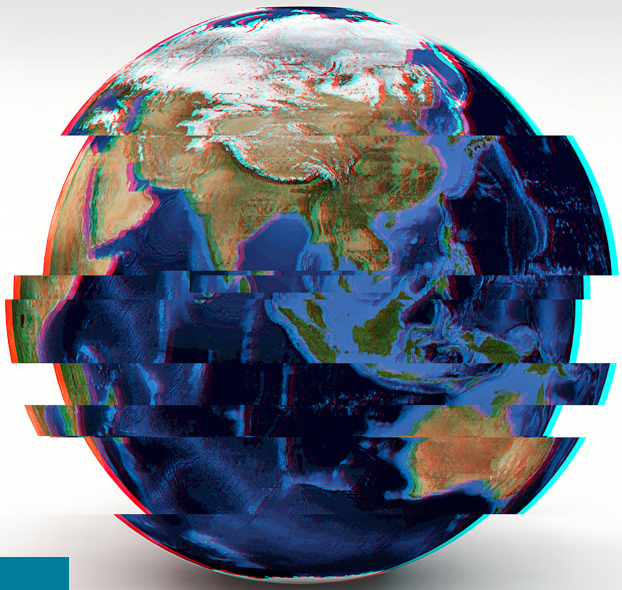
ISPI REPORT 2019 GLOBAL SCENARIOS AND ITALY

THE END OF A WORLD

THE DECLINE OF THE LIBERAL ORDER

edited by **A. Colombo** and **P. Magri**
conclusion by **G. Massolo**



ISPI

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THE DECLINE OF THE LIBERAL ORDER

Global Scenarios and Italy
ISPI Annual Report 2019

edited by Alessandro Colombo and Paolo Magri
conclusion by Giampiero Massolo

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Foreword

Over the last year, signs of the breakdown of the political, economic, and institutional order that had marked the liberal world in the last decades have become always more visible. The liberal order, conceived at the end of the Second World War and definitively unleashed after the end of the Cold War, consisted of several layers in very close combination. At the top, at least from a political and military point of view, there was the willingness of the United States to translate its supremacy into hegemony, that is, into the willingness to lead the international community both in times of peace and in times of war. In turn, American hegemony perpetuated – despite the great XX century event of the "revolt against the West" – the Western centrality in the international system, both in terms of power and in terms of the capacity to spread political, ideological, and juridical models (in particular in what we might term the "civil religion", i.e. the preference for economic and political systems based on the market economy and democracy) and, even more deeply, in the liberal cultural hegemony matured between the 1980s and 1990s. In line with this framework, the international order we inherited had an unequivocal multilateral structure, supported by a proliferation of international organisations (the United Nations, the World Bank, the International Monetary Fund, the European Union, etc.), as well as by the launch and subsequent development of international agreements and economic, commercial, environmental, and security regimes. Finally, this global architecture also included the various regional orders, produced in part by "local" dynamics but also by their ability to penetrate and influence global dynamics.

After the 11 September 2001 shock and, to an even greater extent, the 2008-2009 great economic and financial crisis, this "finite world", hastily celebrated after the reabsorption of the political and ideological laceration of the XX century, has been hit by a real political earthquake. The proliferation of populism represents only the most superficial manifestation of this upheaval. Meanwhile, the growth of China and the renewed assertiveness of Russia seem to prelude to a new phase of the decline of the West's influence on the rest of the world, if not to the opening of a major confrontation or the redistribution of power and international prestige. Amid this global readjustment, the configuration of the individual regional orders was discussed, up to the extreme case of the total collapse of the Middle Eastern order. Finally, and almost precipitating the general crisis of the political order, a dispute of legitimacy has invested the same liberal orientation of the post-bipolar order, with potentially destructive consequences on the stability of the multilateral fabric of international coexistence, of international organisations, and even of the institutional structure of the single states.

From this broader perspective, even the historical and political significance of the last shock produced by the advent of Donald Trump at the White House is easier to understand. The first chapter of the report focuses precisely on this. Once looked at in light of the entire trajectory of the rise and fall of the international liberal order, the Trump administration appears as the culmination of a process already initiated by years of progressive collapse of the twin concepts of hegemony and multilateralism that had marked US foreign policy at the time of the shift from the bipolar system to the liberal universe of the 1990s.

If, therefore, the two previous administrations – the republican one of George W. Bush and the democratic one of Barack Obama – had already resized the multilateral and the hegemonic vocation of US foreign policy respectively, the Trump administration appears determined to resize both at the same time. The dismantling of the liberal synthesis, this time, is complete.

Like the Obama administration, the Trump one seems intent on keeping away from the hegemonic or even imperial temptation of the first two post-Cold War US administrations – a temptation that included a missionary approach to foreign policy, symbolised by the attempts to export democracy (with or without the use of force). But, unlike in the previous administration, multilateralism is seen, rather than as the solution, as part of the problem. First of all, because Donald Trump no longer sees in belonging to multilateral contexts a tool to share costs but instead a trap to multiply commitments. Above all, in the elaboration and the political rhetoric of the administration there is no longer a place for the old virtuous circle between hegemony and multilateralism: instead of being an instrument of the benign hegemony of the United States, multilateralism is seen as the place of deception *par excellence*.

From this arises the most striking change introduced by the Trump administration: the unprecedented divorce between the United States and the international order that they had first invented and then continued to expanded. This divorce has an immediate, though not homogeneous, impact on all layers of the liberal order. But the crisis of this order is largely independent of the guidelines of the new American administration which, if anything, are a symptom or even a response to it. Damiano Palano addresses the deepest layer of the retreat of the liberal world: the crisis of democracies. Although, even before the events of the last few years, there had been readings acknowledging the signs of an "unease" of democracy, the consolidation of Western democratic regimes was still considered a fact. Since 2016, the perception of many observers has changed radically, because the advance of the "neo-populist" forces has made the hypothesis that a "deconsolidation" of Western democracies is already underway anything but unrealistic.

At the global level, the expansion of liberal democracy has stalled for more than a decade. Some of the states that in the 1990s had embarked on the path of democratisation also turned into electoral authoritarianism, while significant signs

of regression were recorded in Venezuela and in strategically important countries such as Turkey, Bangladesh, Kenya, and Nigeria. But since the outbreak of the global crisis, the signs of some sort of "democratic recession" have also emerged in Western political systems. The events of 2018 – the Italian general elections, Jair Bolsonaro's victory in the Brazilian presidential elections, the tensions between the European Union on the one hand, and Viktor Orbán's Poland and Hungary on the other – have considerably reinforced the impression that the global expansion of populism, which emerged in a sensational way in the 2016 and 2017 elections, is far from over. And the scenario of a progressive dissolution between democracy and liberalism seems for this reason a real risk, not only an academic hypothesis.

Of course, the current crisis can only be considered as a crisis *within* democracy, that is to say, one that affects only certain aspects of the functioning of liberal democracies, and not as a crisis *of* democracy, namely one that threatens its foundations. The roots of the "democratic recession" are, however, rather deep. The success of the "antiliberalism" protest can in fact be attributed both to the economic consequences of globalisation, and in particular to the increase in inequalities and the worsening conditions of the middle class, and to a "cultural" reaction to multiculturalism and cosmopolitanism on the part of traditionalist social sectors, which translates above all into hostility to migration processes. And, given that the stagnation of living standards and the demographic change of Western societies are probably structural (and not cyclical) processes, the tensions of these years could only be the first signs of a "deconsolidation" destined to worsen. In addition, contemporary tensions have led to the re-emergence of new processes, also structural and already emerging since the 1970s, such as the "fiscal crisis" and the "governance crisis", which are intertwined with the crisis of international legitimacy. In many ways, the disintegration of the liberal order is once again calling into question, along with the relationship between democracy and liberalism, the

problematic relationship between democracy and the international order, contributing to the nationalist and "sovereign" tension that marks the different populist proposals.

It is no coincidence that the multilateral fabric that, from the end of the Second World War to the present, has marked the international side of the liberal world, is equally problematic. Andrea Carati analyses its main expression in the security field, NATO. Although in the past several US presidents have not spared critical comments on NATO, particularly on the issue of burden-sharing within the Alliance for collective security purposes, Donald Trump has pushed confrontation with European partners on new ground, so as to emphasise the conditionality of future American commitment to NATO.

Although, therefore, not even NATO is sheltered from the general crisis that is affecting American hegemony, it remains a crucial multilateral tool for the management of Euro-Atlantic security, which in many ways cannot be renounced, and for which both Europe and the United States do not yet identify credible alternatives. The coexistence between structural factors of crisis and elements of persistent importance has produced in recent years a paradoxical outcome: the more the overcoming of NATO, or even the threats of dissolution, become insistent, the more allies invest in the Alliance. This trend has also been confirmed over the past year. Faced with a particularly aggressive attitude on the part of the American President and accusations of obsolescence, NATO seems to be showing what some commentators call a *renaissance* – greater investment in aggregate defence, the management of increasingly ambitious large-scale joint exercises and, above all, a growing and widespread perception of threats to Europe. On the contrary, the more the perceptions of threats to the West from Russia, China, the Islamic State, and the fragmentation of the Middle East intensify, the more the Atlantic Alliance seems to continue to offer an essential institutional anchorage – accompanied by considerable organisational and military tools.

For the time being, the signs of crisis of the liberal world appear more pronounced in the functioning mechanisms of world markets and in the system of multilateral rules, traditionally deeply determine by the United States. Lucia Tajoli deals with this subject in her chapter. In recent years, even the system of international trade rules, in truth, already appeared clearly in crisis. The latest WTO negotiating round, which began after many difficulties in Doha back in 2001, is still unfinished, and no significant progress has been made in multilateral negotiations in over a decade. Moreover, the greatest economic and commercial powers now effectively act independently of WTO rules, thus seriously undermining the credibility of the institution. If it does not seem too surprising to see China struggle with conforming to WTO rules, the United States' stance is much more unexpected. The current US administration underwent a sharp change of heart in US international economic relations, with President Trump pursuing a strategy based on bilateral negotiations and agreements, in clear contrast with the spirit of the WTO, which instead is ground on a multilateral approach.

The most striking manifestation of this reorientation was the decision to start a trade war with China, with the announcement in March 2018 of the imposition of a 25% tariff on steel imports and a 10% one on aluminium imports from most countries. In May 2018, the US administration extended duties to imports from Canada, Mexico and the EU. As might have been expected, China reacted by imposing its retaliatory tariffs on an equivalent volume of steel and aluminium imports from the United States. Canada, Mexico and the EU also followed China's line of retaliation. It is possible that duties and the threat of extending the trade war will actually be used by Trump as a negotiating tool, to strengthen the American position in bilateral discussions. But, in the meantime, they are weakening the multilateral framework of the liberal world of recent decades.

Also when considering the WTO, the stance of the current American administration is mostly one of indifference, based

on the supposed uselessness of the institution. Although the United States considers its rules to be obsolete and worthy of revision, it has not speculated to leave the Organisation. But the deadlock risks putting both sides in a difficult situation. On the one hand, should the WTO decide to put the US under investigation, Washington could seriously consider leaving the Organisation, even though the operation would be politically complex, since it would need congressional approval. On the other hand, should the WTO not put the US under investigation it would lose credibility, and any country could justify future trade restrictions on the basis of its own national interest.

The crisis of the liberal order is affecting even more deeply an institution like the European Union, one of the greatest incarnations of that order. Sonia Lucarelli's contribution examines this relation. A modern embodiment of a peace-building inspired by Kant, European integration has been a vehicle for the democratisation of European countries, the building of institutionalised ties between them and increased integration between their societies. A unique experiment in the construction of what Deutsch has called an "amalgamated security community", the European Union not only represented an example of the creation of a liberal political order, but embodied its fundamental principles, also in its foreign policy.

Today, all this has come under pressure from strong external tensions and a clear fascination for the illiberal in European societies. Political leaders who are openly inspired by illiberal principles and theorise about the existence of a democracy without liberalism attract the votes of the so-called dissatisfied with globalisation. When they are not able to do so, the tension is dispersed in the streets, dressed in a multitude of yellow vests, united almost only by the need to manifest "against" something. The privileged targets are the elites of the so-called establishment, the European institutions and globalisation. The references to the consolidation of the political and economic wealth of our societies are of little use: dissent and deconstruction prevail. The new forms of populism, be they right-wing,

left-wing or that populistically define themselves as "beyond party polarisation", gather support and leave political space to those who – more or less consciously – destroy the pillars of the liberal order that have been responsible for years of prosperity and democratic consolidation.

Among the different forces contributing to the illiberal drift in the Western world, three appear particularly important: an economic globalisation whose polarising impact on societies was not sufficiently regulated; some unintended effects of the digital revolution; and the transformation of political identity. Another specifically European factor is the crisis of the liberal project of European integration caused by: the enormous distance between the "European Quarter" and its citizens; a recent history of integration probably excessively influenced by a blind trust in the EU's ability to expand its model to the new Member States and the neighbourhood; the functionalist confidence in the driving force of agreements in specific sectors.

Against the backdrop of this overall landslide and, probably, also at the basis of the choices of the new American administration, the feeling of being, if not already in, at least at the threshold of a non-Western world is growing. Leopoldo Nuti, Aldo Ferrari, and Guido Samarani discuss this shift in the fourth chapter of the report. Nuti focuses on the decline of the West and, in particular, on the apparent retreat of the United States. Over the last twenty years, the international system has changed thoroughly: whilst the United States' hegemony first appeared unchallenged (so much so that a neologism like "hyperpower" was specially coined in order to describe it), now open talk of a post-American era and multipolarism is gaining ground. The turning point of this parable was the crisis triggered by the 2003 invasion of Iraq launched by the George W. Bush administration. Until then, the United States was not only the ultimate guarantor of an international order built around the country's centrality, but also superior to any possible challenge to its supremacy, guaranteeing to that order sufficient stability for a long time to come. Fifteen years after

the Iraq crisis, that record appears weakened and bound to be increasingly questioned. The paradoxical consequence of this is that the United States no longer seems to be interested in guaranteeing the *status quo,* as it does not perceive itself as having a clear advantage over other powers. On the opposite, the US has become a revisionist power, intent on undermining the rules of an international system that no longer appears to be matching its national interests, with the ultimate aim of reversing its relative decline and recovering a primacy which it would otherwise lose.

Aldo Ferrari turns his attention to the position of Russia that, within this post-Western scenario, acquires an increasingly peculiar role, not least from a historical-cultural point of view. Russia, in fact, is resolutely opposed to the international order that arose at the end of the Cold War, dominated by the United States and based on the spread of Western values. All the more so since Moscow is convinced that Western primacy is now in decline and that a new multipolar system is being created, one within which Moscow can play an important role. Trump's foreign policy, moreover, appears more compatible with the creation of a new multipolar international order supported by Russia. This is an order based on "conservative realism" and national sovereignty, alien to the idea of the unstoppable expansion of liberal globalisation – a concept that has shown all its limits in recent years. But Russia's aspirations are being hampered by its fragile economic situation. Moreover, the country's increasing geopolitical detachment from the West is in contrast with the predominantly European nature of Russian society and culture, while the ever closer relationship with China is negatively affected by the economic and demographic gap between the two countries, putting Russia in a complicated situation.

The real great challenger of Western hegemony, China, is analysed in Guido Samarani's chapter. There is no doubt that the rise of China, reaffirmed with increasing strength and assertiveness Xi Jinping's leadership, is increasingly intertwined with the weakening of the United States' and more generally

the West's hegemonic capabilities, and at the same time with the fact that China is not able, at least in the medium term, to replace (should this be its aim) the United States at the centre of the global order. It is on this basis that the tension between Washington and Beijing, and what has later been defined as an actual trade war, has developed. But, leaving aside the content of the ample Chinese-American disagreement, what has doubtlessly been causing problems to the Chinese leadership is the confusion over "what" exactly the Trump administration wants: more substantial and wider concessions, or simply to push China into a corner and force it into a comprehensive negotiation starting from a position of weakness? China has been traditionally able to respond with retaliation to punitive or negative measures taken by other countries that harm its national interests. This was visible in various cases over the past few years when these measures have been conceived in the conviction that the Chinese "soft power" should be, when necessary, strengthened with decisive and strong measures, even though this does not put into discussion the fundamental search for "harmonious" international relations. However, such an approach no longer seems sufficient in the comparison with the American President.

In this context of renewed global competition, regional tensions and conflicts persist. Armando Sanguini's chapter focuses on the Middle East, which continues to be a region of disorder, perhaps at the highest level in the world. And while during 2018 some comforting signs emerged, none of them has been sufficient to reverse the general regional trend. The general scenario is therefore still marked by local, regional, and international powers' thicket of diverging/conflicting interests.

Among the factors that primarily affect the dynamics of disorder in the area, the most invasive is the antagonism between Iran and Saudi Arabia for the assertion of leadership in the region. Saudi Arabia fears the "vital threat" exercised by Iran in terms of a political-military and cultural expansion which can take the shape of a full-blown encirclement: in the north, through the route that leads from Tehran to the Mediterranean

through Iraq, Syria, and Lebanon; in the east, through a type of pincer formed by the Strait of Hormuz (Persian Gulf) on the one side – which Tehran has already threatened to close – and by that of Bab-el-Mandeb (Gulf of Aden-Red Sea), potentially under the control of the Yemeni Houthis, Iran's allies; finally, within the Gulf monarchies, first and foremost in Saudi Arabia and Bahrain, through the mobilisation of the respective Shia minorities. The resulting proxy wars – in the wake of the massacres that Yemen has brought to the fore – reflect the depth of this antagonism. All the more so because, in the meantime, the policy of "containment" decreed by President Trump and based on the re-introduction of the sanctions lifted by Obama has invested key areas of Iranian trade, especially energy, also by threating retaliations against countries that intend to continue doing business with Iran. While, on the other hand, the Khashoggi affair has dealt a severe blow to the international image of Saudi Arabia.

Among other regional powers, Erdoğan's Turkey has confirmed the ease with which the President pursues his basic objectives in the region, with the ultimate aim of asserting himself as antagonist of Saudi Arabia, at a regional level and beyond. During 2018, Erdoğan continued along this path by deploying a variety of instruments, from economic and humanitarian ones such as in Africa, to those more purely political ones. He did so by waving the banner of Muslim Brotherhood's political Islam, despised by the main Arab powers, especially Saudi Arabia and Egypt. More surprisingly, Israel has enjoyed a climate of rapprochement with a significant part of its Arab neighbours. And this is not only in the field of security and defence, because of the rank of "common enemy" assumed by Teheran with his partner Hezbollah, but also in the economic, technological, and communications fields. Meanwhile, the small and very rich Qatar is not only resisting quite well the embargo decreed against it in 2017 by the Saudi-Emirate-Bahraini-Egyptian monarchies, but announced just at the end of the year its divorce from OPEC, of which Saudi Arabia is the most influential member, starting

from 2019. An open challenge designed to further loosen the already unsteady cohesion of the Gulf Cooperation Council; but also an act clearly aimed at taking on an even more prominent role at global level in the field of natural gas and LNG.

In his chapter, Franco Bruni speaks about the evolution of the international economy. In 2018, growth forecasts were gradually worsening all over the world, albeit with considerable cyclical and structural differences between the various parts of the global economy. The worsening is due to relatively "new" factors, such as the exacerbation of geopolitical uncertainty, Trump's neo-protectionism, the natural depletion of the potential for monetary stimulus, harder-than-expected challenges to Chinese growth, a halt to the strengthening of the Eurozone due to deepening inner political rifts.

The halt to global growth is also due to "old" factors, namely, the persistence of those weaknesses of the global economy that had already produced the great 2008-2009 crisis, when the global economic governance had neglected the shocks of globalisation, technology, and demography, not foreseeing a way to deal with them, not increasing global consultation, not developing the potential for a multilateral model. Rather, attempts were made to conceal the imbalances resulting from these shocks through a reckless increase in the debts of households, businesses, banks, and governments. The financial fragility that those debts had produced led to the crisis. This has been "cured" homoeopathically, soothing its wounds with even more debts: all available indicators show how the global ratio between debts and GDP is continually growing. The result is a fragility which, although shaped differently from that of the years prior to 2007, may lead to fears of a new financial crisis. Compared to the previous one, the world would be in some ways more unarmed (having exhausted the space for monetary and fiscal stimuli) and politically weaker and more divided, also because some countries (including ours) have not yet returned to the GDP levels of 2008 and several emerging economies are now much weaker than back then.

There are no ways to improve these prospects without a return to a climate of greater global cooperation and a re-legitimisation of multilateralism that is now in serious political and institutional crisis.

Instead of running away from the most substantial economic problems with trade wars and political rifts, we should move together as much as possible to reconcile growth and social progress in a sustainable way. There are two fronts to work on: a "new welfare" that better addresses the fragilities that have emerged in recent decades and a new control/reform on private and public finance that genuinely promotes balanced and sustainable development rather than cosmetic measures to conceal imbalances and inefficiencies. To avoid the very costly end of an economic world full of opportunities that has, however, long walked recklessly, we must not renege on it but reform it, identifying its critical points and making it the subject of international cooperation rather than a pretext for divisions and dangerous games of ephemeral zero-sum politics.

The last part of the volume is dedicated to Italy. The crisis of the liberal world and of the European Union itself inevitably affects our country too, which for years has been facing a profound political and economic crisis and, in the last year, was marked by a radical change in its political framework, resulting in the new Five Star Movement and the League coalition government. Ugo Tramballi's chapter deals with Italian foreign policy. Given the role of Italy in the world, and also because of a lack of attention to international events (with Matteo Salvini being the only one who seems to actually pay attention to them), the Five Star-League government has significantly reduced the geopolitical boundaries in which to define the country's national interests. The most important issue is migration, which straddles domestic and foreign policy: it is a game played both in Libya and Brussels, but the ultimate goal is to gain domestic electoral support. This is similar to the government's economic policy, whose epicentre lies half in Brussels with the EU and half in Rome, and is in a constant clash between reality and electoral

promises. According to all surveys conducted before and after the March 4th elections, however, migration and the economy represent the two main concerns of Italians constituents.

The most important international event for Italian diplomacy was the Palermo Conference on Libya, held on 12-13 November 2018. If there is a place outside our borders that defines Italian national interest, that is Libya, where the issues of energy, migration, terrorism, are encapsulated. There has been much discussion about whether this international meeting was a failure or a success. However, it was neither: Italy had the right and probably the obligation to organise that summit which, however, did not produce any results. Noting that the stabilisation of Libya is still far away, the most evident aspect of the Palermo Conference was the useless competition between France and Italy for the primacy over that unfortunate country and the Mediterranean. A leadership that neither country exerts: Saudi Arabia, the Emirates, and Egypt side with Khalifa Haftar, while Turkey and Qatar side with Fayez al-Sarraj, both camps are more influential than Rome or Paris.

The issue of Italy's place in international politics is always present in the background. The limbo in which Italian foreign policy is dwelling, between Atlanticism and Europeanism on the one hand, and populist impulses and Eastern charms on the other, is shared by other Western countries. Not by chance, also in the government agreement the attempt is made to reconcile the "privileged" alliance with the United States and loyalty to NATO, with the need to eliminate the economic sanctions against Russia supported by the US and the Atlantic Alliance. A political line confirmed by the visit to Moscow of Prime Minister Giuseppe Conte at the end of October 2018 but, in reality, inscribed in a consolidated tradition that was born in DC governments and with the strong capacity of influence of the PCI, and built by close economic interests even before in West Germany began the Ostpolitik of Willy Brandt.

A similar limbo also embraces the economic-political

relationship of Italy with the EU, of which Franco Bruni writes, again, in the last chapter of the book. In 2018, two deterioration processes were fuelling one another. On the one hand, the change of government has given rise to differences in form and substance with that "Europe" opposed by the propaganda of sovereign parties and the quarrel over budgetary discipline. This isolated Italy and led it to neglect what would have been the most important and urgent way to pursue national interest: to deal intensively with the negotiations on the deepening of the Eurozone, still on the Council's agenda, in order to influence it appropriately.

On the other hand, political problems within Member States and various nationalist and divisive tendencies have plagued the EU and ended up holding back reform projects. The promises made in the Action Plan, to which the Union committed itself at the end of 2017, were thus almost completely broken. The slowdown in the reform process has made Europe even less attractive for Italy, whose attitude, in turn, has been, more or less implicitly, used by the EU as an alibi for not keeping its promises. A vicious circle from which, by the end of the year, there was still no easy way out.

Alessandro Colombo
Paolo Magri

PART I

THE WORLD

1. Trump's America and the Decline of the Liberal World

Alessandro Colombo

Two years after having taken office at the White House, the Trump administration still deeply divides both the public opinion and the selected group of international policy commentators and scholars – in the United States, traditionally allied countries, and potential competitors. Then again, Donald Trump himself does not seem at all interested in smoothing out the rifts. On the contrary, like several other political leaders who have emerged from the current crisis of democratic representation and social cohesion, the American President appears committed to keeping those rifts open both through the ostentatiously anomalous style of his political rhetoric and through the concrete policies adopted on diplomatic and strategic grounds.

Even last year, this professed anomaly was expressed in a series of moves charged with unequivocal polemical-political meaning: from the imposition of customs tariffs on steel and aluminium to the withdrawal from the Iranian nuclear agreement, with the consequent reintroduction of secondary sanctions; from the tug-of-war with North Korea, culminating in the June meeting with leader Kim Jong Un, to the new agreement signed with Mexico and Canada to replace the North American Free Trade Agreement (NAFTA); from the new bombing of Syria in April to the announcement, in December, of the withdrawal from the country and the downsizing of troop deployment in Afghanistan; and finally, from the continuous ups and downs in relations with Russia, to the announcement of the withdrawal from the INF (Intermediate-Range Nuclear Forces) Agreement on medium-range missiles. Not to mention the upheaval that

has hit the top officials of the administration: the replacement of Rex Tillerson with Mike Pompeo as Secretary of State, that of General Herbert R. McMaster with the hawk John Bolton as National Security Adviser and, at the end of the year, the announcement of the resignation of the Secretary of Defence James Mattis.

A Provisional Assessment

Each of these choices has given rise to bitter debates and controversy both inside and outside the United States. But beyond these specific events, the debate surrounding the administration has revolved around three more comprehensive matters. First of all, whether a Trump "doctrine", or more cautiously, a structure that allows to conceive coherently all his single decisions, does exist; if it does, what are the strategic and intellectual principles it draws upon; and finally, most of all, whether this policy is working or only worsening the already largely unsatisfactory performance of the American foreign policy of the last fifteen years.

The first matter regards the implicit balance between domestic policy and international politics encountered in any foreign policy. Some of the most critical commentators reproach Donald Trump's inconsistency, as the President is forced each time to please the single (and different) components of the Republican electorate[1]. On the other hand, others strive to identify – even without necessarily agreeing with them – more comprehensive guiding principles, consciously oriented towards correcting the previous course of US foreign policy.

Turning now to the second issue, two opinions seem to prevail regarding these guiding principles. The first, more critical, sees in the foreign policy of the Trump administration a consistent but unsuccessful combination of mercantilism and

[1] J. Rogin, "Trump's only foreign policy doctrine is Trumpism", *The Washington Post*, 25 October 2018.

bilateralism[2], marked by competition rather than cooperation, unable to exert soft power given its radical indifference to values, willing if not openly directed to question relations not only with potential competitors but also with traditional allies. The other interpretation does not deny the Trump administration's preference for bilateralism and "economic nationalism", but turns them on their heads. Instead of signalling a basic misunderstanding of the principles, norms, and rules of the liberal order, disengagement from multilateral commitments is nothing more than a manifestation of realism[3]. It is the recognition that the past order and its institutions, rooted as they were in the bipolar international system of the second half of the XX century and relaunched in the euphoria of the "unipolar moment" of the immediate post-Cold War, are less and less appropriate for the current international system. "It's the structure, stupid," as Randall Schweller wrote, ironically reversing the liberal motto on the economy[4]. That is to say: there is nothing in the political sphere that has any value in itself, not even NATO and the complex of international organisations established between 1945 and 1955. Rather, all historical experience teaches us that what is fully rational in a certain kind of international system risks instead to become fully irrational in a different one.

It is little wonder that these different readings give rise to completely conflicting interim assessments of Trump's foreign policy. Most commentators (starting, of course, from all the liberal commentators) stress the damage that his policy has already caused to relations with allies and, more generally, to the resilience of the multilateral fabric of international coexistence and its institutions[5]. According to this interpretation, Donald

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[2] D. Allen, "Trump's foreign policy is perfectly coherent", *The Washington Post*, 23 July 2018; M. Boot, "For Trump, foreign policy is all about the money. It's a recipe for failure", *The Washington Post*, 22 October 2018.

[3] R. Schweller, "Three Cheers for Trump's Foreign Policy. What the Establishment Misses", *Foreign Affairs*, vol. 97, no. 5, September/October 2018.

[4] *Ibidem*.

[5] D. Deudney, J.G. Ikenberry, "Liberal World. The Resilient Order", *Foreign Affairs*, vol. 97, no. 4, July/August 2018; I.H. Daalder, J.M. Lindsay, "The Committee to

Trump is helping to destroy the liberal international order traditionally promoted by the United States, with the further paradoxical consequence of benefiting the competitors' alternative projects (Russia and China above all). But there is also a fierce minority that shifts the emphasis to what it considers to be the first successes of the new course of American foreign policy[6]: the victory over Isis, accompanied, moreover, by the at least symbolic punishment inflicted on the Assad regime for the alleged use of chemical weapons in the Syrian civil war; the concessions snatched from North Korea on military land and from China on commercial land; and the first signs of a revision of defence expenditure's burden sharing with European and Asian allies.

The Progressive Collapse of the Liberal Synthesis of Hegemony and Multilateralism

The historical and political significance of the rift is better understood, however, if instead of limiting the analysis to the last two years, we extend it to the entire trajectory of the rise and fall of the international liberal order. From this broader perspective, the Trump administration appears to be the culmination of a process that had already started years ago with the progressive collapse of the twin concepts of hegemony and multilateralism, marking US foreign policy at the time of the shift from the bipolar system to the liberal universe of the 1990s. This combination was the constituent choice of the Clinton administration. On the one hand, faced with the question of whether not to "hold on" to the dominant American power as backup or to "use it" to lead the international community, Clinton resolutely

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Save the World Order. America's Allies Must Step Up as America Steps Down", *Foreign Affairs*, vol. 97, no. 6, November/December 2018.

[6] M.A. Thiessen, "Chaos or not, Trump is racking up a record of foreign policy success", *The Washington Post*, 18 September 2018; R. Schweller, "Three Cheers for Trump's Foreign Policy. What the Establishment Misses", *Foreign Affairs*, vol. 97, no. 5, September/October 2018; D.K. Simes, "A Trump Foreign Policy", *The National Interest* online, 17 June 2018.

chose the second option. "We believe", says the foreword of the 1995 National Security Strategy, "that our goals of enhancing our security, bolstering our economic prosperity, and promoting democracy are mutually supportive. Secure nations are more likely to support free trade and maintain democratic structures. Nations with growing economies and strong trade ties are more likely to feel secure and to work toward freedom. And democratic states are less likely to threaten our interests and more likely to cooperate with the US to meet security threats and promote free trade and sustainable development"[7].

On the other hand, the hegemonic choice of Deep Engagement was paired with an equally strong preference for multilateralism. The "benign" hegemony of the United States and the institutional architecture of international coexistence were conceived by the Clinton administration as part of the same virtuous circle. In a way, international institutions should have embodied a sort of new (or simply renewed) constitutional pact. That is, the United States would have accepted to reduce the "dividends of power", offering institutionalised commitments and constraints to the other powers in exchange for their willingness (including that of emerging powers) to recognise that an order of this type was also in their interest[8]. Put differently, the willingness of the United States to encapsulate its power in this dense institutional fabric should have been rewarded with an increase in the consensus of the so-called "world public opinion" and, above all, the inclination of smaller states to mobilise at the orders of hegemony. Thanks to this, the new liberal order could consolidate as both hegemonic and institutionalised, and the overwhelming power of the strongest would be mediated (although always at its discretion) by a dense network of international institutions, that at the same time could finally operate thanks to the overwhelming power of the strongest.

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[7] White House, *National Security Strategy*, Washington DC, 1995, pp. i-ii.

[8] G.J. Ikenberry, *Liberal Order and Imperial Ambition. Essays on American Power and World Politics*, Cambridge, Polity Press Ltd., 2006.

This blissful combination was first questioned by the Bush administration. Faced with the first signs of a slowdown in the American economy and, above all, the 11 September 2001 shock, the Republican administration did not renounce to the hegemonic vocation of its predecessor. On the opposite, it extended it and militarised it under the banner of the so-called "global war on terror". But, by leveraging on the alleged needs of this new war, the Bush administration radically reshaped the other pillar of the previous liberal synthesis, multilateralism. It is true that, in line with the previous course of American foreign policy, even the Republican administration was forced to recognise that it would not have been possible to effectively fight terrorism and the proliferation of weapons of mass destruction without the cooperation of others, either to prevent their territory from serving as a refuge or place of passage for potential enemies and their weapons, or to ensure their role in the legitimation of the "common" war.

However, against the multilateralism of the Clinton administration, the new doctrine made it very clear that loyalty to multilateral contexts would no longer be considered an interest in itself, but only an instrument for the pursuit of other interests. It would have been the nature of the latter to suggest, from time to time, whether it would be appropriate to go with the others and, if so, with whom; as "the worst thing you can do is to allow a coalition to determine what your mission is" [9]. This was the rationale behind the new strategy suggested by the well-known formula of Secretary of Defence Donald Rumsfeld: "The mission determines the coalition. And the coalition must not be permitted to determine the mission". Unlike the multilateralism of the permanent institutions inherited from the past, the one set up by the Bush Doctrine was already an à la carte multilateralism, potentially open to all but lacking any institutional identity, based each time on different alliances (coalitions of the willing), but always limited in scope and duration,

[9] D. Rumsfeld, as quoted in R.W. Tucker, "The End of Contradiction?", *The National Interest*, Fall 2002, p. 6.

available for cooperation with international institutions but, in case of disagreement, explicitly prepared to leave to the United States and its most trusted allies the power to "act apart when our interests and unique responsibilities require"[10].

Barack Obama's subsequent administration only apparently reconstructed the previous liberal synthesis. It is a fact that Obama tried to rebuild the creaking framework of multilateralism, relaunching the institutional architecture inherited from the second half of the XX century and, at the same time, laying the foundations for a more flexible architecture, including new institutions such as the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP). This turning point towards multilateralism answered to two stated reasons. The first was the need to involve the allies more deeply in the management of the international order, to avoid a repetition of rifts such as the 2003 war against Iraq. The second, even more stringent, was the recognition that the distribution of power at the international level had already changed to the advantage of a small group of large emerging powers (China, India, and Russia first and foremost) and that, from that moment on, the United States would "need to lead the international community to expand the inclusive growth of the integrated, global economy"[11] – according to the dictates of what would be defined as "comprehensive engagement"[12].

But, behind these stated motivations, the relaunch of multilateralism no longer had the same meaning as it had in the liberal decade of the 1990s. In fact, in many ways, it was already almost the opposite: instead of being a tool of Deep Engagement, multilateralism became a tool of Retrenchment, that is, of the partial decrease in the American availability for hegemony. It is not by chance that the concern to remedy the loss of legitimacy of the American hegemony and to restore a balance between commitments and resources constituted the ordering principle

[10] White House, *The National Security Strategy*, Washington DC, 2002, p. 31.
[11] White House, *The National Security Strategy*, Washington DC, 2010, p. 33.
[12] *Ibid*, pp. 11-12.

of the foreign policy of the Obama administration. "The burdens of a young century", Barack Obama warns in his preamble to the 2010 National Security Strategy, "cannot fall on American shoulders alone – indeed, our adversaries would like to see America sap our strength by overextending our power" [13]. All the main focuses of the administration derived coherently from this premise: the objective of domestic economic and social recovery and reduced international commitments, cutting those that are less useful and costly (such as the wars in Iraq and Afghanistan) and avoiding taking on others that are not strictly necessary (according to the motto "don't do stupid stuff"); renouncing the great and costly (diplomatically and militarily, even more than economically) ground operations of the Bush era, and replacing them with the high-tech war of drones, special operations, and "covert actions"; returning to an approach at least in principle multilateral, with the usual goal of redistributing the political, economic, and military costs of global hegemony with allies and partners; the attempt to offer a strategic reassurance also to potential adversaries (China, Russia, Iran), in the hope of involving them in the management of the international order and defuse the competitive spirals triggered by the previous administration.

If, therefore, the two previous administrations had already resized the multilateral and the hegemonic vocation of US foreign policy respectively, the Trump administration appears determined to resize both at the same time. The dismantling of liberal synthesis, this time, is complete. Like the Obama administration, the Trump one seems intent on keeping away from the hegemonic or even imperial temptation of the first two post-Cold War US administrations – a temptation that included a missionary approach to foreign policy, symbolised by the attempts to export democracy (with or without the use of force). But, unlike in the previous administration, multilateralism is seen, rather than as the solution, as part of the problem. First of all, because Donald Trump no longer sees in belonging

[13] *Ibid*, Preamble.

to multilateral contexts a tool to share costs but instead a trap to multiply commitments. Above all, in the elaboration and the political rhetoric of the administration there is no longer a place for the old virtuous circle between hegemony and multilateralism: instead of being an instrument of the benign hegemony of the United States, multilateralism is seen as the place of deception *par excellence*. The United States, says the National Security Strategy of December 2017, "helped expand the liberal economic trading system to countries that did not share our values, in the hopes that these states would liberalise their economic and political practices and provide commensurate benefits to the United States. Experience shows that these countries distorted and undermined key economic institutions without undertaking significant reform of their economies or politics. They espouse free-trade rhetoric and exploit its benefits, but only adhere selectively to the rules and agreements" [14]. This outcome "require[s] the United States to rethink the policies of the past two decades – policies based on the assumption that engagement with rivals and their inclusion in international institutions and global commerce would turn them into benign actors and trustworthy partners. For the most part, this premise turned out to be false" [15].

Trump's America and the Twilight of the Liberal Universe

The most striking change introduced by the Trump administration is the unprecedented divorce between the United States and the international order that they had first created and then continued to expand. This also explains the disorientation or the actual panic of the countless children of the previous marriage – political elites and liberal intellectuals, officials and ideologists of international organisations, economic actors accustomed to

[14] White House, *The National Security Strategy*, Washington DC, 2017, p. 17.
[15] *Ibid*, p. 31.

relying on the American guarantee of stability and openness of the international economy. It is not surprising, then, that many scholars and pundits continue to declare their conviction, as they have always done since 1990, that the liberal international order will pass this test and will once again survive even the strongest attacks[16]. Meanwhile, the choices of the Trump administration will turn out to be only a deviation from the normal path, easily fixed by finding for a few years some alternative order lenders[17], before going back triumphantly to the roots of the political and economic order of recent decades[18].

However, the fragilities, best exemplified rather than created by Donald Trump, remain intact. Whether we like it or not, the liberal universe of the 1990s has already broken down into a multiverse of rising powers, different languages, and political spaces, in cooperation but, increasingly often, in competition with each other. In this context, even the remnants of the previous order – including international institutions and regimes – are destined to no longer maintain the same meaning as before. The historical era that began in the 1990s seems to have entered its twilight, while the United States appears to be less and less capable of reversing the course of things.

[16] D. Deudney, J.G. Ikenberry (2018).
[17] I.H. Daalder, J.M. Lindsay (2018).
[18] S.G. Brooks, W.C. Wohlfort, *America Abroad. Why the Sole Superpower Should Not Pull Back from the World*, New York, Oxford UP, 2018.

2. The "Democratic Recession" and the Crisis of Liberalism

Damiano Palano

Over the last few decades, the idea that Western democratic regimes could be affected by a lethal crisis has not ceased to offer the scenario for political fantasy plots, but has been considered very unrealistic by much of the politological debate. After the euphoria of the 1990s, there were certainly no shortages of diagnoses that saw in some aspects of Western political systems – for example, in the fall in popular participation, in the lack of trust placed in the political class, in the downsizing of the welfare State – the signs of "unease" or even of a transition towards an unprecedented form of "post-democracy". But, in many ways, the consolidation of the "mature" democracies was considered a fact. After the explosion of the global financial crisis, the diagnoses began to take on a more pessimistic connotation, also as a result of the emergence – especially in Europe – of new political formations, marked by radical positions and often defined generically as "populists". But it wasn't until 2016, after the referendum on the UK's exit from the European Union and Donald Trump's conquest of the White House, that the perception of many observers really changed. From that moment on, in fact, the hypothesis has begun to be taken seriously that some processes may alter the distinctive features of a liberal-democratic order, that a "deconsolidation" of Western democracies is taking shape, or that – as Edward Luce, for instance, has observed – the "populist revolt against the world economy" may even be a prelude to the decline of liberalism[1].

[1] E. Luce, *The Retreat of Western Liberalism*, Boston, Little Brown, 2017.

The political events of 2018 certainly did not give the impression that the driving force of "populism" (and "souverainism"), which emerged in a resounding way in the 2016 and 2017 elections, is weakening. On the contrary, the Italian general elections (with the subsequent formation of a coalition government between the Five Star Movement and the League) and the victory of Jair Bolsonaro in the Brazilian presidential elections have further confirmed the strength of the "populist" protest. The increasingly evident tensions between the European Union on the one hand and Viktor Orbán's Poland and Hungary on the other – for many the main case of "illiberal democracy" in the Old Continent – has also further revealed the scale of a challenge that, in the name of the people and identities, explicitly addresses the liberalism of the European elites and focuses mainly on the issue of the protection of national borders from migratory flows, deemed as a priority by all countries that are part of the so-called Visegrád group, but central to the rhetoric of almost all the "neo-populist" formations. Finally, the difficulties experienced by those governments that (in France, Germany, Spain) branded themselves as an antidote to "populism" seem to confirm the idea that the turbulence is destined to last a long time. So, if at the end of the 1990s the formula "illiberal democracy" identified "hybrid" regimes in which the process of democratisation had come to a halt[2], today it comes instead to indicate above all a structure marked by a progressive gap between democracy and liberalism, towards which the same Western political systems could increasingly turn.

Towards a Democratic "Deconsolidation"?

At the global level, the signs of a significant "democratic recession" are quite evident. First of all, for more than a decade now, the residual drive of the "third wave" of democratisation

[2] F. Zakaria, "The Rise of Illiberal Democracies", *Foreing Affairs*, , vol. 76, no. 6, November/December 1997, pp. 22-43.

has been exhausted, that is, of the march of expansion of liberal democracy in the world, which began in 1974 with the fall of the authoritarian regime in Portugal then continued to the end of the 1980s with the dissolution of the regimes of real socialism. In its 2018 report on the spread of freedom in the world, Freedom House has in fact noted, for the twelfth consecutive year, an overall worsening of the situation. While the percentage of *free* states rose steadily in the twenty years between 1987 and 2007 (from 34.5% to 46.6%), an opposite trend began to emerge in 2006 and was confirmed in the following years, with the value falling to 45.1% in 2017[3]. In addition, compared with improvements in 35 countries, there are 71 countries where there has been a deterioration. The Economist Intelligence Unit, which confirms the image of a global decline in democracy, especially with regard to freedom of the press, has not produced any different results[4].

Larry Diamond has blamed the arrest of the advance of democratisation on the internal structure of the "predatory states", in which the process of democratisation has not been accompanied by the consolidation of civil society and social pluralism: since the tradition of monopoly of power by oligarchic elites has not been substantially interrupted, the latter have quickly resumed using institutions as a tool to limit economic competition and to ensure profits to be redistributed with clientelistic criteria[5]. From this point of view, the most emblematic case is obviously represented by Vladimir Putin's Russia, but some of the ex-Soviet republics (Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) have also followed a similar path. Although in the 1990s they embarked on the path of democratisation, starting in 2005 (especially after the "coloured revolutions") they adopted measures aimed at further restricting the spaces for internal opposition

[3] M. Abramowitz, *Freedom in The World 2018: Democracy in Crisis*, Freedom House.
[4] *Democracy Index 2018*, http://www.eiu.com/topic/democracy-index.
[5] L. Diamond, "The Democratic Rollback. The Resurgence of the Predatory State", *Foreign Affairs*, vol. 87, no. 2, March/April 2008, pp. 36-48.

and the margins of freedom of information. This trend has not, of course, been compensated for by the "Arab Spring", which, in fact, with the partial exception of the Tunisian case, has not contributed substantially to reinvigorating the global expansion of liberal democracy. On the contrary, there have been significant signs of regression in Venezuela and in strategically important countries such as Turkey, Bangladesh, Kenya, and Nigeria[6].

In addition to stopping the global expansion of democracy, further signs of a significant "democratic recession" also come from the domestic dynamics of Western political systems, and more precisely from the wear and tear of some of the guarantees that allow competition between parties and pluralism of information. Together with the evolution of Recep Tayyip Erdoğan's Turkey, the most significant examples of this trend are offered by two EU Member States, Hungary and Poland, which – by virtue of measures considered harmful to freedom of expression and the independence of the judiciary from political power – are considered by many observers as examples of "illiberal democracy". Orbán himself has, on several occasions, defined his own model of reference as an "illiberal Christian democracy", which, by contrasting the multiculturalist and cosmopolitan approach of the technocratic elites of the EU, aims to defend national interests and traditions, on the basis of broad popular support. More generally, the signs of an anti-liberal "counter-revolution" can be recognised in all those political systems – for example, in Austria, France, Germany, Italy, the Netherlands, and the United States of Trump – which, in recent years, have seen the rise of "neo-populist" formations, bearers of anti-immigration, anti-globalisation, and anti-establishment positions, more or less connoted in a nationalist and nativist sense.

To explain the success of "populism", many readings focused on the change in the communicative context and the role played by *fake news*. And even though the term "populism" very often proves to be rather equivocal, there can be very little doubt that

[6] L. Diamond, "Facing Up to the Democratic recession", *Journal of Democracy*, vol. 26, no. 1, 2015, pp. 141-155.

the social media revolution has really played a significant role in fostering the advancement of the "anti-establishment" protest[7]. However, there has been no lack of attempts at a more articulated explanation, which have tried to bring the deeper roots of contemporary tensions to the surface and which, with some simplification, can be traced back to two different hypotheses: the first focuses mainly on socio-economic factors and identifies the main causes of the political radicalisation which has rewarded the populist formations in the economic consequences of globalisation, in the increase of social inequalities, in the crisis of the middle class; the second hypothesis instead focuses above all on the "cultural" components of the "revolt against liberalism", that is, on the way in which globalisation processes are perceived.

The hypothesis based on the socio-economic dimension, proposed in a number of variants, tends to argue that it is economic insecurity – brought on by growing income inequalities – that pushes the "losers of globalisation" towards populist parties and candidates. In this case, the "revenge of the deprived" provides an interpretative key capable of explaining, in addition to the outcome of the American presidential elections, the result of the referendum on Brexit, the fortunes of the French Front National and the rise of Alternative für Deutschland, despite the fact that in all these cases the fear of migratory flows becomes predominant over any purely economic-social consideration[8]. According to Steven Levitsky and Daniel Ziblatt, who have focused in particular on the American case, the causes of today's crisis are mainly to be found in the transformation of the economy and in the growth of inequalities.

Comparing the United States of Trump with the dynamics that in the past led to authoritarian twists, Levitsky and Ziblatt believe, first of all, that even today some of the traces that usually prelude to the collapse of democracy are recognisable: the rejection of the rules of the game, the delegitimisation of political

[7] D. Palano, *Populismo*, Milan, Editrice Bibliografica, 2017.

[8] See for instance M. Revelli, *Populism 2.0*, Turin, Einaudi, 2017.

opponents, the tolerance of violence, the restriction by law of the freedoms of opponents. According to the two political experts, in the last ten years the unwritten rules that represent the most solid garrison for democracy have also been eroded, namely the mutual tolerance between political opponents and the self-discipline that induces those in public office to respect the "spirit" (and not only the form) of the institutional rules. But the deepest causes of the progressive wear and tear of democratic norms – of which the rise of Trump would be only the most striking manifestation – should, in any case, be found in the polarisation that American politics has invested: a polarisation generated by the "combined effect not only of the growing ethnic diversity but also of the slowed economic growth, stagnant wages in the bottom half of the income distribution, of rising economic inequality"[9].

A hypothesis centred on the "cultural" dimension of the reaction to globalisation and liberalism was instead formulated, for instance, by Ronald Inglehart and Pippa Norris, who argued that the current rise of populism could be explained as the effect of a sort of *cultural backlash*: that is, it would be a cultural reaction to the advancement of that *cosmopolitan liberalism* that sets as its goals the tolerance of different lifestyles, the defence of multiculturalism, environmental protection, gender equality, and marriage equality. According to Inglehart and Norris, support for populist policies, characterised by anti-establishment, authoritarian, and nativist positions, should therefore not be traced (at least as a matter of priority) to socio-economic motivations, that is, to a loss of "objective" wealth, but rather to the "subjective" perception that individuals have of globalisation and its implications: it would be a "socio-psychological phenomenon" to be attributed to the nostalgic reaction of sectors of the electorate that are opposed to the "silent revolution" and therefore to the shift of Western societies towards "post-materialistic" values. On the basis of such a reading, the best predictors

[9] S. Lewitsky, D. Ziblatt, *How Democracies Die*, New York, Viking, 2018, p. 227.

of the choice in favour of right-wing populist formations – able to channel politically the reaction to libertarian cosmopolitanism – would be, therefore, the levels of education, age, and gender, because the most energetic support to the anti-establishment parties would come from the older generations, from the male population, from the sectors with the lowest levels of education and, in general, connoted by traditionalist attitudes[10]. More generally, as Richard Wike and Janell Fetterolf of the Pew Center in Washington have also observed, a pessimistic view of the future of the economy and a negative reaction to the increase in migration flows often appear to be linked to the negative assessment of the performance of democratic institutions. It is precisely for this reason that culture "undoubtedly plays a role in the current crisis of confidence in liberal democracies"[11].

By combining both hypotheses and intertwining them with the change in the communicative context, German political scientist Yascha Mounk has argued that today's tensions are not purely conjunctural and rather testify to the risk of a "deconsolidation" of Western democratic regimes. In contrast to what happens with "consolidation", "deconsolidation" consists in a gradual loss of legitimacy of the democratic regime. And the traces that suggest that such a process is already underway, according to Mounk, are represented by the political orientations of the younger generations: unlike the older ones, *millennials*, in fact, would be more hostile (or more indifferent) to democracy and, therefore, more open to authoritarian alternatives[12]. The deeper causes of "deconsolidation", on the other hand, should be traced back to a plurality of factors, among which, in

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[10] R. Inglehart, P. Norris, *Trump, Brexit, and the Rise of Populism: Economic Have Nots and Cultural Backlash*, Faculty Research Working Paper Series, Harvard University, August 2016.

[11] R. Wike, J. Fetterolf, "Liberal Democracy's Crisis of Confidence", *Journal of Democracy*, vol. 29, no. 4, 2018, pp. 136-150.

[12] R.S. Foa, Y. Mounk, "The Danger of Deconsolidation: The Democratic Disconnect", *Journal of Democracy*, vol. 27, no. 3, 2016, pp. 5-17; and O. Howe, "Eroding Norms and Democratic Deconsolidation", *Journal of Democracy*, vol. 28, no. 4, 2016, pp. 15-29.

particular, the change in the communicative context (thanks to the reduction in costs of the diffusion of opinions permitted by the Internet), the stagnation of living standards, and the demographic transition of Western societies, especially with regard to migratory pressures[13]. As a result of these dynamics, according to Mounk, a progressive disconnection between the two constituent components of liberal democracy, i.e. between the popular legitimacy of power on the one hand and the protection of individual rights, on the other, is really taking shape. More precisely, as a reaction to a process in which "undemocratic liberalism" is affirmed (and which consists in assigning decision-making power to "technocratic" authorities, not subject to the control of citizens), the alternative of a "democracy without rights", i.e. the option of a structure in which the democratic legitimacy of governments is accompanied by the limitation of the rights of minorities, would progressively gain acceptance. And the risk of a drift towards illiberal democracy seems to be a real possibility.

The Crisis Within the Crisis

The diagnoses which foresee the risk of a possible collapse of the Western democracies, or of their progressive "deconsolidation", probably have to be considered with a certain caution, as well as the historical comparisons which bring the present situation closer to that of the European political systems between the two world wars. As David Runciman has observed in this sense, history does not repeat itself, and only a small part of the threats that weigh on our democracies today can be compared to those that determined the collapse of liberal democracies during the "twenty year's crisis". Our societies, as Runciman noted, are in fact "too affluent, too elderly, too networked" for changes like those in the years between the two wars to happen again, and

[13] Y. Mounk, *The People vs. Democracy: Why Our Freedom is in Danger and How to Save It*, Cambridge (Mass.), Harvard University Press, 2018.

therefore, looking at the past, we would risk not recognising the new forms in which the end of democracy could occur[14]. For this reason, too, we can go back to considering the current crisis only as a crisis *within* democracy and not as a crisis *of* democracy: in other words, we can consider that the crisis only concerns certain aspects of the functioning of liberal democracies, which have to do with the lack of efficiency of institutions and with the mistrust of citizens towards the political class, but that the foundations of democratic regimes are not at stake. Moreover, as Philippe Schmitter suggested, we could be faced not so much with a democratic regression, but with a transition to a "post-liberal" democracy, with still poorly defined outlines, but in any case very different from an "illiberal" or "anti-liberal" democracy[15].

Although caution on the hypothesis of "deconsolidation" is certainly necessary, the rise of the "neo-populist" formations and the strength of the "illiberal" tensions suggest, however, that the dynamics which are affecting many Western democracies are not a conjunctural phenomenon at all. Also because, on closer inspection, their roots are deeper than is usually the case. In addition to being a consequence of economic globalisation, demographic changes and transformations in communication technologies, the crisis that has affected Western liberal democracies in recent years is, in fact, the result of long-term processes, the first traces of which emerged during the 1970s. After 2008, together with the financial crisis, the old "fiscal crisis" of the state, which James O'Connor had recognised more than forty years ago, has, in many ways, re-emerged: a crisis which arises from a sort of "structural contradiction" of the advanced economies, which sees, on the one hand, a reduction in growth rates and, on the other, a constant increase in State expenses (or, in any case, the impossibility of reducing them in a consistent manner), destined to trigger an increase in the tax pressure and,

[14] D. Runciman, *How Democracy Ends*, London, Profile Books, 2018, pp. 2-3.

[15] P.C. Schmitter, "Democracy in crisis and in transition, but not in decline", *Journal of Democracy*, vol. 26, no. 1, 2015, pp. 32-44.

therefore, to hamper the accumulation of resources[16]. Over the last thirty years, the tendency to slow down economic growth in Western countries has not been significantly reversed either by the "neo-liberal" turn or by the digital revolution, but – as Wolfgang Streeck has also shown – it has been addressed mainly through a transition from the "fiscal state" to the "debtor state" and, finally, to the "consolidating state"[17]. Of course, it would be misleading to interpret the long "fiscal crisis" of Western democratic states as if it was a signal of the imminent senescence of capitalism, as O'Connor himself did in part. And, probably, it is simplistic to believe – as Streeck suggests today – that the return to full monetary sovereignty by the members of the Eurozone could reverse the split between democracy and capitalism, or the "depoliticisation" of democratic systems. But, on the other hand, it can be recognised that the "fiscal crisis" is linked to the end of the "American era" and to the advent of an unprecedented multipolar international order, as well as to the exhaustion of the long systemic cycle of accumulation that had its centre in the United States. And, precisely for this reason, it is rather naive to believe that the next few years can significantly reverse the trend towards a downsizing, in relative terms, of the economic role of the Western countries and, therefore, that they can modify the framework of the "fiscal crisis" with which Western democracies are struggling.

Alongside the "fiscal crisis", the "crisis of governability" has also re-emerged – albeit in a different form from the past – which in the mid-1970s, in a famous report addressed to the Trilateral Commission, was considered to be the real root of the problems of Western democracies[18]. If at that time the origin of the crisis was found in the excess of participation that "overloaded" political systems with questions, today the "crisis

[16] J. O'Connor, *The Fiscal Crisis of the State*, New York, St. Martin's Press, 1973.

[17] W. Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism*, London, Verso, 2014.

[18] M.J. Crozier, S.P. Huntington, and J. Watanuki, *The Crisis of Democracy*, New York, New York University, 1975.

of governability" appears rather connected to the "ideological misalignment" between parties and citizens and to the critical attitude of the citizens of contemporary democracies. Although the surveillance and constant monitoring exercised by *citizens who are critical of* institutions cannot be understood as an "anti-democratic" or necessarily "illiberal" component, the critical attitude structurally weakens the relationship of trust between citizens and the political class, between individuals and parties[19]. And also the entrance into the era of the "post-truth" appears to be strictly connected to the dissolution of the "trust contract which tied citizens to politicians, citizens to the media, citizens to their own religious and national communities, etc.", contextual to the multiplication of "other trust pacts on a more emotional and "family" basis (that is, within restricted communities, in solidarity because they are similar, as in the *echo chambers*)"[20]. And also in this case, as for the "fiscal crisis", it is really difficult to imagine that the next few years can reverse the trend, cutting the roots of the "crisis of governability" and re-establishing solid relations of trust between citizens and parties.

A further factor that cannot be overlooked, however, also concerns the relationship between the crisis of legitimacy that affects democratic systems within them and the crisis of legitimacy that affects the international system. In many ways, indeed, the crisis of the liberal international order does not kick off a new Cold War between democracies and autocracies, as Robert Kagan predicted a decade ago, but instead inaugurates a conflict in the very way of defining and conceiving "democracy". The statements by which Orbán defines Hungary as an "illiberal democracy" can certainly be criticised as a "populist" attempt to dress up in a democratic way an authoritarian attempt to limit the freedom of expression and the autonomy of civil society. And the very concept of "illiberal democracy" can be regarded as completely misleading, since – on the basis of the definition adopted by much of the contemporary political

[19] See D. Palano, *Democrazia senza partiti*, Milan, Vita e Pensiero, 2015.

[20] A.M. Lorusso, *Postverità*, Roma-Bari, Laterza, 2018, p. 107.

debate – a competitive democracy in the modern sense cannot really exist unless "liberal" rights are also guaranteed. But, in spite of these criticisms, one cannot forget that the concept of democracy is an "essentially contested concept" not so much (or only) because it has a problematic relationship with liberal rights, but because it is closely linked to the definition of "what" is the "people" to whom power is conferred and, therefore, of "who" are the individuals who are entitled to those rights that are indispensable for the existence of a democratic regime. And the emergence of "illiberal democracies" can be interpreted for this reason also as a symptom of the turbulence affecting the liberal international order[21].

In 1942, Joseph A. Schumpeter, while defining democracy as a "method" to produce decisions, left to each *populus* the right to define himself (that is to say, to establish who was really endowed with political rights), limiting himself to singling out competitive elections as the only condition for a regime to be deemed democratic. After 1945, however, the situation began to change significantly, both because the recognition of human rights came to establish a bond that democracies had to respect, and because the United States shaped the new liberal order by drawing a distinction between democracies and non-democracies that, in fact, came to introduce a criterion of international legitimacy different from that of the old interstate system (and increasingly relevant after the end of the bipolar season). In many ways, the definition of the "people" was no longer entrusted to the individual states, but was anchored to the cornerstones of the new international order, and the image of "democracy", especially after 1989, came to merge rather firmly with the liberal tradition of protection of individual rights and with a conception of human rights that could not but result in at least tendential conflict with the principle of sovereignty[22]. The

[21] V.E. Parsi, *Titanic. Il naufragio dell'ordine liberale*, Bologna, il Mulino, 2018.

[22] A. Colombo, "Democrazia senza uguaglianza. I paradossi di un nuovo ordine internazionale democratico", *Quaderni di Relazioni Internazionali*, 2006, no. 2, pp. 18-33.

decline of the liberal international order, on the other hand, is once again calling into question, together with the relationship between democracy and liberalism, the problematic relationship between democracy and the international order. The disintegration of the liberal order tends to make again the "appeal to the people" a potentially disruptive factor, if not necessarily a cause of conflict, just as it was in the "twenty year's crisis". Even today, in fact, it cannot be excluded that the crisis of legitimacy that is going on at the international level should not be intertwined with the crisis of legitimacy within many Western democracies. Perhaps we can even understand the diffusion of the "populist syndrome" that affects many Western democracies as the most evident manifestation of this double crisis, because the crisis of the international order ends by fuelling the nationalist and "sovereign" tension that lurks in the genetic code of populism, and by tracing the dividing line between the "people" and the elite that holds power. And for this reason, "populism" – showing a nationalist, sovereign, nativist face – can end up turning the flag of the sovereignty of the people even against an international order deemed illegitimate.

3. NATO and the Extraordinary Persistence of an "Obsolete" Alliance

Andrea Carati

The Double Face of NATO: The Eternal Crisis and Its Persistent Relevance

Among the pillars on which the liberal hegemonic order has been based since the Second World War, NATO is perhaps the most paradoxical institution. On the one hand, it was the first that (before many others like the UN, IMF, WTO) underwent a deep crisis in the immediate post-Cold War period. On the other hand, it is an institution that seems to show signs of vitality, or at least persistence, that are more convincing than the others. NATO was the first pillar of the American hegemonic order to come under scrutiny following the dissolution of the Soviet Union. For this reason, it was also the first to try to equip itself and adapt to the new international scenario, long before the economic and financial crisis of 2008, and long before American unipolarism and the liberal international order entered a period of crisis.

The Alliance's dynamism over the last twenty-five years – on the external front with military interventionism and on the internal front with a profound process of transformation – has guaranteed an institutional consolidation that makes it perhaps better equipped than the other institutions of the liberal international order. NATO is not sheltered from the general crisis that affects American hegemony, much less so with respect to an international redistribution of power that favours US competitors. Nevertheless, it remains a crucial multilateral tool

for the management of Euro-Atlantic security, which in many ways cannot be renounced, and for which both Europe and the United States do not see credible alternatives. On the contrary, the more the perceptions of threats to the West from Russia, China, the Islamic State, and the fragmentation of the Middle East become acute, the more the Atlantic Alliance seems to continue to offer an essential institutional anchorage – accompanied by considerable organisational and military tools.

The coexistence between structural factors of crisis and elements of persistent importance has produced in recent years a paradoxical outcome: the more the overcoming of NATO, or even the threats of dissolution, become insistent, the more the allies invest in the Alliance. Almost always, in the recent history of the Alliance, a phase of crisis has been followed by an attempt to relaunch NATO: the idea that its *raisons d'être* had faded with the end of the Cold War was largely denied by the decisive interventions in the Balkans; the overcoming of the alliance with the coalitions of the willing in 2001 in the Afghanistan intervention was followed by the return to NATO in 2003 with the ISAF mission, a sort of admission that the institutionalised alliance offered greater guarantees than an *ad hoc* coalition[1]. The challenges posed by European defence initiatives, which were credible until the early 2000s, were largely diminished in 2009 by the return to NATO's integrated command of France, the country that most cultivated autonomy ambitions from the Alliance. The Anglo-French military initiative in Libya in 2011 led, after a few days, to the decision to bring the air campaign under NATO's integrated command because only that could provide the coordination, continuity, and effectiveness of the bombing necessary to continue the mission[2].

This contrast between signs of crisis and vitality has become even more acute in the last two years, and particularly in 2018.

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[1] T. Bird, A. Marshall, *Afghanistan. How the West Lost Its Way*, London, Yale University Press, 2011.

[2] C.S. Chivvis, *Toppling Qaddafi: Libya and the Limits of Liberal Intervention*, Cambridge, Cambridge University Press, 2014.

The combination of President Trump's shameless attitude towards his allies and the investments made by his European allies (in terms of military expenditure and exercises) is exceptionally paradoxical. The following paragraphs aim to shed light on the implications of this ambiguity: first, by focusing on the inconsistency between the two narratives of the Trump administration between accusations of obsolescence and recognition of the importance of NATO; second, by addressing the age-old problem of burden-sharing and how it seems to become increasingly acute when data shows its contraction.

Donald Trump and NATO

Although in the past several US presidents have not spared critical comments on NATO, particularly on the issue of burden-sharing within the Alliance for collective security purposes, Donald Trump has evidently pushed the confrontation with the European partners on new ground. The tone of his statements was certainly distinguished by their impudence against the lack of commitment on the part of the allies on terrorism, the mission in Afghanistan, and investment in defence. However, the most surprising aspect concerns the content of his statements, which, on several occasions, have underlined the *conditionality* of the American commitment to NATO in a completely new way.

Already on the eve of his acceptance of the Republican Party's nomination for president in July 2016, Trump's declarations on NATO shocked both American observers and European allies. In an interview, when asked what he would do to defend NATO member countries if attacked by Russia, he replied that he would decide *whether* to intervene only after having assessed whether the attacked countries had "fulfilled their obligations to us"[3]. This was the first time that a candidate for the US Presidency had publicly supported such conditionality in

[3] D.E. Sanger, M. Haberman, "Donald Trump sets condition for defending NATO allies against attack", *New York Times*, 30 July 2016.

defending European allies in the event of an attack[4]. Similarly, after his election, a few days before the inauguration of his presidency in January 2017, in an interview with two prestigious European newspapers – the *Times* and the *Bild* – he released his infamous statement in which he defined NATO as nothing less than obsolete[5].

The tones – and basically also the contents – did not change at the official level, particularly at the most recent NATO summit in Brussels (11-12 July 2018). At the opening of the summit, the American President called the European allies "delinquents" because the United States continues to pay unduly for their security and, with particular acrimony towards Angela Merkel, defined Germany "a prisoner of Russia", because of its energy dependence from Moscow[6]. On the second day of the summit, when the worst seemed to be behind him, Trump disrupted the agenda (cancelling at the last-minute bilateral meetings with delegations from Georgia, Azerbaijan, and Ukraine) and revised it. While the original agenda would have included other topics, such as engagement in Afghanistan, the Alliance's enlargement process towards Georgia and Ukraine and beyond, Trump left European partners waiting for him, as he launched a frontal attack on the Allies (again mostly blaming Angela Merkel) alleging that they do not spend enough on collective defence, and threatened to withdraw the US from the Alliance[7].

Nevertheless, the harshness of these attacks on NATO, amplified by a foreign policy oriented towards a more general abandonment of international multilateralism, is accompanied by a counter-rhetoric, a narrative equally emphatic but

[4] J.P. Kaufman, "The US perspective on NATO under Trump: Lessons of the past and prospects fot the future", *International Affairs*, vol. 93, no. 2, 2017, pp. 251-266.

[5] See. J. Masters, K. Hunt, "Trump rattles NATO with 'obsolete' blast", *CNN Politics*, 17 January 2017, online edition.

[6] "Trump Pushes Allies to Increase Spending", NATO Summit Updates by the *New York Times,* 11 July 2018, online edition.

[7] E. MacAskill, "How Trump's Nato summit meltdown unfolded", *The Guardian*, 12 July 2018.

of opposite sign: a narrative that reconfirms the centrality of NATO – and more precisely of European security – in American strategic calculations. This counter-narrative, more muted but perhaps more influential and lasting, reconfirms the relevance of NATO, certainly reduced compared to the past but nevertheless much more significant than Trump's rhetoric seems to suggest. This is done through the use of the whole spectrum of political communication.

At the most superficial level, on the media that Donald Trump seems to prefer, it is the President himself who tells another story: that of a successful summit which, via Twitter, takes the form of videos and photographs that tell the good health enjoyed by the transatlantic relationship, testify to the excellent relationship with NATO Secretary General Jens Stoltenberg, and portray the American President and European leaders engaged in polite and constructive discussions. In short, Trump wanted to communicate a triumph, which he chose to summarise with the brief caption that accompanies the videos: "Thank you @ Nato2018!"[8]. The same happened in the press conference at the end of the summit: while many European leaders, still shaken by the morning meeting, cancelled their own to run to the airport and Stoltenberg made no statements, Trump, for which no official meeting with journalists was planned, convened an extraordinary press conference where there was no trace of either his requests that the allies spend more nor the feared conditionality of the American commitment to the Alliance. On the contrary, he told a tale of triumph, of the durability of Euro-Atlantic relations, and of the importance of NATO.

This narrative is rooted in a strategic reflection on the need for the United States to take care of European security that runs through the entire history of American foreign policy in the XX century and beyond. It goes as far as Trump and continues to influence his addresses. In fact, it confirms the Trump administration's most important strategic document adopted so far: the

[8] *Ibid.*

National Security Strategy approved at the end of 2017.

In the document, the chapter dedicated to Europe reaffirms the centrality of the old continent for American security. A persistent strategic relevance for Washington based on common values ("our shared commitment to the principles of democracy, individual liberty, and the rule of law"[9]) and on the sharing of common threats (Russia, China, the Islamic State[10]). Not only that, in the government's strategic document, Donald Trump subscribes that "The NATO alliance of free and sovereign states is one of our great advantages over our competitors, and the United States remains committed to Article V of the Washington Treaty"[11]. The rhetoric and substance of the National Security Strategy, therefore, indicate a reality that is in stark contrast to the accusation of NATO obsolescence – even for an administration that more than any other has publicly denounced that same obsolescence.

The Atlantic Alliance and the Problem of Burden-Sharing

The same ambiguity between obsolescence and relevance can be found in the field of defence investments within the Alliance. In this case, the gap between the American President's statements and the US's NATO activism seems even more surprising.

In October and November, NATO conducted the largest military exercise since the end of the Cold, which was dubbed Trident Juncture 2018[12]. Mainly held in Norway, where an invasion of the country was simulated, the extent of the exercise was particularly large, much more so than the last major simulation held in Spain in 2015. The operations involved, 250

[9] *Ibid.*, p. 47.

[10] *Ibid.*, pp. 47-48.

[11] *Ibid.*, p. 48.

[12] See the exercise portal on NATO's official website (https://www.nato.int/cps/en/natohq/157833.htm).

aircraft, 65 military vessels, 10,000 vehicles, and 50,000 men in an area that spanned from Iceland to the airspace of Finland (not a NATO member). The premise of the exercise, its extent, and the place where it was held are all indicative. The first signal concerns the tasks of NATO: Trident Juncture aimed at redoubling the Alliance's commitment – beyond peace-keeping, counter-insurgency, and stabilisation processes in crisis areas – in the territorial defence of member countries. Although the official declarations have maintained that the exercise was not directed against a particular country, it is all too evident how much it represented a sign of military commitment (also on the part of the United States, which, in the meantime, has doubled the presence of the Marines stationed in Norway), above all, with regard to the Russian Federation[13].

But beyond NATO's ability to mobilise huge resources in its largest post-Cold War exercise (which in itself clashes with its alleged obsolescence), what was most surprising in 2018 was the gap between Trump's accusations against his European partners on defence investment and contributions to the Alliance. In the last two years, Donald Trump has amped up the traditional American accusations against Europeans on the subject of burden-sharing. Not only has he reiterated, like other presidents have done in the past, the imbalance in the distribution of defence costs to the detriment of the United States, but he has even accused its European partners of not paying their contribution to NATO[14].

The data on NATO countries' defence contributions and expenditures tell a different story. First, when referring to the contributions of the allies to the common expenses of the organisation, *all* members of NATO have *always* fulfilled their financial obligations regularly[15]. On the matter, Trump's statements that

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[13] "NATO. War in a cold climate", *The Economist*, 10 November 2018.

[14] M. Mandelbaum, "Pay Up, Europe. What Trump gets right about NATO", *Foreign Affairs*, vol. 96, no. 5, September/October, pp. 108-114.

[15] See L. Coffey, D. Kochis, *Brussels NATO Summit 2018: The Alliance must increase Defense spending*, The Heritage Foundation – Report Defense, 26 June 2018.

the United States provides 73% of NATO's costs are denied by the official spending data of the Alliance[16].

Second, with regard to the goals agreed in the NATO context in 2006 of achieving about 2% of GDP in defence expenditure, of which at least 20% of the total to be spent on military equipment by each ally, Trump's charges to those European partners that are below these thresholds have been particularly fierce. In fact, the commitment made by the Allies, taken at the NATO Wales Summit in 2014, is to reach those standards in 2024, and all European countries reaffirmed their commitment to reach those targets by the deadline at the 2018 summit. Most of them have adopted strategic documents confirming that commitment[17]. Furthermore, while in 2017 only five countries exceeded the threshold of 2% of GDP in defence expenditure (Estonia, Greece, Poland, the UK, and the US), in 2018, it is expected to rise to eight (including Latvia, Lithuania, and Romania) and the trend of defence expenditure in Europe seems to confirm that there will be an increase in the years to come[18]. More generally, aggregate spending data from NATO's European allies shows steady growth from 2014, against a contraction from the US[19].

NATO and the Crisis of the Liberal International Order

As shown, contradictory signs of crisis and resilience have accompanied the Atlantic Alliance since the end of the Cold War. In the last two years, this paradox has become even more pronounced. Faced with a particularly aggressive attitude on the part of the American President and accusations of obsolescence,

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[16] *Ibid.*, p. 3.

[17] L. Béraud-Sudreau, B. Giegerich, "NATO Defence Spending and European Threat Perceptions", *Survival*, vol. 60, no. 4, 2018, pp. 53-74.

[18] *Ibid*, p. 69. See also L. Coffey, D. Kochis (2018).

[19] L. Béraud-Sudreau, B. Giegerich (2018), pp. 53-54.

NATO seems to be showing what some commentators call a *renaissance*[20] – greater investment in aggregate defence, the management of increasingly ambitious large-scale joint exercises and, above all, a growing and widespread perception of threats to Europe[21]. Thus, although the assertions of its irrelevance have become more insistent, the likelihood that NATO would become obsolete was probably higher in the 1990s, when the overwhelming power of the United States was unchallenged and the threats to Europe much less worrying, than it is today.

NATO is inevitably affected by the contradictions faced by the United States and the West: on the one hand, the attempt to keep alive the façade of a liberal hegemonic order, of which the Alliance would still be an indispensable pillar, an order whose crisis is now acknowledged even by its most ardent supporters[22]. On the other hand, the attempt to rediscover a rough and narrow realism that would bring back international politics to its foundations – anarchy, unchallenged state sovereignty, and national interest –of which Trump would be the most appreciated interpreter[23].

In this context, the resignation of James Mattis at the end of the year is the sunny backdrop to this paradox, i.e. a tension in US foreign policy that has repercussions on transatlantic relations[24]. On one side, there is the Secretary of Defence, the politician who more than any other in the administration has advocated for NATO and for the concept of the indivisibility of peace based on alliances and multilateral institutions, has remained the most credible reference for both the US foreign policy community and for the allies, and also remains the most difficult to remove or to force to resign. On the other side, there

[20] "NATO. War in a cold climate", *The Economist*, 10 December 2018.

[21] L. Béraud-Sudreau, B. Giegerich (2018).

[22] See V.E. Parsi, *Titanic. Il naufragio dell'ordine liberale*, Bologna, il Mulino, 2018.

[23] See R. Schweller, "Three Cheers for Trump's Foreign Policy: What the Establishment Misses", *Foreign Affairs*, vol. 97, no. 5, September/October 2018, pp. 133-143.

[24] "Trump After Mattis", *New York Times,* Editorial Board, 23 December 2018, online edition.

is a president who no longer believes in the multilateral liberal hegemony, from which the United States would now only have to lose, and wants to pursue a return to American primacy half isolationist and half interventionist.

It is symptomatic that James Mattis – who served with the NATO Supreme Allied Commander for Transformation from 2007 to 2009 and has publicly reiterated on several occasions the need for the American Security Alliance – has survived for so long to the many changes to presidential nominees in key foreign policy and security advisor positions that Trump conducted in 2018. A number of changes that led to the removal of Secretary of State Rex Tillerson in March 2018 and the subsequent appointment of Mike Pompeo. A whirlwind of substitutions whose criterion was to surround the President with politicians unequivocally close to him politically. It is also indicative that, despite his differences, Mattis has remained sheltered from the fierce criticisms that Trump, often anticipating them via Twitter, has not spared for every minister or collaborator not aligned to him politically. Finally, it is significant that among the reasons for his resignation, Mattis insisted on Trump's decision to halve the American commitment in Afghanistan (where NATO is involved) and stressed that one of the reasons for divergence lies in his conviction that "our strength as a nation is inextricably linked to the strength of our exclusive and comprehensive system of alliances and partnerships[25]". These are all signs of how, even in the Trump administration, the resistance to abandoning that system of alliances has been strong. With Mattis's resignation, in fact, Trump is not only facing another crisis due to an administration that is constantly losing pieces, but it is also facing a wider and more concerned opposition from the American foreign policy community (even the Republican one) which is completely opposed to the idea of NATO obsolescence.

[25] *Ibid.*

4. Tariff Wars: The End of the WTO?

Lucia Tajoli

From the post-Second World War period and until the start of the new millennium, the US has played a leadership role in the world economy. This position was not only due to its economic weight, but also by determining the workings of global markets by implementing a generally accepted system of multilateral rules. In particular, in international trade and trade policy, the system was initially based on the GATT (General Agreement on Tariffs and Trade) signed in 1947, and then evolved with the creation of the World Trade Organisation (WTO) in 1995. Although there was no shortage of criticism and moments of tension and division, the system was able to adapt to changes in the global scenario, and remain central in the international exchange system, by favouring openness in countries. This result was also partly due to the fact that the two main players of the XX century – the United States and the European Union – always recognised the centrality of this rule-based system.

In recent years, however, the system of rules on which the WTO is based is clearly in crisis. The latest WTO negotiating round, which began after many difficulties in Doha back in 2001, is still unfinished, and no significant progress has been made in multilateral negotiations in over a decade. Moreover, the greatest economic and commercial powers now effectively act independently of WTO rules, thus seriously undermining the credibility of the institution. If it does not seem too surprising to see China struggle with conforming to WTO rules, the United States' stance is much more unexpected. The current US administration underwent a sharp change of heart in US international economic relations, with President Trump pursuing a

strategy based on bilateral negotiations and agreements, in clear contrast with the spirit of the WTO, which instead is ground on a multilateral approach.

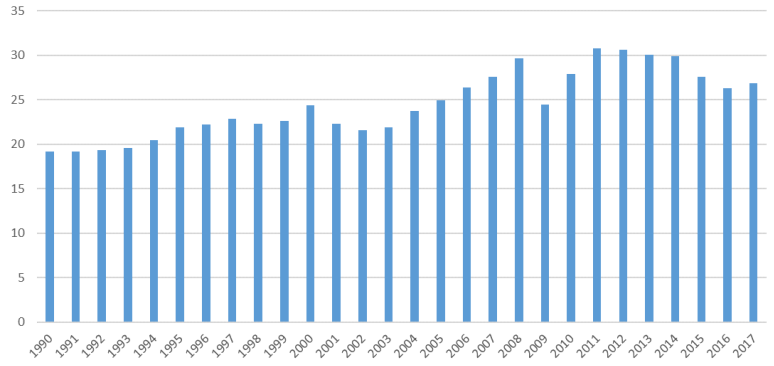
The US Turn to Bilateralism

Trump's negotiating strategy is based on a series of very dubious or completely incorrect assumptions, starting from the idea that the US has been damaged by the existing system of rules which was built largely with the contribution of the US itself. To the rest of the world, this position makes no sense: the US has always dominated international trade negotiations, almost always achieving the desired results. Until a couple of decades ago, the United States, in the unique position of an economic superpower, imposed its own rules, sometimes opposed and sometimes supported by the European Union. At that time multilateral trade negotiations would come to an end whenever the US and the EU reached a deal. In the many WTO disputes in which they were both involved, the US won most of the time.

Trump's second assumption is that trade is a "zero-sum game" where those who profit do so at the expense of those who lose. The evolution of the US and world economy in the past few decades – as well as centuries of economic theory – shows that this idea is unfounded. The strong push towards globalisation came precisely from the possibility for all countries to get significant benefits from an increased economic integration with the rest of the world, and the general rise in living standards and the reduction of poverty worldwide have shown that these benefits were effectively gained. The US was one of the main beneficiaries of the existing system of rules, although certainly not the only one. Within individual countries, however, the distribution of those benefits has not been uniform, and some categories of companies and workers have gotten enormous advantages while others have been relatively disadvantaged; this has provided the foundation for Trump's narrative.

Finally, Trump's negotiating stance is also based on the idea that, within bilateral confrontations, the US always holds a position of strength. This assumption, like the previous ones, is not necessarily true in the XXI century world. Currently, with the rise of many important players in world markets, the weight of the US economy has decreased, while its interdependence with other countries has increased. Trade negotiations are increasingly taking place within globally competitive markets, where the American position is not always the strongest. Moreover, economic interactions are a repeated game, and bad behaviours and loss of credibility in one phase can be punished at later stages.

Fig. 1 - Increasing integration of the US economy with the rest of the world: sum of exports and imports of goods and services over GDP (%)



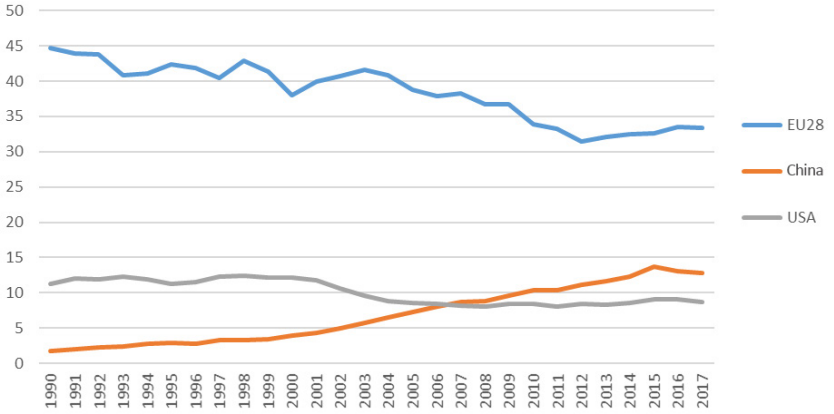
Source: elaboration on UNCTAD data

Trade wars, contrary to what the American President seems to think, are not so easy to win, and above all they always produce both winners and losers within the country that implements protectionist policies: the companies and workers in protected sectors may experience benefits in the short term, but the effect of protectionism is to increase prices in many sectors, putting a strain on consumers and companies relying on certain inputs.

Additionally, the increase in tariffs by a country triggers reactions from other countries, as has been the case following the introduction of US tariffs. It has already been observed that, for most companies, the effects of trade tensions are more negative than positive, and the stock market performance in many countries shows the extent of the investors' nervousness about the uncertainty created by the trade war. For workers, the loss of competitiveness or access to foreign markets for some products can bring further negative effects. In the event of a large-scale trade war, the negative effects on the United States and on the global economy would be very serious. It was precisely in an attempt to avoid triggering these negative spirals that a system of international rules was created.

It is possible that the tariffs and threats of widening the trade war are actually being used by Trump as a negotiating tool with the aim of strengthening the US position in bilateral talks. But Trump has largely overestimated the United States' power over its trading partners, especially China. The US economy is very susceptible to possible Chinese retaliation, and the Chinese government has a much greater control over its country's economy than Washington, since in many respects China is not a market economy yet. For example, the Chinese government has a much more direct control over its imports than the US administration does. American companies have made large investments in China, both to produce and re-export, and to supply the local market, and these investments could be used as "hostages", mainly because China could undertake a series of actions to make the life of these companies and their expat employees harder. Additionally, China uses WTO rules in its favour as much as possible: besides having introduced retaliatory tariffs in response to those of the US, Beijing already brought a dispute to the WTO against the US for unfair trade. Therefore, it is by no means a foregone conclusion that a trade war would be won by the US, nor that the aggressive stance maintained until today will bring results in negotiations.

Fig. 2 – US's diminished role in world trade: exports by groups of countries. Percentage on world exports of goods



Source: elaboration on UNCTAD data

The Revision of the North American Free Trade Agreement

The outcome of the revision of the Free Trade Agreement between the US, Canada, and Mexico is emblematic of the new stance of the American administration, but it is also useful in order to understand the need to take into account a country's economic reality within the negotiation. The revision of the so-called North American Free Trade Agreement (NAFTA), which came into force in 1994, has always been one of the flagship measures of President Trump's economic policy. Back during his 2016 campaign, Trump stated his intention to terminate the agreement, which he saw as responsible for the trade deficit and the decline of the US manufacturing sector.

Actually, the effects of NAFTA on the US economy have not been as serious and especially not as negative as President Trump has claimed, and the importance for many productive

sectors of maintaining a free trade area in North America was strongly underlined by many big companies. Thus, the US decided to renegotiate and modify the NAFTA agreement, rather than terminating it, and Trump pledged to achieve this result before the mid-term elections of early November 2018, forcing the negotiating timeframes of the other countries.

According to most observers and analysts, the NAFTA agreement really needed a revision, having been signed in a radically different geopolitical and economic context to the current one. The old agreement did not contain many of the provisions which today are routinely included in what are known as second-generation trade agreements, which go much further than simply eliminating existing tariff barriers but rather provide for an harmonisation of many national regulations on the movement of goods and services.

The revised agreement, named the USMCA (United States-Mexico-Canada Agreement) at Trump's insistence to underline the distance from the old NAFTA, includes a series of provisions that regulate trade and are not limited to removing barriers between member countries. The new rules revise certain points of the previous treaty, however not always with a modernising goal. The new agreement sets new rules for auto manufacturing, that are meant to encourage auto manufacturing in higher-wage countries, lower barriers for US dairy producers allowing them to more easily sell their product in Canada, and preserves a tribunal for the resolution of trade disputes which the US had tried to terminate. Trump's declared intent was that of reducing the movement of manufacturing activities outside the US, and inducing companies to bring part of the production back on American soil. However, it is highly unlikely that this will be the actual result achieved by the new agreement coming into force: the existence and spread of production lines that cross national borders make it difficult to radically change productive assets, and the new rules run the risk of making the management of such international production lines more complicated and expensive.

For the first time, the new agreement dictates that, for any automobile to qualify for duty-free treatment, a percentage (increasing over time up to 40% in 2023) of its parts should originate from "high-wage" factories. This rule could, however, turn out to be quite counter-productive, raising production costs and significantly reducing sales, as well as damaging American consumers with higher prices. It could also drive manufacturers to take the entire production line to countries with significantly lower costs, such as Latin America or Asia. This is also a very complex rule to implement, which complicates the organisation of production lines. Even labour unions claim that the agreement brings great risks to the American manufacturing industry. Moreover, in exchange for these additional rules, Canada and Mexico have obtained a guarantee to be exempted from any US tariff for their exports up to 2.6 millions autos.

Even if his administration's success in the renegotiation of NAFTA will probably encourage Trump to continue along this path, this wasn't actually a positive result. Overall, the new agreement has been judged as much worse than its precursor, even from the US point of view: the revision certainly was not a game-changer as Trump would have liked. It complicated the rules, and it showed that, during the negotiations, the positions of Canada and Mexico carried considerable weight.

Does the Tariff War Violate WTO Rules?

A second front in Trump's trade war pits Washington against those countries showing a marked commercial surplus over the US, especially the EU and China. China's growing trade power has been a source of concern for the US for a long a time. Beijing has been accused by the US and the EU to manipulate global trade rules, and is one of the countries with the highest number of open WTO disputes (although its number is still quite lower than those of the US and EU). One of President Obama's reasons for supporting American participation in the Trans-Pacific Partnership (TPP) was precisely to try and

contain Chinese expansion, particularly in Asia. Despite this, one of the first actions of Trump's presidency was to withdraw the US from that agreement.

Tab. 1 - Twenty years of WTO disputes

Number of WTO disputes opened between 1995-2015		
	As complainant	**As respondent**
USA	109	124
EU	96	82
China	13	34

Source: 2016 WTO Annual Report

Having spent a year complaining about the alleged distortions of the trade system to the detriment of the US, the US President started the trade war in March 2018, when he announced a 25% tariff on steel imports and a 10% tariff on aluminium imports from most countries, with the intent to hit China in particular. In May 2018, he extended the tariffs to imports originating from Canada, Mexico, and the EU. As could be expected, China reacted with retaliatory tariffs of its own on an equivalent volume of steel and aluminium imports from the United States. Canada, Mexico, and the EU followed the same retaliation line as China.

As a legal cover for this decision, the United States invoked a rarely used WTO provision that allows members to suspend certain trade preferences for national security reasons. There is no doubt that Trump's tariffs violate the spirit of the provision: it is difficult to see how steel and aluminium imports, largely originating from friendly or allied countries, might endanger US national security. However, several WTO analysts agree that Trump did not violate the letter of the law, which means he will probably not be subjected to sanctions.

In any case, several WTO members, including Canada, China, Mexico, Norway, Russia, Turkey, and the EU, asked the

Organisation to set up a "dispute panel" to examine the legitimacy of the new US trade barriers. Washington's defence was clear: according to the national security provision, the WTO cannot "toprevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests" and only the United States can decide what is required in order to protect those interests. Therefore, its actions are valid according to WTO rules, and revisions cannot be forced unto it.

Ironically, those found to have violated the rules are Canada, China, Mexico, and the EU. WTO rules require that whenever a member country believes that a fellow member has violated its commercial rights, the matter must be brought before the WTO dispute settlement body, the only one that can authorise retaliation. Since these countries have acted in an entirely unilateral way in their retaliation against Trump's move, there is no doubt that they have broken the rules. Not surprisingly, the United States has already formally asked the WTO to ascertain this violation.

Therefore, in some cases, the United States did not want to violate WTO rules – at least formally – and, on the contrary, accused other countries of doing so. But in many other cases the US was not so careful in playing by the rules, as shown by the high number of open WTO disputes where it is a respondent. Additionally, Trump insists on claiming that the WTO is "biased against" the US, and his position is supported by a part of Congress which has always deemed WTO rules to be too restrictive of the United States' sovereignty. This stance is clearly putting the multilateral trade system under strain.

A Dangerous Stance Towards the WTO

When considering the WTO, the stance of the current American administration is mostly one of indifference, based on the supposed uselessness of the institution. For the time being, the American position is to argue that the rules are now obsolete and

must be revised, but until now the US has not explicitly speculated to leave the Organisation. Should the WTO decide to put the US under investigation, Washington could seriously consider leaving the Organisation, even though the operation would be politically complex, since it would need congressional approval. On the other hand, should the WTO not put the US under investigation it would lose credibility, and any country could justify future trade restrictions on the basis of its own national interest.

In this uncertain context, the trade dispute settlement system, which has always been one of the main strengths of WTO operations, is crucial, and it is easy to understand why the appointment of the judges charged with adjudicating disputes has become a critical issue for the future of the Organisation. For some time now the United States, by simply blocking the reappointment of judges that should be replaced, is effectively paralysing the Organisation.

Moreover, the United States' indifference is preventing any negotiation progress within the WTO. The last Ministerial Conference of December 2017, lacking US support, ended without a consensual declaration, once again coming to nothing. Therefore, even without openly opposing the Organisation, and indeed in some cases by relying on its rules, the behaviour adopted by the US is still creating serious problems.

The Need for a Governance of Globalisation

Despite the many and clear positive effects of globalisation, in recent years it has become increasingly clear that it should be regulated: world markets are not self-regulating, and the balances achieved without interference can be very far from optimal or desirable, leading to excessive deficits in the national balance of payments, unfair government policies, redistribution of income between countries, and increasing inequality within the countries amongst different categories of workers and consumers. The growing complexity of the world trade system means that today this need for rules is more urgent than ever.

With the increase in interconnection and interdependency between countries, and with a much greater number of important players in world markets than what it used to be half a century ago, the "governance" of the world economy and the definition of shared rules are however also increasingly difficult to achieve.

With the exception of the United States, in spite of the many problems experienced by the Organisation, there has not been widespread dissent towards the WTO and its ability to solve disputes through a system which, in the past two decades, has shown itself to be generally fair and efficient. World countries have continued to seek WTO membership. Therefore, it seems reasonable to assume that regardless of the American stance, the rest of the world is still willing to proceed with the current regulations, possibly even extending the system of rules to new areas of exchange between countries, and maintaining the existing global negotiation system based on WTO rules.

According to some analysts, other countries could in fact try to strengthen the system of rules and its mechanisms in order to mitigate the United States' disengagement, and to keep under control China's growth, which threatens the US and many other countries. The statements made by the EU Commissioner for Trade, openly supporting the WTO and its rules and criticising the American administration's stance after the last Ministerial Conference, go in this direction. The same can be said of the decision taken by many Asian countries, Japan in the first place, to proceed with the TPP agreement even without the USA. It is possible that the world is moving toward more plurilateral agreements, creating "coalitions of the willing" among countries that perceive the benefit of such agreements. While twenty or thirty years ago, the hypothesis of a WTO without the US – at least for practical purposes – was unthinkable, such a scenario is not so implausible today. If it does come true, and since the new agreements should encourage trade between signatory countries, trade could somehow deviate away from the United States. As a result, the US will become more marginal and its role in the global economy will decrease further.

Regardless of the actual position that the US will take towards the WTO in the coming years, and of the reaction of other countries, the US administration's stance on trade matters is increasing its isolation and changing its status as an economic superpower. In an increasingly fragmented system, governance will be more complex and the rules will have to be changed, but they will hardly be abandoned. In any case, after Trump's presidency, the American position and world markets will no longer be the same.

5. The EU in the Post-Liberal Era: A Challenge with Global Roots*

Sonia Lucarelli

Thirty years ago we thought that Europe was our future.
Today we believe that we are Europe's future.
(Viktor Orbán, speech during a conference
in Helmut Kohl's memory, 16 June 2018)

Used and abused, "liberalism" has become something close to a dirty word in the "summer of our discontent" (Shakespeare's winter is, alas, not on the horizon as yet). The thing is, in our current socio-political reality, scarcely anything is left of the original ideal of Liberalism. The free market has been replaced by global oligopolies, human welfare by the dictatorship of data, freedom of speech by the excesses of political correctness, the focus on individuality by identity politics giving primacy to group belonging, the promise of general wellbeing has left place to growing inequalities. The failed promises of Liberalism have delegitimised it at the source, giving rise to displays of its denial which replace the trust in progress with a scepticism towards the forces that make it possible (science, technology, culture); the public debate with profanity; citizens (as members of an organised community with rights and obligations) with an undifferentiated (and all-encompassing) "people"; pluralism with a dichotomous, simplified vision of society; multiculturalism with a return to small homelands. The effects are visible both within the states and in

* This chapter has benefited from the research developed in the context of the European project GLOBUS - Reconsidering European Contributions to Global Justice (Horizon 2020, 2016-2020) - http://www.globus.uio.no/research.

the international liberal order. The two crises interact with each other, and it would be a mistake to separate them: the crisis of liberal democracy is an integral part of the wider crisis of the liberal order born in Europe and extended to the Western world (and beyond) through the hegemony of the United States[1].

Historically, Europe has given an essential contribution to the definition and consolidation of the liberal order. Amongst the pillars of this order, the process of European integration stands out as especially relevant. Based on liberal democracy, the protection of human rights, a welfare system that "reined in" the worst consequences of liberalism (an "embedded liberalism", to use a well-known definition by John Ruggie), confident in the stabilising and peace-making ability of multilateralism, European integration has been a vehicle for the democratisation of European countries, for the building of formal relationships between them, and has increased the integration between the societies of its member countries, thus becoming a unique example of the creation of what Karl Deutsch defined as an "amalgamated security community". However, the European Union does not only present itself as a vivid example of incarnation of the liberal political order, it also promotes the fundamental principles of such order in its external action, so much so that the EU has built its image as an international player through the years around the ability to translate in its external action the same fundamental values upon which it is based[2].

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[1] There is by now an ample literature on the crisis of the liberal order; notable recent works are: R. Alcaro, "The Liberal Order and its Contestations. A Conceptual Framework", *The International Spectator*, Special Issue, vol. 53, no. 1, 2018; T. Flockhart, "The Coming Multi-Order World", *Contemporary Security Policy*, vol. 37, no. 1, 2016, pp. 3-30; J.S. Nye, "Will the Liberal Order Survive? The History of an Idea", *Foreign Affairs*, vol. 96, no. 1, January/February 2017, pp. 10-16; V.E. Parsi, *Titanic. Il naufragio dell'ordine liberale*, Bologna, il Mulino, 2018; O. Stuenkel, *Post-Western World: How Emerging Powers Are Remaking Global Order*, Malden, MA, Polity Press, 2016; M. Telò, *Regionalism in Hard Times: Competitive and Post-Liberal Trends in Europe, Asia, Africa and the Americas*, London - New York, Routledge, 2017.

[2] S. Keukeleire, T. Delreux, *The Foreign Policy of the European Union*, London, Red Globe Press, 2014; S. Lucarelli, I. Manners (eds.), *Values and Principles in European*

Today, all of this is under pressure by strong external tensions and a clear fascination for illiberal tendencies in European societies. Political leaders who are openly inspired by illiberal principles and theorise the existence of democracy without liberalism attract votes and call into question the foundations of European integration, albeit not necessarily with the formal dismantling of the European institutions. Hungarian Prime Minister Viktor Orbán has openly theorised the legitimacy of "illiberal democracy" (an oxymoron incompatible with the history of a united Europe) and accused liberal values of "embodying corruption, sex and violence", claiming his will to found "an illiberal state" in Hungary and to consider China, India, Russia, and Turkey the stars of the international scene[3]. But Orbán is not an isolated case anymore. In Poland, in April 2018, a law came into force (later blocked by the European Court of Justice), promoted by the ultraconservative government of the Law and Justice party, which reduces the freedom of the judiciary. Even if not openly illiberal, souverainist populist forces are in governing coalitions in many European countries (Austria, Bulgaria, Czech Republic, Finland, Greece, Italy, Latvia, and Slovakia). Their strength goes far beyond their electoral success: they influence the overall tone of the political debate, the topics (one only needs to think of the obsession with which we keep speaking of immigration even in the face of a strong reduction in arrivals) and even the solutions promoted by other political forces. Moreover, by sitting as representatives of their governments in the Council of the Union, they already have a significant political weight in the decision-making process of the EU and aim to increase it with the European Parliament elections in Spring 2019, when increasing their presence would also allow them to have a bearing on the future Commission.

Foreign Policy, London - New York, Routledge, 2006.

[3] V. Orbán, "Prime Minister Viktor Orbán's Speech at the 25th Bálványos Summer Free University and Student Camp", Website of the Hungarian Government, 26 July 2014.

Born as anti-European, the souverainist, populist, and illiberal forces have recently moved on to more "reformist" positions on the integration process: they aim to transform the Union by giving less weight to the supranational component and giving Member States their voices back. This change in direction, however, is not any less dangerous to the European Union than the previous, more openly anti-European, positions. As correctly noted by Grabbe and Lahne, an illiberal European Union would fall under the weight of its own contradictions[4].

Populist souverainism feeds on discontent with the negative effects of economic globalisation, mistrust in the so-called "establishment" (including the European one), and fear. There is little use in recalling the positive consequences brought by globalisation, the establishment, and the European Union on the stabilisation of the economic and political welfare of our societies; what prevails is dissent and deconstruction. The new forms of populism, on the left and the right, or those that, in a populist fashion, define themselves "beyond party polarisation", receive approval and give political space to forces that – in a more or less conscious way – destroy pillars of the liberal order that have brought forth years of wellbeing and democratic stabilisation. What is now at risk, among other things, are intra-European solidarity (the essential binding agent of the Union), the very survival of liberal democracy in Europe, the preservation of the free movement of persons in the Schengen area, the focus on the respect of human rights in domestic and foreign politics (as evidenced by the outsourcing of the management of migrants to non-Member States, Libya in particular), and the European support for the ratification of multilateral agreements (as recently shown by the refusal to sign the Global Compact for migration by several European countries).

And yet, limiting ourselves denouncing the risks of populism and the appeal of illiberalism does not take us very far; on the contrary, it only restricts us to the ivory tower wherein

[4] H. Grabbe, S. Lahne, *Could an Illiberal Europe Work?*, Carnegie Europe, October 2018.

the political and intellectual elites of the liberal world have been banished (and have banished themselves). Thus, in order to understand and perhaps confront the illiberal drift that is sweeping over the European Union and the global liberal order, we need to start with a reflection on its origins, especially within Europe. This is what I aim to do throughout this chapter.

The Global and Regional Origin of the Disintegration of Europe

Amongst the different forces contributing to the illiberal drift in the Western world, four appear particularly significant: an economic globalisation whose polarising impact on societies was not sufficiently regulated; fear; some unintended effects of the digital revolution; and the transformation of political identity. All of which have particular connotations in the case of Europe.

Globalisation, inequality, polarisation

Significantly, the drafters of the Laeken Declaration[5] pointed out the need for the European Union to assume the burdens and responsibility of globalisation. The EU should have avoided the worst effects of economic globalisation to be felt by European citizens. However, within a few years, with the economic crisis that followed, and the economic policies adopted, the contradictions became evident. Economic globalisation did not only entail the possibility to buy goods at reduced prices or access low-cost travel, but also the "financialisation" of economy (global diffusion of increasingly complex financial instruments and pre-eminence of financial instruments and intermediaries with effects on the real economy[6]), the web economy

[5] European Council, "Laeken Declaration on the Future of Europe, Attachment to the Presidency Conclusions", Meeting in Laeken, 14-15 December 2001, (SN300/01 ADD1).

[6] By now the common consensus is that the economic crisis of 2007-2008 was

(web-based commercial transactions for goods and services), and a transformation of the labour market that, by introducing increasingly "flexible" contractual forms, fragmented the workforce and loosened the bond between citizen-workers and the economy[7]. The effect on the workings of democracy has been explosive, so much so that Colin Crouch has described the recent evolution of the typical Western regime as a *post-democracy*: a political regime where "while elections certainly exist and change governments […] politics is really shaped in private by interaction between elected governments and elites that overwhelmingly represent business interests"[8].

What is feeding post-democracy is also a worrying increase in inequalities, a slowdown – when not a stop – of the social elevator, a relative impoverishment of every social group, but especially of the middle and lower classes. Thus, the promise of economic welfare and general growth of liberal Europe clashed with increasing disparities and social polarisation. In the 1980s, the average income of the richest 10% of the European population was seven times higher than that of the poorest 10%; in 2017, it was about 9.5 times higher[9]. As for the distribution of wealth, today, 10% of the wealthiest households own 50% of total wealth, while the poorest 40% owns just over 3%[10]. Inequality in Europe is rising both internally and among Member Countries. By now, no country has negligible inequality levels (the value of the Gini index has increased even in traditionally egalitarian countries such as Finland or Sweden), but in Great Britain, and in Eastern and Southern Europe the differences are even more pronounced. The "lottery of birth",

caused by the subprime mortgage crisis (mortgages with high risk of default, disbursed by credit institutions, transferring risks to the market).

[7] G. Bottos, P. Bolioni, "Élite e postdemocrazia. Intervista con Colin Crouch", *Pandora*, no. 4, 2018, pp. 8-11.

[8] C. Crouch, *Postdemocracy*, Cambridge, Polity Press, 2004.

[9] OCSE, *Understanding the Socio-Economic Divide in Europe*, 2017, p. 7.

[10] A picture of even more dramatic inequality surfaces by comparing the average personal income of the richest and poorest quintile in Europe (Luxembourg and Romania respectively): the ratio is 1:100.

also valid in Europe, is bound to affect future generations as young people in the poorest households (and even more so for immigrants) are the most affected[11]. The net effect is polarisation, both geographic (within and among countries) and social: industrialised areas against de-industrialised suburbs, South-Eastern countries against Northern countries, etc. This geography overlaps with the geography of dissatisfaction pictured in the results of recent elections: the Brexit referendum of 2016, the French presidential election of 2017, the Dutch parliamentary election of 2017, and the Italian parliamentary election of 2018 all tell the same story of a geographic polarisation of discontent becoming a protest vote for populist forces, or in any case pushes for the adoption of an anti-establishment rhetoric. The United States shows that this is not only a European phenomenon, but one that encompasses the whole Western world if not the entire planet (as might be inferred by the case of Narendra Modi's Indian populism, or the election of Jair Bolsonaro as President of Brazil in 2018).

And yet, in Europe, the wave of populism, soaked in a rhetoric of simplification (when not trivialisation) of the complexities of politics, division, and exaltation of an embodied "people", does not only delegitimise the so-called neoliberal policies that the EU has occasionally and heedlessly promoted, or the austerity and rigor policies imposed during the economic crisis of the 2000s, but also the EU's liberal ontology, and the historical experiment of the EU itself. The Union seems to suffer the consequences of failing to keep the promise of integrating welfare and free market in order to spread wealth and prosperity, of promoting solidarity, and ensuring a better tomorrow. The perception of the inability of the EU to "take responsibility in the governance of globalisation", so as to avoid the unfavourable economic effects of a globalisation which brought on increasing inequalities and subsequent impoverishment, has had significant repercussions on the attitude of European citizens

[11] *Ibid.*

towards Europe and has de-legitimised the old elites[12]. The geographical map of Euroscepticism, populism, and support of illiberal tendencies coincides with that of economic inequalities and relative impoverishment, with a clear social distinction between highly-educated employed young people living in big cities (which largely share a cosmopolitan and European identity), and middle-aged workers in depressed areas. The latter is a fearful, discouraged, and angry electorate; for the most part hostile towards the central elements of the project of a liberal, integrated Europe (free circulation, enlargement, and common currency) and yet afraid of completely ending the European experience. It is in fact true that, after a plunge in approval of the EU during the economic crisis and in the following years, in 2017 and 2018, after the negative (for the EU) result of the Brexit referendum, the attitude of Europeans towards the EU has once again become more positive[13], and indeed, according to the data from the latest Eurobarometer (89.2[14]), the most positive attitude in the last 35 years has been recorded. This is, for the most part, a utilitarian support aiming to preserve the EU protection network (and the EU funding), all the while not asking that Europe be more integrated, but on the contrary demanding an EU based on strengthened sovereign nation states[15]. This is probably the reason why populist government forces, after having capitalised on discontent and anti-Europeanism, have more recently changed their rhetoric with respect

[12] T. Kuhn, E. van Elsas, A. Hakhverdian, and W. van der Brug, "An Ever Wider Gap in an Ever Closer Union: Rising Inequalities and Euroscepticism in 12 West European Democracies, 1975-2009", *Socio-Economic Review*, vol. 14, no. 1, 2016, pp. 27-45.

[13] B. Stokes, R. Wike, and D. Manevich, *Post-Brexit, Europeans More Favorable Toward EU*, PEW Research Centre, Global Attitudes Survey, 2017.

[14] *Democracy On The Move. European Elections – One Year To Go*, Eurobarometer Survey 89.2, European Parliament, May 2018.

[15] According to Pew's above-mentioned survey, the majority of respondents, while not wishing for their country to leave the EU, are in favour of a referendum on their stay in the Union and wish for a national (not European) management of migration and trade (PEW Research Centre, 2017).

to Europe, proposing themselves as the promoters of a different Union, once again giving space to national homelands. This is the proposal that Orbán, Salvini, Le Pen, etc. are making to the European voters, in the hope that the next European parliament (and, hopefully for them, the Commission as well) will have a souverainist character. As emphatically stated by Matteo Salvini during the yearly meeting in Pontida in July 2018, "the goal is to change Europe giving voice to those peoples that have been cut off by those that only cared for the fate of finance and multinationals, offering us a future of insecurity and fear. […] The next wall that is going to fall, after Berlin, is Brussels, giving back to the European people the right to work, life, health, and security"[16]. It is unclear how a Europe made of strengthened souverain(ist) States might give more effective answers to the transformation of the economy in the global era, but the message does certainly – poor Europe – have a strong impact on a discouraged public.

Fear

The increase in terrorist attacks in Europe since 2004, and the fragmentation and increasing complexity of security threats, have further challenged liberal democracy from the inside, adding the fear for personal safety to that of economic instability and poverty. Global terrorism has shown the vulnerability of liberal societies, triggering an existential anxiety which has made the reduction in individual freedoms possible in the name of greater security. Citizens are ready to give up part of their freedom in exchange for greater (perceived) security, gradually allowing (even demanding) the transformation of their liberal democracies in simplified electoral systems. Understanding the need to respond to the fears felt by European citizens, even the more liberal forces have adapted their slogans, as shown by Macron's

[16] The full text of the speech is available online (https://www.bergamonews.it/2018/07/01/matteo-salvini-pontida-discorso-integrale-dal-palco-del-raduno- leghista/285598/), as is the video: https://www.youtube.com/watch?-v=T1WDIIo0cmQ (Salvini from 2:20:00).

call for a "*Europe qui protège*"[17]. However, Macron's faint voice cannot compete with the coarse and often vulgar shouting of the populist and souverainist forces, which speaks to people's gut, giving the illusion of eliminating the distance between the masses and the elites. According to this logic, blunders, inappropriate words, and snapshots (both verbal and photographic) of the new leaders' private lives, are not seen as snags, but become effective tools to communicate a proximity with the elites which citizens could not previously perceive. The "Davos man" or the "Berlaymont man" are enemies, usurpers of power, while the man wearing the sweatshirt bearing the name of a small city is "one of us", someone who understands our fears, listens and responds to them. It goes without saying that fear is born out of real distress but is instrumentally amplified by those who politically benefit from it: right- and left-wing populism both feed on citizens' fears, amplifies them and pretends to provide simple (or rather, simplistic) answers: walls to stop immigration or one-time measures. The dangers posed to liberal democracy are well known: the more the fear of security threats rises, the more space is created for responses that limit personal freedom (see Lasswell) and make oppositional, when not xenophobic, attitudes acceptable.

Technology revolution

Being the engine and lifeblood of globalisation processes, the digital revolution is what most of all made the political transformation we are witnessing possible. The financialisation of the economy and the rise of web economy and data-driven-economy (an economy based on the production, use, and commerce of digitally-transmitted data) would not have been possible without the technological and digital revolution we are witnessing. If, in the medium term, some observers are expecting beneficial effects on the global economy, in the short term

[17] E. Macron, "Intitiative pour l'Europe. Discourse d'Emmanuel Macron pour une Europe soveraine, unie, démocratique", Discourse, Paris, 26 September 2017.

Western societies have struggled to filter out the negative consequences on the previous socio-economic structure[18]. Growing unemployment, the increase of inequality and the risks for the circulation and use of personal data are there to denounce such difficulties. What I would like to focus on, however – albeit briefly – is the effect of the digital revolution on politics and the functioning of liberal democracy.

The digital revolution has significantly and quickly transformed methods of communication, identity construction, interpersonal relationships, information retrieval, and entertainment within our societies. This transformation is so complex and evolving that multiple disciplines deal with it, and dedicated fields of study abound (digital sociology, digital communication, digital diplomacy, web politics, digital psychology, etc.). The size and speed of the current transformations could not but have an explosive effect on the way in which our political systems work. More than expanding the public sphere, the web scatters it: only the truly globalised elites take part in global public debates. Most people are embedded in limited communication tribes marked by an internal homogeneity which avoids dialectical confrontation and polarises opinions. The virtual reference tribe becomes the source of information, the place of self-identification and, eventually, the place of truth and rightness. In this context, the personalisation of politics (a phenomenon that was already known and widely exploited by political leaders through the mass media of their time) takes new shapes. The political leader that populistically rides the wave of discontent towards the so-called establishment is able to cleverly use digital tools in order to establish a direct connection with "the people", a connection which depletes intermediate organs and the institutions of representative democracy. Communication methods are designed to create the feeling of closeness between the leader and the mass, a closeness made of private life snapshots, flagrant abandonment of

[18] V. Mayer-Schönberger, T. Ramge, *Reinventing Capitalism in the Age of Big Data*, Oxford, Oxford Internet Institute, 2018.

"political correctness", barbarisation of language, denigration of the elites' "competence". The leader speaks to "tribes", which are at most national, given the importance, in this type of communication, of using the language and cultural features shared by the majority. Moreover, the target of criticism and comparison are especially those cosmopolitan subjects responsible for a globalisation which – it is alleged – has impoverished national sovereignty and, with it, "the people" (national is implied).

A further effect of the digital revolution is the transformation of the relationship with the timing of political planning. The "here and now" of the Internet leaves little space for political forces proposing middle-to-long term projects (such as the European integration project). This affects various political fields, including foreign policy, traditionally anchored to a few "bipartisan" pillars that have survived generations of different political colours.

Finally (but only for this brief review), the digital revolution has transformed political subjectivity, reducing space for the "individual citizen" and opening the way for two antithetical figures with the same origin: the narcissistic individual and collective narcissism. The former is withdrawn in a world of self-projection on the web (with the purpose of profit or only hedonistic gratification), is scarcely interested in politics or only uses it as a stage. The latter is a part of closed tribes who feed on the exaltation of an undifferentiated oppositional group ("we"). Very little space is left to the citizen of a mature liberal democracy, a thinking subject who debates alternative visions and projects for society with other people based on the logics of best argument and factual truth.

Clearly, in this context, it was impossible for the EU to end up a winner: without a public sphere of its own, incapable of producing a visible and shared leadership, perceived as distant and technocratic, it could not avoid becoming the main target of a revolt which, coincidentally, has taken effect especially from the economic crisis of 2007 onwards. No matter the efforts of the European Commission to reach the citizens of the

Union, their perception has remained that of a cold citadel of technocracy, distant from the real needs of Europeans. Without the digital revolution, discontent with the European institutions would not have disappeared, but it would not have polarised and, in all likelihood, it would not have had its current destructive consequences.

The ontological challenge: political identity

The fourth element, linked to the previous ones, in the crisis of liberal order in Europe (and in the world) is what can be labelled as the "ontological challenge". Liberalism was based on a cosmopolitan vision of the world, on the idea that man was primarily a "citizen", with a non-ascriptive socio-political identity (that is, not based on predetermined factors such as sex or race). In multicultural societies such as the United States, this has led to the constant establishing of a two-track policy: taking measures to protect the members of groups who have previously suffered discrimination (affirmative action) and, at the same time, cancelling the political relevance of the ascriptive identity, irrelevant for citizenship rights and national identity (hyphenated identities such as African-American, Asian-American, etc.). European states have experimented with different formulas to manage national identity and citizenship in increasingly multicultural societies. Starting from the 1950s, the growing multiculturality of European societies (some more than others) has placed considerable pressure on European democracies, which until then had been populated by societies perceived as rather homogeneous (secular, white, and Christian). The immediate response to decolonisation and the arrival in the territories of France, Great Britain, Belgium, and Holland of people from the former colonies has generated clumsy and even racist and discriminatory responses. The history of Europe is also the history of these responses[19]. However, European societies have

[19] R. Chin, *The Crisis of Multiculturalism in Europe. A History*, Princeton, NJ, Princeton University Press, 2017; R. Taras, *Challenging Multiculturalism: European Models of Diversity,* Edinburgh, Edinburgh University Press, 2012.

gradually developed ways to cope with cultural and ethnic pluralism according to the fundamental principle of equal treatment of citizens in a liberal society. Gradually, they have found a way to welcome elements of group rights without abandoning the individual perspective of liberalism. In the process of European integration, the same two-track policy has been adopted, giving centrality to the protection of human rights and the respect for cultural, religious, and linguistic diversity (Article 22 of the Charter of Fundamental Rights). According to the treaties, cultural specificities of the Member States must be respected and, at the same time, the latter are required to combat discrimination on the grounds of race, colour, ethnic origin, and religion or belief. And yet, even when there is no discrimination, evidence of ethno-cultural tension within European liberal societies is still clear. The religious discrimination rooted in the request of Poland and Slovakia to accept only Christian asylum seekers in order to not put their national culture "at risk" is only one of the most striking manifestations of this general malaise.

It is probably true that liberal democracies have for a long time underestimated the role of cultural identities and their link with political identities in the construction of legitimate institutions. This is also true in the case of the European Union, where there was an attempt to build a common political identity (ancillary to the national one) primarily based on shared values and political principles[20].

Actually, despite these attempts, no liberal democracy has ever been able to turn its people into mere "citizens". In the last few decades, particularly after the Cold War and, even more so, since 11 September 2001, ascriptive identities have demanded recognition even in Europe. Between 2010 and 2011, the leaders of France, Great Britain, and Germany publicly stated that multiculturalism had failed in their respective countries. No European nation has found an effective way to operate

[20] F. Cerutti, S. Lucarelli (eds.), *The Search for a European identity. Values, Policies and Legitimacy of the European Union*, London - New York, Routledge, 2008.

a democratic system in increasingly multicultural societies, and xenophobic attitudes have once again become common Souverainist forces have therefore been able to set up a communication campaign aimed at proposing (simple) solutions to the challenge of multiculturalism. In this context, the 2015 migratory crisis acted as a detonator of fears and electoral successes: even today, after a drastic drop in the arrivals of migrants on European territory, the polls photograph a European society that ranks immigration (38%) as the first security threat, even more than terrorism (29%)[21].

Conclusion

The liberal order is in a serious crisis, together with the process of European integration. A victim of its own successes (globalisation, digital revolution, multiculturalism), it failed in keeping the promises of welfare, inclusive democracy, and security. As for the European Union, the maximum realisation of the liberal order, it ended up becoming less egalitarian, less democratic, and less open to cultural diversity than it had intended. Intra-European solidarity, the essential binding agent of the Union, has cracked under the weight of a restored souverainism. From an inevitably and necessarily forward-thrust "process", it has become an object to be deconstructed and reassembled according to the logic of souverainism. The only leaps forward shared by the Member States appear to be utilitarian measures able to bring benefits to national industries (such as Pesco). The upcoming European Parliament elections of Spring 2019 will probably be the keystone of the integration process: should the populist and souverainist forces prevail, the music of Europe – at least for several years – will sound less like Beethoven's "Ode to Joy" and more like a cacophony of overlapping national anthems. If, on the other hand, the liberal-inspired forces will profit from presenting a common front (provided they do present it), they will

[21] Eurobarometer (2018).

then have to roll up their sleeves and begin to actively face the inequalities, fears, and challenges that have brought on the crisis of liberal Europe. They will have to find a way to rein in economic globalisation and the digital revolution without trying to halt them. They will have to focus once again on the education of minds to train individuals capable of moving in a world ripe with many opportunities but fewer certainties. They will have to rethink the forms of political representation in a profoundly changed society. Immense challenges, whose outcome will also depend on the future of liberalism in the rest of the world (the United States in the first place).

6. Geopolitical Perspectives from a Post-Western World

American Hegemony: The Beginning of the End?

Leopoldo Nuti

Over the last twenty years, the international system has changed thoroughly: whilst the United States' hegemony first appeared unchallenged (so much so that a neologism like "hyperpower" was specially coined in order to describe it), now open talk of a post-American era and multipolarism is gaining ground. The turning point of this parable was the crisis triggered by the 2003 invasion of Iraq launched by the George W. Bush administration. Until then, the United States was not only the ultimate guarantor of an international order built around the country's centrality, but also superior to any possible challenge to its supremacy, guaranteeing to that order sufficient stability for a long time to come. Fifteen years after the Iraq crisis, that record appears weakened and bound to be increasingly questioned.

An essential characteristic of American foreign policy in this period was the loss of bipartisanship, which, during the years of confrontation with the Soviet Union, had safeguarded major international politics choices from clashes among the main parties. This cohesiveness, which started to crack during the 1970s, has faded gradually throughout the 1990s, especially after the 1994 mid-term elections and the rise of more radical tendencies

and personalities within the Republican Party. The United States is much more exposed to the repercussions of the domestic political debate than it had been in the past. Its foreign policy was particularly affected by this during the development of a common vision on how to exercise its undisputed hegemony in the new post-bipolar world. In fact, while all political forces shared the goal of preserving, and if possible enlarging, this supremacy, even resorting when necessary to the use of force, it still did not prevent continuous fluctuations between rather different conceptions of how to arrange and exploit the new role taken on after the disappearance of the USSR.

Until the 2001 elections, these divergences had emerged gradually, without altering a certain fundamental degree of continuity, nevertheless suggesting the presence of some cleavages. During the last years of the George H. W. Bush presidency, the United States clearly established itself as the ultimate guarantor of the new international order that was dawning after the Cold War, choosing to operate in a fully legitimate context defined by the observance of UN Security Council resolutions. Bush Sr. had received his political education in an era when most of the American ruling class was convinced that the United States ought to take on the responsibility of leading the international system in order to ensure economic and political stability. He drew a very clear lesson from the years 1989-1991 that witnessed the end of the Cold War and the achievements of the policies pursued in the previous decades. The task of his administration was to ensure their continuation, along the fundamental lines established by Roosevelt and Truman, if possible broadening and strengthening the role of the United States as a key element in international relations.

The search for this role continued uninterrupted also during the Clinton presidency, albeit some hesitation at the beginning of his term of office. The way in which the United States meant to fulfil its task kept changing, moving from the ambition to unconditionally support UN primacy with an "assertive multilateralism", to a much more pragmatic position

of "selective multilateralism", defined by *Presidential Decision Directive #25* of 1994 (Pdd 25) and summarised in the famous sentence "multilateral when we can, unilateral when we must". Faced with the repeated difficulties encountered by the United Nations in the management of the various crises that spanned the first half of the 1990s, the Clinton administration appeared increasingly inclined to decouple the US from the UN. The intention never was that of an outright break-up, but to show a growing tendency to act always more independently.

What eventually brought on a clear break was the crisis triggered by September 11, which pushed the new Republican administration of George W. Bush to develop a far more unilateral foreign policy strategy. Faced with the unprecedented impact of a dramatic attack on American soil, the 43rd President developed a series of responses that clearly showed that the United States was determined to see itself as free to act how, when, and where it wished to, in order to confront the new threat of Islamic terrorism. Both the preventive war doctrine and the rigorously US-led "coalition of the willing" formula foreshadowed an attitude that has exacerbated the unilateral tendencies already glimpsed during the last Clinton years. This ostentatious indifference to any form of agreement that did not provide a clear leadership role for the United States provoked a resounding disagreement with some of the most important European allies on the eve of the Iraq invasion in early 2003. At the apex of its military power, the United States of the Bush Jr. administration presented itself with an openly imperial vocation, deeply influenced by the ideological vision of Neo-conservatives who aspired to use that power to reshape the international system to their liking.

The consequences of this *hubris* were the two long-lasting wars in Afghanistan and Iraq, where much of the power of the United States worn out with no conclusive success. Those wars dispelled the approval, both domestic and international, associated with the first reactions to the September 11 attacks. The enormous difficulties in the Middle East and the risk of

progressive international isolation later led the Bush administration to attempt a gradual recovery in relations with its allies, more strongly over the last two years of the second term, but it was primarily the Obama administration that had to take charge of this heavy legacy. Both domestically and internationally, the new President was tasked with restoring approval and reinstating the credibility of the United States as the cornerstone of the international system. However, Obama also had to deal with a rapidly deteriorating political situation, especially after the 2010 mid-term elections where the Republican Party secured control of both Houses with a clear majority. Another point that has to be taken in consideration is that Obama appeared inclined to a relatively cautious policy, due to his personal nature as well as his awareness of representing a breakthrough moment in American history as the first black President of the United States.

Overall, the widespread perception during the first months of the new administration was that, after the tensions that had built up in the post-9/11 period, the new President would have adopted a policy firmly embedded within a multilateral context. In the following years, however, this positive image would be undermined multiple times, especially starting from the unexpected challenge of the "Arab springs", between late-2010 and the first months of 2011. Faced with the radical upheavals that shook the region, in fact, the Obama administration was initially undecided between supporting the drive for democratisation and showing loyalty to old allies, although, in the end, the support for change prevailed. However, even as the situation was becoming increasingly complicated, the President remained cautious. First in Libya, where he appeared reluctant to support the more aggressive line taken by the French and British governments, Obama eventually approved a NATO intervention that for the first time saw the United States take the backseat compared to its allies, summarised in the expression "leading from behind". Similarly, later in Syria, where faced with a revolt deteriorating into a dramatic civil war, Obama

refused to intervene directly, even when the warring parties violated the same limits he had previously delineated as "red lines". When in 2013 the Assad regime resorted to the use of gases against rebel forces, pressure on the administration grew very strong, but the President nevertheless avoided opening a new Middle Eastern front, after having laboriously closed the Iraqi one and while he was still looking to find a definitive solution for the Afghan one. The feeling that ensued, however, was that of a leader reluctant to bear the costs of maintenance of the international order, who was therefore slowly shifting the United States towards a perhaps inevitable downturn after the imperial overstretch of the previous years, affecting the country's credibility to act as a central pillar of the international system. This feeling was later reinforced by the events of 2014 in the former Soviet space, when Russian President Vladimir Putin chose to respond to the pro-Western turn in Ukraine first with the annexation of Crimea, and then with the opening of a new crisis area in the Donbass region, in Eastern Ukraine, triggering yet another low-intensity conflict around its borders. In these cases, too, the American reaction, though clear, still seemed to show a glimpse of an underlying hesitation in taking on more decisive positions.

Parallel to this series of behaviours that could arguably be perceived as hesitant, in the last two years of term the Obama administration could boast a few conspicuous – albeit controversial – diplomatic successes, namely the reestablishment of diplomatic relations with Cuba and the completion of the agreement that suspended the Iranian nuclear programme, the Joint Comprehensive Plan of Action. The overall picture was that of a President much more reluctant than his predecessors to resort to the use of force, and who would rather look for a negotiated solution to current problems whenever possible. To many critics, however, this tendency was not merely a remodulation of the country's previous political strategy, but was tantamount to accepting the downsize of the role of the United States and to recognising the reality of a post-American world.

A world where Washington had to adapt to a gradual loss of hegemony and to coexist with other emerging world powers.

This propensity to limit the involvement of the United States in the management of new international crises has apparently continued, at least until today, with the Donald Trump administration. Highlighting any possible continuity, however, should not lead to underestimating the considerable innovations that have so far characterised the new Republican administration. Although it is still early to elaborate a general judgment on the 45th President of the United States, the Trump administration seems to stand out for its contempt for multilateralism and international institutions in general, even more ostentatious and virulent than that of the Bush Jr. administration, which could at least be partly justified by the shock of September 11. Some of the early analyses on the new administration initially tended to minimise these innovations, underlining the attempt of some of the persons closer to the traditional establishment (often referred to as "the adults in the room"), to limit the excesses and oddities of the new President. This interpretation, however, aimed at presenting Trump's foreign policy as yet another variation of a model that remains firmly anchored to the fundamental parameters set in previous decades, seems less and less convincing, especially after the resignation of Secretary of Defence James Mattis. On the contrary, a very different and always more recognised interpretation highlights how a radical break with the past is underway and how the central element of the new administration's foreign policy is a marked change of attitude towards the international system. According to this interpretation, if Trump's United States does have a strategy, it is no longer that of preserving the status quo, since the country does not perceive itself anymore in a position of clear advantage over the other world powers. On the contrary, the US has become a revisionist power, intent on undermining the rules of an international system that no longer appears to be matching its national interests, and with the ultimate aim of reversing its relative decline and recovering a primacy which it would

otherwise lose. If, as appears increasingly likely, this interpretation was to be proven right, we would face the most dramatic rethinking of the United States' foreign policy since the Second World War.

Russia and the Post-Western World

Aldo Ferrari

Russia's position within the post-Western world is emerging more and more clearly and appears extremely peculiar, especially from a historical-cultural point of view. This country, in fact, was the first ever to embark in a process of Europeanisation, particularly in the wake of the reforms of Peter the Great. Since then, the integration of Russia in the West has been a tormented and substantially unfinished journey. The Russian intellectual elite has produced passionate critiques of the Western claim to embody the final outcome of world civilisation, whereas following the 1917 revolution, the USSR constituted an alternative ideological and geopolitical model. After the early post-Soviet years, when it seemed possible and desirable for Russia to get significantly closer to the West, the country has increasingly come into conflict with it and seems to feel more at ease in the recent dynamics of the international scenario that reduce Western hegemony.

From the Common European Home to the break with the West

The prospective according to which Russia could join the Common European Home, promoted by Gorbachev in the last years of the USSR and later taken up by Yeltsin, has gradually declined following a series of political developments. These vary from the disagreements on the former Yugoslavia to the Russian

refusal of the Eastern expansion of the EU and, even more, of NATO, to Moscow's opposition to the Western intervention in Iraq and to the colour revolutions in Georgia and Ukraine, but also to the increasing Western criticism toward the authoritarian developments occurring under Putin. In the famous 2007 Munich speech, Putin strongly expressed Russia's opposition to the unilateral US-led model:

> I consider that the unipolar model is not only unacceptable but also impossible in today's world. And this is not only because if there was individual leadership in today's – and precisely in today's – world, then the military, political and economic resources would not suffice. What is even more important is that the model itself is flawed because at its basis there is and can be no moral foundations for modern civilisation[1].

Since then, the conflict between Moscow and the West has experienced a rapid escalation. One of its fundamental moments was the 2008 Russo-Georgian war. This conflict indeed marked a first deep crisis, temporarily overcome thanks to the mediation of the EU and the "Russian reset" policy adopted by the newly elected Obama administration. Soon, however, the contrasting geopolitical visions of Russia and the West began to resurface. In particular, the eastward thrust of the West, represented both by NATO's expansion and by the Eastern Partnership, was hampered by the project of a Eurasian Economic Union announced by Putin in 2011. The competition between these expansionary projects had its epicentre in Ukraine, the most relevant post-Soviet country after Russia. The Ukrainian crisis of late 2013/early 2014, which culminated in the Russian annexation of Crimea and the Donbass conflict, with the expulsion of Moscow from the G8 and the imposition of Western sanctions, has created a rift that appears impossible to head[2].

[1] Speech and following discussion at the Munich Conference on Security Policy http://en.kremlin.ru/events/president/transcripts/24034

[2] See M. Kofman, *La Russia e l'Occidente: la tragedia politica del dopo-guerra fredda*, in G. Aragona (ed.), *La Russia post-sovietica. Dalla caduta del comunismo a Putin: storia della*

Russia's intervention in Syria in 2015 strengthened its international position but certainly did not bring it closer to the West. At the same time, as shown by the recent developments in the Sea of Azov, the conflict with Ukraine continues to be a key component of Moscow's position in the global geopolitical scenario.

Far from the West: a strategical and cultural choice

Russia is firmly opposed to the international order that arose at the end of the Cold War, dominated by the United States and based on the spread of Western values. In fact, it is convinced that Western primacy is now in decline and that a new multipolar system is being created, in which Moscow can play an important role.

This is, in fact, a vision that should be understood not only in the context of contemporary politics but also within Russia's historical and cultural specificity, which for centuries has been sizing itself up to the West without ever becoming part of it. In a book published as the USSR was collapsing, Vittorio Strada effectively defined *Russian ideology* as a set of tendencies of varying orientation, characterised by the will to direct Russia on an autonomous path, based on the historical, geographical, and social foundations of the country rather than on the imitation of Western models[3]. If the concept of backwardness is the interpretative key of most Western scholars, as well as of Russian scholars of Western culture, *Russian ideology* instead shifts the focus of Russia's historical identity in a context of specificity. Within the framework of this *ideology*, the development of a vision of universal history as a plurality of autonomous civilisations, which cannot be traced back to a single model, especially not the Western one, is particularly interesting. In Russia, this conception of history began with XIX century thinkers such as Nikolay Danilevsky and Konstantin

grande transizione, Milano, ISPI-Mondadori, 2018, pp. 115-131.

[3] See V. Strada, *La questione russa. Identità e destino*, Venezia, Marsilio, 1991, pp. 40-41.

Leontiev, and then continued through the "classic" Eurasianism of Nikolai Trubetzkoy and its present-day, post-Soviet declination[4]. This plural conception of history was later updated as a multipolar vision of international relations with the so-called "Primakov doctrine", becoming, since the end of the 1990s, a guideline of Moscow's foreign policy[5]. From this point of view, the relationship with Asia's major powers is key, especially that with China and India[6]. Russia's political and economic cooperation with these countries has increased, especially since the birth of the Shanghai Cooperation Organisation (SCO) in 2001. The latter is a political, economic, and security organisation that aims to be an integration model directed essentially to the domestic stability of member states, without any reference to the human rights that characterise Western-type international organisations. SCO, which initially included Russia, China, Kazakhstan, Tajikistan, and Uzbekistan, also admitted Pakistan and India in June 2017, thus considerably increasing its importance[7].

The crisis with the West has pushed Russia to intensify its political and economic relations with these countries, with which it also shares ideological orientations that differ from those of the West. This is not only about the common multipolar vision of international relations, but also about a world view based on national, rather than "universal", values. If in its official discourse Russia has been proposing itself for some years as a conservative country founded on Orthodox Christian

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[4] On this aspect please see my own work, *La foresta e la steppa. Il mito dell'Eurasia nella cultura russa*, Milano, Mimesis, 2011, pp. 86-87, 116-117, 199-201, 270-279.

[5] On Yevgeny Primakov (1929-2015), a central character of the political scene in contemporary Russia, see especially the collective volume *The unknown Primakov. Memoirs*, Moscow, Publishing House TPP RF, 2016.

[6] Some interesting remarks on this theme can be found in the chapter "L'Oriente è vicino" in F. Bettanin, *Putin e il mondo che verrà. Storia e politica della Russia nel nuovo contesto internazionale*, Rome, Viella, 2018, pp. 203-279.

[7] See M. Fredholm, *The Shanghai Cooperation Organization and Eurasian geopolitics: new directions, perspectives, and challenges*, Copenhagen, NIAS Press, 2013.

values[8], China, with the revival of the legacy of Confucianism, and Modi's neo-Hindu India are also reaffirming the primacy of the traditional national culture. In light of this global evolution, one of today's most influential Russian analysts remarks that "The utopia of cosmopolitan liberalism of the late XX century is pushed back in the shadows[9]". Russia, therefore, should definitively abandon its useless pursuit of the Western model, which in any case does not look so attractive anymore, in light of Asia's formidable rise within the international scene.

This process is also supported by Trump's Presidency, which is rapidly demolishing the international order created in previous decades by the United States itself. Trump is in fact replacing liberal universalism with a global policy dominated by the great world powers, something quite similar to the model Russia has supported since the days of Primakov. Moreover, his insistence on the primacy of national interests certainly does not disturb Putin, according to whom this is a completely legitimate attitude, contrary to the usual "ideological" and military interference of the United States on the rest of the world. As recently remarked by Dmitri Trenin, director of the Carnegie Institute in Moscow,

Even Trump's focus on great-power rivalries, including with Russia, is welcome to Putin. One, because it agrees with his own realist view of international relations. Two, because it acknowledges Russia's own great power status. America's transition from the universalist to a more nationalist posture actually began with President Barack Obama's retrenchment policy. It has greatly accelerated under Trump, whose actions are transforming the world in the direction of multipolarity[10].

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[8] See A. Ferrari, *Russia. A Conservative Society?*, in Idem (ed.), *Russia 2018. Predictable Elections, Uncertain Future*, Milan, Ledizioni-ISPI, 2018, pp. 33-53.

[9] F. Lukyanov, *Konservatism dlja épochi nestabil'nosti (Conservatism for the era of instability)*, in *Konservatizm vo vnešnej politike: XXI vek (Conservatism in foreign policy)*, 2017, p. 9.

[10] D. Trenin, "Why Putin Isn't Sweating the Midterms", *Politico*, November 6th 2018.

Under Trump's Presidency, therefore, US foreign policy, previously characterised by a continuous short-circuit between democratic rhetoric and the pursuit of the country's strategic interests, appears compatible with the creation of the new multipolar international order backed by Russia. An order based on "conservative realism" and national sovereignty would thus replace the Western one, bound to the idea of the unstoppable expansion of liberal globalisation, proven wrong by the political course of recent years. And even though this prospect could still be called into question should Trump not be re-elected, its very possibility would have seemed unthinkable only a decade ago.

Leaving aside this certainly not marginal aspect, the new international situation seems to be favourable to Russia, which has partly succeeded in overcoming the consequences of the deep crisis with the West. Russia's traditional, "XIX century" foreign policy turned out to be, in some ways, more effective than the "post-modern" policy of Western countries[11]. Although not recognised internationally, the annexation of Crimea is now an established fact while the Donbass situation should reasonably hinder the entry of Ukraine into NATO[12]. Meanwhile, Russia continues its complicated political, economic, and security game with China, trying to maintain its positions in Central Asia and to harmonise the Eurasian Economic Union with Beijing's much more dynamic Belt and Road Initiative. What is particularly noteworthy is its assertiveness in the Middle East, where Moscow has skilfully filled the space left by the United States, changing the course of the Syrian war and dictating the line for a "regional" solution of the conflict, independent of the West. It is, in all likelihood, a historical turning point.

[11] See A. Ferrari, Russian Foreign Policy between Westphalia and Greater Eurasia, in A. Colombo, P. Magri (eds.), Big Powers Are Back. What about Europe? Global Scenarios and Italy, ISPI Annual Report 2018, Milan, Ledizioni-ISPI, 2018, pp. 49-61

[12] At the same time, however, having turned against Russia a country like Ukraine, despite the two countries' strong cultural and historical ties, must be considered an epic failure in Moscow's foreign policy.

Conclusion

Despite this dynamism, however, Russia's economic situation remains largely inadequate to its ambitions. Moreover, the country's increasing geopolitical detachment from the West is in contrast with the predominantly European nature of Russian society and culture, while the ever closer relationship with China is negatively affected by the economic and demographic gap between the two countries, putting Russia in a complicated situation.

Therefore, Russia will not be able to achieve all of its goals, but the country will continue in the next few years to play a major role in the post-Western international scene, where great powers pursue their national interests independently of both multilateral institutions and the liberal values of the West.

China: The Real Challenge to Western Leadership

Guido Samarani

Speaking on 10 December 2017, at the opening of the Symposium on International Developments and China's Diplomacy, Chinese Foreign Minister Wang Yi used, as often is the case with Chinese political discourse, a quotation drawn from its historical and cultural past. He ended his speech by placing a positive and assertive focus on the future, emphasising how "With the rising tide and favourable wind, it is time to sail the ship and ride the waves"[13]. In his speech, Wang Yi particularly emphasised that 2017 was a special year for relations between Beijing and the world. Humanity – he observed – is today at a crossroads. in the midst of an international

[13] The text of the speech can be found at https://www.fmprc.gov.cn/mfa_eng/. We were not able to verify with certainty from which classical Chinese poem the quote is drawn.

situation characterised by increasing instability and uncertainty. Many countries are now faced with an important choice, namely whether to opt for openness or isolation, cooperation or comparison, for a "win-win or zero-sum game". The Foreign Minister concluded by highlighting that China finds itself in an essential stage of its "march towards national renewal" and that it aims to achieve new and ever higher goals in its diplomatic action "with Chinese characteristics".

One of the first reactions to Wang Yi's speech was that of Tom Plate, a university professor and columnist of various publications on the subject of United States and China/Asia relations. His article in the *South China Morning Post* of 18 December 2017, purposefully titled "China is beating America on foreign policy: just compare Rex Tillerson and Wang Yi", highlighted starkly and yet ironically how the former appears to be uncertain, almost at a loss, having to move on rather unstable ground, while the latter gives off confidence and competence[14].

There is no doubt that the rise of China, reaffirmed with increasing strength and assertiveness by Xi Jinping's leadership, is increasingly intertwined with the weakening of the United States' and more generally the West's hegemonic capabilities, and at the same time with the fact that China is not able, at least in the medium term, to replace (should this be its aim) the United States at the centre of the global order.

The Trump administration: a testing ground for Xi Jinping

Until around halfway through 2018, Xi Jinping was fundamentally able to consolidate his power and pursue his political vision. However, in the second half of the year, dark clouds have amassed on the domestic and international fronts, even if it still seems possible for the leadership to counteract these negative trends. Firstly, in the third quarter of 2018, annualised growth declined to 6.5%, the lowest figure of the last decade: this

[14] See *South China Morning Post*, https://www.scmp.com.

slowdown appears largely due to the (albeit partial) contraction in investments, as well as to the readjustment programme of the country's economic strategy, and has dampened the growth of private consumption and real estate sales. Tension between Washington and Beijing has increasingly grown on this basis, later turning into what has been defined as a full-blown "trade war". It started in July when the US imposed a series of commercial tariffs on numerous Chinese products, later succeeded by similar measures adopted by China. Although at the end of the Buenos Aires G20 in late November/early December, Xi and Trump agreed to a 90-day truce postponing the application of tariffs, the winds of war do not seem to have died down, even though opinions differ on who would possibly pay the highest price in the event of a total collision[15].

In any case, it is undeniable that the continuing tensions between Washington and Beijing have had important repercussions on Chinese political dynamics. Indeed, Beijing had welcomed Trump's ascent to the White House as that of a businessman interested in developing his "family empire" and, therefore, with whom it would be possible to negotiate a general agreement between governments, through which the US President could be offered part of what he wanted. An illusion, however, that did not last long. In May 2018, a US delegation led by the Secretaries of Treasury and Commerce arrived in Beijing, bringing with it the negative traces of previous negotiations. It was clear that the US aimed at forcing China to adopt quick and effective measures intended first of all to reduce the US trade deficit and, more generally, to force China to essentially abandon many of the foundations of its own economic policy[16].

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[15] On the official Chinese position, which defines the Trump administration's behaviour as "bullying", see the Chinese government's "white book" of September 26th, 2018, on "The Facts and China's Position on China-US Trade Friction", on www.scio.gov.cn

[16] On the domestic scenario in which the attempt was developed by China to "negotiate" with Washington while making some concessions, see in

Leaving aside the content of the ample Chinese-American disagreement, what has doubtlessly been causing problems to the Chinese leadership is the confusion over "what" exactly the Trump administration wants: more substantial and wider concessions, or simply to push China into a corner and force it into a comprehensive negotiation starting from a position of weakness? As highlighted, among others, by Barry Naughton[17], China has been traditionally able to respond with retaliation to punitive or negative measures taken by other countries which hurt its national interests. This was visible in various cases over the past few years when these measures have been conceived in the conviction that the Chinese "soft power" should be, when necessary, strengthened with decisive and strong measures, even though this does not put into discussion the fundamental search for "harmonious" international relations. However, according to Naughton, such an approach does not seem to bring forth consistent and positive results in the confrontation with the US President.

Moreover, when meeting in June 2018, a series of important CEOs and general managers of US and European multinational corporations, members of the Global CEO Council[18], Xi Jinping observed that "In the West, you think that if someone strikes your left cheek, you have to turn the other cheek; in our culture, however, we strike back"[19]. Formal statements and official stances aside, it is clear, that many in China – especially

particular Minxin Pei, "Xi Jinping Dilemma: Back Down or Double Down?", *China Leadership Monitor*, no. 58, December 2018, pp. 1-10.

[17] B. Naughton, "Economic Policy under Trade War Conditions: Can China Move Beyond Tit for Tat?", *China Leadership Monitor*, no. 17, August 2018, pp. 1-12.

[18] The Global CEO Council was created in 2013 with the aim of periodically explaining the Chinese position on key questions, in particular through regular meetings of member CEOs with high-level Chinese experts of economic and financial matters and with premier Li Keqiang himself.

[19] Xi's quotation and the general context of the meeting are discussed in Lingling Wei, Yoko Kubota, "China's Xi Tells CEOs He'll Strike Back at U.S.", *Wall Street Journal*, 25 June 2018.

in sectors tied to the armed forces – are increasingly wondering whether Beijing should not be more determined in opposing and contrasting the American strategy and propaganda. On the other hand, there are others who highlight how China and the US have complementary interests and cannot abdicate from their role as great powers, and consequently throw the world into a new Cold War. At the same time, they observe that a serious deterioration of bilateral relations could only yield a revision of the Chinese approach to international relations based on the key concepts of "peace and development", as well as a general worsening – with negative repercussions on domestic development and transformation processes – of both the regional and global reality in terms of economy and security.

In fact, the general picture that emerges is that of a situation marked by growing tensions and uncertainties concerning the relations between the two countries, and by a seesaw of backward steps and moderate steps forward, without the emergence, as of today, of a clear and definite trend. Growing concerns have also been raised as to the impact which a full-blown trade war between China and the United States could have on the world economy and on the position and role of Europe. Accordingly, opinions differ between those who regard Europe as the great loser, and those who see new opportunities for the European continent, at a time when – as it appears – Washington seems to place Beijing at the centre of its offensive strategy, thus softening the disagreement with Brussels and, concurrently, Beijing tries to react also through new proposals towards EU countries, aimed at a more positive role in bilateral relations but also within the World Trade Organisation.

In this context, therefore, it comes as no surprise that Beijing once again resorted to "old friend" Henry Kissinger to try and better understand the intentions of the Trump administration and to convey, through the authoritative opinion of the former Secretary of State, its willingness to cooperate and to find an agreement with Washington. The meeting, held in Beijing on 8 November 2018 (therefore only a few weeks before the

Xi-Trump meeting in Buenos Aires), certainly helped lay the foundations for the adoption of the temporary truce in the previously mentioned tariff war. According to the Xinhua agency[20], Xi Jinping pointed out how the world expects from two great countries like the United States and China a common effort in the right direction, subsequently remarking somewhat bitingly that the US must respect China's right to develop on the path the country has chosen for itself, and based on its own interests and values. In turn, Kissinger stated that the two countries must strengthen at any cost their capability to understand each other and manage in a proper and profitable way the existing differences and disagreements.

Only a few days later, during the meeting with the former US Secretary of State, Vice Premier Liu He, as head negotiator on the matter of US trade relations, reiterated the Chinese position that issues can be solved on the basis of mutual respect and understanding, wishing for Kissinger to convey these convictions to the White House. Other opinions, however – like, for example, that of Yuan Zheng, an authoritative expert on China-US relations at the Chinese Academy of Social Sciences – raised doubts on the actual strategic importance of such meetings, and brought into question Kissinger's actual influencing power over Trump[21].

Conclusions. Ending the year with a bang: the arrest of Meng Wanzhou

In the previous pages we have tried to highlight, though briefly, how the confrontation/conflict between China and the United States is today a crucial issue not only for bilateral relations between these two countries but also for global stability and future prospects. Those of a world that is certainly rich in voices and impulses, often discordant and antagonistic, but whose destiny is in many aspects dependant on the development, whether

[20] http://www.xinhuanet.com, 8 November 2018.

[21] *South China Morning Post,* 11 November 2018 (https://www.scmp.com).

positive or negative, of the relations between Washington and Beijing. Thus, on the one hand it is true that the US and the West are going through what has been called "a destructive crisis of legitimacy", a crisis with the US at its centre, which – as it has been observed – "will [likely] retain their role at the apex of the international system, but it is not clear to what extent [it] will be able to lead". At the same time, it appears just as true that "China seems poised to emerge as the most likely peer competitor to the US, but its economic and institutional fragility limit its latitude to act in the international context"[22].

It is within this uncertain and worrying scenario that, at the end of 2018, Meng Wanzhou, Huawei's CFO and daughter of its founder, was arrested in Canada at the request of the US. Whatever the facts and possible developments of the case, it is interesting to note how the news has immediately triggered strong reactions, not only among official channels but also on social networks. This proves the existence of a popular perception, also amongst young people, of such themes and events as the signs of a will, especially on behalf of the US, to halt China's rise by any means possible.

As some newspapers commented, after the tariff war, we might be moving towards a new frontier in the confrontation and conflict between Washington and Beijing, a war whose battlefield is that of new technologies.

[22] A. Colombo, "A Crisis in Legitimacy: The US and World Order", in A. Colombo, P. Magri (eds.), *The Age of Uncertainty. Global Scenarios and Italy*, ISPI Annual Report 2017, Milan, Epoké-ISPI, 2017, pp. 25-36.

7. Chaos in the Middle East

Armando Sanguini

The Middle East continues to be a region of conflict and disorder, perhaps at the highest level in the world. And while during 2018 some encouraging signals emerged, notably towards the end of the year, none of them has taken the necessary force to lead to a constructing turning point.

The general scenario is therefore still marked by a thicket of diverging/conflicting interests and ambitions of local, regional, and international powers. The result of all this continues to give shape to a many-coloured mosaic to be analysed individually and in their interactions, avoiding misleading generalisations.

The Antagonism Between Iran and Saudi Arabia

Among the factors that primarily affect the dynamics of disorder in the area, the most invasive is the antagonism between Iran and Saudi Arabia for the assertion of a leadership that:

- is evident in a regional context where Saudi Arabia waves, not without reason, the "vital threat" banner employed by Iran in terms of a political-military and cultural expansion. This can be seen as a full-blown encirclement: in the north, through the route that leads from Tehran to the Mediterranean through Iraq, Syria, and Lebanon; in the east, through a type of pincer formed by the Strait of Hormuz (Persian Gulf) on the one side – which Tehran has already threatened to close – and by that of Bab-el-Mandeb (Gulf of Aden-Red Sea), potentially under the control of the Yemeni Houthis, Iran's allies; finally, within the Gulf monarchies, first

and foremost in Saudi Arabia and Bahrain, through the mobilisation of the respective Shia minorities. The resulting proxy wars – in the wake of the massacres that Yemen has brought to the fore – reflect the depth of this antagonism;

- is projected at the global level. The Saudi royal house's claim to a sort of religious primacy over the entire Muslim community (where the Sunnis represent the vast majority) because of its (self-assigned) role as Custodian of the holy sites of Mecca and Medina, is countered by Iran's active commitment to undermine this primacy, by exploiting the Shia one both to the East and the West.

Needless to say, such antagonism has grown considerably in 2018 in the converging US and Israeli policies aimed at the containment/contrast of the Iranian influence, particularly with the reactivation of the sanctions against Tehran laid down by the Trump administration following the withdrawal from the Joint Comprehensive Plan of Action (JCPOA) on the Iranian nuclear development and Tel Aviv's military actions on Syrian soil and at the border with Lebanon. On this background, it is difficult to say which of the three main powers at stake – Saudi Arabia, Iran, and Turkey – has recorded, during 2018, improvements in terms of influence in the area. Saudi Arabia has certainly succeeded, along with the United Arab Emirates and Egypt, both allies in isolating Qatar (eccentric member of the increasingly toothless Gulf Cooperation Council), in rallying a large part of the Arab world compared to the other two regional powers, Iran and Turkey. But whilst it can be assumed that Saudi Arabia has found some new room for manoeuvre in Iraq – mainly economic, and yet to be tested –, it has certainly not succeeded in seriously reducing Teheran's influence over the country. Riyadh has followed in the footsteps of the United States, just like it did in Syria where, thanks to its shared interest with Moscow in energy matters, it aims to capitalise on its

support to the forces opposing Bashar al Assad in future negotiations. As previously mentioned, in Yemen, Saudi Arabia is facing its greatest challenge with a military and, paradoxically, humanitarian commitment, much more extensive than Iran's. Despite the strong media censure for its massacres of civilians and the modest achievements on the military side, its coalition does not intend to give in, also thanks to the confirmed support of the Trump administration. The peace negotiation launched at the end of the year in Stockholm opens up a new perspective, even if it pays the dues of the understandable initial intransigence of the parties to the conflict.

The most meaningful fact of 2018 was the horrendous murder of the Saudi journalist Jamal Khashoggi, which caused Saudi Arabia to stumble. This occurred just as its young Crown Prince Mohammed bin Salman, known as MbS, was gaining attention in the international community for his top-down modernisation policies and his ambitious "Vision 2030", centred on the country's emancipation from oil. As Turkish Prime Minister Erdoğan made the scandal even harder to manage by gradually releasing information to the media, aided by the painfully contradictory reconstructions of events from Riyadh, the death of Khashoggi dealt a severe blow to the image of MbS and the entire royal family. It will take time and effort to restore it, not least because it had already been stained by the repressive measures undertaken to advance the modernisation process. For this reason, MbS considered it advisable to tour the country with his father-king and, similarly, to visit alone Egypt, Tunisia, Algeria, and Mauritania. However, the cynical law of realpolitik has favoured him, as already shown by the G20 summit in Buenos Aires, with the friendly "high five" with Putin, the warm handshake with Xi Jinping, the conniving proximity of Macron, and so on.

The year 2018 was a difficult one for Iran, both domestically and at a regional and international level. Shaken by a series of protests against the government for the lack of or insufficient positive effects resulting from the already mentioned JCPOA,

Teheran had to deal with the policy of "containment" decreed by President Trump against its "destabilising" action in the region. Hinged on the re-introduction in 2018 of the sanctions lifted by Obama with the JCPOA, this new policy has invested key areas of trade and finance and especially energy, also by threating retaliations against countries that intend to continue doing business with Iran. Needless to say, this was lauded by the US main regional allies, Israel and Saudi Arabia, and rejected as a form of "blackmail" by countries such as China, Russia, Iraq, and others. But the point is that the sanctions are aimed, more than at countries, at companies that have or intend to have business relations with the US and this has led many medium and large companies – especially Western ones – to withdraw from Iran's market. And there is reason to believe that the efforts made by the European Union, which is firmly committed to keeping the JCPOA alive and protecting its companies (such as the "Special Purpose Vehicle"), will produce rather modest results. A hard blow for Iran that will manifest itself in all its scope when the six-month moratorium granted to eight countries (Italy, China, India, South Korea, Turkey, Greece, Japan, and Taiwan) expires; officially because they are already committed to reducing oil imports, in reality to reach a settlement that is still a long way from being finalised. A hard blow, of course, to which Tehran responded with flattery and veiled threats to the European Union and its other major partners, extolling the resilience of the Iranian people and continuing in any case in its regional policy of conditioning Lebanese politics through Hezbollah, of defending the role conquered in Syria with the widespread support to the Damascus regime, and of safeguarding the delicate balance achieved with Moscow and Ankara despite their respective strategic aims; of influencing the governmental life of Iraq, as witnessed lastly by the difficulties encountered by Prime Minister Mahdi in the formation of the government; of unaltered support for the Houthi rebels and for the negotiations launched under the aegis of the UN in Sweden between the warring parties.

The Other Great Regional Powers

Erdoğan's Turkey, for its part, continues to show audacity in pursuing its strategic goals in the region. Siding against Bashar al Assad at the beginning of the Syrian Arab Spring so much so that it facilitated the entry into Syria of jihadist militias, including al-Qaeda and Isis, Turkey now presents itself as an ally of Moscow and Tehran, Damascus' supporters, expecting to play a role in the stabilisation of the country. Emblematic in this regard is the case of the agreement reached with Putin for the peaceful political-military "arrangement" of the Idlib province. Ankara has assured that it can achieve it, but this does not seem to be true, not only because of the persistent refusal of the most radical rebels to evacuate, leaving behind heavy weapons, but above all because the prospect seems to be emerging that the strongest group, Hayat Tahrir al-Sham (HTS), intends to overwhelm the others, and, in so doing, paving the way for Damascus' military intervention, which is decidedly frightening as it could lead to a new massacre of innocent people. But if on the one hand Erdoğan tries to save his role in Idlib, he does not appear intent on reducing his absolute priority objective: to crush what he himself considers to be the threat of "Kurdish terrorism", embodied by the YPG (People's Protection Unit), whose affiliation to the PKK (Kurdistan Workers' Party) along the Northern border of Syria he continues to denounce.

The confrontation with the United States, which does not seem to be willing to abandon its best allies against Isis, has taken on a nerve-wracking tone during 2018. Tentative agreements gave way to clear misunderstanding in a back-and-forth that Erdoğan is exasperating but with no real intention to lead to an armed conflict that, moreover, even the US does not want. Meanwhile, another goal for Erdoğan is to be recognised as playing a leading role in the region, and elsewhere. To achieve it, Erdoğan is both waving the flag of the Muslim Brotherhood's political islam, despised by the main Arab powers – especially Saudi Arabia and Egypt – and exploiting every

opportunity available to him to diminish the latters' role. A perfect example of this is the previously mentioned Khashoggi case.

At the regional level, we cannot overlook the persistent and frustrating decline of the decades-long peace process, which has not reached any significant turning point, not even in 2018. Indeed, the inauguration of the US Embassy in Jerusalem was a highly significant symbol also because it was accompanied by Trump's announcement of the US commitment "to facilitate a lasting peace agreement that fulfils our greatest hope for peace". In fact, the situation has worsened also due to the complicity of Hamas, creator and victim of its own ideological maze. However, 2018 has also shown that this dynamic has not been an obstacle to a rapprochement between Tel Aviv and a significant part of its Arab neighbours. And this is not only in the field of security and defence, because of the rank of "common enemy" assumed by Teheran with his partner Hezbollah, but also in the economic, technological, and communications fields: the announcement that Air India will reach Tel Aviv through Saudi air space, the visit of Premier Netanyahu to Oman in August 2018, the invitation of the Israeli Minister of Economy to the "Startup Nations Conference," (Bahrain April 2019) are just some of the public signs of this new course. A course that certainly feeds on an underlying agreement still shrouded in secrecy.

Also worth mentioning is the small and very rich Qatar that is not only resisting quite well the embargo decreed against it in 2017 by the Saudi-Emirate-Bahraini-Egyptian monarchies, but that announced at the end of the year its divorce from OPEC, of which Saudi Arabia is the most influential member, starting from 2019. An open challenge designed to further loosen the already unsteady cohesion of the Gulf Cooperation Council; but also an act clearly aimed at taking on an even more prominent role at global level in the field of natural gas and LNG. A gesture that confirms the absolute eccentricity of this monarchy capable of having good relations with an incredible mosaic

of regional and international actors, from Iran to Turkey, from Hamas to the almost disappeared Libyan Fighting Group, close to al-Qaeda, from the United States, of which it hosts an important military base, to the many members of the international community appreciating the Qatari investments and waiting for the 2022 World Cup.

The Role of Extra-Regional Powers

As for the international players acting in the Middle East, Russia is at the forefront. In 2018, Putin showed his ability to exploit the weaknesses of others, first and foremost those of the US, and, also considering the increasingly less important role played by the European Union, to continue to pose and propose himself as:

- the one who militarily ended the Syrian crisis acting, at the same time, as an arbiter of its "political solution" by weaving a robust tactical concertation with Tehran and Ankara and their respective allies, first and foremost Hezbollah, while maintaining constructive relations with Israel and Saudi Arabia, bearing in mind the strategic nature of his relationship with the United States and without questioning the primacy of the United Nations negotiations in Geneva;
- a mediating power in view of a stabilisation process in Libya, now brought back under the aegis of the UN, without loosening the bond that binds it to the internationally recognised Tobruk Parliament and to its controversial general Haftar and its other supporters, such as Egypt and, in fact, France;
- champion of the fight against Islamic terrorism – which, among other things, represents a real and proper threat within Russia – to which he actually gave (and not only in Syria) a rather ample and instrumental reading, but is today put into question, to day, by the dialogue with Turkey over the Syrian province of Idlib.

All in all, Putin deems himself as an inescapable player in the great Middle East game, as well as on a global scale.

Having said that, it cannot be denied that during the course and then at the end of the year, in Syria, when his indisputable ability was most tested, Putin had to go through many hardships and setbacks, such as the disappointing meeting at the end of November of the Moscow-Teheran-Ankara trio, in which the diversity of their tactical and strategic agendas prevailed.

As far as the United States is concerned, Trump confirmed the strategy he followed when withdrawing from the JCPOA (nuclear deal). A strategy with the opposite goal than Obama's, i.e. that of twisting Iran's arm by both weakening it and containing its regional ambitions, along with its primary regional allies, Israel and Saudi Arabia. The declared aim is that of imposing a revision/integration of the JCPOA itself and perhaps the unspoken aim is that of a "regime change" which, moreover, heralds a fearsome strengthening of the political-military sectors of the most conservative country. Trump also reaffirmed his determination to continue with the political-military action aimed at wiping out the forces of terrorism directly linked to Isis, that is, al-Qaeda and/or other offspring of the jihadist galaxy which, in the course of 2018, found good breeding ground from Syria to Iraq, from Yemen to the Sahel region.

To all this, we can add two other subsidiary goals that have emerged clearly during 2018:

- to safeguard the control exercised with the Kurdish-Arab forces of the SDF (Syrian Democratic Forces) on the territory east of the Euphrates to use them strategically at the negotiating table on the future of Syria under the aegis of the UN;
- to obtain from Baghdad's government an adequate compensation for the political and military commitment of the US and its allies, Western and Arab, to defeat Isis.

Particularly interesting is the American decision to team up with the UK to urge an end to the war underway in Yemen.

An act in line with the principles of American political ethics, urged by the international public opinion disturbed by the Yemeni humanitarian disaster and the Khashoggi murder.

Ongoing Crises

Libya

The outcome of the July 2017 Paris meeting and that of the May 2018 international meeting, which also took place in Paris, were evidence of Macron's ambitions on Libya, but also of his insistence on holding elections on 10 December 2018. At the same time, it was also evidence of his frustration at the postponement – agreed with the UN Security Council – of the electoral deadline that he stubbornly supported. This postponement was due to the chaotic situation going on in Libya where a multitude of militias were confronted with agendas that were partly autonomous and partly related to the rough contrast between the two great antagonists, Fayez al-Sarraj (Tripoli) and Khalifa Haftar (Tobruk), one which intertwined with the conflicting ambitions of external powers (from France-Russia-Egypt, to Turkey-Qatar, and others).

While being source of a number of critics, the Palermo Conference, held in November 2018 by the Italian government, had at least the merit of

- repositioning Rome with respect to Paris;
- affirming the principle of "Libya to the Libyans";
- redirecting the stabilisation process back to the roadmap drawn up by Ghassan Salamé, the UN special representative. Salamé revised the roadmap through a long process of local consultations aimed at finding a common ground for the political-economic-institutional claims of the many local actors, starting with the two mentioned above. This roadmap includes a crucial Libyan national conference to be held at the beginning

> of 2019, the establishment of commissions in the field of energy and infrastructure, a referendum on the new Constitution, and both legislative and presidential elections. Against this backdrop, General Haftar's visit to Rome, after having met the American ambassador in Tunis, is proof of the role recognised to our country in the Libyan stabilisation process. It bodes well for our key interests – energy, security, migratory flows – which are inextricably linked to its success.

Yemen

As for Yemen, the end of 2018 seems to reserve some tiny shred of hope. Martin Griffiths, the UN special envoy, supported by the UK and the US and, later, by Russia and Iran, and on the back of the appeals made by the humanitarian organisations, succeeded in bringing together for the first time the delegations of the warring parties in Rimbo, Sweden. A meeting he had failed to achieve once before in September, and that his predecessor also did not manage to accomplish. The main purpose of this meeting was to build a common ground on which to bring about an "open" negotiation, i.e. one without a deadline. A common ground on which to discuss, for example, an agreement on the exchange of prisoners (2,000 government prisoners against 1,500 Houthis), as well as on the transfer to Oman of 50 wounded Houthi rebels. The roadmap envisions to add more and more complex matters, such as the payment of salaries of public employees in the areas controlled by the Houthis, a stop to the launch of rockets by the rebels and of bombs by the loyalists, the opening of the Sana'a airport, currently held by the Houthis, etc. But the most difficult obstacle concerns Hodeidah, the port of entry for most supplies (humanitarian aid and weapons), for which a promising but still shaky ceasefire has been agreed. We will see what happens in 2019.

Syria

Syria approached the end of 2018 on a risky stalemate. First of all, the uncertainties that weigh on the future of Idlib, last stronghold of the jihadist and al-Qaeda opposition, continues to challenge the de-escalation arrangement between Turkey and Russia in the face of the impatience of the Damascus regime. Furthermore, the tug-of-war between the US and Turkey over the Kurds deployed along the Turkish-Syrian border continues to be safeguarded by the former and opposed by the latter. At the same time, Israel, along with the US (but not Russia) is still trying to contain the Iranian (Syria) and Hezbollah (Lebanon) "threat", whilst the balance of power between Russia, Iran, and Turkey, partners in Astana, is now in peril, also due to the concessions that the US aims to get from its military control of the area east of the Euphrates at the negotiating table in Geneva, if and when it will be summoned after Staffan de Mistura's resignation. Finally, Isis continues to be a threat, both in the area under the control of the US-SDF (Kurds and Arabs) and along the Southern border, but also in regime-controlled areas. It is now Geird Pedersen's turn, as the new UN envoy for Syria, to bear the brunt of the surprise announcement of the withdrawal of US troops, a declaration greeted with scepticism by Putin, despite the fact that it has been followed by the resignation of the Secretary of Defense James Mattis and that its arrangement is yet to be seen.

Iraq

With the appointment of the Kurdish leader Salih as President of the Republic and of Prime Minister Abdul Mahdi – considered a compromise candidate between the outgoing Abadi (United States) and his predecessor Al Maliki (Iran) – Iraq is trying to turn page for good. But the formation of the government is stalled due to the contrast between the leaders of the two main Shia factions in the country (nationalist Moqtada al-Sadr and pro-Iran Hadi al-Amiri). It is a risky tug-of-war

for the country, already divided domestically in political-economic-sectarian terms, which would need to be able to respond to the strong discontent that lies among the population, not only in the south where violent protests are taking place, and to implement the gigantic reconstruction programme of the areas devastated by the war on Isis – which also continues to manifest itself through terrorist incursions in the capital. In short, a country that needs to be brought back on a visible stabilisation path.

Conclusion

For the Middle East, 2019 starts again under the banner of specific political-economic-sectarian both state and non-state conflicts (Libya, Syria, Iraq, Yemen, Israel-Palestine). These are polluted by a mix of regional and international agendas (from Moscow to Washington, from Tehran to Riyadh, from Ankara to Cairo, etc.), which affect nearby regions and add to a situation of potential instability such as the one in al-Sisi's Egypt, in the energy quadrant of the South-Eastern Mediterranean, in the social suffering of Tunisia, and in the political-military fog that looms over Algeria. A scenario the UN appears determined to act upon, where China's policy of "non-interference" but active presence in the context of the Belt and Road Initiative looms, while the European Union is nowhere to be seen.

8. The End of an Economic World

Franco Bruni

Stunted Growth

Ellen Zentner, Morgan Stanley's economist who defeated 50 Klein Award contenders in 2018 for the accuracy of her predictions made over the past four years, announced a significant slowdown in growth in 2019 as she received the award[1]. Her prediction is far from being unique. Nevertheless, in the face of serious tensions on the geopolitical landscape, the official conditions and prospects of the global economy did not seem to have raised serious concerns at first sight.

Growth rates have declined, and the medium-term outlook foresees a further deceleration. The trends of several countries differ from the rest of the global and regional averages, indicating situations of marked difficulty. However, there is no objective data that portend the breakout of crises comparable to the one that broke out ten years ago. Yet, it is precisely on the sustainability of the recovery from that crisis that the analyses dwell on, and that prompts fear. If the 2008 infection is still in circulation, a relapse will combine disastrously with the worrying geopolitical prospects. Yet, for the sake of the economy, it is imperative to stop undermining multilateral cooperation, which – by appearing to be increasingly in decline – leads us to fear "the end of a world".

The Organisation for Economic Cooperation and Development (OECD) has summarised in three slides the key

[1] R. Ferriter, *Ellen Zentner wins Lawrence R. Klein Award for forecasting accuracy*, Arizona State University, 20 September 2018.

messages of its November forecasts[2]: "global growth is slowing"; "clouds are gathering on the horizon"; "enhance cooperation and prepare for more difficult times". Between 2018 and 2020, the US would move from a growth of 2.9% to 2.1%, China from 6.6% to 6.0%, the Eurozone from 1.9% to 1.6%. The slowdowns do not seem serious, even considering that the current growth rates (apart from the one of the United States), may not be sustainable for much longer. The global economy as a whole is expected to continue to grow by more than 3.5% per year. The European Commission's forecasts, which only slightly accentuate the fall in growth forecast for 2020 in the United States and China, are basically consistent with this scenario[3]. The European Central Bank is also correcting (downward) some of its forecasts for 2019. Furthermore, Eurostat data for the third quarter of 2018 also confirms the slowdown[4]. In regards to Italy, in mid-December, the Bank of Italy brought its growth forecast for 2019 below 1%. The International Monetary Fund's autumn forecasts[5] show a slight slowdown in the growth of advanced economies between 2018 (2.4%) and 2019(2.1%), with the more marked slowdowns affecting the US (from 2.9% to 2.5%) and China (from 6.6% to 6.2%). After spring 2018, however, IMF forecasts have worsened, even for the world economy as a whole, whose growth forecast for 2018 has decreased from 3.9% to 3.5%. In particular, the Eurozone went from 2.4% to 2.0% in 2018 with a further slight slowdown expected for 2019; Germany, which in April was expected to grow by 2.5% in 2018, at the same rate as in 2017, in October it saw the forecast considerably revised downward to 1.9% in both 2018 and 2019; in Italy the rate would fall from 1.5% in 2017 to 1.2% in 2018, and 1.0% in 2019.

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[2] OECD, "Global growth is slowing amid rising trade and financial risks", 21 November 2018.

[3] "Autumn 2018 Economic Forecast: sustained but less dynamic growth amid high uncertainty", European Commission, 8 November 2018.

[4] Especially in Italy and Germany. See Eurostat, News Release, Euro Indicators, *GDP and employment both up by 0.2% in the euro area*, 7 December 2018.

[5] IMF, *World Economic Outlook*, October 2018.

Signs of a slowdown are everywhere in sight. Nevertheless, this is not yet a crisis scenario, nor a return to a recession. Should we not fear heavier "clouds"? Perhaps, but if there is a real danger for the economic world, it must be traced back to more complex and hidden symptoms other than GDP growth.

Clouds on the Horizon: Old and New

Geopolitical disorientation is undoubtedly one of the factors that hamper growth, also because it increases uncertainty, which in turn brings down spending, and investment in particular. The inverse correlation between composite statistical indicators of political uncertainty[6], international trade, investment and the trend of the GDP, is emerging as a widespread tool for economic diagnosis. We could put geopolitics in first place among the "new" factors that push economic trends towards pessimism. Other distinguishing factors of the most recent situation in the global economy are the neo-protectionism of Trump, the natural exhaustion of the potential for monetary stimulus, a harder-than-expected slump in Chinese growth, the jamming of the strengthening of the Eurozone due to deepening internal political rifts.

The so-called "Trump tariffs" are perhaps the most perceivable and most feared threat. In addition to being a direct and immediate brake on growth, they are a threat to the future of global economic integration which, compared to twenty years ago, increasingly relies on special interdependencies between producers, integrated into transnational "value chains", where exports from one country have a high content of imports from other countries. It is a productive organisation that has efficiently taken advantage of the new openings resulting from globalisation. It would not stand up to the emergence of protectionism that would sacrifice world production and employment much more than it would have done in the past. This

[6] See, for instance, *ibid.*, Fig. 1.18.

is why tariffs (even when simply threatened, perhaps with the alleged Machiavellian aim of obtaining a freer trade, as Trump sometimes claims) bring down growth. Even the simple act of announcing the will to keep this tool of warlike trade negotiation alive for an extended period of time, without relying on multilateral forums and methods, inserts a disruptive and depressive element into the model of world growth. The depressive effect may manifest itself only gradually; however, if the fear of protectionist wars does not quickly fade, the economic "end of a world" may start to be taken seriously by analysts as a grave possibility, thus accelerating the whole downward spiral. What other "economic world" can we imagine, compared to the one that has been shaped by globalisation in the past decades and the technological progress that has spread with it? There is no lack of sceptics about the current "development model", but there is a lack of precise ideas on possible alternatives. There are also those who claim that the current model is "unsustainable", but there is no evidence that other models are sustainable or, even viable.

The interruption of monetary stimuli is one of the "new" factors threatening growth. But taking this into account enhances the effect of "old" factors, like the persistence of those weaknesses of the global economy that had already produced the great 2008-2009 crisis, when the global economic governance had neglected the shocks of globalisation, technology, and demography, failing to foresee a way to deal with them, without increasing global cooperation , and without developing the potential for a multilateral model. Rather, attempts were made to conceal the imbalances that had resulted from these shocks[7], through a reckless increase in the debts of households, businesses, banks, and governments. Those who were caught up in the evolution of things, instead of transforming and adjusting themselves, survived by getting into debt. The deriving financial fragility that those debts had produced ultimately led

[7] Difficulties faced by businesses, banks, governments, unemployment and tensions in the personal distribution of incomes.

to the crisis. The estimated global ratio of the total debts of households, non-financial companies, and governments to the global GDP, which had remained below 150% in the 1960s and 1970s, rose rapidly to 200% in 2000, and to around 215% when the 2008 crisis hit. The growth in indebtedness, also supported by reckless financial techniques, had weakened the balance sheets, and the first defaults had spread mistrust and illiquidity throughout the global financial system. The sudden credit crunch had then caused a crisis in international trade, production, and employment.

The crisis was healed with strong homoeopathic doses of additional credit. In many cases, however, this did not serve as a cure but merely amounted to treating the symptoms. Hence, over the last ten years, the ratio of global debt to GDP has accelerated, growing by more than 20 points. In gross terms, household debt increased by just over 30%, non-financial corporate debt by over 60%, and public debt by almost 90%[8]. The result is that financial fragility has continued: geopolitical shocks or shocks caused by wrong economic policies, the real economy or finance, could spark crises of a size comparable to that of 2008.

The current fragility has different shapes and locations, and is perhaps less dangerous, than that of 2008, also thanks to the policies adopted after the great crisis. Financial regulation and supervision have been improved, and there is more international coordination; banks are better capitalised; the opaque and illiquid securities that triggered the Lehman crisis are less widespread; new ways of managing banking crises have been tested and institutionalised; fragilities are more concentrated in some countries, especially emerging ones and, in particular, in China. This should make it possible to more effectively contain outbreaks of financial crises that should arise in parts of the global system.

[8] Using data from the McKinsey Global Institute, similar estimates can be found in the Goldman Sachs Global Investment Research, *IMF Global Economic Outlook*, 2018, and the Bank for International Settlements' Annual Report, June 2018.

However, the fact remains that many businesses, households, and governments are over-indebted and there is no shortage of banks in which capital is insufficient to cover possible asset losses. Government insolvency risks are officially kept quiet or underestimated, while the markets are pricing them with interest rates on sovereign debt, which are highly volatile and give rise to dangerous speculation. While government defaults are still almost completely unregulated, those of companies and banks are regulated in different ways in different countries and regions around the world, and the rules favour creditors too much by discouraging prudence in the use of their funds. The idea of providing "normal and orderly" ways of promptly restructuring obviously uncollectible debts encounters legal and political difficulties, both in the private sector and for public debts[9]. Several bankruptcy procedures are inefficient, slow and exacerbate the consequences of defaults. In many countries the trend to unload private losses on the public sector persists, thus increasing debts that taxpayers will have to cover: this is one of the causes of the continuous growth of public debt in a period of technological transformation and globalisation of competition, which brings to light the inefficiencies and obsolescence of companies that, instead of being radically restructured or closed down, are kept alive with risky credits or transfers that increase the debt of the public sector. This generates what the Bank for International Settlements classifies as "zombie" enterprises, the number of which seems worrying even if limited to the most known cases[10].

There is a widespread temptation to count on being able to reduce the incidence of excessive debt with unlikely projected growth in the debtor's business, especially when the debtor is a whole country and it is a question of hoping for an increase

[9] In a sharp and funny article in the *Financial Times* on 15 December 2018, Gillian Tett introduces a hint of anthropology in the modern aversion to debt restructuring, recalling how debt cycles were managed by the ancient Babylonians: "Is it time to reconsider debt forgiveness?", p. 6.

[10] R. Banerjee, B. Hofmann, "The rise of zombie firms: causes and consequences", *Quarterly Review*, BIS, September 2018.

in GDP or, worse, inflation. There is also widespread blackmail policy carried out by politically influential debtors on monetary stabilisation policies, that result in an excessive persistence of interest rates that are too low, which in turn provides an incentive not to correct or increase debt. Many label "expansive monetary stimuli" what is in fact often artificial support for houses of cards that bind debtors and creditors and that would collapse with more normal liquidity conditions and rates.

These stimuli also inflate the prices of securities through speculative bubbles, whose sudden burst would cost savers considerably and would undermine the solvency of intermediaries and the stability of the system. Considerable speculative bubbles also form in the real estate sector, from which the crisis of 2008 started, although the most recent data shows that, from this point of view, the global situation is very diversified and does not seem to raise concerns in many countries.

The problem with the global economy is therefore not merely the slowdown in foreseeable growth, implying a reversal of the favourable cycle in which hopes had rested in since last year. The problem is the structural fragility that has outlived the recovery from the great crisis.

In case of a new financial crisis, the world would have fewer countermeasures than before, despite the experience gained. This is for at least three reasons. First of all, the level of interest rates, central bank liquidity, and public debt is still such that it leaves no room for emergency monetary and fiscal policy measures to counter the crisis. Only the US – and only in terms of interest rates – has been able to use the previous crisis to build up the necessary room for manoeuvre in case of a possible sudden fall in demand. But take the US again, and think of the extraordinary size of the programs of immediate federal expenditures arranged by the Bush and Obama administrations to help banks and industries affected by the crisis: with the level and prospects of the current US public debt, such interventions would be difficult for the markets to accept without upheavals in rates, exchange rates, and stock market prices.

Secondly, several advanced economies (including the Italian one) and emerging economies are in worse cyclical and structural conditions than in 2008, as they have not yet returned to the GDP level of that year. Thirdly, the climate of international relations has deteriorated, and the reaction to a global crisis would hardly have the strength and determination of what characterised the G20 in 2009.

What Now?

There are no ways to improve these prospects without a return to a climate of greater global cooperation and a re-legitimisation of multilateralism that is now in serious political and institutional crisis. It is also essential – and unlikely in the short term – that the EU be strengthened so that it can once again become a leading player/laboratory for the reorganisation of world economic and political relations.

Instead of running away from the most substantial economic problems with trade wars and political rifts, we should move together as much as possible to reconcile growth and social progress in a sustainable way. There are two fronts to work on: the first one is labour, the second is capital.

First: a "new welfare" that better addresses the inefficiencies, dissatisfactions, inadequacies, economic and psychological failures, caused by the great changes of the recent decades, that insists on education and vocational training, that helps the adaptation to economic and technological evolution and avoids having to alleviate the trauma and postpone the costs by hiding the rigidities and ineptitudes with private and public debt. A welfare system that provides more dynamic and flexible protection for a changing society and invests in human capital, in order to enable people to face change productively and to encourage further change. A welfare that, even with the redistributive content that cannot be lacking, is more enabling rather than made up of mere transfers and subsidies. A very expensive welfare, to be financed partly by abandoning static forms of

social protections that are no longer appropriate. Traditional welfare has allowed capitalist development in conditions of civil progress; today, however, it requires a rather radical change (sometimes defined as "flexsecurity") that needs to be drafted and then implemented gradually, continuously, and with international collaboration. Adequate and concerted management of migration is part of this new welfare and can turn it from a problem into an opportunity.

Second, a reform of private and public finance along with its regulation, that would genuinely promote balanced and sustainable development rather than cosmetic measures to conceal imbalances and inefficiencies. Regulation, supervision, budgetary discipline, reform of bankruptcy procedures and the taxation of debt and capital, macro-prudential controls, stable monetary policies, cautious and less ambitious in controlling the real economic cycle: everything must favour, (from the point of view of international coordination), the efficient allocation of financial capital, removing it from where it is less productive and conveying it where it promises a more efficient relationship between risk and return. The capital market and the intermediaries who work there must do their job of better allocating resources in a constantly changing world. The accelerated change in the economy and technology requires flexible allocation of investment, with a particular focus on intangible capital and the opportunities offered by the apex of information technology. This must also be combined with a commitment to industrial policies that stimulate and assist reallocations where necessary.

To avoid the very costly end of an economic world full of opportunities that has, however, long walked recklessly, we must not renege on it but reform it, identifying its critical points and making it the subject of international cooperation rather than a pretext for division and dangerous games of ephemeral zero-sum politics.

The G20

During 2018, the G20 was chaired and hosted by Argentina. Unfortunately, despite the fact that during the year the problems of international coexistence were clearly growing, the G20 did not adequately relaunch multilateral cooperation. From the outset, the agenda was centred on four important but secondary topics, compared to the major economic and financial emergencies: the future of work, infrastructure for development, food security, and gender equality. With regard to the climatic emergencies, the confirmation of the withdrawal from the Paris agreement by the United States had to be acknowledged. Regarding international trade, which faces a crisis following the introduction and threat of new tariffs, it has not been possible to declare – as was done in 2009 with a positive impact on expectations – the commitment to not resort to protectionism: it has only been acknowledged that there is "room for improvement" and that a reform of the World Trade Organization (WTO), the substance of which has not yet been outlined or discussed, would be necessary. The bilateral agreement between the US and China to defer new tariffs for a few months was the only "success". The impression was also that the G20 summit was being exploited for often antagonistic bilateral talks – in contrast to the G20's spirit– that were at times disconnected from the agenda of the global summit. It is paradoxical that, in Italy, the G20 primarily made the headlines for the meeting between Prime Minister Conte and Juncker who, while in Buenos Aires, should have assuaged the disagreements on Italy's budgetary law contested by Brussels.

On the crucial and urgent issue of the international financial architecture, there was no realistic proposal on the dangers of new systemic crises, nor any major commitments to prevent them, either in the communiqués of the finance ministers and

central bank governors[11] or in the final leaders' declaration[12]. This is surprising, especially in the first case, given that during the year, there were very serious monetary and currency tensions in Argentina that were caused by international imbalances and spillovers. Regarding financial issues, the links between the conclusions of the G20 and the suggestions provided in the form of policy briefs by the extensive work of the think tanks in the T20 held simultaneously in Argentina, were very weak[13].

The Eminent Persons Group's (EPG) report on global financial governance[14], published in October, was important and valuable for the future. It was prepared throughout the year and could have shaped the summit's conclusions; instead, only a two-line abstract mention was included in the declaration. The report states very clearly that the stability of the globalised economy and finance is at risk and that "the system of international governance and cooperation that underpins it is fraying. Left on its own, there is a real risk of drifting into a fragmented world, with policies in different parts of the world working at odds rather than reinforcing each other, and with all nations ending up losing". It proposes a "new multilateralism" that would connect existing institutions, without creating new ones. It draws up a reorganisation of the work of the G20 based on three-year programmes and a different articulation of the meetings of ministers and their deputies. It proposes new ways of

[11] Communiqué, G20 Finance Ministers & Central Bank Governors Meeting, 21-22 July 2018, Buenos Aires.

[12] G20 Leaders' Declaration, "Building Consensus for a fair and sustainable development", 1 December 2018.

[13] https://t20argentina.org/. Among the policy briefs of the task force on international financial architecture is the contribution of ISPI, which co-chaired it: F. Bruni, J. Siaba Serrate, and A. Villafranca, *Global Monetary Policy Coordination Meetings*, T20 Argentina 2018, a work subsequently expanded and published under the title "The quest for global monetary policy coordination", *Economics: The Open-Access, Open-Assessment E-Journal*, 13 (2019-5), pp. 1-16.

[14] Global Financial Governance, Report of the G20 Eminent Persons Group on Global Financial Governance, "Making the Global Financial System Work for All", October 2018.

assessing and mitigating global financial risks and strongly insists on the initiatives needed to improve development finance, foster real global convergence, prevent speculative crises and address liquidity deficits resulting from imbalances in the balance of payments. The proposals are numbered and displayed both in summary and in detail, in almost 100 dense pages.

It is to be hoped that the 2019 G20 will find a way to focus its work on an agenda along the lines of the one outlined by the EPG which, while only dealing with financial issues, is innovative in proposing the style of governance and aims to enable global challenges on all fronts to be tackled in a climate of stability and with adequate means.

PART II

ITALY

9. Italian Foreign Policy

Ugo Tramballi

As Mario Cuomo, the Democratic Governor of New York, used to say: "You campaign in poetry, you govern in prose". Cuomo went through many elections and knew the difference between what candidates promise and the pragmatism required of elected politicians. Unless they decide to start a revolution.

Day after day, Deputy Prime Ministers Luigi Di Maio and Matteo Salvini, the Five Star Movement and the League, and their constituencies, are discovering through the activity of their government, that the promises they made to voters clash with the realities of the economy, of international alliances, as well as the domestic and international policies that are constantly being balanced between change and continuity.

Last year, there were three parties that could be defined as anti-system and that had a serious and legitimate chance of governing after the vote on 4 March 2018: the Five Star Movement, the League, and Brothers of Italy. All three proposed radical changes, including in matters of foreign policy: rapprochement with Russia, a reduction of commitments towards NATO, and anti-Europeanism. Before the elections, the website of the Five Stars Movement even upheld a Cuban-Venezuelan model as an alternative to the Western one.

Two of those three parties now rule in an alliance that they had categorically rejected during the electoral campaign. What brings them together is a "contract", that has so far been upheld by both parties but that at times becomes difficult to apply, in some cases even defying gravity. In this contract, there is not much room for foreign policy but, for instance, it includes attempts to reconcile the alliance with the United States and

NATO with the need to remove U.S. and NATO-backed economic sanctions against Russia.

Ideational Paralysis

By pragmatic choice, given the role of Italy in the world, and also because of a lack of attention to international events (with Matteo Salvini being the only one who seems to actually pay attention to them), the Five Star-League government has significantly reduced the geopolitical boundaries in which to define the country's national interests. The most important issue is migration, which straddles domestic and foreign policy: it is a game played both in Libya and Brussels, but the ultimate goal is to gain domestic electoral support. This is similar to the government's economic policy, whose epicentre lies half in Brussels with the EU and half in Rome, and is in a constant clash between reality and electoral promises. According to all surveys conducted before and after the March 4th elections, however, migration and the economy represent the two main concerns of Italians constituents.

According to UNHCR, the UN Refugee Agency, there are 68.5 million refugees in the world[1]. Most of them, 40 million, are displaced within their own countries; 25.4 million are refugees, and 3.1 million are asylum seekers. About half of the asylees come from three countries: Syria (6.3 million), Afghanistan (2.6), and South Sudan (2.4). Jordan and Uganda each host one million refugees, but in proportion to the total population, Lebanon holds the record, as 25% of the population is comprised of refugees: such a heavy share is considered by experts to be the "breaking point" for the stability of a country.

Many believe that Italy has been invaded by migrants and that hosting them means to squander national resources: precisely 45,000 euros a year for every Italian, as Matteo Salvini recently said. More or less, this figure would amount to 2.7

[1] UNHCR, Figures at a Glance, https://www.unhcr.org/figures-at-a-glance.html

billion: such a number, however, would be difficult to reach even by including the total cost of the social and health services to which part of the migrants have access to. According to a report by the Center for Strategic International Studies (CSIS) in Washington, in 2016, the international community (Italy included) spent 28 billion dollars just to respond to the emergency, not to the root causes of migration[2]. More than 80% of that figure was spent in countries labelled "shock absorbers", i.e. those that withstand the largest effect of migration: Pakistan, Uganda, Jordan, Lebanon, and Turkey.

The issue – at least for the time being – is so complex and unsolvable that, according to the CSIS, an "analysis paralysis" is created while evaluating the phenomenon. In this vacuum, it is possible to emphasise the figures and effects of migration, turning the problem into an emergency and a global issue, into a goldmine of national electoral support. An illustrious victim of this distortion was the UN-sponsored Global Compact for Migration, an agreement to create a shared framework on migration issues.

Italy had officially announced that it would participate in the Marrakech Summit, during which the member countries of the United Nations would adopt the non-binding agreement. "What we are going to do in Marrakech is of crucial importance," said Enzo Moavero Milanesi, Minister of Foreign Affairs and International Cooperation. Prime Minister Giuseppe Conte was also in favour of the agreement. The League opposed it, explaining that such an important issue had to be discussed by the sovereign people through parliamentary debate and not by an international body that no one had voted for. The Global Compact does not give the UN any competence beyond the decision-making powers of individual states. The Marrakech document does not bind anyone: like the CSIS report, it only defines the guidelines on how to tackle the issue[3].

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[2] "Confronting the Global Forced Migration", Center for Strategic and International Studies (CSIS), May 2016.

[3] United Nations, General Assembly, Intergovernmental Conference to Adopt

By rejecting the Global Compact, the League – which, according to polls, would be the first party if Italy were to vote today – has pushed the country among the ranks of the most illiberal Eastern European governments: a totally different bloc than the one to which our country traditionally belonged to. By doing so, Italy also discarded a phenomenon that has existed since man first started walking on Earth: migration.

Mare Nostrum versus *Notre Mer*

The most important international event for Italian diplomacy was the Palermo Conference on Libya, held on 12-13 November 2018. If there is a place outside our borders that defines Italian national interest, that is Libya, where the issues of energy, migration, terrorism, are encapsulated. There has been much discussion about whether this international meeting was a failure or a success. However, it was neither: Italy had the right and probably the obligation to organise that summit which, however, did not produce any results.

Noting that the stabilisation of Libya is still far away, the most evident aspect of the Palermo Conference was the useless competition between France and Italy for the primacy over that unfortunate country and the Mediterranean. A leadership that neither country exerts: Saudi Arabia, the Emirates, and Egypt side with Khalifa Haftar, while Turkey and Qatar side with Fayez al-Sarraj: both camps are more influential than Rome or Paris. The two conferences endorsed by France at La Celle-Saint-Cloud in December 2017 and in Paris in May 2018 brought no results, just like the Palermo Conference. Meanwhile, the role of Russia, whose energy interests in Libya are competing with those of Italy and France, is becoming more and more important.

For both the previous centre-left government and the current one, Italy's policy on Libya has always been more of a burden

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the Global Compact for Safe, Orderly and Regular Migration, 30 July 2018.

than an autonomous strategy. We mostly tend to blame France: from the time it bombed Libya and brought down Qaddafi, to the present day. This self-justifying attitude that hides serious errors such as having focused for too long only on Sarraj is also probably propped up by our lack of international prestige: a lack perhaps accentuated by the current government, but that has been a dead weight also for previous ones.

Giuseppe Conte's attempt to be granted a sort of Italian primacy over Libya from Donald Trump during his visit to Washington at the end of July was unrealistic. "We built a permanent control room, a kind of twinning in the Mediterranean. Our country will be the reference point in Europe for security, immigration, and stabilisation in Libya"[4] Conte stated, hoping that Trump's self-declared "populism" would usher in support for other policies. While hardly a populist, Emmanuel Macron had also unsuccessfully tried to bring the American President on his side regarding Libya. A country to which, however, Donald Trump is completely indifferent. In the meeting with Conte in Washington, the President seemed to be interested only in the construction of the pipeline in Puglia and the American shale gas that Italy should buy despite its elevated cost.

Our accusations towards France's arrogance are more than justified: Paris's claim to hold elections in November 2018 made little sense And upon having acknowledged our worst flaws – France's arrogance and Italy's self-pity – it would be advisable for the two countries to work together on the Libyan issue. This was precisely the advice that Sarraj implicitly gave in Palermo. However, he went unheard. The wall of a useless Cold War has risen between Italy and France on Libya, on migrants, on sanctions against Russia, on Pierre Moscovici's statements in Brussels about Italy's budget, and on all other international issues. Furthermore, Matteo Salvini's constant insults have not helped foster diplomacy. "If I meet Macron, I'll get up and go seat somewhere else," the Italian Minister of the Interior stated,

[4] "Intesa dai migranti alla sicurezza. Trump a Conte: siamo due outsiders", *Corriere della Sera*, 31 July 2018.

among other things, before leaving for Moscow, where he attended the World Cup final, rooting for the Croatian team: "I don't want to see Macron jumping up and down"[5].

Italjanskij Sojuz

A few days before the 4 March elections, the *New York Times* wondered if Russia intended to manipulate Italian voters, in a manner similar to what had happened with the British for Brexit and the Americans against Hillary Clinton. The answer was no: the hackers' meddling was useless because the Italians were already pro-Russia, the American newspaper noted[6].

Relations between the two countries are an ancient tradition that was born with Italy's Christian Democracy governments and the strong influence of the Italian Communist Party; it is based on economic interests established even before Willy Brandt kickstarted his *Ostpolitik* in Germany. Despite intelligence reports on "influence campaigns" at election times, conducted by easily identifiable "foreign countries", both Matteo Renzi and Paolo Gentiloni have always been careful not to blame Russia publicly.

After Matteo Salvini had been to Moscow multiple times, Prime Minister Conte went to Russia and met Vladimir Putin in late October 2018. At least according to the national press and public opinion, the real importance of the talks was overshadowed by the internal debate and controversy surrounding the Italian budgetary plans. Since his inauguration at Palazzo Chigi, as Giuseppe Conte explained to President Putin, he has "shown particular attention" to Russia. Recalling that it had been "too long" since Putin's last visit to Italy, the Prime Minister added that he "didn't want the Italians to think that you are no longer interested in them". He went on: "I am here today to

[5] "Mondiali, Salvini va alla finale", *Il Giornale*, 13 July 2018.

[6] "Will Russia Meddle in Italy's Elections? It May Not Have To", *New York Times*, 2 March 2018.

show President Putin Italy's willingness to engage in dialogue: sanctions cannot be an end but a means of bridging differences"[7]. Sanctions are, above all, a tool for Russia to finally comply with the Minsk Agreement on Ukraine, signed in 2014. This is a detail on which the Italian government tends to dwell very little, despite the discreet requests by the Farnesina. Perhaps it depends on the long-standing Italian tendency to speak with everyone and arguing with few: something that Prime Minister Conte defines as an "ability to mediate and listen"[8], which guarantees us many friends but little authority.

At the fourth edition of Rome MED, the Mediterranean Dialogues organised at the end of November by the Ministry of Foreign Affairs and International Cooperation and ISPI, Sergey Lavrov was the acclaimed guest of honour. The Russian Foreign Minister gave a lecture on human rights, respect of international law, and freedom of the press, which was received by a warm applause with no one holding him accountable for the Minsk agreement.

Ministers of Foreign Affairs

In another instance at the Mediterranean Dialogues, during his opening speech, the Minister of Foreign Affairs and International Cooperation Enzo Moavero Milanesi thanked former Prime Minister Paolo Gentiloni for having organised the previous three editions of Rome MED. Shortly afterwards, he recalled that, despite the need to regulate and limit flows, migrants were human beings. This declaration alone prompted a shower of criticism from the League and the press close to the party directed at the Minister.

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[7] "Italy lauds Putin and sets un Brussels battle", *Financial Times*, 25 October 2018.
[8] The President of the Council also recalled this in his final speech of "Rome MED Mediterranean Dialogues 2018", the "Mediterranean dialogues" organised in Rome by the Farnesina and ISPI.

In the decades-long framework of stability in Italian foreign policy, when the system of alliances, friendships, and diplomatic behaviour was consolidated, the Minister of Foreign Affairs enjoyed a wide freedom of action. In today's scenario, which is no longer a scenario but an increasingly complex geopolitical jigsaw, Enzo Moavero is almost entrapped. His resumé apparently clashes with the proposals of the M5S's and the League's electoral programs, and with what the two parties continued to do even after 4 March. Luigi Di Maio and Matteo Salvini have repeatedly stated that they do not want to leave the Euro or the EU. However, their behaviour seemed to point to the opposite direction, in the belief that the European vote in May will upset the continental balance: at least until the end of 2018, when the issue of Italian debt came to a real confrontation with Brussels and especially with the financial markets.

On 28 August last year, while the Minister of Interior Salvini was in Milan to meet Viktor Orbán from Hungary, Prime Minister Conte hosted Andrej Babiš from the Czech Republic in Rome, the Minister of Economic Development, Labour and Social Policies Di Maio met Abdel-Fattah al-Sisi in Cairo, and the Minister of Economy and Finance Giovanni Tria was in China trying to convince Beijing to invest in Italy. Everyone was performing their legitimate political functions. Confusion might have stemmed nevertheless in a country where the two Deputy Prime Ministers currently weigh more than the Prime Minister himself, as the real guardians of the government program – which includes international relations.

Matteo Salvini and Prime Minister Orbán met as leaders of two parties: the League and Fidesz. Together, however, they discussed how to change Europe, going against the official Italian government policy. "If for Matteo Salvini Viktor Orbán is 'a hero', for the Hungarian Prime Minister the Italian Deputy Prime Minister is a 'companion of destiny'"[9]. And again: "Alliances will be discussed after the European elections, now

[9] M. Cremonesi, "'Matteo ha difeso l'Europa'. L'alleanza di Orbán con Salvini", *Corriere della Sera*, 29 August 2018.

Matteo's and my task is to gather voters to change Europe for the better". As Salvini had explained a few days earlier in an interview with *Corriere della Sera*[10], he would not seek a radical solution to migration issues with the EU but with the Hungarians, the ideologues of "illiberal democracy". Orbán's visit to Milan brings to mind the time when Mahmoud Ahmadinejad, then the Iranian extremist President, went to Beirut to meet the head of Hezbollah, bypassing the Lebanese Prime Minister.

It is undeniable that Salvini has his own foreign policy agenda that goes beyond his powers as Minister of the Interior in the name of the legitimate needs of the ministry. If the two ministers share an agenda on international affairs, it went unnoticed. Salvini's position on Giulio Regeni, the young Italian tortured and killed by the Egyptian regime, differs starkly from that of his Five Stare Movement allies and the rest of the government: when al-Sisi met the Deputy Prime Minister in Cairo in July last year – three weeks before Moavero's visit – what may he have thought about the coherence of the Italian government on that issue? Even in Moscow, Salvini, who is strongly opposed to sanctions, finds himself at home.

The year 2018 ended with the visit of Matteo Salvini to Israel, where he was welcomed with criticism from the press but as a statesman by the Israeli government, which is as nationalist as the Deputy Prime Minister. "It makes no sense to define Marine Le Pen as persona non grata in Jerusalem while you now receive Salvini in the residence of the President, the Prime Minister's office and in Yad Vashem"[11], the Holocaust memorial. Reuven Rivlin, the Israeli President, ended up not meeting Salvini due to previous commitments, raising the suspicion that he did not want to meet him because of his far-right positions.

Apart from defining Hezbollah as a "terrorist" organisation, something that goes against the official Italian position and endangers a thousand soldiers of the Garibaldi Brigade on

[10] "Dobbiamo poterli ritornare indietro. Con Orbán studieremo la soluzione", *Corriere della Sera*, 24 August 2018.

[11] "Italy's Salvini should be persona non grata in Israel", *Ha'aretz*, 7 December 2018

a UN mission in Southern Lebanon, Salvini restrained himself in Jerusalem. But last summer, in an interview with *The Washington Post*, the Deputy Prime Minister said that Donald Trump was right to move the American embassy to Jerusalem[12], a statement that was in contrast with the official policy of the EU and the Farnesina.

Alliances and the Future

Mario Cuomo's observation on the differences between what politicians say in an electoral campaign and then do when in office (unless they start a revolution), applies to other dimensions of the Italian foreign policy. The withdrawal of the troops from Afghanistan that Di Maio had promised before the election has now become a moderate decrease in the number of Italian soldiers deployed on the ground.

Sooner or later, Italy will also have to face the question of the 2%-of-the-GDP target in military expenditure, something the Americans are demanding from all NATO members. Even France, that Italy much despises, is already at 1.79%. During a public meeting, the Undersecretary of State for Foreign Affairs, Manlio Di Stefano (of the Five Star Movement), recalled that, in order to properly assess Italy's defence expenditure at 1.1%, one should also take into account the cost of the deployment of Italian soldiers in NATO missions: currently, Italy has more troops involved in operations overseas than many countries that have already reached the 2% target (Greece, the United Kingdom, Estonia, Romania, and Poland[13]). Falling behind only the United States and Germany, Italy's contribution to the Resolute Support Mission in Afghanistan and the KFOR mission in Kosovo total 1,437 soldiers. In comparison, Greece has 130 troops deployed, the UK 530, Estonia 7, Romania 738, and Poland 499[14].

[12] "Transatlantic Relations: Charting a New Course", Rome, 8 October 2018.
[13] "Italy has done a lot – maybe too much", *The Washington Post*, 19 July 2018.
[14] NATO, Resolute Support Mission, *Resolute Support Mission (RSM): Key Facts and*

The limbo in which Italian foreign policy is dwelling, between Atlanticism and Europeanism on the one hand, and populist impulses and Eastern charms on the other, is shared by other Western countries. The main cause of such uncertainty can be found in Donald Trump. If the behaviour of the President of the United States calls into question the role of the power that props up the Western liberal order, every ally will feel entitled to seek alternatives to ensure its future security. In this free-for-all game, that is originating from the most unexpected of places – the White House – Italy is way ahead of the rest. Sometimes one gets the impression that some government representatives are not thinking of a change but of a revolution of our place in the world. However, what is the value of these reflections and what will happen if, in less than two years, the United States elects a President determined to restore the traditional system of alliances and commitments, which is now dying out?

Figures, 2018; NATO, Kosovo Force (Kfor), *Key Fact and Figures*, 2018.

10. Italian Economic Policy in the European Context

Franco Bruni

A Vicious Circle

In regard to Italy's economic-political relationship with the EU, in 2018 two processes of deterioration were fuelling one another. On the one hand, the change of government has given rise to contrasts of form and substance with that "Europe" against which the propaganda of the sovereign parties has turned and to a quarrel over budgetary discipline. This isolated Italy and led it to neglect what would have been the most important and urgent way to pursue the national interest: dealing intensively with the negotiations on the deepening of the Eurozone, which remained on the Council's agenda, in order to influence it appropriately.

On the other hand, political problems within Member States and various nationalist and divisive tendencies have plagued the EU and ended up holding back reform projects. The promises made in the Action Plan, to which the Union committed itself at the end of 2017[1], were thus almost completely broken. The slowdown in the reform process has made Europe even less attractive for Italy, whose attitude, in turn, has been, more or less implicitly, used by the EU as an alibi for not keeping its promises. A vicious circle from which, by the end of the year, there was still no easy way out.

[1] EU Commission, Roadmap for deepening Europe's Economic and Monetary Union, 6 December 2017.

It is, therefore, worthwhile to take into account the two intertwined processes, and then look for some tentative conclusion.

The Italian Discontinuity

The 4 March election had a traumatic outcome, which made it difficult to form a government: it took 89 days, the longest time in the history of the Italian Republic. In the "governing contract"[2], the anomalous programmatic formula on which the League-FSM majority was based, European issues surfaced at various points[3].

With regard to economic policy, the very brief chapter 8 of the contract, on public debt and deficit, opens with a macro-economic vision of the reduction of public debt on which, rightly or wrongly, the government has then effectively based the budgetary policy: public debt is not reduced by austerity but by growth, "to be achieved by a revival of domestic demand from the side of high multiplier investments and policies to support the purchasing power of households". The initial insistence on investment by the new government also went hand in hand with an interesting reference to the golden rule[4]: it should "bring the European Commission to separate productive public investment from the current budget deficit"[5]. However, while household income support was actually proposed, in various forms, as the 2019 draft budget law took shape, public investment was sacrificed.

In the same chapter there is also a not so clear reference to "deficit policies": the stated aim is to "renegotiate the EU Treaties and the main regulatory framework at European level" by providing "multiannual programming aimed at ensuring

[2] Contratto per il governo del cambiamento, 2018.

[3] Including, of course, chapter 13 on migrations.

[4] Held dear no less by Minister Tria than by Mario Monti.

[5] See chapter 8, p. 17. One could observe that the investments are [...] excluded by definition from the "current" deficit: but the terminological accuracy of the "contract", as well as its syntactic clarity, are questionable at best.

the financing of the proposals covered by this contract through waste reduction, debt management, and appropriate and limited recourse to the deficit"[6].

A full two-page chapter is titled "European Union", and is weirdly placed towards the end of the contract, between the chapter on tourism and that on university[7]. The chapter opens with a commitment to call for "full implementation of the objectives of the Treaties". A number of specific and miscellaneous points follow, mentioning, among other things: the "creation of an area without internal borders", the "defence of the European identity on the international stage", the "cooperation in domestic affairs", the strengthening of the European Parliament and of the principle of subsidiarity. But at the same time, the chapter proposes to "extend to the European Central Bank the current Statute of the main central banks of the world"[8]: which is most probably a reference to the direct financing of the public sector by the central bank, the exclusion of which is a distinctive feature of the Treaties that the document asks to fully enact. Especially obscure is the paragraph in which the chapter calls for the "development of the necessary *acquis communautaire* in order to assess the extent to which it is necessary to review the policies and forms of cooperation established to ensure the effectiveness of the Community mechanisms and institutions"[9]. It also asks for "a review of the structure of European economic governance (monetary policy, Stability and Growth Pact, Fiscal compact, European Stability Mechanism, a procedure for excessive macroeconomic imbalances, etc.), which is currently asymmetrical, and based on market dominance over the wider economic and social dimension"[10]. The all-encompassing revolution would be implemented "along with our European partners".

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[6] *Ibidem.*

[7] Chapter 29, pp. 53-55.

[8] *Ibid.*, point (b), p. 53.

[9] *Ibid.*, point (f), p. 53.

[10] *Ibid.*, p. 54.

The government contract is therefore not rooted in violent Euroscepticism or drastic anti-EU souverainism, but it contains statements which, precisely because they are not clear in form and substance, can be seen as the basis for a time of difficult cooperation with Brussels and of economic policies that are difficult to negotiate in the normal dialogue with the Commission and unlikely to respect European rules.

It is only appropriate here to leave out the chronicle of the quarrels between our government and the Commission, and vice versa, and also to avoid recalling the evolution of the considerable, everchanging diversity of hues with which our Prime Minister, Deputy Prime Ministers and economic ministers have dealt with fiscal policy issues and relations with Europe. It is better to look at the succession of formulations with which, until the end of the year, they have sought to reach a definition and an agreement with the Commission the budgetary commitments for 2019-2021.

Given that the Gentiloni government gave way to the current one in the spring[11], right when it was required to present the Economic and Financial Document (EFD), it rightly prepared a text that simply summarises the current trends resulting from previously adopted policies[12]. Only three parameters need to be taken into account. The budget deficit (net borrowing requirement) as a share of GDP is estimated at 1.6%, an improvement of 0.5% versus 2017, and is expected to halve in 2019. In "structural" terms, i.e. net of one-off measures and of the cyclical component, it is expected at 1% in 2018 and 0.6% in 2019. The adjustment of the structural deficit is perhaps the most important item in the negotiation with the Commission, which a year earlier had called for it to be tightened up, and which still tends to regard it as insufficient. With such deficits, the debt/GDP ratio, the most worrying figure in Italian public finance, falls by 1.6% from 2017 to 130% in 2018 and to 127.1% in 2019, a projection in line with the gradual respect

[11] The Conte government took over on 1 June.

[12] *Economic and Financial Document 2018*, Italian Ministry of Economy and Finance.

of the EU "debt rule". It must be said that all this was favoured by a rather rosy forecast of the GDP growth rate[13], which later turned out to be illusory: 1.5% in 2018, 1.4% in 2019.

During the summer, the new Italian government did not deny at EU level the deficit and debt projections inherited from the previous government; moreover it signed, without objections, as a member of the European Council, the commitment/recommendation to speed up the adjustment of the structural deficit in 2019 in order to avoid the risk of significant deviations from EU rules and accelerate debt reduction[14]. The recommendations signed in July go well beyond the deficit and debt figures: they analyse various structural aspects of Italian policies (from the tax system to the judicial system, from labour policies to policies to promote scientific research) and suggest interventions that were not then echoed in the end-of-year decisions when, as was the case with the pension system, were even contradicted.

Thus, the rebellion against the rules that took place in the fall appeared to be a surprising discontinuity. In the "Update to the EFD" of 27 September[15], then confirmed in the October "Draft Budgetary Plan" (DBP)[16], Conte and Tria included considerable changes of the figures of the budget programme, with strong deviations from EU rules and from the recommendations underwritten just over two months before, along with vague indications about the measures to be taken and forecasts of their impact on growth that are difficult to endorse.

[13] However, the optimism about the GDP, which will then be blamed above all on the following government, makes the forecast of the structural deficit more "virtuous". Indeed, the structural deficit, which is estimated net of the effect of cyclical effects (which, when positive, improve public finances), increases when GDP is estimated closer to its potential. The fact that, nevertheless, the deficit remains low is therefore a sign of austerity.

[14] Council Recommendation of 13 July 2018 on the 2018 National Reform Programme of Italy and delivering a Council opinion on the 2018 Stability Programme of Italy, OJ C 320, 10 September 2018, p. 48.

[15] *Italy's Draft Budgetary Plan 2019*, Italian Ministry of Economy and Finance.

[16] *Ibidem*.

In the new plan, the deficit was increased to 1.8% of GDP in 2018 and, what is more, rose to 2.4% in 2019 (three times what was expected in the spring and confirmed in July). The increase in the structural deficit in 2019 was particularly serious: from 0.6% of GDP (already too much, according to the Commission) to 1.7%. The debt-to-GDP ratio stops its descent and rises to 130% in 2019. All this should be achieved only through a forecasted GDP growth that was not aligned with the pessimism that gradually took over globally by mid-2018 and is instead set at 1.5% in 2019 and 1.6% in 2020. More than a third of the projected growth is justified by the exceptional expansive impact of planned deficit expenditure.

The quality of the policies outlined in the DBP, from the "citizens' income" to the early retirement measures, from the investment policies to the tax amnesty, to the VAT increases planned to safeguard the budget balances of 2020-2021, was immediately subject to scrutiny and criticism by various analysts and the opposition. They criticised both the intrinsic appropriateness of the individual policies and their overestimated impact on growth, which is mainly entrusted to redistributive transfers. However, if we merely take into account the adventurous and controversial interaction with the Commission, it should be noted that the latter, while examining the DBP, is obliged to focus on the balances and the profile of indebtedness, as well as on the levels of the expected GDP to which deficit and debt relate. It is on these figures that the relationship with Brussels turns to towards the end of the year. It should also be noted that on 13 October, the new government plan received a negative assessment from the Parliamentary Budget Office (PBO), the independent national body responsible for validating its forecasts[17]. As the PBO, an institution created by European initiative and present in all the Member States, did not greenlight the plan, the Commission pointed l later to this

[17] EU Regulation no. 473/2013 requires that the macroeconomic forecasts on which the Stability Programme is based be validated by an independent national institution.

fact and considered it an aggravating circumstance among the evidence of deviation from previous commitments.

The Commission's first official rejection of the new Italian draft budget took place with a letter dated 5 October[18]. The date is important in so far as it contradicts those (including Prime Minister Conte) who, at the end of the year, blamed Brussels for the delay with which the finance law arrived in our Parliament, not allowing any amendments to be examined and leading to a vote of confidence on the final day to avoid operating on a provisional budget. The letter notes that the increase in deficits in the new budget "appears prima facie to point to a significant deviation from the fiscal path recommended by the Council19. This is, therefore, a source of serious concern. We call on the Italian authorities to ensure that the Draft Budgetary Plan will be in compliance with the common fiscal rules and look forward to seeing the details of the measures it may contain. In the meantime, as in past years and months, we remain available for constructive dialogue".

Such constructive dialogue amps up the exchanges between Rome and Brussels. Italy receives another letter on 18 October[19], where the warning becomes more precise and severe and also mentions the PBO's failed endorsement; Minister Tria replies on 22 October[20]: he acknowledges the violation of the Stability Pact; he promises to return to the rules from 2020

[18] Letter from Valdis Dombrovskis (Vice President, European Commission), Pierre Moscovici (European Commissioner for Economic and Financial Affairs, Taxation and Customs) to Giovanni Tria (Finance Minister), 5 October 2018, https://ec.europa.eu/info/sites/info/files/com_reply_minister_tria_0.pdf

[19] Letter from Valdis Dombrovskis (Vice President, European Commission), Pierre Moscovici (European Commissioner for Economic and Financial Affairs, Taxation and Customs) to Giovanni Tria (Finance Minister), 18 October 2018, https://ec.europa.eu/info/sites/info/files/economy-finance/18_10_18_ commission_letter_to_italy_en_0_1.pdf

[20] Letter from Giovanni Tria (Finance Minister) to Valdis Dombrovskis (Vice President, European Commission), Pierre Moscovici (European Commissioner for Economic and Financial Affairs, Taxation and Customs), 22 October 2018, https://ec.europa.eu/info/sites/info/files/economy-finance/letter_to_ vd_ and_pm_-_22-10-2018.pdf

thanks to a GDP growth that will result from the change in the 2019 budget; he explains his disagreement with PBO's assessments in respect of which he believes he only has the duty to "comply or explain". On 23 October, the Commission publishes the official Opinion on our draft budgetary plan[21], in which it notes the "particularly serious deviation" from the rules and recommendations and calls for Italy to submit "a revised draft budgetary plan for 2019 […] as soon as possible, and in any event, no later than three weeks following the adoption of this Opinion". Correcting the budget would have prevented the Commission from proposing to the Council the infringement procedure on the basis of the debt rule, which implies long and invasive interference by European institutions on the country's budgetary deliberations.

In the meantime, the Italian public debt market had reacted to the risk of triggering such a procedure with considerable falls in the price of Italian government bonds, which went hand in hand with increases in the so-called "spread" between Italy's and Germany's interest rates. This amounts to a model of "external discipline", i.e. sanctions effectively imposed by the markets but triggered by the opinions of the Commission, well before the administrative sanctions foreseen in case of violations of European rules[22]. Such external discipline worked, also thanks to rifts in the Italian government and its supporting majority. At the last moment, when the Commission was preparing to launch the infringement procedure for the debt rule, the Italian

[21] European Commission, Draft Budgetary Plan of Italy and requesting Italy to submit a revised Draft, Commission Opinion, C(2018) 7510 final, Strasbourg, 23 October 2018; European Commission, Report prepared in accordance with Article 126(3) of the Treaty on the Functioning of the European Union, Report from the Commission, COM(2018) 809 final, Brussels, 21 November 2018.

[22] In this regard, see F. Bruni, "La disciplina di mercato", ISPI, Blog Eurocorner, 16 April 2018 where it is noted, among other things, that "the complementarity between administrative and market discipline should be made more explicit. Think of the Italian case, today: if the Commission considers unacceptable the budget that the next government will present, it will be the markets that will make us pay the cost, fleeing from our titles, certainly not the penalties of Brussels".

Government agreed to restore the balances to a size that would justify a postponement of the decision. The agreement took the form of an exchange of letters[23] on 18 and 19 December in which the Italian Government expressed its willingness "to take certain measures to improve the final balances contained in the budget law, in accordance with the Commission's findings"[24], while the Commission has taken note of the changed intentions of the government and, provided that Parliament votes on a budget corresponding to the new commitments before the end of the year, has noted that, "at this stage", it can avoid to recommend the opening of an infringement procedure, while reserving the right to monitor the implementation of budget commitments in early 2019.

This was followed by a rush to rewrite the budgetary plan and then approve it in Parliament. The Parliament was only able to read the text shortly before the vote and, through the imposition of a vote of confidence, was not given time to discuss amendments. It should be noted that, according to the rules on the coordination of European budgets, at this stage, the Commission's approval concerned only the value of the balances and the resulting profile of the debt, and not the quality of the measures generating those balances. To avoid misunderstandings about the meaning of the temporarily green light in Brussels, on 29 December the Director-General for Economic

[23] Letter from Giovanni Tria (Finance Minister) and Giuseppe Conte (Prime Minister) to Jean-Claude Junker (President, European Commission), Valdis Dombrovskis (Vice President, European Commission) and Pierre Moscovici (European Commissioner for Economic and Financial Affairs, Taxation and Customs), http://www.mef.gov.it/inevidenza/documenti/ Lettera_ Commissione_Europea.pdf; letter from Jean-Claude Junker (President, European Commission), Valdis Dombrovskis (Vice President, European Commission) e Pierre Moscovici (European Commissioner for Economic and Financial Affairs, Taxation and Customs) to Giuseppe Conte (Prime Minister) and Giovanni Tria (Finance Minister), https://ec.eu- ropa.eu/info/sites/info/files/economy-finance/7351969_letter_to_prime_ minister_conte_and_minister_tria.pdf

[24] In the letter, the amendments are justified by savings following new "technical assessments" and by the "worsening of the international environment". The annexes to the letter include the numerical details of the amended commitments.

and Financial Affairs of the Commission deemed it appropriate to write a detailed letter to *Corriere della Sera*[25].

Europe's Postponements

Even reserving all judgments on the effects the law will have in the coming year, there is enough evidence of the need to reform the European procedures for budgetary coordination. The dossiers that the European Council should take into account also bear evidence of this need. Moreover, it would be better to focus more directly on the quantity and quality of public spending instead of fixating too much on the small digits of the deficit/GDP ratio. It is a matter of rules or discretion: better rules can be applied automatically and impartially. This is linked to the debate on the politicisation of the Commission which, in the Italian case, involved the confrontation with France, after its government announced higher deficits in response to the "yellow vests" riots. Suspicions of preferential treatment or even of exchanges of favours and blackmail[26], however unfounded they may be, end up deepening the rifts that already threaten European unity.

Unfortunately, as already mentioned, in 2018 no progress was recorded on the reform and deepening of the Eurozone, despite the commitments announced by Brussels at the end of 2017[27]. In this regard, Italy, which embraced an atypical souve-

[25] M. Buti, "Abbiamo approvato i numeri, non i contenuti della manovra", *Corriere della Sera*, 28 December 2018.

[26] The case of "blackmail" could be that of a country "too big to fail" and therefore to be sanctioned by common discipline so as to risk a destabilisation of the entire Eurozone. In the Italian case, government officials have also threatened to exercise veto powers in Community decisions if forced to make unwelcome budgetary adjustments.

[27] See note 1. Also see the intensive phase of proposals and debates which took place throughout 2017 and which was analysed in F. Bruni, "The European Economy: A Year of Recovery. Uncertainty and New Projects", in A. Colombo e P. Magri (edited by), *Big Powers are Back. What About the Europe?*, Report ISPI 2018, Milan, Ledizioni-ISPI, 2018.

rainism, has nevertheless become more isolated and less and less involved, while its own issues have contributed to slow down progress at EU level itself.

On 23 January, the Ecofin Council, also due to uncertainties about government formation in Germany, postponed all decisions, both on the Banking Union and on the European Monetary Fund, and did not even mention the idea of an EU Finance Minister. On 7 March, a document prepared by eight Member States led informally by the Netherlands put a brake on the deepening by challenging the Franco-German direction. On 22 March, despite the start of the new Merkel government, the European Council made no mention of reforms. Everything pointed at June, but in April clear differences between the positions of Macron and those of influential members of the German CDU-CSU emerged. Despite a promising Merkel-Macron meeting in Meseberg on 20 June, the Eurogroup summit of 28-29 June postponed all issues to "new political negotiations". In the meantime, hopes were rising on the Multiannual Financial Framework (MFF) 2021-2027. In the first draft proposals, in addition to important innovations in the structure of revenue and expenditure of the Community budget, new structural, stabilisation, and convergence funds were outlined, as well as a sort of budget specifically dedicated to the Eurozone. But this will require, at best, a complex debate in 2019 in which the new Italian government, for instance, seems at times to favour odd veto threats.

Come autumn, the European summits were dominated by emergencies other than the deepening of the Eurozone, among which, first of all, Brexit. Italy has not made things any easier: the issue of its position vis-à-vis the EU[28] and of fiscal discipline has become more and more intense, urgent, and potentially divisive. In its meeting on 4 December the Eurogroup was unable to avoid preparing a report on the deepening of the

[28] Also taking into account souverainist issues shared by several Member Countries, including those of borders and migration.

Economic and Monetary Union[29]. Unfortunately, in practice and compared to the promises of the policy documents of the end of 2017, its conclusions were underwhelming: they consist almost only in the commitment to co-finance a European support fund (fiscal backstop[30]) for the Single Resolution Fund (SRF), in order to manage with temporary financing large and tendentially systemic banking crises in which the size of the SRF, financed by the same banks, would be insufficient. This long-awaited commitment is also vague in terms of implementation times, which will have to wait for "adequate progress in risk reduction" to be made in national banking systems[31], progress to be assessed in 2020(!).

Faced with the growing fear that international banking tensions may soon reoccur, not unlike a decade ago, the Eurogroup has unfortunately shown an inability to make decisions. Any further agreement on the Banking Union (in particular on the long-awaited establishment of and European deposit insurance scheme) and the Capital Markets Union, as well as on stabilisation tools such as the European unemployment insurance scheme, was also postponed, explicitly mentioning the "lack of a common vision". However, there is no shortage of references to possible measures – that Italy opposes – to facilitate the restructuring of the public debts of countries experiencing a financial crisis.

We can only hope that, in 2019, the opposite happens: going from low expectations to some significant steps forward. The debate on MFF 2021-2027, which the countries will inevitably be forced to review, could be useful, as long as souverainist countries do not undermine it. One way or another,

[29] European Council, "Eurogroup report to Leaders on EMU deepening", Press release 738/18, 4 December 2018.

[30] A revolving fund, with disbursements to be reimbursed once the emergency has been resolved, with no fiscal impact in the medium to long term.

[31] Among these risks there are those, very significant for Italy, stemming from the size of non-performing bank loans and the incidence of national government bonds on the assets of banks.

the elections of the new European Parliament, whose role in the Union continues to grow – could be decisive. There is no doubt, however, that Italy's economic, political and diplomatic behaviour in the European context will have a major influence on the quality and speed of development throughout the EU. It would be desirable to break the vicious circle for which, in 2018, as mentioned above, while Italy's economic predicament and political attitude contributed to the difficulty of progressing in European integration, such difficulties did not push Italy to correct its economic unbalances and reassess its policy towards Europe.

Conclusion

Giampiero Massolo

It is the end of an era, indeed: the traditional lenses through which we looked at geopolitical trends have lost their meaning. But are we sure that the certainties of the past were really so rock-solid and comforting, compared to today's anxieties?

Multilateralism, the prism through which we looked at the world, is falling apart. However, on closer inspection, even the past, just like the present, answered to the logic of "every man for himself" – albeit in different ways. It was a logic that placed individual responsibilities, and state power, above everything else. This rationale is indeed more and more explicit and prevalent today. But even in the past, governments had to watch their backs and pursue national interests.

The difference is that today's new context will bring about an evolution in the rules of coexistence among states – probably providing lower guarantees. It will also be necessary to identify regulatory frameworks for relations among state and non-state actors that are fit for the constant multiplication and growing role of the latter. Future rules will be unprecedented. The actors who could benefit the most are those who will be able to grasp these new rules sooner and better than others, and use them at their own convenience; this is the critical challenge that also Italy has to face. To this aim, a few key points should be taken into account and serve as a compass to navigate uncharted waters.

First of all, the two pillars upon which peace has been based in the European continent have been dented, but have not collapsed. The Atlantic Alliance is going through a strong identity crisis that the American insistence on the 2% of GDP target in military expenditure – if maintained a priori – could turn into an existential crisis. It is nonetheless true that the Alliance

is still the most natural, but also the most homogenous and cohesive place to discuss multi-faceted threats, in particular the risk that the entire framework of nuclear weapons control collapses. NATO is the only clearing house in which the interest of Europeans (that is, not to be left alone when tackling security matters) can be coupled with the equally legitimate aspiration of President Trump to deal freely with his Chinese counterpart. It is also a credible tool to address and prevent the security risks coming from the South. All in all, the tasks of collective defence, crisis management, and cooperative security defined in the "Strategic Concept" adopted by the Alliance in 2010 remain valid. Despite the actions of any US administration, the transatlantic bond is destined to last.

The European Union, while suffering from a significant lack of legitimacy, seems to be on the eve of a step change, which is likely to replace the substantial paralysis of its traditional institutions with "variable geometry" intergovernmental processes. For Italy, the balance between costs and benefits of an EU membership and the compliance with common rules remains positive. Conversely, the costs of isolation would be very high: the sovereign debt would become unsustainable, the economy would be affected by the weakening of our standing in the Eurozone and in the Single Market. On the other hand, it is in our interest both to align with the strongest economies, and to maintain a link between collective rule-taking and the goal of greater integration. At the same time, Europe remains the natural recipient of our legitimate requests for rules that are more apt at favouring economic growth and at managing migratory flows in a more collective and effective manner.

This may well be the dusk of "yesterday's" world; yet the two major choices of the second post-war period, the pro-Atlantic and the pro-European one, cannot be called into question. And certainly not by Italy alone. Nonetheless, we must be well aware that we cannot keep relying any longer on our traditional comprehensive, well-defined, and multilateral framework, as if nothing had happened.

Indeed, on the one hand, swift developments in information technologies end up limiting the sovereign power of states. These developments shift at least part of nation states' prerogatives either upwards or downwards. In the former case, this benefits non-state actors, freed from any national control – for example, the five private multinational corporations administering the world's digital knowledge. But they can also transfer them downwards, empowering individuals so as to give them the illusion of interacting directly with political power to the detriment of the endurance of the parliamentary democracy institutions. On the other hand, the use of capital mainly in speculative finance, rather than as a factor of production, has greatly widened the gap between the wealthiest and the poorest. This has caused pathological concentrations of wealth, which in turn have exacerbated discontent and grievances in growing strata of our societies.

The combination of these two trends has had a significant impact on the world order, especially when coupled with the rapid progress of production technologies and with badly governed globalisation. This has further wiped out entire professional categories, weakened the middle classes, redrawn hierarchies both "within" and "among" different socio-economic systems, and transferred wealth and opportunities for social promotion from mature economies to emerging ones, especially in Asia and Latin America.

To further complicate matters, since the turn of the century, the religious factor has acquired new relevance: back then, by aggravating the Balkan crises; today, by acting as a trigger of geopolitical tensions, especially within the Islamic world.

Along with technological progress, the influence of hostile actors has also grown. These actors are now equipped with new hybrid capabilities and effective intelligence tools, as cybersecurity has taken on a crucial role for economic development, and the digital space has become a potential, endless battlefield.

While well-known, these developments should be borne in mind as they also have a profound impact on international relations.

In fact, we are in the midst of a transition with no clear end in sight. A transition that is disorderly, sometimes anarchic, but not necessarily unmanageable should we equip ourselves with the necessary tools. Its development is embryonic and quite indefinite. But the most forward-looking governments are already aware that the international community is going through a new constituent phase, marked by exogenous and endogenous uncertainty factors. They use this knowledge when shaping their approaches to emerging challenges. It is now up to us to do the same, resisting the temptation of disengagement. Indeed, the present juncture is more and more fluid, as international rules are being rewritten. Single states might perceive the situation as too complex for their voice to be heard, thus inducing them to focus on specific cases, generally those geopolitically closest to them or those most felt by their public opinion. We must be aware that this is not the case, as isolationism may turn out to be an empty promise.

As the liberal world order, based on the free market and the primacy of the West, is coming to a more or less definite end, this process is redefining the global balance of power, reorganising the mechanisms of governance and establishing which actors are entitled to play a role. What is at stake is the future shape of global governance, who its protagonists will be, and whether they will be state or non-state actors. In any case, there is a "macro" dimension to this, which essentially concerns the United States and China, with more marginal roles for Russia and the other major emerging countries. In all this, there is room for a more united and responsible Europe, should the latter be able and willing to adapt to the new context. There are less visible roles for the various European countries, none of which – despite their ambitions – could hope for a leading role in the ongoing transformation, if it acts by itself.

Every European country – and Italy is no exception – has to do something, and urgently. Each country is an inadequate actor of change on its own; yet, all are reluctant to speak with a single voice. However, they should at least avoid ending up as

mere rule-takers. The wisest have understood this and, each in its own way and not without effort is trying to adapt – after all, even Brexit, in this respect, is nothing more than a British act of self-affirmation. In these complex times, isolationism would be a risky, poor choice. However, it is clear that the game must be played pragmatically, with no illusion that a single country will be able to influence the new rules, but also with the awareness that being part of it is key.

This way, the outlines of a pragmatic agenda for action can resurface. An agenda based on an overall view of global developments, and one that includes the pursuit of our specific national interests.

The two top priorities are to strengthen the European Union – by contributing to updating its goals and governance, with a view to promoting growth and curbing migration not related to political-humanitarian crises – and consolidating the transatlantic relationship. One cannot go far by playing alone.

Definitely a further priority is to align with European and non-European like-minded countries. These alliances are not necessarily permanent, and can certainly also be pursued with variable geometries. However, there is no shortage of shared interests, and it should not be too difficult to identify them and bring out their added value. Especially since our main international partners do not lack neither a "desire to matter" on the international scene, nor a "taste" for foreign policy, if only as a useful distraction for their respective public opinions.

All of this has very specific consequences, bringing about another point on our agenda. In a world of "every man for himself", the need to get ready for the new game can no longer be deferred. The new game will increasingly concern countries equipped to navigate uncharted waters; determined to exercise their sovereign prerogatives primarily for national security; brought together by fleeting shared interests, rather than by permanent ties of mutual loyalty. These countries will be unwilling to base their hard choices on values or ideologies, and will be systematically conditioned by the reactions of public

opinion. All in all, countries will potentially be drawn towards a strongly transactive idea of international relations, where there will be room for sizing up diverging national interests and where countries will need to be careful on where to draw their own red lines.

The lessons learnt up to now will hopefully help us redefine our priorities: to strengthen our institutional system and decision-making mechanisms; to be able to make realistic commitments, and to maintain them by mobilising the various political, financial, business and civil society components; to strengthen our ability to take on our own responsibilities, also as a tool to induce our partners to do the same; to maintain an efficient military and security apparatus, proportionate to the ambitions of a country whose neighbourhood is the playing field of the world's great powers; to put our cultural soft power at the service of our national interest, without basking in mere complacency and contemplation.

As a final point on the agenda, we need to devise proper communication strategies and measures to prepare the public for their country's future engagement in global affairs. If, in fact, the establishment wants to keep its standing as the ruling class and avoid being perceived as a globalised elite disconnected from its fellow citizens, it must, first of all, understand the causes of the malaise and avoid paying its citizens in the same coin. This is about showing a leadership style that is not weighed down by world events – and therefore gives way to disengagement – but tries to interpret and take advantage of them for the common good.

This course of action, as well as wise and ethical, would also be useful: one could, perhaps, discover that the public opinion, now more aware of the international events that affect his daily life, is much more inclined to a mature reading of the complicated issues on which his future depends than we have been led to believe so far. And, when encouraged and informed, the public opinion could repay with its support those governments that are ready to take on well-pondered and crucial decisions.

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