHNOLOGIES: RISK CARRIERS OR OPPORTUNITY BEARERS?

World economies are currently shifting from international relations driven by oil and gas to those driven by data. Against this background, globalization's loss of innocence can be clearly perceived on tech-related issues. Now, all of the components of our activities can be modeled or digitalized because they are related to data that can be easily gathered. Consequently, reliance on data is quickly becoming the decisive input to competition – whether it be for international trade, science, or national security.

The distinction between the civilian and peaceful use of data and the military and aggressive use of data has become slowly but increasingly blurred. This also applies to dual-use systems, which are critical for complex technologies but can also be used for both civilian and military purposes. The international community is now working on implementing new laws to suspend the export of spare parts that could be used in a threatening way. Such laws could be extended to targeted bilateral sanctions and extraterritorial measures to limit a country's access to critical general-purpose technologies or new market opportunities. Moreover, the international community is facing a new dilemma: multinational companies and states may have to choose between the Chinese market or the US market if the decoupling process is materialized.

EUROPE'S INTERNATIONAL ROLE AND CAPACITY TO ACT IN ADDRESSING WEAPONIZATION CHALLENGES

Faced with the increasingly challenging geopolitical environment, international players should think about how to reduce the level of confrontation in the international system. They need to implement a wide range of tools and build multilateral bodies aimed at both increasing common prosperity and reducing tensions.

States should renew their innovation policies in order to prevent any emergence of a monopoly on advanced technologies in a highly dependent world. Moreover, states should not leave

production in a few private or great power hands. A huge effort to build trustworthy infrastructures is needed to that end.

Public actors should massively invest in the talents and skills needed to build specific expertise in advanced and critical technologies. The more expertise is shared among decision-makers, the faster the international framework will adapt to new challenges.

The international community must build proper tech-based regulation tools. Algorithms are needed to regulate algorithms. This not only applies to privacy (with GDPR in Europe), but, similarly, also to trustworthy AI, which requires tools and strong science-based foundations.

Like-minded nations should act together to keep the game open. One way to do this would be to bind the United States and its allies in Europe and Asia together in a set of forward-looking agreements that strengthen their collective strategic autonomy – for example, on supply chains and 6G technologies.

POLICY PLANNING FOR A POST-COVID-19 WORLD

Debrief Note: Digital Discussion between Think Tanks and MoFA Policy Planners on Energy Transition and Climate Policy

September 21, 2021

LEADING QUESTIONS OF THE DISCUSSION

- What are the opportunities and challenges of a deep decarbonization, as well as its socioeconomic implications?
- How can we ensure a just transition and prevent the risk of exacerbating socioeconomic inequalities due to energy transition (within and beyond the European Union)?
- What can be done to strengthen the resilience of hydrocarbon producing and energy-poor/most vulnerable countries?
- What forms of multilateralism are most likely to help deliver a stable energy transition? What is the role for today's energy and climate governance? Is it fit for purpose?

FIVE KEY FINDINGS OF THE DISCUSSION

1 Climate change is a grown-up issue without a grown-up approach. The mismatch between the rhetoric of the commitment (pledges) vs. the practice (implementation) in the international context is clear: we lack a 360-degree approach, as we still see compartmentalized thinking, are far from mainstreaming climate in the broader geostrategic debate, and massively underplay climate risks in national political discussions.

2 The narrative related to the energy transition must change to build consensus around it. The more decarbonization policies are scaled up, the more they will be felt by the population – while progress is slower to see. The transition is therefore a matter of good management/planning to deliver on structural change beyond the political cycle.

3 The very concept of development policy is disrupted by climate change: developing countries are not just emulating industrial countries – they are evolving according to their own pressing needs (e.g., energy access). The debate is confused in policy terms on how we support them: the current “vertical” conversation heavily based on single “projects” does not work. The establishment of green partnerships could help but should go well beyond climate and energy alone.

4 Building capacities in neighboring countries and beyond is crucial (and in Europe's interest). The regional approach has proven wrong in the past (e.g., the Desertec project); however, the most affordable and reliable energy is going to be built in regional energy markets, requiring prudent, long-term planning.

5 There is a major power competition about who is going to write the rules of the green economy. We need to overcome the unstable approach of "partner-competitor-rival" regarding China and at the same time deepen the transatlantic partnership. Although climate-related issues may cause competition among states (e.g., innovation, bilateral trade investments, standard-setting, supply chains), this challenge can only be solved through global climate collaboration.

(GEO)POLITICAL IMPLICATIONS IN NEIGHBORING COUNTRIES AND BEYOND

Climate policies and the energy transition will alter international relations. Some countries, such as hydrocarbon exporters, may face future losses, even though it is necessary to avoid quick and simplistic conclusions. Timing here is crucial: the energy transition will not happen tomorrow. In line with the European Green Deal (EGD), in 2030, the European Union (EU) will keep importing almost the same amount of gas and oil as today. The sharpest decrease in import volumes will occur between 2030 and 2050. Thus, the next 10 years should be used to orderly plan the next 20–30 years.

The EU will need to import green energy from neighboring countries also because of European land availability issues. Thus, the EU should aim to build green partnerships with its neighboring countries. Although regional markets will be central in building the most affordable and reliable energy, the EU should not develop exclusively regional initiatives – efforts like that have proven failures in the past. The EU must work with individual countries to address the existing legal and economic bottlenecks and foster export opportunities as well as private investments for the green transition in these countries. However, a holistic approach in building green partnerships is needed, linking climate and energy to other policies such as security, migration, and trade. The EU should be able to offer an overall package that will enable these partner countries to make their transition and at the same time mitigate against the negative spillovers their transition might have for Europe (e.g., security, migration).

In general, the huge dimension of the energy transition process has not received enough rigorous attention. It is going to be long; governments will need to manage an unsmooth and volatile process. The energy transition is going to be unpredictable, accompanied by major political and economic shifts. Transition is easier said than done: issues like the rising levels of energy that will be needed for meaningful levels of growth, especially in developing countries, are fundamental (and it's a huge amount of energy – mini-grids or small projects are not going

to be enough!). We also need to do much more to compensate losers, as this will have huge consequences (globally and at the EU level).

BUILDING POLITICAL CONSENSUS AND A JUST TRANSITION

The energy transition faces some major vulnerabilities. When climate actions conflict with other issues (e.g., affordability, reliability, economic growth, security of supply), too often, climate actions lose out. The energy transition is very exposed to political manipulation and populism, and it is the most-likely candidate after migration to become the anti-establishment, anti-elite topic seen as an imposition from Brussels.

The narrative we are using does not help. Especially in the West, the narrative is that the norm is “brown” and the cost is “green.” Associating “green” with “costs” may provide favorable ground for populist arguments, reducing the possibilities of success from a political and policy perspective. Thus, a change in the narrative is of paramount importance in order to deliver the energy transition, with a focus on the costs that result from continuing the “brown” business-as-usual approach. Governments should at the same time provide means and valuable alternatives to the middle classes and offer compensation to the most vulnerable to avoid social backlash. Doing so will be the best way not to lose against populist arguments.

The transition is therefore a matter of good management/planning to deliver on structural change over and above the political cycle. Moreover, some energy transition implications – along with the risk of manipulations and disinformation – may fuel nationalism and populism, which ultimately could derail the energy transition process as climate action has become the new key narrative in some countries (notably the EU). The example of France’s “Gilets Jaunes” embodies this crucial element. It is worth remembering that vulnerability is not a phenomenon related only to democracies, but also to autocracies – it is just less visible.

What’s more, the energy transition builds on profound inequalities. There is a lot of confusion and false promises in terms of how we support developing countries in carrying out their transition. First: We are falling behind on many issues (e.g., on climate finance, we are still not having the right conversations; with Biden, he promised to double the public finance commitment, but he hasn’t done so in reality). Second: We don’t frame what needs to be done in a proper way. The conversations in the run-up to Glasgow are fraught with issues around inequality and the absence of a political social contract between the Global North and South. But climate is clearly not at the center of the foreign policy debate. Instead, these issues have been side-lined to the relatively weak United Nations Framework Convention on Climate Change (UNFCCC) processes. The challenge is how we can really integrate these conversations/capabilities into the security and prosperity pillars of foreign policy.

MIND THE GAPS: AMBITION VERSUS REALITY; UNDERPLAYING CLIMATE RISKS

A growing gap between ambition and reality is emerging. This can be attributed to the compartmentalization and subordination of the climate debate to other policy goals. Currently, climate is only one topic in the broader geostrategic discussion, while it should touch each and every issue, also in foreign policy discussions. So far, governments lack ecosystems that are capable of delivering on this incredibly complex project. To overcome the compartmentalization of climate policy and create the bridge between rhetoric and practice, governments need to embed climate and energy discussions far more into politics and policies.

Climate risks are also massively underplayed in national political debates. While we discuss/drive a net zero process, our risk estimates remain conservative. As we demand the populace to constantly make more changes to their personal lives to solve climate change, the situation worsens. One reason behind this situation relates to the question of who is sitting at the table of relevant discussions (e.g., having the fossil fuels industry overrepresented in the decision-making arena, while not involving people impacted by climate change). This structural problem is the result of underplaying climate risks, and it is a reason why we get suboptimal results. This approach is also reflected in the reaction of developing countries: There is not enough focus on resilience, and as these countries experience fiscal restraints from COVID-19, they appear too risky to invest in, as they are too vulnerable. At the same time, the United Nations (UN) system is not reforming fast enough to support food security, humanitarian assistance, and migration issues in the context of a world impacted by climate change. All that is amplified by the impacts of COVID-19. That is the reason why the politics of injustice and “loss and damage” are dominating discussions.

COMPETITION/COOPERATION BETWEEN POWERS IN THE CONTEXT OF THE TRANSITION

We are seeing an unstable “partner – competitor – rival” approach (e.g., toward China): We can be partners on climate governance and in other areas connected to climate. However, in other areas – such as innovation, bilateral trade investments, standard-setting, and supply chains – we continue to have a high level of competition. The transition indeed means that all countries are moving toward something new while competing for new economic opportunities and for the ability to define the green economy rules. Furthermore, major powers are still only reacting to and not guiding the global governance and geopolitics of this transition. That is not enough; we need more than that.

Climate change falls under the geopolitics of the multi-polar confrontational world, but if we want to drive the transition fast enough, we need big, liquid, open markets in finance and technology to achieve the necessary speed. The key battle grounds are financial rules, electric vehicles, defining the role of gas/methane/hydrogen, battery regulation, etc. Those will be

areas where we need to balance national/domestic interests, economic diplomacy, and climate change in our bilateral and multilateral relations.

Beyond words, the partnership between the United States (US) and the EU in particular must deepen its focus on climate to really have climate at the center of this partnership. At the moment, it is mainly about climate finance – but it lacks a geostrategic dimension. The management of the Carbon Border Adjustment Mechanism (CBAM) is a key aspect of the EGD's international dimension. The mechanism has been criticized by several countries, and the EU should not include Least Developed Countries in the CBAM. Thus, the best way forward would be for the US and the EU to team up and then take others on board. However, it seems like there is no willingness from the US to have such cooperation yet. Nevertheless, the EU should take the responsibility to set it up in a multilateral manner that is open to all countries that are willing to join. Moreover, the EU should utilize the revenues: 1) at the European level, to provide alternatives and compensation to its citizens, and 2) to boost climate financing for developing countries. In this way, the EU would show that CBAM is not about trade but about climate, ensuring a just and fair transition.

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