

ISPI REPORT 2020

WORK IN PROGRESS

THE END OF A WORLD, part II

edited by **Alessandro Colombo** and **Paolo Magri**

conclusion by **Giampiero Massolo**



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edited by A. Colombo and P. Magri

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Introduction

The decline and possible fall of the liberal world order opens the door to a new phase of transition, in the same way that the sudden collapse of the bipolar order led to transition. In last year's ISPI Report, we started examining the signs of breakdown of the political, economic and institutional order conceived at the end of the Second World War and finally set free at the end of the Cold War. That world looked like an almost ideal model of coherence. The keystone of the structure, at least from a political and military point of view, was the United States' willingness to translate its overwhelming power into hegemony, in other words its willingness to lead the international community both in peace and war. In turn – and despite the “revolt against the West” that was one of the most significant developments of the XX century – American hegemony perpetuated the centrality of the West in the international system, both in terms of power and in terms of the ability to spread political, ideological and legal models. The “civil religion” of unquestioning faith in the transition to democracy and the market economy and, more profoundly still, the liberal cultural hegemony that emerged between the 1980s and 1990s, were both manifestations of this ability. In keeping with this framework, the international order we inherited had a clearly multilateral structure, supported by a proliferation of international organisations (the United Nations, World Bank, International Monetary Fund, European Union, etc.) and by the introduction and subsequent development of international economic, environmental, trade and security regimes and arrangements. Lastly, this global architecture also encompassed various regional orders, which were shaped partly by “local” dynamics, but at least as much by

the ability of global dynamics to filter down into local contexts.

In this year's report we start looking at what might take the place of this crumbling edifice. And we do this by starting from the other spectacular change that has accompanied and counterbalanced the decline of the liberal world order over the past 20 years, namely the rise of China. The competition between the US and China in itself marks a huge shift in the world's political and economic dynamics. For years, there appeared to be just two future paths that the international system might take: either it would remain unipolar under American leadership or it would become multipolar. The emergence of China as a potential peer competitor of the United States, however, forces us to consider – against an evolving backdrop, with uncertain outcomes – at least the possibility of a “new bipolarism”, albeit of a very different type to the bipolarism of the recent past. This is partly because, as things stand, bipolarisation is still a long way off, in view of the continuing disparity between the two players in terms of military capabilities and the major role that other powers (from Russia to the European Union) still play in certain dimensions and certain regions. The biggest distinction, and hence the clearest reason for caution, lies in the fact that today's competition between the United States and China is entirely unlike the competition between the United States and Russia during the Cold War.

The first chapter of this yearbook, by Alessandro Colombo, examines these differences. Colombo acknowledges that, like any bipolar or potentially bipolar structure, the one now emerging appears to be conflictual in nature, at least in the sense that both the declining power and the rising power tend to be suspicious of the present or future intentions of the other. The risk of such a situation (which is by no means inevitable) is that it can rapidly deteriorate into a spiral of competition known as the “security dilemma” in International Relations circles. But the author immediately warns against drawing comparisons with what we still think of as the archetypal bipolar relationship, namely the one that played out between the US and the USSR

in the second half of the XX century. The first reason for this is that, for better or worse, China is not the Soviet Union. In certain respects, in fact, it is almost the opposite of the Soviet Union. Its power structure is not comparable, its ideological orthodoxy is not comparable and it does not have that “missionary” vocation that, for decades, made the Soviet Union magnetically attractive not only to other states but also to broad swathes of the population of hostile states and broad swathes of the intellectual world. Less obviously, but by the same token, the United States of today is not the same as the United States of the second half of the XX century. Not only has the country changed domestically, it has changed in terms of foreign policy too, and seems increasingly determined to steer clear of the hegemonic, not to say imperial yearnings of earlier American foreign policy. Instead, it seems committed to gradually reducing its international commitments, with a view to restoring the critical balance between commitments and resources.

Above all, the relationship between the two competing parties is entirely unlike the old relationship between the US and the USSR. In the Cold War years, there were no significant economic relations between the United States and the Soviet Union. Each held sway over a sphere of influence that was more or less integrated politically, economically and ideologically, and equally separate from the other. The United States and China, by contrast, have fostered an extremely high degree of economic interdependence in recent decades, which grew exponentially after China’s accession to the WTO in 2001. But what really sets the new bipolarism between the United States and China apart from the previous Cold War is the colossal geopolitical change that the international system has undergone in the past 30 years. The result of the increasingly marked disconnect between global dynamics and regional dynamics is that the competition between the United States and China – unlike its earlier counterpart between the United States and the Soviet Union – penetrates much less into the various regional arenas. It therefore leaves much more scope for other players

able and willing to act within their own region (such as Turkey, Iran, Egypt, Saudi Arabia and Qatar in the Middle East) and or make incursions into other regions (such as Russia in Syria).

Instead of being viewed as a single, coherent whole shaped by the current international system, the competition between the United States and China therefore needs to be broken down into its different dimensions and different regional contexts. Starting with those dimensions, or what we might call the “stakes in play”, multilateralism is the subject of the chapter by Andrea Locatelli. Multilateralism, after all, was one of the pillars of the liberal order. Nowadays, however, multilateralism seems to be under attack on several fronts. Most obviously, it is under attack from the rhetoric and actions of the current US administration. Less obviously, but equally seriously, it is also under attack from the increasingly explicit ambitions of at least partially revisionist powers such as China and Russia. The risk is that this two-pronged attack may split the international system into competing economic blocs, within which one or possibly several leading states will seek to establish privileged trade relations with the weaker ones. This type of order would retain a strong element of collaboration and multilateralism within each block, but it would generate conflictual relationships between different blocks. In other words, a single multilateralism would give way to a plurality of multilateralisms, which would no longer be universal and inclusive, but limited and exclusive, and would generally be only regional in scope.

This essential feature would have a big impact on the way relationships between powers are managed: whereas the liberal order sought promote cooperation not only between the major powers, but between practically every nation in the world, the new alternative order would be structured in such a way as to enable rival major powers to manage mutual competition rather than mutual cooperation. The radical difference between the liberal order and an order based on geo-economic competition is the nature of the relationship between the major powers, which is cooperative in the former case, and competitive in

the latter. So multilateralism would not disappear altogether, it would merely be confined, in the best-case scenario, within the borders of the individual blocs – thereby emulating, at least in this respect, the system of order of the Western bloc during the Cold War.

This fragmentation of multilateralism into a plurality of multilateralisms, however, conceals the most significant of the current dimensions of the competition between the United States and China, namely the economic dimension. This dimension is discussed by Franco Bruni and Lucia Tajoli in Chapter 3. The multi-stranded structure of the world's economy, even more than its politics, is more complex than a bipolar structure. Firstly, it looks very different depending on the lens through which you view it. The current and projected ranking of countries by size of national economy is different from their current and projected ranking by commercial importance, financial importance or speed of technological progress and infrastructure development.

In more general terms, in the economic sphere, globalisation is already changing the relative economic size of countries all over the world and will do so even more in the future. The change seems to be characterised by two main factors. The first is the shift towards tripolarism, rather than bipolarism, as the USA starts to lose share at an increasing pace, while the two eastern giants, China and India, forge ahead. It will become increasingly meaningless in future to consider world economic power without bearing this fact in mind. The second factor is the likelihood of frequent, significant changes in the rankings of the countries occupying the first five to 10 places immediately outside the top three, whose different roles and different relationships with each other and with the three major powers, will play a crucial part in determining the outcomes of interactions between the top three. In this respect, we need to reflect on the meaning and consequences of tripolarism and its compatibility with multilateral governance.

The world looks more tripolar than bipolar in the trade arena too, although the leading players in this case are different. The United States, Europe and a China-dominated Asian pole clearly emerge in world trade. But what we see when we look at the world trade network is less the importance of individual countries, and more the positioning of their area, the groupings of countries and how each one is linked to its pivotal country. Trade is becoming increasingly regionalised – a trend that is particularly visible in Europe but can also be seen elsewhere. The density of regional trade networks, linked in part to international production chains, has increased within the orbit of countries that are either leading manufacturers or leading markets. These chains and networks mix trade and direct investment and are crucial to competitiveness, especially in certain sectors. Some international chains, such as the electronics chain, are actually global and generate a high degree of interdependence between the three poles, especially in the production of technologically complex goods. In other sectors, such as the automotive industry, the chains are more limited, regional or continental, and it is the latter that have tended to prevail in recent years. This tendency to create regional economic blocs has also received a boost from a number of recently negotiated regional trade agreements, such as the revised American Free Trade Agreement (NAFTA), which led to the new USMCA (United States of America, United Mexican States and Canada Agreement) due to be ratified in 2020, and, to some extent, China's development of the "Belt and Road Initiative". At the same time, however, we are seeing an increase in transcontinental trade agreements, such as the one recently signed between the EU and Japan, which tend to reduce the process of regionalisation.

As far as direct competition between the United States and China is concerned, trade wars and the climate of uncertainty engendered by the erratic pattern of Donald Trump's decision-making, have taken their toll. In the closing months of 2019, the WTO slashed its forecasts for global trade growth by

more than half, to an annual rate of about 1.2%, which is the lowest level since the crisis 10 years ago. Trade in services is not directly affected by the trade war and is not yet showing signs of falling, but it still flat-lined in 2019. The slowdown has also affected flows of foreign direct investment, which have been ebbing since 2018. Meanwhile, other factors have begun to impact on technological progress and the development of the digital economy, which give rise to virtual markets and thus tend to erode borders between countries. The value of many of the new technologies also lies in the size and completeness of the network of links and interconnections that they create, so many of the new digital sectors have gone global much more quickly than more traditional sectors. Nowadays, furthermore, digital connections represent an absolutely vital channel for trading on global financial markets and keeping international payment systems working.

Despite this, both the United States and China are putting in place policies aimed at reducing this digital interdependence, each for partially different reasons. But the negative consequences of the technology war are not confined to the US and China. The gradual decoupling of the two countries' technology sectors risks causing a gigantic fracture that divides up the entire digital world between the dominant American and Chinese spheres, with different rules for each and little chance of any communication between the two. Trade in technology is different from other sectors. It is a truly global sector, with highly integrated supply chains, and it works better when allowed to collaborate internationally. A technological schism between the United States and China would affect companies in every sector, in every part of the world.

Lastly, at least some of the competition between the United States and China has already shifted from the economic arena to the military arena. This and, more specifically, the competition over what are known as "common spaces", are covered in the chapter by Emidio Diodato. The author dwells on how each country's perception of the other has deteriorated. On the one

hand, as the Chinese government white paper published on 22 June 2019 reveals, China blames the United States for adopting unilateral policies that can only intensify competition between the major powers, thereby significantly increasing defence spending and the need to develop further capabilities in nuclear, information technology and missile defence. The White Paper therefore sets the objective of strengthening the Chinese armed forces in preparation for a phase of history that the white paper's own title describes as a "new era". Going forward, the nuclear, space and cyberspace sectors are identified as the main fields of security. But in the meantime, the armed forces are called upon to boost the preparation of seaborne military capability, partly by developing offshore maritime logistics facilities, such as the naval base in Djibouti that came into service in August 2017.

On the other hand, the 2019 white paper can be seen as China's response to the major change in strategic vision already implemented by the United States under Donald Trump, who, between late 2017 and early 2019, shifted America's military focus away from terrorism and the spread of extremism, towards international strategic competition and possible conflict with China and Russia. The *National Security Strategy* published in December 2017 describes the system of international relations as increasingly competitive, as "China and Russia challenge American power, influence and interests, attempting to erode the country's security and prosperity". It claims that "China and Russia want to shape a world antithetical to US values and interests". In particular, it accuses China of seeking to "displace the United States in the Indo-Pacific region, expand the reaches of its state-driven economic model, and reorder the region in its favour".

The hunt for strategic resources forms part of this gradually expanding competition, and is covered by Ugo Tramballi. The 13th Five-Year Plan, for the years 2016-2020 and the first published under Xi Jinping, announced that it would be a "decisive period for the non-ferrous metals industry and for

creating wealth” for Chinese society. But the quest for critical minerals – the spices of the XXI Century – which started under “Programme 863” had already borne fruit. Rare earths are 17 elements commonly found but rarely available in sufficient concentrations to make their production economically viable. Thanks to its low extraction costs, China controls almost 90% of rare earths. Their elements are necessary for the world’s strategic industries and are a source of alloys for batteries, LCD displays, hybrid vehicles, LEDs and renewable energies. Not to mention the arms industry. In the race to build up stocks of precious metals, agricultural commodities and hydrocarbons, China – like Russia, but unlike Europe and America – enjoys the advantage of not insisting on democracy, respect for human rights or the development of civil society in exchange for its cooperation.

If that was not enough, competition is also widening geographically. In recent years, it has been centred mainly on the continent of Africa. But the push to conquer the raw materials of the Arctic and the routes that will speed their commercial exploitation, thanks to declining levels of sea ice, is equally apparent and worrying. This region affords a clear view of China’s foresight, Russia’s backwardness and America’s superficiality, which is the clearest symptom of the latter’s slow decline.

It is no coincidence that this same diversity that we have just seen in relation to the various arenas of competition, can also be found at a geopolitical level, in the various regional arenas. Guido Samarani covers what is unquestionably the main arena, namely East Asia or, as the United States tellingly calls it, the Indo-Pacific system. Beijing’s ambition to expand its presence and influence in East Asia appears to be inextricably linked with the issue of Sino-American relations. On the one hand, the United States sees China’s policy in the region as a clear campaign to undermine US (and Western) influence in these areas, by competing, especially with Washington, on various fronts (diplomatic, economic, military, ideological, cultural, etc.) and laying the foundations for a renegotiation of the

current world order, starting with Asia's periphery. And it is no coincidence that the United States' response to this alleged campaign is an alternative plan to re-invigorate solid partnerships with democracies such as Japan, India and Australia, with a view to containing and combating the rise of China and its ambition to be the leading player.

On the other hand, China now seems committed – with much more vigour and determination than in the recent past – to combating America's strategy of forging potentially solid anti-Chinese alliances in the area, and countering them with a wall of partnerships (generally described as *comprehensive/strategic partnerships*, such as the one with Russia) with a growing number of countries. Caught in the vice of this competition, various “middle-ranking” regional powers have focused their efforts on boosting their independence from both Washington and Beijing, prompted by the declining credibility and reliability of the United States, and by a view of China that oscillates continuously between admiration on the one hand and suspicion on the other.

A second major theatre of competition is sub-Saharan Africa, which is covered in the chapter by Giovanni Carbone. Leaving behind the widespread disengagement from the region that characterised much of the 1990s, both new and old players have found economic interests in and geopolitical reasons for engaging or re-engaging with the area, giving rise to a race to extend their presence and carve out spaces of influence. Since the early 2000s in particular, various emerging and developed economies have formulated strategies to either follow in the footsteps of Beijing or halt its progress, thereby sparking the competitive phase that is still ongoing. This group includes the United States, Russia, India, Turkey, Japan and the Gulf states. Even Europe – both in the form of individual states and under the banner of European Union – has made attempts to relaunch and review its relations with sub-Saharan Africa.

China, however, has been the most prominently active player. The economic progress of the sub-Saharan countries has been

conspicuously supported by Chinese investment and demand for resources. Valued at 10 billion dollars in 2000, China's trade with Africa rose to 15-20 times that level between 2011 and 2018. As well as multiplying, investment has branched out, from energy and mining to infrastructure, manufacturing and even services. Alongside the growing number of Chinese companies operating in Africa, there is a growing Chinese diaspora on the continent, which is now said to number one million people. The overwhelming success of Chinese development has made the Beijing model a potential alternative to what is on offer from the West offers. It is a model that consists primarily of (a return to) single-party leadership and highly centralised economic management.

Partly as a means of countering this activism, the United States launched a "New Strategy for Africa" in December 2018. This somewhat late arrival of American leadership on African soil, compared with China, Russia, Turkey, the Gulf States and others, marks the opening of an era of fierce competition between the major powers on the continent. China is the priority of course (with Russia in the background), to the extent that sub-Saharan Africa appears to be seen as little more than a new battle-ground for the clash with Beijing. The rhetoric is openly hostile. China is presented as a "rogue donor" in Africa, with predatory, neo-colonialist ambitions that are unequivocally detrimental to the continent's development. The new Maritime Silk Road and the growing share of African debt held by China are identified as the most dangerous tools in a strategy aimed at hegemony.

Despite an emphasis on the danger and the need to combat it, however, the type of commitment Washington envisages for the continent keeps the US at a certain distance. This represents the same lack of attention that, paradoxically, seems to be a feature of American foreign policy in what was traditionally seen as its own back garden: Latin America. This region is the subject of the chapter by Loris Zanatta, who endeavours to reconstruct current US policy towards Latin America, only to find that it

is neither clear nor coherent. Other observers are similarly unimpressed. The kindest describe it as “erratic” and their harsher colleagues as “terrible”, but pretty much everyone admits: “It’s non-existent”. Donald Trump’s policy in Latin America is none other than his domestic electoral policy.

Against this backdrop, China’s presence has grown and keeps growing. Between 2000 and 2017, Chinese companies have invested 109 billion dollars in Latin America and Chinese banks have lent a further 147 billion, with 87% of the total channelled into energy and infrastructure. But that’s not all: in no time at all, Beijing has become the second-largest trading partner for the region as a whole, and the largest for many key countries, including Brazil. So it is a simple fact, not a debatable claim, that the United States now faces a serious challenge to its hegemony in South America, and that Washington is taking an increasingly heated tone with China. For the time being, however, this is unlikely to translate into severe tensions, for a host of good reasons. Firstly, Donald Trump is thinking about re-election and only about re-election. Secondly, the State Department is more intent on condemning “Chinese expansionism” than the White House is interested in boosting US influence. Thirdly, China steps lightly, avoids treading on toes and talks a lot about economics, while remaining much more cautious in the political and military arena. Fourthly, the two powers have had an open dialogue on Latin America for many years, and this helps oil the wheels of their relationship. Above all, however, Latin America, like other regions, is subject to specifically regional dynamics that are not only linked with interests but also with the historical traditions and political cultures of its component countries.

It is this same prevalence of regional dynamics that continues to make the Middle East impervious to any simplistic, bipolar reading of the international system. This region, which is covered by the chapter by Armando Sanguini, is also seeing rising levels of Chinese influence and involvement, albeit without undue fanfare. Going well beyond the admittedly vital energy sector and linked increasingly with the Belt and Road Initiative,

this influence and involvement forms part of a vision that ranges from the “*comprehensive strategic partnership*” with Iran to the “*strategic partnership*” with the Arab world, first and foremost Saudi Arabia, followed by Jordan, Egypt and Djibouti.

But even over the past year, the main tensions in the region have been entirely unrelated to the global competition between the United States and China. Consider, for example, the spiral of tensions triggered by Donald Trump’s decision to pull out of the Iran nuclear deal and then, in January, to order the killing of Qasem Soleimani, the Iranian general who headed Iran’s Quds Force and symbolised Tehran’s influence in the region. Tehran has responded to the “maximum pressure” policy and the killing of Soleimani, by abandoning the remaining parts of the nuclear deal and bombing a number of American bases in Iraq. Alternatively, look at both sides of the Mediterranean, and consider the repercussions of the war unleashed last April by General Haftar for control of Tripoli (Serraj government), and Ankara’s military invasion in the north east of Syria, facilitated by the withdrawal of American troops and by Turkey’s arrangements first with the US and then with Russia. And let us not forget the combined sectarian conflict and battle for hegemony between Shia Iran and Sunni Saudi Arabia, which crossed over in 2019 with the intra-Sunni conflict between Riyadh and Ankara (Muslim Brotherhood); or the protest movements in Algeria, Lebanon and Iraq which, despite the different reasons for their existence, have called into question the respective power systems and been reminiscent of the “Arab Spring” movements; or the resurgence of terrorist attacks by ISIS, despite the organisation’s military and territorial defeat and its loss of the self-styled Caliph Abu Bakr al-Baghdadi; or the crisis factors affecting the peace process, accentuated by the Tel Aviv’s attacks on Islamic Jihad in the Gaza Strip and Syria.

So against this variegated backdrop that is yet to settle, what are the policies of the major players? Mario Del Pero looks at the two foremost players, the United States and China. Relations between them have gradually deteriorated in recent years.

Firstly, China has become more assertive on the global stage, and this has manifested itself at various levels. One example is the country's sharp increase in foreign investment, which rose almost ten-fold between 2006 and 2016. Another is China's aggressive campaign of technological modernisation, aimed at achieving self-sufficiency as quickly as possible by means of targeted investment, particularly in education, but often by means of an unscrupulous attitude towards competitors' patents and severe restrictions on foreign companies operating in China. And a third is China's state support for national companies operating on global markets, which the government often justifies with the hyper-nationalist rhetoric that seems to have become the hallmark of the Xi Jinping era (who has held the presidency since 2013).

China's assertiveness has been accompanied by an increase in anti-Chinese policy and rhetoric in the United States, which has been put into practice in the adoption of three lines of political action, all closely interlinked, in the realms of trade, technology, finance and security. Under Trump, in particular, the United States has taken an even firmer line on the protection of patents and intellectual property, while at the same time seeking to erect barriers to the transfer of know-how. These have led, for example, to a more restrictive approach to the granting of visas to Chinese students, whose numbers fell by almost a third (from 150,000 to 100,000) between 2016 and 2018. But the most glaringly visible dimension of Donald Trump's policy towards China is clearly his escalation of the trade conflict. Various tariffs on Chinese goods were introduced in 2018-19, hitting Chinese imports worth a total of some 370 billion dollars – the equivalent of about two thirds of America's imports from China in 2018 – with tariffs ranging from 10 to 25%. Beijing has responded by imposing tariffs on all its imports from the US (worth about 120 billion dollars in 2018) and drastically reducing its purchasing of US agricultural products: Chinese imports of American soya beans – to take a simple example steeped in political and symbolic significance – have

fallen by 70% over the course of the escalating Sino-American trade war. Completing the picture, meanwhile, is a third and final strand of the challenge, which we shall define as “strategic” for the sake of convenience and which takes the shape of the system of alliances that still inform American hegemony in the Asia-Pacific region. In this case too, there is a noticeable gap between the shifting presidential rhetoric and the line actually taken, as well as noticeable elements of continuity with the policies of the Obama administration. But none of this changes the fact that a long-standing dynamic now seems to have taken firm root, in the form of a mutually self-reinforcing dual hegemony, led by China on the economic front and the US on the security front.

Increasing competition between the United States and China has an ambivalent effect on all the other players: while on the one hand, it tends to marginalise them, on the other, paradoxically, it opens up new room for manoeuvre. Russia, which Aldo Ferrari discusses in his chapter, is the most striking example of this ambivalence. Russia’s activism both in Europe and, more surprisingly, in the Mediterranean and Middle East, has grown exponentially in recent years. But at the same time, Russia finds itself compelled, realistically, to adapt to an international context in which it can no longer play the same role that it once did. China is clearly destined to be its main partner in the near future. Since the Ukrainian crisis, Moscow has stepped up its strategic cooperation with Beijing considerably and the two countries are in step with each other in terms of challenging the US-led unipolar order that emerged at the end of the Cold War. But Russia cannot ignore the fact that the balance of power – economic power first and foremost – is increasingly tilted in favour of Beijing and that Moscow needs to tread very carefully to avoid being crushed by its eastern neighbour. Building Greater Eurasia, which has been the subject of much talk in Moscow in recent years, will certainly not be an easy task.

Despite the difficulties in its relationship with China and the perennial problem of its split from the West, however, Russia

appears to feel at home in the new post-Western order that is rapidly coming to define the new international situation. At the same time, however, the country's domestic dynamics are distinctly unpromising from many points of view: the economy is stagnant; the middle classes, especially in the major cities, are increasingly disaffected; highly educated young people are emigrating in large numbers; the majority of the population is fiercely opposed to the recent pension reforms; the governing party performed badly in the latest administrative elections despite excluding many opponents from the electoral lists; the country's demographics remain stubbornly in decline; and several local situations are more troublesome than ever, from the constantly turbulent northern Caucasus to the unresolved question of the Kuril Islands. And in the background behind this, lurks the crucial question of the succession of Vladimir Putin, who has now been in power for 20 years, but who, under the dictates of the constitution, is due to pass on the baton definitively in 2024.

Lastly, we come to Europe, which is the subject of the chapter by Sonia Lucarelli. The future of the European Union is inextricably linked with the future of the liberal order, and as a product of that order, the EU is at risk of going down with it. Playing a bigger international role is not, therefore, a question of choice, it is a question of survival. But the paradox is plain to see: the significance that the European Union needs to assume is precluded by the internal crisis it is going through (divisions, populism, Brexit). This is why the new President of the Commission is right to focus on the international role of the EU and draw attention to the areas in which it can effectively set standards of behaviour and impose them on others, using the leverage of its own market. These areas include the transition towards an eco-compatible economy, the fight against climate change and regulation of the internet.

Whether and how far these efforts bear fruit depends on many other factors, over which the Commission itself has little control. The first is the general performance of the economy:

if another significant economic crisis really were to emerge, it is hard to see how this would not push others towards the EU exit door and trigger a resurgence in Euroscepticism fomented by nationalist forces. Secondly, the political future of the EU will depend on the ability of national and European political systems to show far-sighted leadership, in other words leadership that recognises that no European state, on its own, has any chance of success in today's international system. Thirdly, the future of international politics and of the EU's role will depend on the outcome of the American presidential elections in November 2020. And lastly, the EU's future will depend on how the Brexit saga plays out. Only the first chapter has so far been (almost) written. But the second chapter – namely the negotiations that will define in detail all aspects of EU-UK relations not covered by the withdrawal agreement – is about to get under way. Paradoxically, should Brexit prove to be less costly for the United Kingdom than is expected, this could be used as an argument in favour of further defections.

*Alessandro Colombo
Paolo Magri*

PART I

THE STAKES

1. The Decline of the Liberal Order and the Rise of China

Alessandro Colombo

Exactly thirty years after the fall of the Berlin Wall, the effective and symbolic end of the “old world” of the XX century, the international system is still proving resistant to all attempts at comprehensive interpretations. Not that such attempts were ever lacking over the previous three decades, either in political rhetoric or in scientific analysis. In the first ten years after the end of the Cold War, it will be remembered, most political scholars were triumphally forecasting the universal transition to a free market economy and democracy, a greater role for international institutions and what, rather precipitously, was celebrated as multi-level governance, the activism of a phantomatic “global public opinion” committed to promoting and defending the “civil religion” of human rights and, overseeing it all, the “benign hegemony” of the United States and its allies, a “democratic Holy Alliance”¹ ready to wage rigorously “humanitarian” wars against anyone daring to question “international peace and security”.

Only one decade later, the development of this New International Order was being thrown into doubt by events almost as symbolic as the fall of the wall: the destruction of the Twin Towers and the even more exceptional (and therefore far less publicised) attack on the Pentagon of 11 September 2001, the political and military failure of the 2003 war in Iraq and the great economic and financial crisis of 2007-08. In parallel, interpretations of the international scenario tended first towards an increasingly universal rhetoric of crisis and later towards a

¹ D. Zolo, *Cosmopolis. La prospettiva del governo mondiale*, Milano, Feltrinelli, 2002.

better defined and more radical prognosis of the decline, crisis or indeed end of the liberal world.

In more recent years, however, a new axis in international relations, once again attributable to a rising power, though of a different sort, seems to be redefining the parabola of ascent and decline of the liberal international order. The spectacular rise of China has radically refocused the concerns and security policies of the United States.

The Growing Competition Between the United States and China

Competition between the US and China alone represents a major transformation in the dynamics of international politics and economy. For many years, the future of the international system was viewed either in terms of continuing unipolarism and American hegemony or as a gradual transition towards a new multipolarism. This scenario has been abruptly changed by the emergence of China as a potential (and in some ways actual) peer competitor to the United States. The dual relationship between order and hegemony on one side and hegemonic crisis and a volatile international order on the other, as described by all the so-called hegemonic theories of international relations, is now being called into question². In one sense, this relationship establishes the conditions under which international stability can be guaranteed by the presence of one nation significantly more powerful than others and therefore able to maintain peace and security, ensure respect for territorial rights and regulate global economic relations. In another sense, the same relationship introduces a kind of “rhythm” to global politics,

² R. Gilpin, *War and Change in International Politics*, Cambridge, Cambridge UP, 1981; J.S. Goldstein, *Long Cycles. Prosperity and War in the Modern Age*, New Haven-London, Yale UP, 1988; G. Modelski (ed.). *Exploring Long Cycles*, Boulder, Lynne Rienner Publishers, 1987.

characterised by “long cycles” of rise and decline in hegemonic power³. When power is most concentrated, as in the wake of “general wars”, of which the Cold War was an anomalous example, demand for order and security among members of the international community is at its highest, as is the capacity of the most powerful nation to satisfy the demands of others. When this concentration of power begins to decline, however, the dominant nation gradually becomes less able to fulfil its role and one or more challengers may successfully demonstrate the ability to disobey its dictates without incurring sanctions.

Over the last decade, the hegemony of the United States seems to have entered such a parabola of decline. As the Cold War years have slipped slowly into the past, the Euro-Western coalition of “winners” appears to have lost its capacity and consequently its will to continue dictating the international order, either globally or regionally (as is demonstrated by American and European paralysis in the face of the latest wave of Middle Eastern crises). Furthermore, the retreat of the United States and its European allies has permitted a parallel rise in the activism and assertiveness of other actors, whether allies (e.g. Turkey and Saudi Arabia in the Middle East) or, more importantly, potential competitors. In the case of the Middle East, we need only think of Iran’s involvement in the Syrian civil war and its engagement in the extremely fragile Iraqi state. Again in the Middle East, Russia has become involved first in Syria and now in Libya, only a few years after its military challenges in Georgia and Ukraine. China poses an even more comprehensive challenge given the unprecedented growth the country has enjoyed over the last three decades and its even more spectacular development over the last century.

As with all rapid redistributions of power, this too has had a destabilising effect on international relations. Like all potentially bipolar structures, the emerging new order appears conflictual in nature, at least in the sense that the declining power and the rising power both tend towards suspicion of the other’s

³ G. Modelski (1987).

present or future intentions, with the quite avoidable risk of falling into the competitive spiral that scholars in international relations are wont to define as the “security dilemma”⁴ and that, with specific reference to the competition between the United States and China, has recently been re-baptised as “the Thucydides trap”⁵.

This competitive dynamic is complemented and, in the worst case, aggravated by at least three factors. The first is simply strategic uncertainty. For the United States, this translates into the dilemma of whether to engage with or contain China, or, more realistically, how far to go in collaboration or containment⁶. The engagement approach adopted to different degrees by the Clinton and Obama administrations (though in radically different historical contexts) aims at preventing hostility but runs the risk of making China even stronger. The confrontation approach adopted by the Bush administration and even more decisively by the Trump administration, aims at avoiding deception but risks intensifying hostility. As with all rising powers in the past, China is faced with the diametrically opposite dilemma. Its choice is between adapting to the existing principles, rules and regulations, and if so to what extent, or challenging them, and again to what extent. The adaptation strategy has the benefit of reducing distrust and resistance on the part of the hegemonic power, but risks limiting the rising power’s future potential. The opposite strategy permits maximum potential to be achieved but risks increasing the diffidence and resistance of the declining power.

The second factor is the almost inevitably cumulative nature of competition. Until just a few years ago, China posed only an

⁴ J.H. Herz, *International relations in the atomic age*, New York, Columbia UP, 1959; R. Jervis, “Cooperation under the Security Dilemma”, *World Politics*, vol. 30, 1978, pp. 167-214.

⁵ G. Allison, *Destined for War. Can America and China Escape Thucydides’s Trap?*, London, Scribe, 2017.

⁶ On the dilemmas facing American foreign policy, I refer to A. Colombo, *Trump’s America and the Rest*, in A. Colombo and P. Magri (eds.), *Big Powers Are Back. What about the Europe?*, Milano, Ledizioni-ISPI, 2018, pp. 31-48.

economic challenge. In recent years this has been extended to encompass the military domain – though only in certain areas and not on the global stage, where the United States maintains an unprecedented dominance over all other actors. More significantly, China has become a top-level competitor in the field of development aid and multilateral initiatives. The *Belt and Road Initiative* is just one example. As always in the history of international relations, this growing competitiveness is now spreading from the sphere of power and institutions to the arena of international legitimacy, where China paradoxically presents itself as the ultimate defender of the typically European principle of sovereignty.

The third and final factor is linked to the relationship that always exists between power and prestige. This touches (at least ironically) on what US politicians and academics, at the height of American hegemony, universally vaunted as soft power. As China's capabilities and activism grow, so too do its potential of attraction and its confessed eagerness to use it. "We are fully confident" proclaimed Chinese President Xi Jinping back in 2016, "in offering a China solution to humanity's search for better social systems". One year later, the same Xi Jinping declared that China was "blazing a new trail for other developing countries to achieve modernization"⁷, and offering "a new option for other countries and nations who want to speed up their development while preserving their independence"⁸. Various countries have shown interest in China's offer of cooperation, not only in East Asia and on the African continent, where China has been active for decades, but in the Middle East, South America and Europe too⁹.

⁷ Quoted in J.C. Weiss, "A World Safe for Autocracy? China's Rise and the Future of Global Politics", *Foreign Affairs*, July/August 2019.

⁸ Quoted in O.A. Westad, "The Sources of Chinese Conduct. Are Washington and Beijing Fighting a New Cold War?", *Foreign Affairs*, September/October 2019.

⁹ J. Smith and T. Taussig, "The Old World and the Middle Kingdom. Europe Wakes Up to China's Rise", *Foreign Affairs*, September/October 2019.

The Illusory Precedent of the Cold War

To examine this only potentially bipolar evolution without preconceived conclusions or political hysteria, we first need to dispose of the connotations of what, in our imagination, we might still identify as classic bipolarism, namely the rivalry between the US and the USSR in the second half of the XX century. For better or for worse, China is not the Soviet Union. In many ways it represents the complete opposite¹⁰. For a start, the composition of power in the two countries is totally different. The Soviet Union was the US's peer competitor on the military level, while it never was economically. China is already a peer competitor economically, but is yet to achieve the same status militarily. Secondly, there are enormous differences between the political regimes of the two countries. Despite the Communist Party's recent re-assumption of political control over China's institutions and military, orthodox Chinese communism is a far cry from that of the Soviet Union during the Cold War period: China is extremely open to the international economy and has radically less ability to influence vast sections of global society, especially the young, ideologically. Finally, modern China does not possess a universal language or a vision in any way comparable to those that for decades made the Soviet Union a powerful magnet not just for friendly states but for large swathes of the population in states hostile to it, including much of the world's intelligentsia. It was the language and vision of the USSR that turned the Cold War into a competition not just between two superpowers but between two alternative views of the common good. Instead, modern China exhibits an ideologically weak combination of nationalism and efficiency and has no aspiration to "export the Chinese model, or require others to copy Chinese methods"¹¹.

¹⁰ O.A. Westad (2019).

¹¹ Xi Jinping's speech at the 19th Communist Party Congress in 2017, quoted in J.C. Weiss (2019).

Less obviously, the United States is no longer the superpower it was in the second half of the XX century. It differs on the domestic front, where the euphoria and conviction of much of the XX century has been replaced by an unprecedented crisis of political, social and institutional cohesion, centred around but not limited to the polemics and threats of impeachment that have surrounded the Trump administration over the last twelve months. An even clearer and more significant difference, at least in terms of international politics, lies in the country's foreign policy and internationalist culture. In the years following World War Two, the United States was committed to promoting and defending its great vision of international political and economic order, based on universalist ideology and supported by an extensive network of international organisations. On the contrary, and especially since Donald Trump has entered the White House, the United States now seems determined to dismantle this apparatus or at least declare its obsolescence. Like the Obama administration before it, the Trump administration seems eager to distance itself from the hegemonic and potentially imperial temptations of previous American foreign policy and is committed instead to gradually re-dimensioning the country's international engagement in order to achieve a new balance in the critical equation between commitments and resources¹².

If the two protagonists of today's competition little resemble those of the past, the relations between them are even more disparate. There was no significant trade between the United States and the Soviet Union for the duration of the Cold War; each dominated a sphere of influence that was more or

¹² Opposing positions have been taken on this subject even this last year. See, among others, F. Zakaria, "The Self-Destruction of American Power. Washington Squandered the Unipolar Moment", *Foreign Affairs*, vol. 98, no. 4, July/August 2019; D.W. Drezner, "This Time is Different. Why US Foreign Policy Will Never Recover", *Foreign Affairs*, vol. 98, no. 3, May/June 2019; S.M. Walt, "The End of Hubris And The New Age of American Restraint", *Foreign Affairs*, vol. 98, no. 3, May/June 2019.

less integrated politically, economically and ideologically, and therefore in clear contrast with that of the other. Over recent decades, the United States and China have developed a high degree of economic inter-dependence, exponentially accelerated by China's admission to the WTO in 2001. History suggests that we should not read too much into this, and in particular should not assume that economic inter-reliance is sufficient to nullify all risk of war, but there can be no doubt that the modalities of the competition have been dramatically altered. Most importantly, the cost of a potential crisis has increased exponentially for both parties¹³.

Another no less significant difference lies in the relations between the two powers and other players. Though experts in international relations, even in the past, have emphasised that bipolar power distribution should not be confused with the existence of two separate alliance systems¹⁴, the bipolarism of the second half of the XX century, especially in Europe, was indeed a contrast between "blocks", i.e. between exceptionally rigid alliances that reflected the period's equally rigid international system. So far, at least, nothing similar applies to the competition between the United States and China. Compared to the exceptional stability of the bipolar period, the post-Cold-War period has seen a high degree of volatility in international alliances and alignments and it appears unlikely that the growing competition between the United States and China will remain unaffected. Instead of counting on a consolidated group of allies, both countries are fighting to procure new friends and, in some cases, not to lose the ones they have. While this is true of what the Americans refer to as the Indo-Pacific regional system, it applies even more to other regional groupings in which growing Chinese activism contrasts with the diminishing enthusiasm and credibility of the United States.

¹³ K.M. Campbell and J. Sullivan, "Competition Without Catastrophe. How America Can Both Challenge and Coexist With China", *Foreign Affairs*, vol. 98, no. 5, September/October 2019.

¹⁴ K.N. Waltz, *Theory of International Politics*, Reading, Addison-Wesley, 1979.

Another difference lies in the combined hierarchy of international power and prestige. In some ways this is even more worrying, but not for the reason most commonly evoked by politicians, commentators and experts, i.e. that other key players exist alongside the United States and China (military heavyweights like Russia and economic heavyweights like the European Union) and that these are destined to counterbalance any possible bipolar thrust and return the international system to a more reassuring multipolar equilibrium. Such a scenario also existed throughout the historic bipolarism between the US and the USSR. Already by the nineteen sixties, it was commonly held by many, including then US Secretary of State Henry Kissinger, that while there were only two superpowers militarily speaking, “at least five main groupings” existed on the economic level. What seems to distinguish today’s international context, rather, is that all the main players on the international scene (including the United States and China) suffer from a high degree of vulnerability. This is another anomaly in the present international scenario: the main actors all risk becoming a cause of international disorder rather than order.

The Geopolitical Dimension of the Competition

What most clearly keeps at bay the spectre of a new bipolarism between the US and China, despite the precedent of the Cold War, are the colossal geopolitical changes that have transformed the international system over the last thirty years. The increasingly evident reversal in the relationship between global and regional dynamics is slowly but surely reducing the significance of the age-old debate between multipolarism, bipolarism and unipolarism. While, in the age of global conflicts of the XX century, it was perfectly plausible – politically as well as theoretically – to measure polarity on the basis of global power distribution, in today’s international context regional power hierarchies are becoming more important than (and prospectively more autonomous of) any global pecking order. At least

in this sense, any designation of the present-day international system as unipolar, bipolar or multipolar risks proving both theoretically baseless and politically dangerous. The distinction between unipolarism, bipolarism and multipolarism assumes that the hierarchy of power and prestige is defined globally, but the geographic scale on which actors' power is compared is evidently changing.

Three far-reaching consequences can be derived from this. Firstly, unlike that between the United States and the Soviet Union, the competition between the US and China is far less able to penetrate the various regional arenas and, therefore, leaves ample space for other capable and eager players to act locally (as is the case with Turkey, Iran, Egypt, Saudi Arabia and Qatar in the Middle East) or even to make incursions into other regions (Russia in Syria). Secondly, and for the same reason, though competition between the United States and China is not irrelevant to other regions, it is far more significant to the Indo-Pacific regional system, where China seems determined to build something similar to a sphere of influence for itself and where the United States seems equally committed to prevent it from doing so by shifting the focus of its foreign and defence policies towards the region and developing an ever closer network of military cooperation.¹⁵ Thirdly and finally, and as a consequence of the above, while international attention in the second half of the XX century was clearly focused on Europe, the eyes of the world will most likely be turned towards Asia in the twenty-first. The most important outcome of the last century increasingly seems to have been the loss of European centrality in global politics. The current shift of attention to Asia will complete this process.

¹⁵ O. Skylar Mastro, "The Stealth Superpower. How China Hid Its Global Ambitions", *Foreign Affairs*, vol. 98, no. 1, 2019.

2. Multilateralism Between Crisis and Revival

Andrea Locatelli

Most observers argue the liberal international order is in a grave state of crisis or, in some cases, even dead¹. Much disagreement clearly exists about the root causes for this and as to whether the order will even be able to survive. Plenty of empirical evidence exists to support the hypothesis of the demise of the liberal order, especially the inability of international institutions to provide a means for managing relations between states. As will become clear shortly, it is fair to argue, at the cost of slightly overemphasising a few aspects, the institutional architecture put in place at the end of the Cold War (or, in the view of some authors, in the post-War period)² has been attacked by numerous parties. One of the most evident effects of the crisis is the erosion of multilateralism, one of the pillars on which the contemporary liberal order is based.

There are plenty of examples of the decline of multilateralism – or at least of its metamorphosis. In their search for a culprit, most analysts pointed the finger at Donald Trump. While it would be analytically incorrect to allocate decisive causal power to the American President, it is substantially correct to note the crisis of multilateralism depends primarily on American foreign policy³. Washington's decision to distance itself from

¹ See especially: A. Colombo, *Tempi decisivi. Natura e retorica delle crisi internazionali*, Milano, Feltrinelli, 2014; V.E. Parsi, *Titanic. Il naufragio dell'ordine liberale*, Bologna, il Mulino, 2018; J. Mearsheimer, *The Great Delusion: Liberal Dreams and International Realities*, New Haven CN, Yale UP, 2018.

² J. Ikenberry, *After Victory. Institutions, Strategic Restraint and the Rebuilding of Order after Major Wars*, Princeton NJ, Princeton UP, 2001.

³ D. Haglund, M. Clementi, and A. Locatelli, "Making America Grate Again: The

international organisations like the WTO, its aggressive and at times scornful rhetoric of NATO, the amending (or even pulling out) of agreements like the Trans-Pacific Partnership (TPP), American Free Trade Agreement (NAFTA), and Intermediate-Range Nuclear Forces (INF) are all symptoms of the inability of the multilateral approach to act as a means for managing relations between states – or to do so in a manner that is effective and functional to the interests of the great powers.

The following pages will focus on trying to understand the new forms of the contemporary international order in the light of the tensions within, and deterioration of, the practice of multilateralism. The goal will be to provide a few analytical considerations in response to the key question for political analysis of international relations: what model will emerge from the ruins of the current order? Will this new order be an updated variant of the liberal order, or will its salient features be lost? Will it have features from models seen in the past, or will it have original characteristics? Before we investigate such aspects, it is necessary to reiterate the centrality of multilateralism to the current liberal order.

Multilateralism and the Liberal International Order

No single, uncontested definition of the liberal international order exists. The literature on this topic is extensive but the point is still unsettled, largely because of the historical development of the liberal doctrine (take, for example, the differing views of two founding fathers, Immanuel Kant and Woodrow Wilson)⁴. Nonetheless, for the purposes of this work, it is possible to identify five theoretical pillars that effectively provide

“Italianization” of American Politics and the Future of Transatlantic Relations in the Era of Donald J. Trump”, *Political Science Quarterly*, vol. 132, no. 3, 2017, pp. 495-525.

⁴ C. Glaser, “A Flawed Framework. Why the Liberal International Order Concept Is Misguided”, *International Security*, vol. 43, no. 4, Spring 2019, p. 58.

the basis for a range of foreign policy tenets. These are the basic assumptions underlying the functioning of the liberal order: 1) An extensive network of international institutions that encourages states (especially the most powerful ones) to favour strategic restraint; 2) A distribution of power that facilitates the *legitimate* leadership of a leading state; 3) The essentially global scope of such mechanisms; 4) The peace-bringing effect of economic interdependence; and 5) Democracy and democracy promotion⁵.

Multilateralism is undoubtedly central to the first two pillars⁶. It can be seen as a complementary concept to “international institutions”, since the latter could not exist unless they were based on multilateralism (otherwise they would simply be a tool for hegemony over other states); nor could multilateralism exist without an institutional framework (as it would simply be a form of ad hoc, volatile cooperation). Furthermore, belonging to international organisations constrains state behaviour. Just like domestic institutions, international organisations compel member states to accept obligations and potentially even sanctions. From a liberal perspective, this dilutes the ability of the most powerful states to maximise the benefits of their relative superiority, leading to strategic self-restraint.

Similarly, multilateralism is essential for the second requirement of the liberal order, namely the hierarchical distribution of power. Hierarchy implies a leading state that is able – and willing – to ensure the mechanisms of order function properly, and does so not only by using its power (that it, by definition,

⁵ J. Ikenberry (2001); J. Ikenberry, *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order*, Princeton NJ, Princeton UP, 2011.

⁶ The definition of multilateralism used here is from R. Keohane, “Multilateralism: An Agenda for Research”, *International Journal*, vol. 45, no. 4, Autumn 1990, p. 731. In Keohane’s words, “multilateralism can be defined as the practice of co-ordinating national policies in groups of three or more states, through ad hoc arrangements or by means of institutions”. The concept of multilateralism is quite different in J. Ruggie, “Multilateralism: The Anatomy of an Institution”, *International Organization*, vol. 46, no. 3, Summer 1992, pp. 561-598. I would like to thank Antonio Zotti for bringing this point to my attention.

has) but also through consensus. Consistently with the first point, the liberal order is based on the expectation a hegemon that limits its own strategic ambition can be perceived as benevolent by other states, so making its leadership legitimate, because consensual. Such a pledge, though, would be unrealistic unless it was accompanied by multilateralism: in fact, without multilateralism the actions of the leader would not be predictable, transparent and, to an extent, compatible with the interests of its follower states.

Decline of Multilateralism

Multilateralism today seems to be facing challenges on multiple fronts. The most obvious are the rhetoric and actions of the current American administration, but equally challenging are the less evident, albeit no less serious, ambitions of revisionist powers like China and Russia. Clearly, there is reason to agree with those who argue it would be overly simplistic to trace all the woes of the liberal order back to Trump. For one thing, as early as in the first years of this century, during the first George W. Bush administration US foreign policy took a decidedly unilateral turn, both theoretically with the “Bush doctrine” and empirically, notably with the Iraq war⁷. Nonetheless, during his second term, the President’s foreign policy was far more in line with the traditional dictates of multilateralism and internationalism.

Today, the situation would appear to be quite different. In the past year alone, multilateralism has been subjected to several glaring attacks. For the sake of brevity, only two spheres – international trade and security – will be explored here, with a view to showing the extent of these attacks and what is at stake. Turning to trade, Donald Trump has expressly stated (or tweet-ed, as has become the norm for him) “trade wars are good, and

⁷ I. Daalder and J. Lindsay, *America Unbound. The Bush Revolution in Foreign Policy*, Washington DC, Brookings Institution Press, 2003.

easy to win". Consistently with this approach, in the opening months of 2019 he imposed tariffs on China and European nations, just to announce in June he had reached an agreement with Beijing; however, in September he extended the list of items subject to trade restrictions and finally, in December, he announced a new agreement (obviously, in the meanwhile China did not stand watching, but responded with similar measures). So, despite inevitable highs and lows, should both powers hold true to their threats, the escalation in tariffs will soon cause a major trade imbalance, as the tariffs on Chinese imports to America will rise from 3% in 2017 to 24% and, similarly, tariffs on American exports to China will rise to 26%⁸.

As for international organisations and multilateral agreements, the Trump administration has repeatedly criticised the WTO, calling it a failure when it judged the United States to be guilty of unfair trading practices, but saying nothing when the organisation's rulings favoured the United States. The latest attack – and probably the most crippling – on the organisation was the decision to block the naming of new judges to the Appellate Body, which ultimately decides appeals on trade complaints. At the time of writing, six of the seven judges on the Body were reaching the end of their mandate, but since a minimum of three judges is required for a decision, the Body is effectively unusable⁹. As for more regional agreements, right from his presidential campaign in 2016, Trump's revisionism has focused on NAFTA, which he has called the worst agreement in history (a topic he has regularly returned to in the last three years). What is remarkable of his opposition to the deal has been his desire not only to pull out of it, but to claim – with a hostile and confrontational attitude – his partners should renegotiate the agreement. Setting aside some rather unrealistic

⁸ W. Shan, "The Unwinnable Trade War", *Foreign Affairs*, vol. 98, no. 6, November/December 2019, p. 100.

⁹ C. Bown and D. Irwin, "Trump's Assault on the Global Trading System: And Why Decoupling from China Will Change Everything", *Foreign Affairs*, vol. 98, no. 5 September/October 2019, pp. 125-136.

demands, in late November the leaders of the three countries signed an agreement (the United States-Mexico-Canada Agreement, or USMCA) that actually does not substantially change NAFTA's principle of the free movement of goods, but it does impose access conditions on the Mexican and Canadian markets that are slightly more beneficial for various American goods¹⁰.

Turning to multilateral security organisations, the primary target for the Trump administration has been NATO. Despite being the longest-lasting alliance in history, it has borne the brunt of fierce accusations by the American President. Washington has come to see NATO – in a manner similar to the WTO and NAFTA – as a dreadful deal that is a better bet for its allies than the United States. Starting in his 2016 electoral campaign, Donald Trump has made it clear America's commitment to the alliance is not unconditional, but hinges on its allies complying with certain obligations¹¹.

The United States' partial pull back notwithstanding, the alliance has not been prevented from being very active, as is shown by the various missions around the world and, notably, the renewed commitment to defend allies from the Russian threat. Nonetheless, America's decision to reduce its leadership role for the time being has apparently had direct consequences on NATO's ability to really provide those collective defence benefits that, thus far, it has never failed to produce. The most evident (and recent) example of this uncertainty is the American decision to withdraw troops from Syria, after which French President Macron gave a fiery interview to *The Economist* talking about NATO becoming brain dead¹².

Needless to say, the American withdrawal from Syria has major implications for the future balance of power in the Middle

¹⁰ Ibid.

¹¹ A. Carati, *NATO and the Extraordinary Persistence of an "Obsolete" Alliance*, in A. Colombo and P. Magri (eds.), *The End of a World*, Milano, Ledizioni-ISPI, 2019.

¹² "Emmanuel Macron warns Europe: NATO is becoming brain-dead", *The Economist*, 7 November 2019.

East, although the sheer complexity of the region makes it impossible to judge whether or not it was a good decision. In the Syrian quagmire, as witnessed by the ongoing debate on this topic, it is hard to say if the costs of withdrawing will be higher than staying, or vice versa. The real damage to multilateralism (although such an outcome was far from necessary) came from the process that led to withdrawal. Trump first expressed his desire to withdraw American troops back in December 2018, although he refrained from actually taking any action. In October 2019 he pulled out roughly a hundred troops who were positioned with Kurdish forces and, a few days later, he ordered a complete withdrawal from northern Syria – although this decision was belied by the redeployment of a few hundred other troops.

Importantly, these actions took place against a backdrop of multilateral operations (Inherent Resolve mission) that, despite not specifically being NATO-mandated, involve all the allies, albeit with only a few (especially Turkey) taking part in combat operations. Hardly surprisingly, Washington's hesitancy generated uncertainty among the allies about America's intentions – and thus uncertainty about the reliability of the most powerful ally. Although Macron's statement was filled with anger and rather emphatic, it does provide a useful indicator for the state of multilateralism in the alliance. Despite the conciliatory tones at the London summit in December 2019, it seems clear the alliance's ability to reconcile the multiple tensions between the partners is greatly diminished.

Sunset or Transformation for Multilateralism?

Events in 2019 confirmed how American foreign policy was breaking away from the liberal international tradition. Many observers argue the current administration's change of direction has eroded not only American leadership, but the very

foundations of the liberal order¹³. Thus, the obvious question is whether the transition to a new model for international order will be gradual and largely a continuation of the current format, or if it will mark a decisive break from the present. In other words, will something remain of the current mechanisms used to manage relations between great powers or will new agreements emerge? At present, any answer to this question has to be temporary in scope. However, international relations theory can help us, with a realist-inspired model that sets out a future built on geo-political competition.

This model envisages relations between great powers being based on competition – not necessarily military competition, as has been the case for centuries in the modern and contemporary international system, but in economic terms. The ultimate goal of the United States will not be defined by military security (i.e. the ability to defend oneself against attacks), but by economic security (i.e. the ability to generate wealth autonomously). At the heart of such a model is the fragmentation of the international system into mutually competing economic blocks in which one or (potentially) more leading nations try to establish beneficial trade relations with the weaker nations. Such an order would maintain a powerful element of collaboration and multilateralism within each block, but result in conflicting relationships between blocks. In other words, there would be a move from multilateralism to multilateralisms¹⁴.

John Mearsheimer paints a similar picture, as he distinguishes between “bounded” and international orders. Unlike the liberal order – which is international, as it includes all the major global powers – the bounded order consists of “a set of institutions that have limited membership”¹⁵, meaning it does not

¹³ A. Quarenghi (ed.), *Trump e l'ordine internazionale*, Milano, Egea, 2018.

¹⁴ M. Mastanduno, “A Realist View: Three images of the Coming International Order”, in T.V. Paul and J.A. Hall (eds.), *International Order and the Future of World Politics*, Cambridge, Cambridge UP, 1999, p. 22-24.

¹⁵ J. Mearsheimer, “Bound to Fail. The Rise and Fall of the Liberal International Order”, *International Security*, vol. 43, no. 4, 2019, pp. 11-12.

include all the great powers and so it is merely regional in extension. Like in trading blocks, the bounded order is generally dominated by a single great power. Consequently, relations are organised on the principle of hegemony. The key aspect of such a vision is that, like trading blocks, the bounded order is a sort of *conventio ad excludendum*, since being categorised as bounded requires at least one of the great powers to be excluded.

This fundamental aspect has a major consequence for relationships between powers. In the liberal order, the goal was to promote cooperation not only among the great powers, but virtually among all states in the world; a bounded order is structured so as to allow rival great powers to manage competition, not mutual cooperation. Thus, the basic difference between the liberal order and an order built on geo-economic competition is relationships between great powers in the former are based on cooperation, while in the latter on competition. Multilateralism will not completely disappear, but in the best possible case it will still be relegated within the borders of the individual blocks – thus emulating the order of the western block during the Cold War.

Conclusion

What can we expect from the future? In the worst case scenario, the new form of trade will be dominated by exclusive trading blocks designed to increase trade within the block, and create barriers to the outside. Such a system is unlikely to bring prosperity and cooperation: inasmuch as the legal settlement of disputes fades away, it will be increasingly replaced by mere economic superiority as a principle to determine trade disputes. This will force smaller states in the system to establish purely opportunistic ties with a great power, reinforcing subordinate relationships to the benefit of the powerful.

History has examples of this. The most similar picture from the past – and the most worrying scenario – is the system from the 1930s. The current institutional fabric is definitely more

solid than it was ninety years ago, and the standards for conduct have changed. The memory of what happened in the period between the Wars, and the Wars themselves, should serve as a warning when the world moves away from the current order to alternatives that remain somewhat unclear.

3. The Economic and Financial World: Globalising or Fragmenting?

Franco Bruni, Lucia Tajoli

How is the economic and financial side of globalisation shaping up? Our aim is to answer this question, bearing in mind that changes in the world's economic structure affect the political aspects of international relations. The reverse is equally true, of course, and geopolitics has an increasing influence on the world economy. This is borne out by the way investment, growth and financial stability have all been affected by the myriad risks and uncertainties being spawned by neo-nationalism, the crisis of multilateralism and rivalry between the major powers.

But the economy has its own special fabric of relationships, and changes to these relationships tend to act retrospectively on the development of policy and global governance. After at least two decades of intensive internationalisation of production, trade and finance, what shape is the world economy now taking? Is the fabric that was holding it all together now showing signs of tearing, fragmenting and polarising?

First we shall examine how the relative size of countries in terms of production is evolving, and then we shall look at how the direction, composition and intensity of international trade are changing. Thereafter, we shall focus on certain aspects of financial and monetary relations between countries and the dynamics of the world's technological and infrastructural interdependence. Lastly, we shall touch upon our hope that the world will remain cohesive and find new multilateral ways of working together.

The Relative Sizes of National Economies Are Changing

Globalisation has changed the economic power of individual countries, and this has had political consequences. How is the multilateralism that prevailed until a few decades ago (while revolving around a single dominant power) now changing? We can go some way to answering this question by analysing the evolution of the Group of 20 largest countries by GDP¹.

The top 20 countries still account for the same percentage of world GDP as 40 years ago, at just under 80%². The composition of the group as a whole has not changed much either. Sixteen of the top 20 countries in 1980 are still in the ranking in 2020³: so one has dropped out and been replaced by another roughly every decade. The pace of change is forecast to rise only slightly over the next 30 years, meaning that 13 countries from the 1980 ranking and 16 from the 2020 ranking⁴ will still be in the top 20 in 2050.

There have always been big size differences between the world's 20 largest national economies, and this trend is forecast to continue. The largest accounts for over 25% of the total. Size then falls rapidly until the smallest four or five, which account for just over 1%. Figure 3.1 shows the evolution over the decades of the line joining the percentage of GDP (where 100%

¹ The most effective way to do this is to consider the data adjusted for purchasing power parity, as this neutralises certain differences between pricing structures in countries with different degrees of development and international integration. By integrating the IMF estimates with a number of projections made by *PricewaterhouseCoopers*, we can draw a comparison over a 70-year time span, from 1980 to 2050: see [https://en.wikipedia.org/wiki/List_of_countries_by_past_and_projected_GDP_\(PPP\)_per_capita](https://en.wikipedia.org/wiki/List_of_countries_by_past_and_projected_GDP_(PPP)_per_capita) and the sources cited in it.

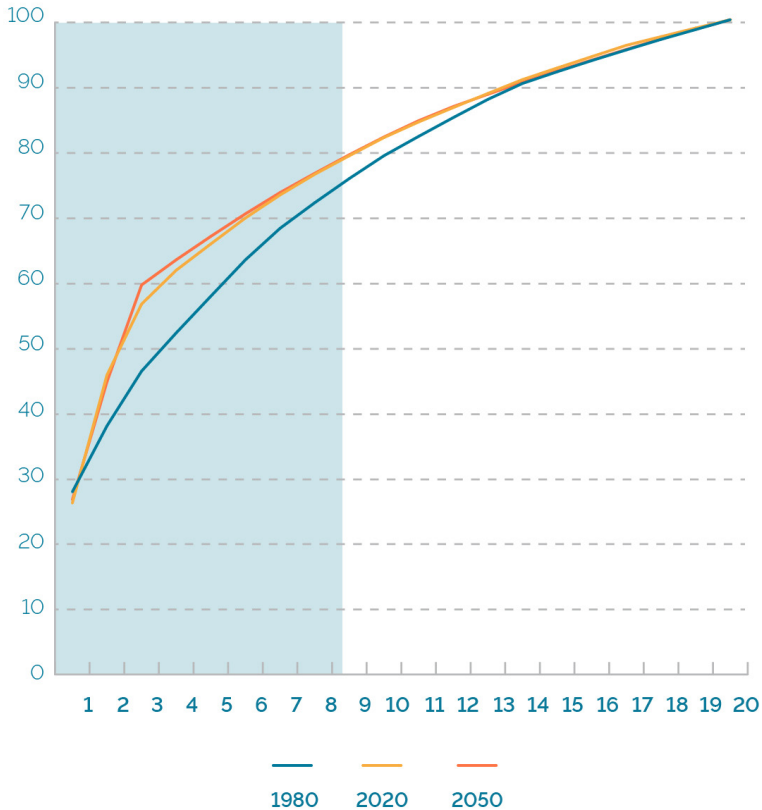
² See <https://www.imf.org/external/datamapper/PPPSH@WEO/OEMDC/ADVEC/WEOORLD?year=2019>.

³ Argentina, Poland, the Netherlands and Australia have dropped out of the Group of 20 and been replaced by Egypt, South Korea, Russia and Thailand

⁴ With Italy, Spain, Canada and Thailand forecast to drop out and be replaced by the Philippines, Nigeria, Pakistan and Vietnam.

represents the sum of the GDP of the top 20 countries) of the largest country, the sum of two largest countries, the sum of the three largest countries and so on.

FIG. 3.1 - TRIPOLAR TREND: RELATIVE SIZE OF THE 20 COUNTRIES WITH THE HIGHEST GDP



The vertical axis shows the percentage of GDP out of the total GDP of the 20 countries whose GDP is the highest (GDP is calculated on a purchasing power parity basis). The horizontal axis shows the largest country (1), the sum of the top two (2), etc. The grey area highlights the group of the top eight. The three lines plot the situation in three different years over the course of a 70-year time span.

Source: Our output based on IMF data

Using the G8 model, significant changes can be seen by looking at the top 8, which range from 20% to 2.5% of world GDP. In 1980, they accounted for just over 70% of the total for the top 20, whereas in 2050 they will account for almost 10 percentage points more. The make-up of the top eight has changed considerably: only four of the top eight countries in 1980 are still in the top eight in 2020 and the combined percentage of those remaining (United States, Japan, Germany and Brazil) is 3/5 of what it was forty ago. France, Italy, Mexico and the United Kingdom have all dropped out and been replaced by China, India, Indonesia and Russia. Between 2020 and 2050, Germany is expected to drop out too and be replaced by Mexico, which was previously in the top eight in 1980. The most striking aspects of the forecast are that no European countries will be in the top eight thirty years from now (Germany is the only one in 2020) and only two of the top eight (three in 2020) – the US and Japan – will be countries that were classified as “advanced” in 1980.

There will therefore be changes in the top eight that could have far-reaching consequences on global governance. One of the most significant factors is that the percentage represented by the top three countries, which rose from 46% of the top 20's total (representing 36% of world GDP) in 1980, to 57% (representing 43% of world GDP) in 2020, and is forecast to rise to 61% of the top 20 in 2050. And the top three, in order, are United States, Japan and Germany in 1980; China, United States and India in 2020, and China, India and United States in 2050, with the US's share falling from well over 1/4 to less than 1/6 of the total of the top 20 as a whole. Commentators often focus on the growth of China, but India is forecast to rise rapidly to second place, since its share is expected to double over the next 30 years, to more than 1/5 of world GDP.

So globalisation is already changing the relative economic size of countries all over the world and will do so even more in the future. The change seems to be characterised by two main factors. The first is the shift towards tripolarism, as the US

starts to lose share at an increasing pace, while the two eastern giants, China and India, forge ahead. It will become increasingly meaningless in future to consider world economic power without bearing this fact in mind. The second factor is the likelihood of frequent, significant changes in the rankings of the countries occupying the first five to 10 places immediately outside the top three. The different roles of these countries and the different relationships they have with each other and with the three major powers, will play a crucial part in determining the outcomes of interactions between the top three, and therefore the meaning and consequences of tripolarism and its compatibility with multilateral governance. Against the backdrop of these changes, the decline in significance of individual European countries is so substantial that it confirms the widely held view that only deeper EU integration will enable the continent to retain any influence over the world's economy and governance.

International Trade: The End of Globalisation? Diverging Trends

In the second half of the XX century, globalisation – measured in terms of indicators such as the increase in importance of international trade, direct investment between different countries, and the international movement of people and businesses – saw almost continuous growth. It then picked up further pace in the early 2000s and was seen as an established feature of the world economy⁵. The 2008 financial crisis, however, brought this trend to a sharp halt. Levels of international trade dropped by about 12% in real terms in 2009 – something that had not been seen for over half a century. After an upturn in 2010, trade growth remained low compared with previous levels, especially

⁵ See, for example, R.E. Baldwin and L.A. Winters, *Challenges to Globalization: Analyzing the Economics*, NBER, University of Chicago Press, 2004.

as a percentage of GDP, prompting talk of “de-globalisation”⁶ and spawning the term “slowbalisation”⁷. A marked slowdown seems to have continued into 2019: trade wars, especially between the United States and China, and the climate of uncertainty engendered by the erratic pattern of Donald Trump’s decision-making, have taken their toll. In the closing months of 2019, the World Trade Organization (WTO) slashed its forecasts for global trade growth by more than half, to an annual rate of about 1.2%, which is the lowest level since the crisis 10 years ago⁸. Trade in services is not directly affected by the trade war and is not yet showing signs of falling, but it still flat-lined in 2019. The slowdown has also affected flows of foreign direct investment, which have been ebbing since 2018.

For a clear understanding of the trends of recent years, however, we need to look at individual countries and world regions, as well as average world data. Even when trade growth was stronger, it was perhaps superficial to talk of globalisation. In a truly globalised world, there is no centre as such, because all parts are involved and therefore equally interconnected. In reality, for many years, the linchpin of the world economy was the US, backed up by the European Union. The spread of openness to trade and the proliferation of links between many countries in various directions is a more recent phenomenon, but it remains asymmetric and has never really been globally uniform: some areas have integrated a lot, while others have remained relatively isolated.

The tendency to follow different trade integration pathways has become more marked over the past 10 years and involves dynamics that have changed the role of the main players. The

⁶ Regarding the current slowdown in trade, see, for example, A. García-Herrero, “From globalization to deglobalization: zooming into trade”, *Las claves de la globalización 4.0*, 2 December 2019

⁷ L. D’Urbino, “Slowbalisation. The steam has gone out of globalization”, *The Economist*, 24 January 2019.

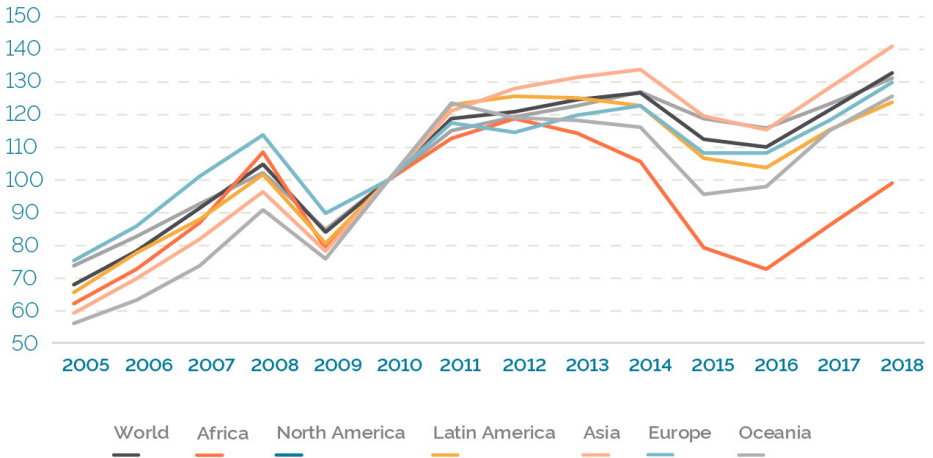
⁸ “WTO lowers trade forecast as tensions unsettle global economy”, *The Nation*, ottobre, Press release.

2019 trade slowdown also affected different regions and industries in different ways. Growth in trade among advanced countries was lower than it was than among emerging and developing countries. Compared with the period before the international financial crisis, levels of trade between advanced, emerging and developing countries have rediscovered their equilibrium over the past decade. Exports from advanced countries accounted for 58% of total world exports in 2007 but fell to 52% in 2018. Exports from developing countries, meanwhile, rose from 38% to 45% in the same period⁹. It is also worth noting that the share of exports from developing countries to advanced countries, as a percentage of total world trade, remained largely unchanged, whereas the share of trade between developing countries grew significantly, from 19% in 2007 to 26% in 2018. This is only partly due to the fact that China has stepped up its trade with Asia and Africa: even excluding the China effect, trade between developing countries as a share of world trade still grew by over 4% in the same period.

The trends are not geographically uniform either, as Figure 3.2 shows. The 2019 downturn in trade was particularly marked in the EU, where imports and exports fell in all the major European economies, particularly in France and the United Kingdom, which suffered from the uncertainty of Brexit. Even Germany, the powerhouse of European trade, saw its trade levels fall, albeit by less than elsewhere; and so too did Italy in the second half of the year. As for the United States, imports and exports both slowed in 2019, and inward foreign direct investment has also dropped over the past two years. Exports to China are significantly below the levels they stood at before the recent trade frictions. Asian trade, by contrast, remains dynamic, despite the many signs of a slowdown in Chinese foreign trade.

⁹ United Nations Conference on Trade and Development (Unctad) Data.

FIG. 3.2 - EXPORTS OF GOODS AND SERVICES BY GEOGRAPHICAL AREA
(2010 = 100)

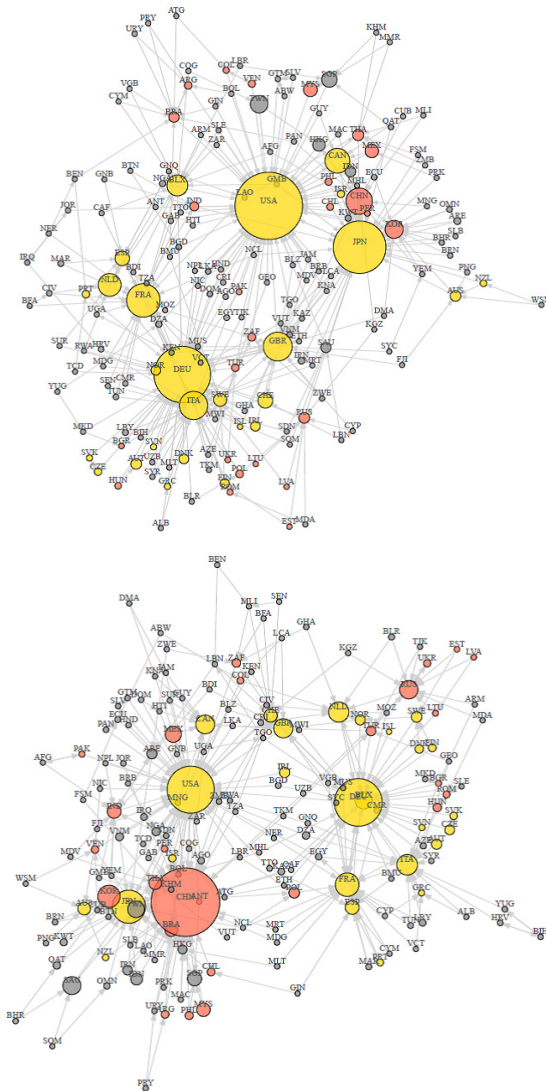


The Three Poles of World Trade

If we depict world trade as a network connecting countries linked by trade flows, as in Figure 3.3, the world currently looks more tripolar than bipolar¹⁰. The United States, Europe and a China-dominated Asian pole clearly emerge in world trade. But what we see when we look at the world trade network is less the importance of individual countries, and more the positioning of their area and of the groups of countries that make up the poles, surrounding their pivotal country.

¹⁰ For an analysis of international trade in the form of a network of links, see L. De Benedictis e L. Tajoli, “Global and local centrality of emerging countries in the world trade network”, in S. Gorgoni, A. Amighini, and M. Smith (eds.), *Networks of International Trade and Investment. Understanding globalisation through the lens of network analysis*, Vernon Press, 2018.

FIG. 3.3 - THE WORLD TRADE NETWORK



The yellow circles represent developed countries, the red ones emerging countries and the grey ones the remaining developing countries. The size of each country's circle is proportional to the number of trade links it has. The arrows represent the two main export flows of each country. The algorithm used to process the data groups the countries shown in the figure on the basis of the strength of their trade links.

Chart compiled on the basis of UN Comtrade data
(by De Benedictis and Tajoli, 2018)

Furthermore, the role and position of the three main players changes depending on point of view: look at exports, and you get a different picture than if you look at imports; even looking at different sectors reveals a partially different picture.

China's new-found centrality to the trade system, especially as a global and regional exporter, is plain to see. The performance of the Chinese economy has a decisive global impact on trade levels. Many observers believe, however, that the "China effect" has peaked: on the basis of the United Nations Conference on Trade and Development (UNCTAD) data, the share of Chinese exports as a percentage of total world exports reached a peak of about 13.5% in 2015, before starting to fall slightly. One reason for this is the change in direction of China's economic policy, which now aims to reduce the country's dependency on foreign markets and nudge the economy towards domestic consumption, which is still low overall. This partial shift away from international markets – which started well before the outbreak of the trade war with the United States – has a considerable effect on overall trade dynamics. As part of this change in direction, China has sought – successfully in certain sectors – to bring into national hands some of the international production processes in which it used to take part, through global value chains, in which its involvement was limited to largely non-strategic phases with minimal added value, such as the assembly of electronic products. At the same time, in more traditional sectors, where it was losing its competitive edge, China has created regional production chains, for example towards Vietnam and central and eastern Asia. This shortening of the global value chains involving China has also played its part in the slowdown in global trade and the increased regionalisation of trade¹¹.

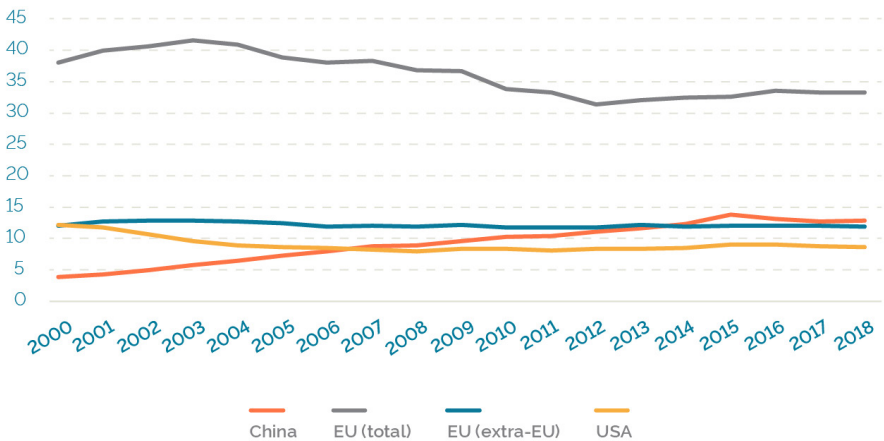
China's preponderance relates mainly to gross trade and is much lower in terms of domestic value added in exports, because the country's ability to export still depends heavily on its

¹¹ For further analysis of this phenomenon see, for example, P. Blagrove and E. Vesperoni, "The implications of China's slowdown for international trade", *Journal of Asian Economics*, vol. 56, 2018, pp. 36-47.

involvement in production chains in which most of the value added lies elsewhere. A look at the flows or stocks of inward foreign direct investment also show that China's position is still a long way from that of Europe or America.

The decline in the US and EU's market share of exports, against China's share, has basically stopped, as Figure 3.4 shows. But both these areas seem to be seeing at least a cyclical slowdown in globalisation. The trade war has not yet had serious direct effects on these areas, but it has triggered a complex phase of development, by raising levels of uncertainty. Despite the adverse economic climate, however, it is worth remembering that even if we exclude trade between Member States, the EU as a whole is still the world's biggest exporter and largest market. Europe also attracts the highest share of foreign direct investment. Europe's position differs considerably from sector to sector, however, so although it is a key player in transport and engineering, its role in electronics is much smaller. This key role, furthermore, belongs to the EU as a whole, thanks in part to the high degree of economic integration between its members, none of which is a major global player in its own right.

FIG. 3.4 - COUNTRIES' SHARE OF WORLD GOODS EXPORTS (%)



Source: compiled on the basis of Wto data

India is struggling to emerge as a force in world trade, despite the fact that it is starting to grow into a manufacturing colossus. Over the past 10 years, India's share of world trade has grown, but still stands at 1.7% for exports of goods and 2.1% for goods and services, leaving it a long way behind the three major players in world trade. Of the four largest countries by GDP, India is the only one that is not also in the top four by exports. Furthermore, there is a big difference between countries' ranking by production and by trade because there are big differences in the share of imports and exports within the economic activity of countries of all sizes. Looking at the eight largest countries by GDP, the ratio of world export share to world GDP share ranges from 2 in Germany to 0.3 in India and Indonesia¹². Only four countries rank within the world's top eight in terms of both GDP and exports¹³.

As noted, there is a trend towards greater regionalisation of trade, which is particularly evident in Europe but can also be seen elsewhere. The density of regional trade networks, linked in part to international production chains, has increased within the orbit of countries that are either leading manufacturers or leading markets. These chains and networks mix trade and direct investment and are crucial to competitiveness, especially in certain sectors. Some international chains, such as the electronics chain, are actually global and generate a high degree of interdependence between the three poles, especially in the production of technologically complex goods. In other sectors, such as the automotive industry, chains of more regional or continental scope have tended to prevail in recent years. It is increasingly difficult, in fact, to attribute a precise national origin to many goods and services.

This tendency to create regional economic blocs has also received a boost from a number of recently negotiated regional trade agreements, such as the revised Nafta (North American Free Trade Agreement), the new USMCA (United States of

¹² Italy's ratio of 1.5 is one of the world's highest.

¹³ China, United States, Japan and Germany.

America, the United Mexican States, and Canada) agreement, due to be ratified in 2020 and, in part, China's development of the "Belt and Road Initiative". At the same time, however, we are seeing an increase in transcontinental trade agreements, such as the one recently signed between the EU and Japan, which tend to reduce the process of regionalisation.

These powerful and wide-ranging connections between production processes and the development of ever "deeper" trade agreements call into question the effects of "sovereignist" policies aimed at boosting certain sectors at national level. The existence of global supply chains amplifies upturns and downturns in trade in equal measure, thus multiplying the effect of local impacts, whether positive or negative, and reducing the degree of actual economic autonomy of nation-states, especially in the most advanced and complex sectors.

Globalisation and the Financial Importance of Different Countries

It is logical to assume that the impact of globalisation on the distribution of economic power also depends on its financial dimension. Financial globalisation is, if anything, more difficult to define and measure than globalisation in the real economy. You can look at the intensity of cross-border capital *flows*, or the *stock* of international debt and credit. Alternatively you can ignore the volumes of financial transactions and look directly at their effects on the *correlation of stock prices*, real estate and interest rates: the closer the correlation, the more "global" finance can be said to be. Whatever measure you choose, however, the data is often patchy and non-uniform.

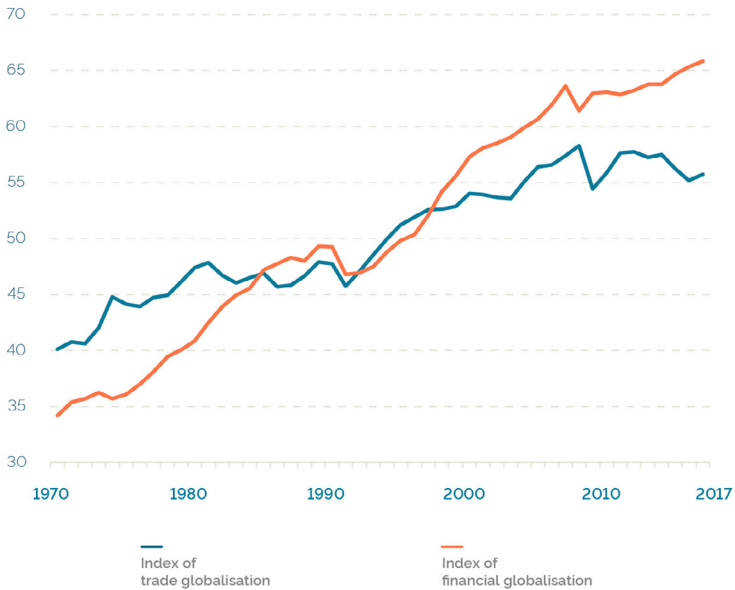
There is also a conceptual problem in using the analysis of financial globalisation as a means of determining the possible redistribution of power. Where is finance-driven power located? This is hard to say, because national financial markets communicate in real time and it is not easy to identify who is responsible for the decisions that move them: a flow of capital

from Switzerland to India, for example, can be the work of an American broker based in London. London has long been emblematic of the fact that financial power is essentially stateless: even if everything starts formally from the British capital, the underlying decisions and interests can be traced back to every corner of the world. Despite being linked with certain jurisdictions, the very nationality of the world's major banks is often difficult to pin down in substance, in view of the international character of their shareholders, their executives and the location of their operations. The national authorities tasked with their oversight are well aware of this, often unable to coordinate their actions and risk losing due control of them.

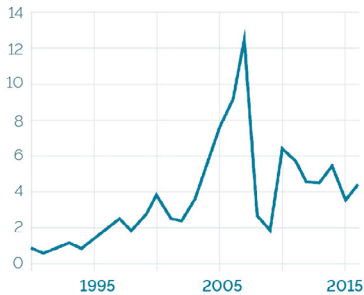
The integrated and stateless nature of geo-finance was accentuated by a process that started in the last 25 years of the XX century, when many of the regulatory obstacles that impeded the international movement of capital and the development of multinational brokers were gradually dismantled. One of the reasons for this financial liberalisation was the desire to reduce the inefficiency and rent-seeking that protection from foreign competition brought to national banking systems and financial markets. Once the doors had been opened and the corridors cleared, finance rapidly connected the entire world, as it had begun to do since the late 1800s, before the Great War led to its re-nationalisation. The rise of international finance was then fuelled by a combination of specific events, including the uniquely rapid development of information technology, European monetary union and the expansionary monetary policies introduced in the US, Europe and Japan in recent decades.

But however you measure it, finance has gone global at a faster

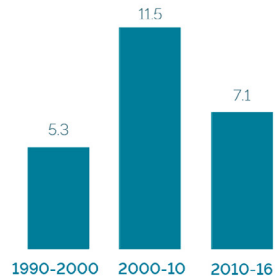
FIG. 3.5 - FINANCIAL GLOBALISATION: INTERNATIONAL CAPITAL FLOWS



In billion of dollars



As % of global GDP



KOF globalisation indices: S. Gygli, F. Haelg, N. Potrafke, and J.E. Sturm, "The KOF Globalisation Index – Revisited", *Review of International Organizations*, vol. 14, no. 3, 2019, pp. 543-574. I flussi di capitali sono calcolati da McKinsey con dati Fmi: <https://www.mckinsey.com/industries/financial-services/our-insights/the-new-dynamics-of-financial-globalization>

pace than trade, although the trend has slowed down since 2007, sometimes in step with trade and sometimes more sharply, and has even gone into reverse on occasions. Figure 3.5 shows the trend of a composite globalisation index, which highlights the clear lead taken by financial globalisation¹⁴ during the 1990s and its slowdown in the last 20 years. The figure also shows the marked downturn in international capital flows after 2008, mainly due to a decline in international activity by European and American banks as a result of their increased sensitivity to “country risk” and related political risk. This downturn is also attributable to the introduction of regulations, in the wake of the 2007-2008 crisis, that discourage complex international transactions, and to the return of more or less implicit forms of protection that make conditions more advantageous for banking activities that remain within national borders.

Attempts can be made to analyse the role of individual countries in international finance using data collected by the Bank for International Settlements in Basel on volumes of foreign credits of banks, classified according to their place of operation or nationality¹⁵. Using the latter classification, we can see that, out of about 31 thousand billion dollars of international credits¹⁶ held in mid-2019, 15% of the creditor banks were Japanese, 12% American, 11% French, 10% English, 8% German, 7% Chinese, 6% Swiss and 4% Dutch. The top eight countries therefore held 75% of the total: only four of these are in the world’s top eight by GDP. Looking at the location of international banking operations, however, London was a long

¹⁴ Financial globalisation is also proving to be much swifter than globalisation measured by more comprehensive indices (calculated by KOF), which also take account of social and political factors: see Institute, ETH Zürich, KOF Swiss Economic, <https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html>

¹⁵ BIS Statistics Explorer, <https://stats.bis.org/statx/toc/LBS.html>

¹⁶ Approximately 1.6 times the value of world trade in a year. The ratio was around one in the first half of the 1980s and then doubled to over two in 2007, before falling sharply, highlighting how financial globalisation slowed down more than trade globalisation in the immediate aftermath of the global financial crisis.

way ahead in first place, on over 16%, with smaller shares for all the others, particularly Switzerland, China and Japan.

How has the ranking by share of international credit evolved over time? Back in 2007, before the financial crisis, German banks' share was much higher and Japanese banks' was lower, while London's supremacy as a source of credit was even greater and accounted for more than a fifth of the total. Going back to 1995, Japanese banks had by far the largest market share and the major European countries had higher shares too.

So today, only banks from developed countries play a major role in international lending, although Chinese banks are beginning to achieve a degree of importance. Japanese intermediaries are still very active at an international level, whereas the role of European banks has diminished significantly. As always, there is still a weak and unstable link between the nationality of internationally active banks and their location.

The financial power of countries can also be considered from the point of view of their currencies. In proportional terms, the foreign exchange market has grown even more than the international credit and debt market, partly as a result of the technical and contractual innovations that have emerged in recent decades. The value of currency trading now reaches the equivalent of almost 7,000 billion dollars per day, equating to a third of the value of international trade for an entire year. Thirty years ago, the foreign exchange market was 1/13 of its current size, equating to just over 1/6 of the annual value of trade. The long-term change in these ratios is further evidence that the financialisation of the world economy was faster and deeper than its commercial globalisation.

Which currencies are traded most on the foreign exchange market? The dollar is by far the most widely traded currency and accounts for just under half of total currency trading. It is followed, a long way behind, by the euro, which accounts for about a sixth of all trading, a figure that is nonetheless twice that of the yen and two and a half times that of the pound sterling. These four currencies are therefore involved in 75% of all

foreign exchange transactions. All others have smaller market shares. The past few decades have seen little change in the respective shares of the world's currencies. While trade in yen and sterling has fallen slightly, it has risen in several lesser currencies. The Chinese currency has recently put in an appearance, meanwhile, and now accounts for small but rapidly growing amounts. Since the eurozone crisis of 2010-2012, the share of currency trading involving the euro has dropped by 20%.

The same four currencies are the major players in the composition of official central bank reserves, but with the yen and sterling trailing even further behind the euro and US dollar. The dollar accounts for over 60% of reserves, but this is almost 10 percentage points less than in 1999. The euro accounts for 20%, as it did in its early years, but has been on a downward trajectory since the 2007-2008 crisis, prior to which it stood at over 25%. The Chinese yuan has been appearing in official reserve statistics since 2016, albeit in small amounts.

Figure 6a shows various criteria by which to measure the international importance of a currency: its share of debt and credit, official reserves, foreign exchange market turnover and global payments. Estimates show the dollar in first place, the euro some way behind in second place, the yen with a much smaller share, and the emergence of the yuan in official reserves and the foreign exchange market. The euro trails the dollar by a considerable distance in financial positions but less so in commercial payments: in fact over half of the eurozone's exports to the rest of the world and over a third of its imports from beyond its own borders are invoiced in euros¹⁷. Figure 6b uses a composite indicator to show how the international role of the euro, which grew considerably in the early years after its introduction, collapsed after 2007 and took until 2018 to see a small degree of recovery.

¹⁷ Eurostat Statistics Explained, "International trade in goods by invoicing currency", 2019.

FIG. 3.6A - % SHARE HELD BY THE MAJOR CURRENCIES

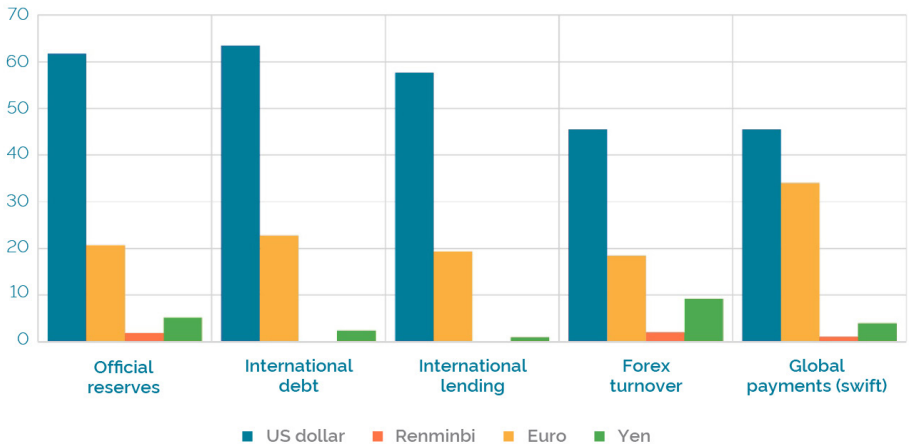
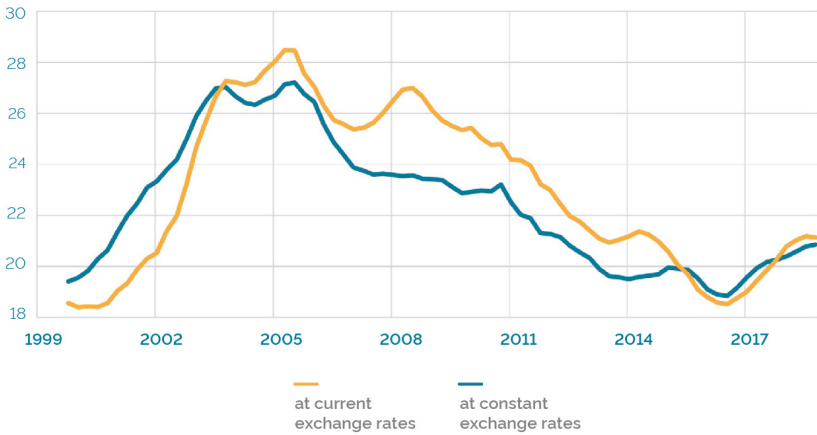


FIG. 3.6B - COMPOSITE INDICATOR OF THE INTERNATIONAL ROLE OF THE EURO



Source: <https://www.ecb.europa.eu/pub/ire/html/ecb.ire201906-f0da2b823e.en.html#toc2>

Having a currency with an international role brings both advantages and disadvantages for its country of origin. The most obvious advantage is that the country of origin can pay for imports with a currency that is also held abroad, thus attenuating the constraint of foreign trade balances and increasing the influence of the country's monetary policy on the monetary policy of other countries. The disadvantages include the financial volatility to which the country is exposed as foreign demand for its currency fluctuates. But with globalisation, there are clearly more advantages, which include a greater ability to attract capital and liquidity from abroad when necessary, at lower cost, while letting any excess liquidity that may arise from time to time spill over into foreign markets without having any serious impact on exchange rates. Conversely, it is the breadth, integration and wealth of a country's financial market that makes its currency a candidate for an international role, because it increases the investment opportunities of those who hold it, whether inside or outside the country concerned. The dollar owes its dominant role mainly to the qualities of its capital market. The importance of the euro would increase if the European financial market were to become more integrated, efficient and variegated while still retaining its homogeneity. The plans to complete the process of European Banking Union and press ahead with the Capital Markets Union – which have long been on the EU's agenda – would bring a major boost to the global role of the euro. The obvious fact that the nature of the Chinese financial market can only evolve very slowly places a limit on the global role of the yuan that cannot be readily overcome.

To sum up, various aspects of financial globalisation are so intense that they give rise to an extremely high level of interdependence between all countries, thus necessitating multilateral coordination of the rules that govern it. This need for multilateralism does not appear to run counter to the evolution of the relative importance of countries in international financial and monetary activity. Such activity remains more concentrated than their economic production and international trade, and

only developed countries play an important financial and monetary role, despite their falling share of world production. The US's position is dominant only from a monetary point of view, whereas the origin, direction and control of the flows of finance are less centralised and more changeable. Europe's loss of stature, both in international banking and in the role of its single currency, is perhaps the most marked feature of the evolution of financial globalisation, which, in this respect, appears to be shifting in step with the changing share of production of the world's regions.

Technological Interdependencies

The interdependence between various economic centres is not only fuelled by global value chains but also by technological progress and the development of the digital economy, which give rise to virtual markets and thus tend to erode borders between countries. The value of many of the new technologies also lies in the size and completeness of the network of links and interconnections that they create, so many of the new digital sectors have gone global much more quickly than more traditional sectors.

Nowadays, furthermore, digital connections represent an absolutely vital channel for trading on global financial markets and keeping international payment systems working.

Despite this, both the US and China are putting in place policies aimed at reducing this digital interdependence, each for partially different reasons. Beijing has been pursuing a program of “decoupling” for over a decade, because it sees self-sufficiency as a national security goal. It has blocked Google and Facebook, mainly – it would appear – in order to retain greater control of public opinion. At the same time, the gap left by these players has been filled by national groups such as Tencent. The Chinese government should consider the risks of a radical shift towards this kind of self-sufficiency: the country is deeply integrated into the technology value chain and has a large share

of global imports and exports. In the case of integrated circuits and optical devices, for example, Chinese imports are now five times higher than China's domestic production.

In certain cases, the government has taken extreme measures: for example, Beijing has ordered the removal of foreign computer equipment and software from all offices within three years, thus forcing Chinese buyers to switch to domestic technology suppliers. This decision is less surprising when viewed in light of the fact that Chinese technology companies, Huawei in particular, have become some of the main targets of the trade dispute with the United States. It appears to be a response to the American administration's decision, driven by economic and security concerns, to ban US companies from doing business with Huawei.

The stakes are high for the United States too, on both the economic and security front. The desire to protect national security is understandable, particularly in view of the close relationship Chinese technology companies have with the Chinese state. However, it is hard to see how ostracising Chinese companies will help national security. In reality, both parties have much to lose from this type of strategy. Despite all its progress in technological research, China still relies heavily on foreign know-how and imports. Meanwhile, by pursuing a protectionist agenda in this field, the United States may end up boosting innovation in China rather than obstructing its progress.

But the negative consequences of the technology war are not confined to the US and China. The gradual decoupling of the two countries' technology sectors risks causing a gigantic fracture that divides up the entire digital world between the dominant American and Chinese spheres, with different rules and little chance of any communication between the two. Trade in technology is different from other sectors. It is a truly global sector, with highly integrated supply chains, and it works better when allowed to collaborate across borders. A technological schism between the United States and China would affect companies in every sector, in every part of the world. It is in

the interests of both Washington and Beijing to avoid a situation in which companies are obliged to choose between either American or Chinese standards and protocols. No winners would emerge from a technological Cold War.

Europe is conspicuous by its absence in this area, and has not yet taken a clear direction. The new European Commission will probably continue to support the policy of creating a digital single market that it launched a few years ago. For the time being, however, the EU merely seems to be suffering from the effects of the tensions between the United States and China in this sector.

Technological progress also has a big impact on international trade in both goods and services across every sector, including financial services. Trade between nations requires infrastructure links, and countries are aware of this.

In terms of more traditional infrastructure, by 2006, China already had the best maritime links in the world, before the international financial crisis. According to UNCTAD data, China has continued to improve its maritime links since then, keeping it firmly at the top of the world rankings by liner shipping connectivity index. The United States still lags behind in fifth place, with a liner shipping connectivity index of 90 in 2018, compared with China's 152. Even Germany, Europe's main exporter, trails the leaders in this field and has dropped down the standings in recent years, with an index of 82. In Europe, the Netherlands and Belgium rank higher than Germany, but are still a long way behind China. Overall, Asian countries are better connected in this respect.

In terms of new trade infrastructure, in other words the digital connections necessary for e-commerce and trade in a growing proportion of services, China ranks very highly, ahead of the US on a number of indicators designed to measure digital uptake, whereas Europe is further behind. Adequate development of infrastructure to keep connected to world markets is a condition that must be met if Europe is to retain its central position in trade in the face of the far-reaching changes taking place.

Multilateral Coordination for Stability and Growth

It is important that the distribution of economic and financial power around the world evolves in such a way that it does not inhibit multilateral coordination of policies designed to foster growth and stability. The world economy is going through a dangerous phase of uncertainty that warrants the adoption of measures to prevent the return of major crises such as the one that broke out at the end of the last decade.

It is sometimes said that the global financial crisis of the 2007-2008 caught everyone unawares, but this is not true. Despite keeping too much of their pessimism to themselves, even the international financial institutions had been warning for some time that certain macroeconomic imbalances were reaching unsustainable levels and that it would be advisable to take cooperative action to correct them. In particular, it is worth remembering the concerns raised by the IMF regarding imbalances in balances of payments, and by the Bank for International Settlements (BIS) regarding unduly expansionary monetary policies, excessively low interest rates and the unsustainable growth of public and private debt. As we know, the crisis broke out in a specific corner of the world capital market, namely the US mortgage sector, but the spark could have ignited elsewhere, and the many imbalances in play fanned the flames of crisis.

It is true that imbalances in balances of payments, especially the large and growing one that set the US current account deficit against China's large surplus, did not give rise to the exchange rate instability and turmoil in capital flows between the United States and China that many feared. However, the IMF insisted on flagging them up as alarm bells and linking them with various shortcomings in the economic policies of various countries. In the years that followed the crisis, the surpluses and deficits gradually diminished and national current account deficits are now generally much less unbalanced. Their

readjustment is expected to continue¹⁸, furthermore, and although the imbalances are less marked, they have not gone into reverse and in some cases, such as in the case of America's deficit, are at risk of taking an unsustainably upward turn again.

Going back to the IMF's monitoring before the crisis, it is worth highlighting the multilateral economic governance initiative to which it gave rise¹⁹. In a bold and innovative move, the IMF convened four countries (United States, China, Saudi Arabia and Japan) plus (with particular originality) the "euro area" as a whole, for "multilateral consultations". Within this framework it agreed specific economic policy commitments for each of the five parties invited, with the shared intention of rebalancing global development and thus also balances of payments. A wide spectrum of policies was agreed and tailored to the specific characteristics of each of the participants in the consultations. China, for example, undertook to reduce its balance of payments surplus by stimulating domestic demand, and to speed up the reform of its financial regulations. The Eurozone, which did not have a balance of payments problem, agreed to make certain reforms to its markets in goods, labour and capital. Saudi Arabia committed to investing in welfare, infrastructure and sectors other than hydrocarbons. The US undertook to reduce its public deficit and promote private savings; while Japan agreed to step up its promotion of competition. The parties then agreed to meet again, take stock of progress and continue the exercise.

Sadly, few of the commitments were upheld, the meetings ceased and the outbreak of the crisis exacerbated the problems. But the innovative experiment still stands as an example, and could be repeated in one form or another. Partly because global imbalances, in various forms, are no less serious than they

¹⁸ See, for example, the attractive Fig. 1.17 on p.17 of the International Monetary Fund, *World Economic Outlook, Global Manufacturing Downturn, Rising Trade Barriers*, October 2019.

¹⁹ International Monetary Fund, *The multilateral consultation on global imbalances*, April 2007.

were in 2006. On the purely economic front, global cooperative efforts should perhaps focus again on the type of concerns raised by the BIS before the financial crisis, namely excess liquidity, the unduly and persistently low level of interest rates and the unsustainable growth of public and private debt. Today's debt is distributed differently and slightly less dangerously than it was when it triggered the financial crisis: it weighs less heavily on banks and is more concentrated in emerging countries, especially China. But it is still growing in relation to world GDP, at a pace²⁰ that warrants the preparation of targeted action plans, tailored to each individual country, to stop it and reduce it. The IMF is probably the most appropriate organisation to coordinate the necessary policies. It should do so in the innovative spirit of 2006 and at the explicit invitation of the G20.

In the meantime, the G20 should take direct and primary responsibility for formulating a solution to the other key question, which straddles the border between politics and economics and is threatening balanced world growth, namely the increasing uncertainty of government policies, including the use of trade protectionism, and the sharp increase in geopolitical risk²¹. The ministers, heads of state and heads of government of the major countries need to step up their schedule of meetings, drop the absurd, perennial goal of issuing vague press releases devoid of any real commitments, and focus on specific, practical steps that lead to gradual progress in the reorganisation of a world that is rapidly losing the harmony and certainties it once relied

²⁰ See, for example: McKinsey Global Institute, *Visualizing global debt*, June 2018, and E. Tiftik and K. Mahmood, *High and Rising Debt Levels: Should we worry? Global Debt Monitor Slide Deck*, Institute of International Finance, August 2019. ISPI (and one of the authors of this chapter) submitted a proposal for coordinated action aimed at reducing global debt to the T20 summit held in Tokyo in 2019: F. Bruni and C. Lopez, *Monetary Policy and Financial System Resilience*, 14 March 2019.

²¹ There are numerous composite quantitative indicators that measure increases in political uncertainty and geopolitical risk. The IMF's World Economic Outlook for October 2019 juxtaposes two highly significant indicators in Fig.1.21 and 1.22 on p. 21.

on. Ultimately, if any real solution to the crisis of 2008 ever emerged, it did so at the G20 summit of 2009, which paved the way to the implementation of effective, concerted policies.

Trade tensions are among the factors generating the most risk and uncertainty in the world economy. They are discouraging direct investment and trade in goods and services, inhibiting growth and posing a threat to stability. There is an urgent need for multilateral political initiatives aimed at rebuilding effective rules that command respect, and re-adopting the practice of managing tensions with due diplomatic coordination. On this front too, the G20 needs to get a grip, face up to disputes without qualms, isolate uncooperative parties and sustain the pace of negotiations, even at the cost of bringing conflicts into sharper focus while making clear the toll they are taking. The most worrying issue is the life-threatening crisis affecting the WTO, which is losing its key role as a multilateral institution. This needs to be addressed tenaciously and without delay. It is true that, until the end of the last century, the decision-making processes adopted first by GATT (General Agreement on Tariffs and Trade) and then by the WTO as from 1995 were only formally multilateral and in reality revolved mainly around the EU and US. But in terms of its governance and the rules by which it worked, the WTO was nothing less than a model of multilateralism. The serious difficulties it faces call into question its survival and drastically reduce its effectiveness. Their cause is the indifference of the US, which translates into hostility; the unfocused and opportunistic approach of China, and the objective difficulty of reaching agreement between a growing number of significant countries. The EU's failure to make its intentions clear and express its desire to formulate strategies and tactics aimed at fostering alliances to unblock the situation is, once again, painful to behold. The EU's economic and commercial strength would be enough to shake things up, if the bloc were not neutralized by its political weakness and inability to take concerted action.

Conclusion

The intermeshed composition of the world's economy is more complex than a bipolar or tripolar structure. Firstly, it looks very different depending on the lens through which you view it. The current and projected ranking of countries by share of world GDP is different from their current and projected ranking by commercial importance, financial importance or speed of technological progress and infrastructure development. Furthermore, particularly from a commercial point of view, the network of interdependencies, despite looking geographically tripolar, shows the increasing importance of interdependencies between the poles, especially those that connect the centre of each pole with its satellites, resulting in growing "regionalisation" of the world.

All aspects of the geo-economic trends covered in this study point to the fact that the European pole is in crisis, not only in terms of quantitative significance, but also innovation and strategy. The difficult progression of EU integration diminishes the bloc's influence in the world. To an even greater extent, it diminishes the influence of its individual Member States. Finding themselves isolated, the latter are sliding towards irrelevance. The weakening of Europe limits its ability to play what should be its natural role in both geo-economics and geo-politics. The continent's history and culture make it a natural mediator and diplomatic catalyst for a return to multilateralism and a revitalisation of the rules of the global game, without which disputes and disorder prevail. A divided Europe bears much responsibility for these pernicious global divisions, although less obviously so than those who are visibly attacking multilateralism.

If globalisation evolves in a complex, differentiated manner, it becomes difficult to measure its changing intensity. Certain indicators support the view that globalisation is slowing, but as a whole, they more accurately suggest that the nature of its complexity is changing. This does not make it any easier to control. Since many of the world's problems today seem to derive

from a lack of control over globalisation, it is crucial to rise to the challenge.

The polarisation of certain aspects of economic power provides fertile ground for the growth of nationalist and sovereignist tendencies and threatens to split the world along dangerous fault-lines that would limit growth, stability and civil progress. Strategies aimed explicitly at reducing interdependencies, such as the costly and dangerous ones that China and the US are attempting to implement in relation to trade and technology, are gaining ground. However, although partly polarised, the decentralised geo-economic structure described in the previous paragraphs highlights even more clearly the collective benefits that would accrue from the coordinated, multilateral approach to global governance to which we could return, thereby preventing international relations from becoming an arena for zero-sum games and clashes in which only might is right.

Despite the big differences between the two points of view, the overall picture that emerges from an economic and financial analysis of the world system is strikingly similar to the one that emerges from a study of its political development, namely that we are in a situation in which cooperation has become more difficult and controversial even as it has become more necessary and urgent. And while the crisis of multilateralism and international cooperation is profoundly political, it could be the economy that nudges us towards solving it. The economy is inextricably linked to the negative-sum quarrels of politics: when the latter exceed a critical threshold, the economic imbalances and evident loss of well-being become so overwhelming as to compel us to rebuild international relations on a more reasonable and sustainable footing. Given our knowledge and experience of this, we would be ill-advised not to act before that threshold is reached.

CYBERSPACE AND GREAT POWERS COMPETITION

Fabio Rugge

The Internet, which developed as a decentralised and anarchic network connecting people across global frontiers, has become one of the most destabilising areas of competition between states. The Great Powers are actively engaged in reinforcing their so-called “cyberspace superiority”, i.e. their ability to conduct cyberspace operations to deny strategic, tactical and operational advantages to their adversaries. In many ways, this is nothing new: the more privacy, accessibility and integrity of data become important to national security, the more urgent it is for states to bolster cybersecurity and the more potentially advantageous offensive actions in cyberspace come to be. The same has happened in terrestrial, naval and aerial warfare and is now also happening in extra-atmospheric space. In this sense, cyber-power is simply another dimension to XXI century sovereignty.

However, the dynamics of cyberspace are dramatically different to those that have traditionally characterised international relations. It is impossible to determine in real time who is behind a cyber-attack or what their motivations or ultimate objectives really are. Cybercrime, hacktivism, intelligence and military computer operations all share the same domain; they also use the same tactics, techniques and procedures and exploit the same vulnerabilities. Cyberspace operations are therefore virtually untraceable. They are also intrinsically asymmetric: it is easier and far less expensive to attack than to defend, partly because the potential benefits of an attack are incomparably greater than the risks of any comeback. After all, direct response is almost impossible due to the difficulty of identifying the instigator, and deterrence is troublesome, as attackers are not necessarily state actors. Cyberspace has therefore become the domain of choice for destabilising campaigns and hostile activities that would be simply

unsustainable in the conventional realm. Because cyber-arsenals are necessarily secret and attribution of origin is plausibly deniable, states are resorting to clandestine preventive and demonstrative actions to warn of their deterrent capabilities, and these can easily be perceived as offensive actions (and, in practice, often are). Moreover, cyberspace is ubiquitous: it is the nervous system that interconnects the political, strategic, military, informative, economic, financial, industrial and infrastructural dimensions on a personal, local, national, international and transnational level. The entanglement and the growing complexity of these interdependencies multiply the risk of cross-domain escalation: a cyberspace crisis could (in an admittedly unlikely but not impossible scenario) escalate into a real threat to nuclear strategic stability. We live in an age of latent and generalised cyberspace conflictuality and this leads to the classic international security paradox: on a systemic level, each player's quest for greater security actually translates into a more unpredictable and volatile security environment.

We are experiencing a digital revolution that has already brought about paradigmatic changes to the theory and practice of international security – and this is just the beginning. Progress in the field of Artificial Intelligence, for example, will soon permit the automation of weapon systems (even those of cyberspace) and the highly efficient planning of operations; it will allow public opinion to be manipulated far more effectively through deepfakes and cyber-enabled information warfare, and will exponentially increase the speed of future conflicts. Tomorrow's hyperwars will be fought by machines with autonomous decision-making capabilities; "algorithmic warfare" will become the norm. In this new strategic environment, it is more important than ever to maintain the technological superiority historically associated with Western hegemony over the international system, which is now threatened by the advance of political models alternative to, and in direct competition with, the West.

Mobilisation to maintain this technological superiority is at the origin of the ongoing global decoupling of the ICT hardware and software supply chains. It is also provoking the gradual erection of barriers to technology transfer and the proliferation of national safeguards against foreign technological products and services, resulting in a global normative patchwork. This problem is not limited to the West; it affects China's 5G technology policy too. Beijing, for instance, recently decided to replace all the hardware and software used by public bodies with domestically produced technology. In this competition between the Great Powers, even Internet traffic is segmented by different, interconnected – but, if necessary, independent – systems: China has erected its Great Firewall, and Russian networks can now legally be isolated in case of need. These developments are the result of competition between opposing blocks and simultaneously intensify that same competition. It is perhaps here that we shall see the deepest fault lines in future competition between the Great Powers: while for the one side “freedom of the Internet” is an ideologically necessary condition for enjoying fundamental rights of information, expression and association in the XXI century, for “the other side” it represents an existential threat to political stability and security. Our own freedom will depend increasingly on our defence of this new Iron Curtain.

4. Competition in the “Global Commons” (Sea, Air, and Outer Space)

Emidio Diodato

The Chinese White Paper published on 22 June 2019 describes Chinese military development in detail, and ties it to the modernisation effort spearheaded by President Xi Jinping. This sets it apart from previous policy papers on defence, which highlighted China’s peaceful intentions and mutually beneficial international cooperation as the cornerstones of China’s strategy.

The 2019 White Paper states that Xi’s ideas on strengthening the military must be implemented to the fullest, that his strategic vision must be thoroughly followed, and that the political loyalty of the armed forces must continue to be strengthened in order to concentrate on their ability to fight and win conflicts.

The Roots of Competition

The basic premise of the document is that strategic international competition is increasing. This is attributed to the fact that the United States are adopting unilateral policies that are intensifying competition between the main powers, leading to significant increases in defence expenditures and the need to develop new capacities in nuclear, information technology, and missile defence. The White Paper thus sets the goal of strengthening the Chinese military during a historical period that the document’s very title defines as a “new era”. The nuclear, air and space, and cyberspace sectors are identified as the main priorities for security. With an eye towards preserving Chinese national unity, however, the armed forces are called upon to strengthen their abilities first of all at sea. In this regard, a stern

warning is given to what the document calls “separatist forces” that favour Taiwan’s independence. The document also stresses the need to protect China’s interests abroad by developing maritime logistical infrastructure, such as the naval base in Djibouti that became operational in August 2017¹.

The 2019 White Paper can be considered a Chinese response to the strategic change undertaken between the end of 2017 and the beginning of 2019 by the United States under Donald Trump, who shifted US military focus from terrorism and the spread of extremism to international strategic competition and a possible conflict with China and Russia. The White House’s *National Security Strategy* published in December 2017 describes the international relations system as increasingly competitive, with China and Russia challenging US power, interests, and influence as they attempt to erode its security and prosperity. The strategy claims that China and Russia aim to shape an international system that runs counter to the values and interests of the United States. In particular, China is accused of attempting to drive away the United States from the Indo-Pacific region in order to expand its state-driven economic model and to re-shape the region in its favour. China’s trade strategy and investments in infrastructure are seen as mere tools in the service of broader geopolitical ambitions. Its efforts to strengthen its military outposts, beginning with the South China Sea, are seen as a menace to free trade that threatens the sovereignty of other nations and undermines regional stability. The document highlights how China depicts its ambitions as mutually advantageous, while in fact Chinese dominance risks undercutting the sovereignty of many countries in the Indo-Pacific region².

This perception of the Chinese threat was reiterated in the Department of Defense’s 2018 *National Defense Strategy*, which

¹ The State Council Information Office of the People’s Republic of China, *China’s National Defense in the New Era*, June 2019.

² The White House, *National Security Strategy of the United States of America*, December 2017.

is the document that translates and refines the *National Security Strategy* issued by the White House. The 2018 *National Defense Strategy* depicts China as a strategic competitor that can use its predatory economy to intimidate its neighbours, especially by militarising the South China Sea³. This perception of the threat was made even more explicit in a subsequent report drafted by the United States Defense Intelligence Agency. This document, which was published in January 2019, just a few months before the Chinese White Paper, argues that China’s recent military development suggests that the 2015 White Paper, which was ostensibly centred on China’s peaceful intentions and international cooperation, already introduced an evident link between the Chinese dream of rejuvenating the nation and the need to make the country stronger from a military standpoint⁴.

An analyst from the Center for Strategic and International Studies in Washington even went so far as concluding that the 2019 White Paper was China’s explicit and immediate response to the document drafted by US intelligence a few months earlier⁵.

Dominion of the Sea

The 2015 White Paper on defence is the first Chinese document dedicated exclusively to military strategy. Although it included the word “military” in its title, it largely addressed China’s need to become a global maritime power able to defend its national interests and security, particularly with regards to energy sources⁶. As in previous documents, it reiterated that

³ Department of Defense, *Summary of the National Defense Strategy of the United States of America*, 2018.

⁴ Defense Intelligence Agency, *China Military Power. Modernizing a Force to Fight and Win*, January 2019.

⁵ A.H. Cordesman, *China’s New Defense White Paper*, Center for Strategic and International Studies, 24 June 2019.

⁶ B.D. Cole, *China’s Quest for Great Power. Ships, Oil, and Foreign Policy*, Annapolis, Naval Institute Press, 2016.

China would have more opportunities for development in a pacific world. Nevertheless, it introduced the argument that China's naval forces would gradually have to shift their focus from defending territorial waters to protecting the open seas. The concept that the seas and the oceans are the foundation for the long-lasting peace necessary for China's development was thus affirmed. This outlook implied the abandonment of the traditional Chinese mentality that places land before the sea, while recognising the great importance of managing the seas and the oceans. The document thus argued that China should develop a modern maritime military force commensurate with its development interests, and able to safeguard what the document defined as the "strategic sea lines of communication"⁷.

Although China has a longstanding history as a maritime power, it has traditionally been a continental power. Over the last five years, Xi Jinping has never missed an opportunity to stress the need for developing a military force not only on land but also at sea, so that the "history of humiliation" would not repeat itself. China was the world's largest economy in 1820. Nevertheless, only two decades later, in 1840, it fell victim to foreign aggression from the sea. From that moment and until 1949, China's autonomy was limited. This is the memory underpinning the geopolitical narrative that inspired Xi's two White Papers.

This rhetoric is however backed up by facts. The following major changes have taken place in China since 2001: the maritime economy has grown rapidly, there has been a large population shift towards coastal regions, and the economy has become more depended on abroad⁸. While China is neither an island nor a near-island like Great Britain or the United States (the two modern powers that have aimed to achieve dominion of the sea), the most important regions for its development

⁷ The State Council Information Office of the People's Republic of China, *China's Military Strategy*, May 2015.

⁸ Zhiguo Kong, *The Making of a Maritime Power. China's Challenges and Policy Responses*, Singapore, Springer, 2017.

are those that are the most accessible by sea. Southern China has many of the characteristics of an island. During periods in which the Chinese state has been unable to exploit the sea, the inhabitants of southern coastal provinces saw their interests in terms of commerce, and did not identify with the nation as a whole. They often had reason to challenge the central government, but also the capacity to do so⁹.

In general terms, dominion of the sea is achieved through the ability to defend the coastline, and if necessary, to win naval battles in the open sea. In a modern world dominated by wireless communications and satellite transmissions, 99% of all international data travels on about 200 submarine fibre-optic cables at a speed eight times higher than that of satellites. Additionally, maritime transport remains the backbone of international trade and of the manufacturing supply chain, since four-fifths of all trade goods are transported by sea. The immensity of the oceans and the slow speed of ships make it very difficult to achieve military control over the sea. With its greater propulsion power, a nuclear submarine can transport more weapons and men than diesel submarines. The efforts made by China and Russia to make their nuclear submarines more silent and powerful have made them more difficult to locate in the open seas by US naval forces¹⁰. The number of US submarines, 70, is not much higher than that of Russian and Chinese ones combined – 41 of the former, and 19 of the latter – while an increasing number of countries are now able to equip themselves with such naval units¹¹.

A maritime power in the Asia-Pacific region would have good reason to consider itself a global maritime power as well. In 2018, 64% of the ports that handled container cargo were

⁹ T.M. Kane, *Chinese Grand Strategy and Maritime Power*, London-New York, Routledge, 2014.

¹⁰ T. Callender, “The Naval Warfare Domain”, in D.L. Wood (ed.), *2018 Index of U.S. Military Strength*, Washington DC, The Heritage Foundation, pp. 45-58.

¹¹ H.I. Sutton, “[Nuclear Submarine Game Changer: New Countries Go To Atomic](#)”, *Forbes*, 3 November 2019.

in Asia. Chinese imports of liquefied natural gas increased by over 40%¹². There are three main routes that allow China access to the ocean: a northern route that runs between the Korea Strait and the Kuril Islands, an eastern route between the Japanese Archipelago and Taiwan, and a southern one through the Taiwan Strait or through the waters off Guangdong, the gateway to the Indian Ocean. The United States have the ability to control all three routes in light of their alliances with Taiwan, Japan, and the Korean Republic, and of their military bases in Singapore, Thailand, Malaysia, and Indonesia. Should Taiwan reunite with the mainland, China would gain an ample margin of manoeuvre along the eastern and southern routes. Maritime competition between China and the United States will thus predictably remain centred on Taiwan in addition to “strategic sea lines of communication”.

From Air Defence to Aerial Warfare

Unlike the sea, the airspace allows for the rapid transit of aircraft and missiles. It also includes the use of the electromagnetic spectrum to transport voice and data to direct and deploy forces, and the use of sensors and radar to detect objects. In 1991, during Operation Desert Storm, the United States showed how a well-trained and well-equipped air force can control most of the operational aspects of a modern battlefield. Ever since, air power has been used in all international armed conflicts, often playing a determinant role. Although China has been impressed by these developments and has attempted to improve its military aviation, several RAND Corporation analysts concluded that, in the 1990s, the Chinese air force was still far from having embarked on its necessary modernisation, and remained constrained by decisions inherited from the past¹³. At

¹² United Nations Conference on Trade and Development, *Review of Maritime Transport 2019*, Geneva, United Nations, 2019.

¹³ K.W. Allen, G. Krumel, and J.D. Pollack, *China's Air Force Enters the 21st Century*,

that time, two Chinese air force colonels, Qiao Liang and Wang Xiangsui, became internationally renowned for their theory of “unrestricted warfare”, which foreshadowed the re-emergence of terrorism but underplayed the centrality of the aerial element in warfare.

Over the last two decades, however, China has made significant strides in achieving new capacity and adopting operational concepts, and has rapidly modernised its air and space power. This was the conclusion reached in 2018 by another analyst from the RAND Corporation, who argued that China not only studied US operations and control of communications during military actions to strengthen its own defence, but also renewed its approach to taking on the United States’ superior forces in the Asia-Pacific region in case of conflict. Today, China projects its power in large part through the development of precision-guided ballistic and cruise missiles, together with a dense network of surface-to-air missiles and fighter jets¹⁴. China is thus investing in missile systems with the goal of significantly obstructing US missile launch sites in the Asia-Pacific region, in keeping with its strategy to dominate the seas.

Understanding the link between Chinese military spending and Chinese military power is hindered by a lack of transparency. China’s military spending is the second largest in the world, after the United States, far and away the leader. In 2018 it increased its military budget by 5%, with an almost ten-fold increase in military spending compared to 1994¹⁵.

Santa Monica, RAND Corporation, 1995.

¹⁴ S. Harold, *Defeat, Not Merely Compete. China’s View of Its Military Aerospace Goals and Requirements in Relation to the United States*, Santa Monica, RAND Corporation, 2018.

¹⁵ Stockholm International Peace Research Institute, *SIPRI Fact Sheet April 2019: Trends in world military expenditure*, 2018.

A New “Space Race”

As indicated in the 2019 White Paper, the main fields in which the strategic competition between China and the United States plays out, in addition to control of the seas, are security in the nuclear, air and outer space, and cyberspace sphere. During the Cold War, the first two of these spheres overlapped. The United States and the Soviet Union were competing for success in air and outer space, with missile and satellite launches, and the conquest of the Moon and other planets. The space race soon became a synonym for the arms race, especially the nuclear arms race. The search for prestige and nuclear primacy were the two incentives that led the United States and the Soviet Union to spend lavishly on the space race.

In 2003, China became the third country after these two superpowers to launch a human into space. China felt that one of the advantages of its space programme was the ability to showcase its military technology¹⁶. What China tried to do under Xi, after 2015, was not so much to achieve recognition of its military prestige, but of its right to a presence in space. This took place by creating a narrative according to which – as it clearly emerges in the 2016 White Paper on space – Chinese space activities will boost global economic growth and development¹⁷.

Unlike NASA (the US Air and Space Agency), which is currently exploring space through prevalently scientific missions, the Chinese space programme is presented as aiming to create long-term wealth by exploring the potential of a space-based economy. It promises both potential industrial spillovers from air and space infrastructure, especially in communication and transport, and the development of a sustainable economy through the space resources that science will make available to humanity. The space race is thus an integral part of Xi’s Chinese

¹⁶ R. Handberg and Zhen Li, *Chinese Space Policy. A Study in Domestic and International Politics*, New York, Routledge, 2007.

¹⁷ The State Council Information Office of the People’s Republic of China, *White Paper on China’s space activities in 2016*, 28 December 2016.

Dream to project China’s power and influence worldwide. The plan is to adopt a strategy to incrementally occupy space by enhancing missile launch sites, building a Chinese space station, establishing dominion over cislunar space, building a solar power station in the geostationary orbit, and developing space exploration capacities to extract resources from asteroids¹⁸.

The strategic relevance of cyberspace only emerged recently, and can only partially be likened to the space race, as it puts into play land, air, and sea alike. Indeed, cyberspace has three components: the land-based physical network or hardware, the mainly sea-based logic arrays of software, and cyberpersons or so-called wetware. There is however a link between cyberspace and extra-atmospheric space, the area of space beyond the band between 100 kilometres (62 miles) and 100 miles above the surface of the Earth. At 100 kilometres, aerodynamic forces have a minimal impact, and at 100 miles the atmosphere is no longer a significant presence. Thus defined, extra-atmospheric space is relevant for cyberspace since the vast majority of critical infrastructure worldwide – such as communications for air transport and maritime commerce, financial and defence services, and weather and environmental monitoring – depends on space infrastructure, including satellites, in addition to land-based stations and land and sea routes at the regional, national, and international levels. Outer space, cyberspace, and the electromagnetic spectrum can also be incorporated into the goal of providing an “information umbrella” for the military system, which operates through actions on land, at sea, or through air and missile forces.

In the new “space race”, competition is not only over the occupation of space for economic purposes – in order to acquire the advantages of an expanding space economy – but also over the control of information. The main strategic Chinese documents constantly reflect the opinion according to which the main threat to the fulfilment of Xi Jinping’s Chinese Dream

¹⁸ N. Goswami, “China’s Future Space Ambitions: What’s Ahead?”, *The Diplomat*, 4 November 2019.

is the presence of United States armed forces in the seas of the Asia-Pacific region. Nevertheless, we must not underestimate the significance of developments in extra-atmospheric space for military operations, including aerial ones, and for civilian repercussions that have a strategic impact. One need only think of, for example, the “Belt and Road” space information corridor launched in 2016 by the China National Space Administration.

5. The Hunt for the Strategic Resources

Ugo Tamballi

Eight hundred tons of pepper, 200 tons of cloves, and a vast amount of nutmeg and cinnamon. The year was 1599 and Holland had never seen such a rich cargo. Those spices would guarantee a 400% profit to Compagnie Van Verre, the Dutch Distant Lands Company that had fitted out the merchant fleet commanded by admiral Jacob Corneliszoon. The Dutch mission to Indonesia proved so successful that three months later, in London, shareholders in the recently formed East India Company decided to “leave the lucrative Spice Islands and their aromatic spice trade to the Dutch and focus instead on less competitive but potentially more promising sectors of trade with Asia: fine cotton textiles, indigo and chintzes”¹.

In just a few decades, the Dutch and English, constant competitors but enemies only in Napoleonic times, built vast trading empires in Indonesia, India and other parts of the world. Such profitable business had to be defended against traders from other nations, pirates and indeed the local rulers whose riches were plundered. The companies therefore established private militias armed with canons and warships. The navigation routes and straits along and through which the spices and cloth travelled also had to be defended in addition to the commodities themselves, if markets and prices were to remain stable. Only state navies and armies had the power to do so. As a result, the private trading empires soon became geopolitical realities, convinced of their moral right, or obligation, to civilise the world they conquered.

¹ W. Dalrymple, *The Anarchy – The East India Company, Corporate Violence and the Pillage of an Empire*, London, Bloomsbury, 2019.

From Spices to Rare Earths

In 1986, by the beginning of March, Beijing was starting to sense the arrival of spring. The city still had the Spartan and essential appearance of the Maoist era, so different from that permitted by today's market socialism or state capitalism. On the 3rd of that month, the government of the People's Republic approved the "863 Programme" or "State High-Tech Development Plan". This announced the need for China to encourage the development of advanced technology to achieve economic and technical independence from foreign powers. After a team of experts and premier Zhao Ziyang presented the programme, leader Deng Xiaoping took only two days to order the executive to approve it.

Thirty years later, the 13th Five-Year Plan for 2016-2020, the first issued under Xi Jinping, heralded the start of a "decisive battle period for the nonferrous metal industry and for building a well-off society"². But the conquest of critical minerals – the spices of the XXI century – announced in the "863 Programme" had actually been completed: the plan described a consolidated reality rather than an objective for the future. The United States, Soviet Union and Europe had warmly greeted the Chinese regeneration initiated by Deng's reforms. Today, the same world powers are worried, wondering whether China's leadership in raw materials essential to developing industries is merely a matter of trade or reflects geopolitical ambitions.

The rare earths are 17 common elements that seldom found in economically exploitable concentrations. Thanks to low extraction costs, China now controls nearly 90% of the rare earths market. Its products are essential to the world's most strategic industries: alloys for batteries, liquid crystal displays, hybrid vehicles, LEDs and renewable energy. And, of course, military applications. Lora Saalman and the Carnegie's Naabeel Mancheri drew up a short and incomplete list of the uses of rare metals in

² *Mining the Future – How China is Set to Dominate the Next Industrial Revolution*, Foreign Policy Analytics Special Report, May 2019.

the defence sector. It included Tomahawk cruise missiles, joint direct attack munitions, the Predator drone, aircraft-mounted lasers and space launch vehicles³.

China has significant reserves of all critical minerals with the sole exception of cobalt and metals like platinum and lithium. It also has a virtual monopoly on their production and trade. The main source of cobalt is the Democratic Republic of the Congo. In just a few years, public enterprises (the Chinese equivalent of Europe's XVI century private trading companies) have managed to control half of the output of this African country. The Bushveld Complex in South Africa is a geological formation that contains the world's largest reserves of platinum group metals. Here too, Chinese companies have assumed control over half of production. As for lithium, 90% of deposits lie in Chile, Argentina and Australia: in less than six months, the Chinese have taken over 59% of production.

The Scramble for Africa and the Arctic

In October last year, Vladimir Putin invited 43 African heads of state and government leaders to the Black Sea resort of Sochi for the first ever Russia-Africa Summit and Economic Forum. Participants discussed natural resources, energy, cooperation and arms. Lagging well behind his global adversaries, Putin attempted to repeat the diplomatic success he had achieved in the Middle East. Distancing himself from Africa's conflicts and from all military commitments beyond the sale of arms and the supply of private military forces under the control of Moscow, the Russian President sought to offer "technologies and know-how for the exploitation of minerals in exchange for concessions and processing rights and orders for the construction of nuclear power stations, roads and railways"⁴.

³ L. Saalman and N. Mancheri, *Moving up the Supply Chain: China's S&T Policy and Rare Earth Industry*, Carnegie Europe, 7 December 2012.

⁴ A. Scott, "La Russia ora guarda all'Africa come a una immensa start up", *Il Sole*

The Russians and Chinese have an advantage that the Europeans and Americans do not: the first two have no interest in imposing democracy, respect for human rights or the development of civil society in exchange for collaboration. Russia's grip on Africa is still weak, however, with trade totalling only 30 billion dollars in 2018, an almost insignificant figure compared to the competition: the EU totalled registered 300 billion, China 204 billion.

Precious metals, agricultural commodities, hydrocarbons, cash for military juntas and corrupt, sitting presidents: the Scramble for Africa in the XXI century bears many resemblances to the brutal and chaotic colonial partitioning of the continent between 1881 and 1914, as described in the excellent essay by Thomas Pakenham⁵.

The conquest of the Arctic's raw materials and of the navigable routes that will accelerate their exploitation as the ice cap recedes is equally evident and worrying. This is a region where Chinese foresight, American superficiality (a clear symptom of slow decline) and Russian tardiness are easy to see. "While the United States believes the Arctic will remain of limited strategic value and that its current minimalist posture is sufficient, its two near-peer competitors, Russia and China, have taken dramatically different and long-term views of the region and have expanded their military and economic footprints"⁶. The Alaskan North Slope alone contains some of America's largest deposits of oil and gas. The value of its mineral industry in 2016 came to US\$2.83 billion.

Whereas the United States takes the Arctic for granted, China has a clear economic vision for the region. Russia sees the Great North as a strategic military resource, following canons of the XIX century rather than those of the XXI. After creating

24 Ore, 27 December 2019.

⁵ T. Pakenham, *The Scramble for Africa – The White Man's Conquest of the Dark Continent*, Random House, 1990.

⁶ *The Implications of U.S. Policy Stagnation toward the Arctic Region*, CSIS Report, Center for Strategic and International Studies, 3 May 2019.

the original Silk Road, the Chinese have now added the “Polar Silk Road”: ports, airports, railways, undersea cables and exploration for mineral and energy resources. As soon as the signed agreements come into force, Chinese state enterprises will be the first foreign investors in Greenland’s natural resources.

Dear Old Commodities

Ariel Sharon, who knew what he was talking about, insisted that the wars in the Middle East were fought not for oil but for water. This hypothesis could well be confirmed by the location of the water beds in Palestinian territories now occupied by Israel: an Israeli colony has been established over each and every one.

Water and energy resources are important factors in geopolitics: they can destabilise countries if the former is scarce and the latter abundant. It is likely that the United States is seeking to distance itself from the Middle East (even in the neurotic and inconsistent style of Donald Trump), having realised that that it is not just the largest consumer of crude oil and gas but also their largest producer. If, in fifty years of Cold War, and with nuclear arsenals of around 80,000 warheads, the Soviet Union and the United States never entered into direct conflict, it is partly because both possessed enormous energy resources: oil was never going to be a trigger for aggression. Water, oil, wheat, coffee and lithium have not been a primary cause of conflict, at least until now. Not even Sharon could not hide the fact that the conflict between Israel, the Palestinians and the Arabs concerned, and continues to concern the control of territory, frontiers and security. And unfortunately, today, religion too.

The United States has always pursued a strategy of “oil dominance”: it has always produced enough domestically while ensuring the continuity of supply elsewhere by protecting and influencing other oil-producing nations. The conviction of “exceptionalism” that drove America to conquer the world stood on other foundations. Only Russian neo-imperialism, a relic of the age of the tsars, when hydrocarbons were irrelevant, still

considers the availability of large gas and oil deposits of strategic importance.

Commodities can stabilise or destabilise on a case-by-case basis. Ours is once again an era of ideologies, which are themselves a kind of geopolitical raw material: nationalism, sovereignty and autocracy are being used against the liberal system as is the politicisation of religion.

Practically all the actors in the Middle East, China, Russia, and to a certain extent Europe are facing major strategic decisions. [They need] to settle some fundamental directions of their policies. China, about the nature of its place in the world. Russia, about the goals of its confrontations. Europe, about its purpose, through a series of elections. America, about giving a meaning to its current turmoil in the aftermath of the election” of Donald Trump⁷.

After the fall of the Berlin wall and the USSR and following the collapse of communism in all parts of the world, the early nineties were dominated by economics. With the slogan “It’s the economy, stupid”, the unknown Bill Clinton beat the liberator of Kuwait, George H.W. Bush, instigated the Arab-Israeli peace process, oversaw the end of the Soviet Union and watched the reunification of the two Germanies.

Today, the uneven distribution of national wealth and unequal international access to raw materials are not economic problems awaiting a solution but political questions: people are demanding change in the ruling classes, tiring of what they see as too much democracy and calling for the return of strong leadership. Trump and Mexico are an example of this: the hierarchy of priorities between the United States and its neighbour has been turned on its head. “Immigration, border walls, steel tariffs, and North American Free Trade Agreement (NAFTA) negotiations. All of them are interrelated in today’s foreign policy context, and one gets the sense that energy trade with Mexico could be held hostage as a bargaining chip in the negotiation of those other issues”⁸.

⁷ J. Goldberg, “The Lesson of Henry Kissinger”, *Atlantic*, December 2016.

⁸ S. Ladislaw, *Energy in an Era of Frenemy Foreign Policy*, Center for Strategic and International Studies (CSIS), 30 May 2019.

ENERGY AND INTERNATIONAL POLITICS

Alberto Clô

Energy has always been the backbone of the power of nations, as well as a battleground to gain competitive advantage on the economic level and autonomy and supremacy over that of politics. This was the case in 1914, when Winston Churchill convinced the British Treasury to purchase the Anglo Persian Oil Company (which later became British Petroleum) “to preserve the economic and military power of Great Britain”, and in the post-World War II period, when Roosevelt and Churchill reached their “Yalta of oil” agreement to partition the Middle East. Many decades later, things have not changed. Energy remains primarily a political rather than an economic issue. The world energy chessboard is increasingly dominated by the United States and China, who compete to acquire a position of leadership, thus strengthening their power in other parts of the world rather than one against the other. In an interesting article on *Foreign Affairs*¹ Amy Myers Jaffe (Council of Foreign Relations) argued that the Chinese President’s new national energy strategy was aimed at making the country as “the renewable energy superpower of the future” in order to counterbalance the growing leadership of the United States in the oil&gas field (the country is now the world’s leading producer). Indeed, thanks to the shale revolution, the US drastically reduced their energy dependence from abroad: since the start of the millennium, it passed from 25% to 3% for all sources, from 52% to 11% for petroleum, and down to zero for methane, of which it is now a net exporter. In contrast, Chinese dependence from abroad has soared – up to 70% for petroleum and 45% for methane – so that the security of energy supplies, including transit routes, has become one of the countries’

¹ A. Myers Jaffe, “Green Giant, Renewable Energy and Chinese Power”, *Foreign Affairs*, March/April 2018.

obsessions. According to Jaffe, in an attempt to redress this economic and geopolitical asymmetry with Washington, China is aiming to acquire technological, industrial, and commercial leadership in new renewable energy (solar and wind power), the entire supply chain of electric mobility, energy efficiency and green finance. In other words, China is targeting primacy in the whole low-carbon technologies that Western climate policies are betting on to fight against global warming. These dynamics have several consequences: (a) Washington's disengagement from the Middle East, which is now much less relevant to its energy interests and allowing ampler room for manoeuvre (see the sanctions against Iran); (b) creation of a political vacuum in the Middle East that has been exploited by Russia, thanks in part to Europe's complete absence, with moveable goalposts depending on the specific crisis at hand; (c) a less central role for OPEC, which is increasingly dominated by Saudi Arabia, albeit strengthened by cooperation with Russia; (d) the gradual marginalisation of Europe, which is making its unilateral climate strategy (with its goal of net-zero carbon by 2050) even more vacuous, and destined to severely harm the economy with merely symbolic effects on the reduction of global emissions (for which Europe's share is less than 10%). Briefly put, Beijing's efforts to contrast the United States have led to its penetration in energy systems, especially in European countries, with green technologies that benefited from the enormous incentives they receive. In other words, European economies and consumers have worked on behalf of China's industry and economy. On closer inspection, the confrontation isn't (or not only) between China and America, but between America and Europe, which will be forced in the future to increase its purchases of petroleum and natural gas given the drop in domestic production. Indeed, Europe is increasingly vulnerable with regards to both renewable energy and hydrocarbons, in part due to the loss in political influence. In spite of its increasing production of renewable energy, China will also have to increase its petroleum and natural gas imports, but with a shift in strategy from acquiring control

over oil and gas fields to acquiring concessions, granting loans to producer countries, and investing in their markets (Iran, Iraq, Venezuela, Africa, etc.). This is an extremely expensive strategy that has had disappointing results in terms of production capacity acquired – just two million barrels a day for an expenditure of US\$160 billion – and unpaid debts (especially by Venezuela). In the future, China's strategy will be boosted most of all by Western climate policies, which are strongly oriented towards renewable energy and electric mobility, erroneously thought to be the only solutions to climate change. In fact, there are many other equally efficient technologies from an environmental standpoint, including nuclear power², if one looks at emissions over their entire productive cycle and lifespan. With regards to security, renewables and electric mobility have changed the *nature* but not the *criticality* of dependence from abroad: dependence on petroleum and natural gas is *physical* in nature, with a vast array of potential suppliers, while dependence on renewables and electric mobility is *technological* in nature, with China holding a near-monopoly on supplies. In contrast with Winston Churchill's claim that "safety and certainty in oil lie in variety and variety alone", today diversification does not lead to improved security. Retaining that this holds true for climate-friendly technology is wishful thinking. The issue of energy security, which goes hand-in-glove with national security, cannot be tackled by *merely changing one form of dependence for another*, especially if the new one is even worse. We must not fall into the *Spider's Web* in the illusion of travelling on the *Silk Road*.

² Cfr. IEA, *Nuclear Power in a Clean Energy System*, Paris, 2019.

WATER, CLIMATE CHANGE, AND CONFLICT

Emanuele Fantini

Alarms about the global water crisis have been ringing out for thirty years. By now, the focus is no longer on future scenarios, but rather on the worrying present: the growing demand for water driven by increasing consumption and population growth is not matched by a supply that at best remains constant, and at worst is dwindling due to pollution and unsustainable use, and subject to wild seasonal swings – too much or too little – due to climate change. Water scarcity is perceived as a conflict multiplier and a security threat at both the national and international levels.

Water wars has been used as a catchy image to represent these worries in order to make the headlines in the mass media and to gain the attention of the general public. However it remains a misleading description of the complex relationship between water and conflict. The idea of water wars suggests a direct and single causality between water scarcity and conflict; the real challenge is instead to understand the factors and the processes that turn environmental problems into security issues or into fuel for political violence.

A first factor are social injustice and inequality in access to water. In most cases, claims about a country's water security or national interest on the basis of water statistics aggregated at the national level conceal deep disparities in access and consumption within the state, between geographic areas, social classes, and interest groups. For example, the famous water shortage that brought the South African city of Cape Town to its "Day Zero" in July 2018 had a much different impact in wealthy neighbourhoods that could afford private wells compared to low-income areas that depended exclusively on water distribution and rationing networks managed by municipal authorities.

Another factor closely related to the first is the functioning of local and national institutions. Protests over the lack of access to water and electricity in the Iraqi cities of Basra (2018) and Baghdad (2019) found common ground with widespread anti-government grievances over inequality, corruption, and unemployment, giving rise to a broader and more violent political conflict that called into question the legitimacy of the Iraqi state.

Thirdly, technology and infrastructure must also be considered. Usually they are presented as part of the solution to increase water supply, such as for instance desalination plants. The case of Grand Ethiopian Renaissance Dam currently being built along the Nile by the Ethiopian government shows how a technical solution to the problems of one or more of countries – production and exporting of hydroelectric power for Ethiopia, flood control for Sudan – also generates problems and conflicts with other parties, in this specific case Egypt, which fears reduced water flow in the Nile, the river on which its very survival depends.

The Grand Ethiopian Renaissance Dam is only the latest episode of a long history of disputes and negotiations over the Nile between upstream and downstream countries. This reminds us that water is not a trigger for warfare in itself; rather its role in transboundary conflicts should be understood within the broader regional political dynamics, where conflict and cooperation often coexisting. The importance of the regional and international scales is confirmed by the Syrian war, which authoritative political and media sources (Barack Obama, the World Bank) have depicted as a conflict driven by climate change. A study by climatologists and international security experts argues that anthropogenic climate change contributed to the severe drought that affected Syria between 2007 and 2010, which in turn fuelled mass migration from rural to urban areas, leading to the social, political, and economic tensions that caused the civil war.

Other scholars, however, questioned the links between these various phenomena and their relevance to the civil war, calling for more caution before claiming a direct cause-and-effect

relationship between environmental issues and armed conflicts. The rhetoric of water or climate wars risks concealing the responsibilities of political leaders or the influence of international economic and geopolitical interests, which are quite evident in the Syrian case. Rejecting this narrative does not mean denying the interdependence between environment, society, and politics, as well as its relevance from the local to the global scale. On the contrary, acknowledging the complexity and multiplicity of the social, institutional, technological, and geopolitical factors that turn environmental issues into violent political conflicts is the first indispensable step to prevent or manage the latter.

PART II

THE PLAYING FIELDS

6. Asia

Guido Samarani

At the end of September 2019, the State Council Information Office of the People's Republic of China published the latest in a long series of White Papers (*baibishu* in Chinese) designed to provide analysis of major global issues and disseminate information and propaganda to the outside world. The series was first launched in the early 1990s, in response to the international impact (including a range of military and other sanctions) of the "Tiananmen Square Crisis" in the spring of 1989, and as part of Beijing's campaign to divide and counter its critics and their imposition of sanctions on China.

Published under the significant title *China and the World in the New Era*, the White Paper appears to be a homogeneous work that sets out China's "world vision", as developed and consolidated in recent years, particularly since the publication in September 2011 of a White Paper entitled *China's Peaceful Development* and a series of documents covering topics such as the trade dispute with the US, stability in the Asia Pacific region, the growing interest in the Arctic, etc. In typically Chinese fashion, the document takes a generic approach and dresses its claims and assessments with a liberal sprinkling of theoretical and symbolic allusion. However, it provides a useful source of reference for anyone looking for a clearer understanding of Beijing's views on the current world situation and the growing contest between China and the United States, both in general terms and with specific reference to the East Asia region, which is of such pivotal interest to both.

China and the World in the New Era: An Overview

The White Paper is divided into a “Preface”, four parts explaining the characteristics and distinctive features of China’s current development and its contribution to international growth and peace, and a “Conclusion”¹.

In terms of China’s overall approach to the profound changes affecting the world order, the following aspects warrant particular attention:

1. The world is going through a phase of profound, historic change. This phase encompasses a number of trends, including multi-polarism, economic globalisation, cultural diversity and information technology; and its central objectives are peace and development. Within this framework, China is playing an increasingly important role, which is deeply integrated with the global fabric and characterised by both globally common and nationally unique features. Objectively speaking, China’s development represents an opportunity for everyone. As such, “It is both unrealistic and harmful to regard China’s economic development as a ‘threat’ or ‘challenge’ [...]”².
2. Against this backdrop, the Belt and Road Initiative (BRI) is “an open and inclusive process that neither targets nor excludes any party. Rather than forming exclusionary blocks, it aims to help China and the rest of the world [...] pursue common development”³.
3. China has no intention of seeking global hegemony: “It is true that in the past, countries that grew strong have sought hegemony, but this is not a historical law. The conclusion is bound to be absurd and distorted if one judges China against the experience of some Western powers and applies their logic to China. China’s pursuit

¹ See The State Council Information Office of the People’s Republic of China, *China and the World in the New Era*, 27 September 2019.

² *Ibid.*, Part II, Section 1.

³ *Ibid.*, Part II, Section 3; Part IV.

of peaceful development is not diplomatic rhetoric, or an act of expediency, or a strategic ambiguity [...] China will never pursue hegemony or expansion, nor will it seek to create spheres of influence, no matter how international situation changes, how China develops itself”⁴.

4. Peace and development are the foremost concerns of our times. Factors such as unilateralism, protectionism, hegemonism and power politics, however, put global peace and stability at serious risk. One of the most significant changes emerging in this phase of history is the rise of China and other emerging markets and developing countries: all this “is fundamentally altering the international structures of power [...] The Cold War mentality of encirclement, constraint, confrontation and threat is resurfacing. Hegemonism and power politics are surging [...] A new model of international relations should be built on the principles of mutual respect, equity and justice, and mutually beneficial cooperation. Within this framework, the UN must play a key role”⁵.

East Asia and the Beijing-Washington Rivalry

Probably even before Xi Jinping came to power, one of the central issues of China’s internal debate on the direction of its foreign policy was the question of whether Beijing should focus its international efforts on its relationship with the United States, as a major global power, or with the continent of Asia (East and Central Asia in particular), as part of its “peripheral diplomacy”. The opposing positions on this issue can be summed up as follows: supporters of the view that relations with Washington should take priority argued that positive relations with the US would reduce the risk of the latter using its power and influence to incite neighbouring Asian countries to act against Chinese

⁴ *Ibid.*, Part II, Section 5.

⁵ *Ibid.*, Part III.

national interests; supporters of “peripheral diplomacy”, by contrast, argued that strengthening relations with neighbouring countries would reduce the White House’s ability to use them as instruments against China. A range of evidence, first and foremost the launch of the Belt and Road Initiative in 2013, suggests that the second option ultimately prevailed and that the deterioration of bilateral relations with the United States (tariffs, etc.) was an unforeseen, perhaps underestimated and certainly unwanted development⁶.

Beijing’s desire to extend its presence and influence in East Asia, however, is clearly connected, in many respects, with the question of Sino-American relations: there can be little doubt that Washington saw China’s ambition as a clear campaign to undermine US and Western influence in these areas, by competing with Washington on various fronts (diplomatic, economic, military, ideological, cultural, etc.), and to lay the foundations for a renegotiation of the current world order, starting with Asia’s periphery. In particular – as far as the country’s President is concerned – the United States needs to forge a solid partnership with democracies such as Japan, India and Australia, with a view to containing and combating the rise of China and its ambition to be the leading player in the Indo-Pacific⁷ region.

Despite the conciliatory views expressed by Xi Jinping in June 2018 during his meeting with US Defence Secretary James Mattis (“The Pacific Ocean is vast enough to accommodate China and the United States, as well as other countries”)⁸, East Asia (north-east and south-east) clearly plays a key role in the rivalry between Beijing and Washington. In fact China now seems committed – with much more vigour and determination

⁶ Yun Sun, “Recalibration and Adaptation: China’s Relations with her Key Neighbors during the Trump Era”, *China Leadership Monitor*, vol. 61, 2019, pp. 1-13.

⁷ The term “Indo-Pacific” is open to interpretation, but usually denotes the area between the Indian Ocean and the Pacific Ocean. See U. Das, “What is the Indo-Pacific?”, *The Diplomat*, July 13, 2019; Dingding Chen, “[The Indo-Pacific Strategy: A Background Analysis](#)”, Commentary, ISPI, 4 June 2018.

⁸ “Xi meets with U.S. Secretary of Defense”, *Xinhua*, 27 June 2018.

than in the recent past – to combating America’s strategy of forging potentially solid anti-Chinese alliances, and countering them with a wall of partnerships (generally described as *comprehensive/strategic partnerships*, such as the one with Russia) with a growing number of countries. The aim of these partnerships is to reduce areas of friction within bilateral relations and foster good relations with individual countries on the diplomatic, economic and cultural front, and where possible on the military and security front too⁹.

As we have seen, increasing use of terms such as “expansionism, spheres of influence, containment”, etc. only strengthen the impression that we are heading for a “New Cold War”, in which the Indo-Pacific and East Asia could easily become a test bed. In this respect, various “middle-ranking powers” in these areas have focused their efforts on boosting their independence from both Washington and Beijing, despite having also had to adjust not only to America’s shifting strategy (the *Pivot to Asia* launched by Obama in 2011 and then dropped by Trump in favour of a *free and open Indo-Pacific strategy*), but also to Beijing’s review of its BRI strategy, aimed at attenuating the shortcomings and problems affecting relations with numerous countries¹⁰. With regard to south-east Asia, for example, a recent study by the ASEAN Studies Centre in Singapore, based on over a thousand interviews conducted in late 2018 with experts and key political, economic and military figures from the Association of South-East Asian Nations (ASEAN) countries, revealed that an average of 60% to 70% of interviewees believe that the United States has lost a significant amount of global influence, that America’s commitment to south-east Asia has deteriorated substantially under the Trump administration, and

⁹ See T. Doyle and D. Rumley, *The Rise and Return of the Indo-Pacific*, Oxford, Oxford UP, 2019; Chintanami Mahapatra (ed.), *Rise of the Indo-Pacific. Perspectives, Dimensions and Challenges*, New Delhi, Pentagon Press, 2019

¹⁰ See, for example, the introduction to the aforementioned book by T. Doyle and D. Rumley (2019), pp. 1-8; and R. Manuel, “Twists in the Belt and Road”, *China Leadership Monitor*, vol. 61, 2019, pp. 1-17.

that the US is no longer a reliable guarantor of security in the region. Less than 20%, furthermore, believe that ASEAN and the various other regional cooperation systems can provide an effective bulwark against the adverse effects of the US-China trade war¹¹.

At the same time, various analyses and other evidence – based mainly but not exclusively on Chinese sources – suggest that Beijing carefully examines the progress it has made with the BRI, but without underestimating the risks and problems associated with it. As emphasised by Professor Michael Cox, Director of LSE IDEAS (a foreign policy think-tank at the London School of Economics), reactions to the BRI in many south-east Asian countries have oscillated between immense admiration on the one hand and suspicion on the other: some have pointed out that in the absence of “American leadership”, the only remaining option is to accept “Chinese leadership”. As Cox points out, however, as far as the development of infrastructural connectivity and similar initiatives are concerned, there are no major problems: each of the partners will reap clear benefits. The picture is altogether different, however, if – as several countries in the region fear – China uses the BRI “to ensnare countries into dependent and unequal relationships”¹².

Countries such as Indonesia and Singapore, for example, seem to be caught between the desire to retain the benefits that China’s economic development has brought and can still bring, and fears about changes to the regional order caused by the rise of Beijing. As a recent study by the Brookings Institution shows, reaction to China in south-east Asia is dictated by a variety of factors: geographical proximity, economic opportunities, the perception of potential threats, etc. One of the most

¹¹ ASEAN Studies Centre at Iseas-Yusof Ishak Institute, *The State of Southeast Asia: 2019 Survey Report*, Singapore, 2019.

¹² LSE IDEAS-CARI, *China’s Belt and Road Initiative (BRI) and Southeast Asia*, London, Special Report, October 2018, p. 2; N. Rolland, “Beijing’s Response to the Belt and Road Initiative’s ‘Pushback’: A Story of Assessment and Adaptation”, *Asian Affairs*, vol. 50, no. 2, 2019, pp. 216-235.

frequently cited illustrations of the complexity of both Chinese and US relations with south-east Asia is that of Vietnam, which has historic relations with the former, based on subordination and dependence, but has also suffered intensely from war with the latter. Increasingly, Vietnam is opting for what is known as a “balanced strategy” built around “3 NOs” (no military alliances, no foreign troops on Vietnamese soil and no partnerships with any foreign power seeking conflict with another). In its relations with China – from which it is the second-highest recipient of infrastructure development capital in the ASEAN group – Vietnam has embraced a “realistic” approach, by adopting a “comprehensive strategic cooperative partnership”, but without compromising its stance on maritime sovereignty. In its relations with the United States, meanwhile, it has engaged in an extensive programme of cooperation in areas such as maritime security. But that is not all: Vietnam is also investing considerable effort in diversifying its regional and international strategy, by forging close links with Japan (defence and investment in railways and infrastructure), India (security) and the EU¹³.

Setting aside the complex question of the Korean peninsula, the US’s main ally in north-east Asia, and the biggest obstacle to the rise of China, is clearly Japan. Tokyo has always been an important ally for the United States in the region, largely because of its considerable concern about China’s growing economic and military strength and influence. Despite major difficulties, involving decades of bitter clashes and confrontations in bilateral relations – albeit against a backdrop of excellent economic relations – the success of recent attempts to enhance understanding and cooperation between the two countries has not gone unnoticed. The Japanese Prime Minister Shinzo Abe’s recent visit to Beijing (in late December 2019) and Xi Jinping’s planned visit to Tokyo in the spring (the first time a Chinese Head of State has visited Japan since 2008) are clear indicators

¹³ J. Stromseth, *The Testing Ground: China’s Rising Influence in Southeast Asia and Regional Responses*, Brookings, November 2019. See also *The US-Southeast Asia Relationship: Responding to China’s Rise*, Council on Foreign Relations (CFR), 23 May 2018.

of what has been described, potentially, as “a new relationship for global cooperation”¹⁴.

Conclusion. Towards a “Chinese Model”?

The aforementioned Chinese Government White Paper states that

Copying or imitating other countries offers no way forward [...] There is no such thing as one single path or model that is universally applicable. Countries can learn from each other. But modernization is not equal to Westernization [...] It is the right of every sovereign state to choose its own development path. No country can impose its own model on others, let alone forcibly subvert the governments and political systems of other countries. China respects the different paths chosen by other countries. It does not “import” foreign models, nor “export” the Chinese model [...]¹⁵.

The claim that there is no “Chinese model”, as opposed to an alleged “American model” (the former represented by the Beijing Consensus, based on a major role for the state in mobilising substantial resources, and the latter represented by the Washington Consensus, involving neoliberal doctrine and a central role for the market), and that Beijing has no intention of imposing any model on other countries, is clear, explicit and in line with similar statements made in recent months and years. However, international debate on this issue has developed over the years, fuelled by the broader debate in China that started some 10 years ago, and by Daniel A. Bell’s book, published in 2015, which has attracted both substantial agreement and sharp criticism¹⁶.

¹⁴ This description was used, for example, by H. Akiyama and T. Hadano, “Japan and China to form ‘new relationship’ for global cooperation”, *Nikkei Asian Review*, 1 November 2019. For a more general overview of bilateral relations, see the recent book by E.F. Vogel, *China and Japan: Facing History*, Cambridge (Mass.), The Belknap Press of Harvard University, 2019.

¹⁵ *China and the World in the New Era.*, cit., Part II, Section 4.

¹⁶ D.A. Bell, *The China Model. Political Meritocracy and the Limits of Democracy*,

The debate has yielded a wide range of disparate positions and analyses, but has never given rise to any broad consensus, although the recent trade war appears to have boosted hypotheses of a clash/confrontation between the two countries.

At times of tense bilateral relations like these, Beijing often turns to “old friends”, such as Henry Kissinger, for help in understanding the Trump administration’s real intentions, and guidance on the most appropriate measures to take in response. Speaking at the Bloomberg New Economy Forum in Beijing in late November 2019, the former US Secretary of State warned that we are at risk of heading into a new Cold War, even though – he stressed – the degree of rivalry does not yet match the levels it reached between the US and USSR. According to the former Treasury Secretary Hank Paulson, who spoke at the same Forum, there is a considerable risk that if we do not stop this “war”, every country will find itself compelled to take sides, either with the US or with China¹⁷.

In Kissinger’s opinion, the Chinese leadership’s vision of national development is not necessarily intended to threaten the US, but there is nonetheless a clear need to overcome the lack of understanding and widening gap between the parties: “It is especially important that a period of relative tension be followed by an explicit effort to understand what the political causes are and a commitment by both sides to try to overcome those [...] It is far from being too late for that, because we are still in the foothills of a cold war”¹⁸.

Princeton and Oxford, Princeton UP, 2015. Regarding the debate in China, which started during the outbreak of the financial crisis (2008-2009), see J. Fewsmith, “Debating ‘the China Model’”, *China Leadership Monitor*, vol. 35, 2011, pp. 1-7, and, regarding the periodic resumption of the debate in recent years, S. Zhao, “Whither the China Model: revisiting the debate”, *Journal of Contemporary China*, vol. 26, no. 103, 2017, pp. 1-17.

¹⁷ E. Cheng, “Fallout from US-China trade conflict could be ‘even worse’ than WWI, Kissinger says”, 22 November 2019.

¹⁸ Z. Evans in “Kissinger warns U.S. and China in ‘Foothills of a Cold War’”, 21 November 2019. For official Chinese commentary on the meeting between Kissinger and Xi Jinping, which stresses the need for meaningful dialogue between China and the United States, see Mo Jingxi, “Xi, Kissinger stress importance of boosting China-US ties”, *China Daily*, 22 November 2019.

7. Africa

Giovanni Carbone

In the new millennium, sub-Saharan Africa has rapidly turned into an increasingly attractive playing field for international powers. Having put the general disinterest in the region that typified much of the 1990s behind them, both old and new actors have found economic interests and geopolitical reasons to turn to – or return to – the continent, launching a veritable scramble to expand their presence and conquer new spheres of influence. The “China in Africa” narrative is undoubtedly the best-known one, as well as the most important new development in terms of its scope. Beijing served as a trailblazer as early as the end of the last century, when it began to buck global trends. Starting in the early 2000s, however, various emerging and advanced economies developed their own strategies to follow in China’s footsteps or to hinder its advance, launching the competitive phase that is still ongoing today. These ranged from the United States to Russia, from India to Turkey, and from Japan to the Gulf countries. Europe, both through the European Union and in terms of national policies, has also begun an attempt to revive and revise its relations with countries south of the Sahara.

A Playing Field with New Dimensions

The post-2000 “African moment” was sustained by a lengthy and highly positive economic phase for the region. Between 2000 and 2018, the economies of sub-Saharan Africa grew at an average rate of 5% a year. The end of the commodities super-cycle in 2014 slowed down this growth – hitting oil-producing

countries particularly hard – but it has not stopped it. Of the 20 countries worldwide that are expected to grow the fastest between 2020 and 2024, over half (11) are in sub-Saharan Africa¹.

External actors played a decisive role in fuelling this expansionary phase, which in turn became a major pull factor. For example, foreign trade in goods with Africa between 2006 and 2018 grew by 292% for India, 220% for China, 224% for Indonesia, 216% for Turkey, 108% for Saudi Arabia, and 41% for the European Union, which as a whole continues to be Africa's largest trade partner². Meanwhile, the continent has undergone a series of rapid transformations in a wide array of fields, from explosive population growth correlated with rapid urbanisation to the surprisingly wide adoption of new technologies and the advancement of regional integration (the new continent-wide free trade area brokered by the African Union entered into force in 2019), and including the gradual renewal of political systems and leaders³.

The renovated international relevance of the sub-Saharan playing field is also explained, in part, by purely geopolitical reasons. The terrorist attacks of September 2001 immediately reawakened Western fears about Africa and renewed interest in the region, especially in geopolitically strategic areas where state presence was weak, which were identified as a fertile breeding ground for new radical movements. This dovetailed with energy security issues and the desire to diversify energy supplies, making them less dependent on the Middle East. The growing number of natural gas and oil-exporting countries south of the Sahara could help fulfil this goal. In the meantime, the complex rivalries in the Middle East began to have repercussions on the

¹ International Monetary Fund, *World Economic Outlook database (October 2019 version)*.

² “The new scramble for Africa”, *The Economist*, 7 March 2019.

³ See G. Carbone, “Mapping change, transformations and trajectories towards 2030”, in G. Carbone (ed.), *A vision of Africa's future*, Milano, Ledizioni-ISPI, 2018; and G. Carbone (ed.), *Leaders for a new Africa. Democrats, autocrats and development*, Milano, Ledizioni-ISPI, 2019.

eastern half of the continent, especially in the Horn of Africa. Finally, the matter of immigration from sub-Saharan Africa, long a priority at the European level, acquired immediate political urgency with the so-called “migration crisis”, fuelling new initiatives to find agreements with African countries in order to manage migration flows.

A series of factors thus focused international attention on Africa, while a growing number of external players turned their eyes towards the continent. Their presence and influence in turn generated additional interest on the part of their competitors, launching a cycle that shows no signs of slowing down. Over time, all the elements in play evolved: the external actors involved, their motivations, the conditions in the contexts where they are intervening, opposing narratives of ongoing processes, and implications for the sub-Saharan countries themselves.

Chinese Africa

Beijing’s presence in Africa is not a new arrival as much as a return. China had already established close ties with several sub-Saharan countries in the 1960s and 1970s, mostly for political and ideological reasons. In addition to sending Chinese doctors, engineers, and technicians to foster the development of newly-independent sub-Saharan states, and contributing to the construction of a number of infrastructure projects, China also showed its solidarity by providing weapons and support to allied liberation movements. After turning inwards in the 1980s, China began looking to Africa anew in the 1990s, portraying itself as a “reliable friend” for “mutual development”, and guaranteeing it would not interfere in the internal affairs of sub-Saharan countries.

Ever since, Beijing has pursued a combination of economic and political goals in Africa. On the economic front, it has aimed to acquire access to a wide array of energy and mineral resources (oil, gas, and coal especially, but also iron, copper, aluminium, and much more) it needs to fuel its domestic industrial

development and growing urbanisation. At the same time, it was efficiently penetrating African markets with Chinese investments and manufactured products. On the political front, the sub-Saharan region served as a testing ground for China's "great power" moves, allowing Beijing to expand its presence and influence (through diplomacy, the military, business, investments, the Chinese diaspora, the media, etc.), form new alliances, and take on new responsibilities.

Since 2000, this new relationship is showcased every three years through the Forum on China-Africa Cooperation (FOCAC), during which the Chinese leadership, in concert with its African counterparts, steers the development of the economic, political, security, and cultural relations that tie the two regions together. During the 2006 summit, then-President Hu Jintao floated the ambitious and inviting idea of a partnership to establish "a just and equitable new international political and economic order". From the outset, the near-totality of Africa's leaders enthusiastically embraced the opportunity arising out of Beijing's interest in the continent, albeit with some relatively isolated criticisms, and a few episodes of social resentment. Testifying to evolving priorities in the relationship, 2018 saw the inauguration of the first China-Africa Defence and Security Forum. The Chinese government is increasingly feeling the need to guarantee stability and security for China's investments, businesses, trade routes, expats, and workers.

Economic growth in sub-Saharan countries received a substantial boost from Chinese investments and demand for resources. While China's trade with Africa amounted to US\$10 billion in 2000, it was 15-20 times larger between 2011 and 2018. Chinese investments multiplied, and extended from the energy and mining sectors to infrastructure, manufacturing, and services. Along with the exponential growth in Chinese firms working in Africa, the Chinese diaspora in the continent also grew, and is claimed to have reached a million people.

The resounding success of Chinese-led development has made the Beijing model a potential alternative to the Western

one. This model relies first and foremost on (a return to) the single-party state and to highly centralised economic policy. Western observers have had no shortage of criticism and concerns, and have underscored the Chinese support given to authoritarian and corrupt regimes, the risk of increased dependence and loss of sovereignty, the negative economic effects that have also arisen (such as African infant industries having to compete with Chinese businesses, or the growing indebtedness linked to strategic assets such as mines or ports), steps backwards in terms of working conditions and environmental regulations, and fears of a Chinese takeover of local media. But for African countries where progress remains fragile and incomplete, and for whom good relations with Beijing bring significant economic benefits, the Chinese alternative is highly alluring. The United States has realised this, and is beginning to take measures.

The United States and the New Strategy for Africa

After the Bush administration (which spearheaded several unexpected initiatives in Africa, beginning with opening a military base in Djibouti and significantly increasing trade and development aid) and the Obama administration (when the previous momentum essentially ground to a halt), the arrival of Donald Trump in the White House generated pessimistic expectations for Africa. As former Assistant Secretary of State Johnnie Carson put it, “realistically, perhaps the most the continent can really hope for under Trump is benign neglect”. Other analysts were more optimistic, pointing to the fact that the previous Republican President, G.W. Bush, had arrived in the White House without any apparent concern for Africa but then quickly changed his approach, and highlighting the opportunity for a turning point after the Obama administration, which had been deemed a disappointment for the continent. The first two years of the Trump administration saw a rather disparate series of actions and statements inspired by Trump’s “America

first” principle, stepping away from some of the cornerstones of the West’s approach to Africa: from multilateralism and co-operation (with funding cuts to United Nations peacekeeping operations, for example), to the promotion of democracy and human rights, the fight against corruption (with laws deregulating the petroleum lobbying sector), the climate change challenge (the United States pulled out of the Paris Agreement in 2017), non-reciprocal trade agreements with poor countries, and more.

It was not until December 2018 that the US unveiled a *New Strategy for Africa*⁴, with a speech by National Security Advisor John Bolton. Albeit in rather generic terms, the strategy outlines some of Washington’s guidelines for the region. In Africa, America’s leadership seems to lag behind that of China, Russia, Turkey, the Gulf states, and others, but it also launches an era of harsh competition between the great powers on the continent. The main target is China, of course, with Russia in the background. In the words of an observer, “The new US Africa strategy is not about Africa. It’s about China”⁵. The sub-Saharan region is little more than a new battlefield with Beijing, the last in a long series that includes economic espionage, the trade war, China’s military presence in the South China Sea, and more. On the face of it, the rhetoric that is being used is hostile. China is depicted as a rogue donor in Africa, a predatory and neo-colonialist force that is invariably detrimental to the continent’s development. The New Maritime Silk Road and the increasing share of African debt held by China are considered the most dangerous tools in China’s hegemonic strategy.

In spite of an emphasis on this danger and the need to take steps against it, the type of commitment Washington has made to the continent keeps it at a certain distance. In its response to jihadist threats and continuing conflicts, the US stresses the

⁴ *Remarks by National Security Advisor Ambassador John R. Bolton on the The Trump Administration’s New Africa Strategy*, 13 December 2018.

⁵ C. Tremann, “[The new US Africa strategy is not about Africa. It’s about China](#)”, *The Interpreter*, 20 December 2018.

positive role played by African initiatives such as G5 Sahel, which are much preferred to the United Nations' harshly criticised peacekeeping operations.

In the commercial sphere, the US's goal is to negotiate bilateral agreements that leave behind the principle of trade concessions in favour of more "equitable" and reciprocal trade openings that would favour the expansion of American exports and investments in African markets. The Prosper Africa initiative was adopted to support this expansion by coordinating the various tools made available to American businesses by US federal agencies.

There are two key problems with the New Strategy for Africa. The first is that it is a strategy that focuses almost exclusively on American interests, as opposed to African ones. For example, democracy is not even mentioned, while it had been the first of the four pillars of Obama's 2012 Strategy for Sub-Saharan Africa (the actual pursuit of these goals notwithstanding). For all intents and purposes, African states are being asked to choose between the United States and China, following a logic that harks back to the Cold War, and making it clear that countries that regularly vote against Washington in international fora will no longer receive aid, explicitly tying aid to cooperation with foreign policy. "Under our new approach", said Bolton, "every decision we make, and every dollar of aid we spend will further US priorities in the region"⁶. The second problem is that the strategy itself remains quite vague. So far, the wait for a written document that clarifies and expands upon Bolton's remarks has been in vain. This confirms a certain lack of interest in the sub-Saharan region, especially at the highest levels of the administration, as exemplified by the fact that Trump has not made a single visit to the region, and that numerous key appointments were very late in the making (the Assistant Secretary of State for African Affairs was not nominated until 2018, and several key ambassadorships remain vacant). If the challenge is China's ascent on the continent, Washington must

⁶ *Remarks by National Security Advisor Ambassador John R. Bolton...*, cit.

not forget the old saying “you can’t beat something with nothing”. In fact, an ephemeral presence in the region could easily turn into an additional opportunity for the US’s competitors.⁷

Other Players’ Moves

International hierarchies have been partially upended south of the Sahara. Chinese activism has meant that Beijing is ahead of the United States on many fronts in Africa: in terms of foreign trade, infrastructure, the presence of Chinese businesses and a Chinese diaspora, and visibility in African and international media, Washington lags far behind. The United States arrived in today’s Africa late, and still has a relatively limited presence there, but its stature is to some extent guaranteed by its role as a superpower.

Meanwhile, an increasing number of actors are actively attempting to preserve their influence or gain new ground. Narendra Modi’s India, fearful of being encircled by China’s “string of pearls” strategy and the China-Pakistan economic corridor, is trying to break through this obstacle by looking to East African countries on the Indian Ocean seaboard, with which it has longstanding relationships and an influential diaspora. African oil and gas are crucial for New Delhi, and make up the bulk of India-Africa trade. Russia, on the other hand, does not have such needs, but it has also tried to build on historical relationships to re-establish its presence in Africa – where it is the leading arms exporter – including through the ostentatious celebration of new ties during the Russia-Africa Summit that was held in Sochi in late 2019, the first of its kind for Moscow. Alliances with African countries also aim to circumvent the partial isolation generated by European and American sanctions. Although Moscow can provide some support to its allies in the UN Security Council, the relationship with Russia is not particularly attractive for most African countries, partly in light

⁷ R. Standish, “[Putin has a dream of Africa](#)”, *Foreign Policy*, 25 October 2019.

of the size and structure of its economy. Turkey and the Gulf states are also continuing their African “offensive”, with a focus on the nearest area, that of the greater Horn of Africa, although Turkey in particular is ranging much further afield. Among the latter’s advantages are the many flights Turkish Airlines has to African destinations; these quadrupled in number from 13 in 2009 to 52 in 2017.

In the new scramble for Africa, the Old Continent can count on a head start in both geographic and historical terms (resentments dating back to the colonial era notwithstanding), and on its unique exposure to phenomena originating on the south shore of the Mediterranean. These longstanding ties have led to laborious attempts to establish new terms for the Africa-EU relationship. The two parties have adopted new tools for dialogue, including a series of summits organised every three years starting in 2000, and currently known as the African Union-European Union Summit. In 2007 a new Joint Africa-Europe Strategy (JAES) was launched that heralded the emergence of a new type of partnership, broader and more “political” compared to relations traditionally centred on development issues. Europe is looking with growing interest at the African market, in which it still plays an important role. But for Europe, the leading priority right now is undoubtedly that of migrant flows from Africa. Together with security issues, this is the key theme around which recent European initiatives such as the Partnership Framework on Migration and the External Investment Plan have revolved. With an Africa that has its own priorities – which rarely include the control of migratory flow – and a very varied array of potential foreign partners that are less likely than the Europeans to impose conditions, the main problem is to arrive at a set of shared goals between Europe and Africa.

Individual European countries have also attempted to give new shape to their relations with sub-Saharan Africa. The United Kingdom in particular attempted to do this under Labour’s leadership, especially after 2000, with a rare military

intervention in Sierra Leone and a substantial increase in development aid. While Tory governments maintained the same aid levels, their overall approach was more lackadaisical, and the initial momentum ran out. Brexit and the need to establish trade agreements with new partners could well bring about an additional revision in relations with Africa. Over the last five years, both Germany and Italy have focused new attention on Africa, which is perceived both as the source of a crucial problem – migration flows and their management – and a potential market for exports and investments. Nevertheless, the country that stands out the most is still France, often encouraged by its European allies. As the former colonial power that has maintained the strongest presence in Africa, Paris still enjoys privileged political and economic relations with its former colonies, which it has doggedly maintained even as the pre-independence days fade into the distant past. French military forces have openly intervened during several recent crises, in Mali, Ivory Coast, and the Central African Republic. Of course, the context is no longer that of decades past, when Paris had more freedom of movement, since other external subjects now have a foothold in the area, including in some cases a newfound military presence. Since 2014, France has had a particularly strong troop deployment in the Sahel with Opération Barkhane: 4,500 soldiers operating in Mali, Mauritania, Niger, Burkina Faso, and Chad. The scope of this intervention is explained only in part by the threat of terrorism that legitimised the French presence in the area, or by the uranium reserves that are of strategic importance to France's nuclear industry. In fact, France's involvement reflects a broader geostrategic competition with new external actors who are able to make tempting offers to their African partners (first and foremost, the promise of non-interference in domestic affairs and major investments in infrastructure), thus jeopardising what's left of its privileged relationship with *Françafrique*.

Gradually, sub-Saharan Africa is now once again at the centre of international attention – from both old and new actors – as

it had not been for quite some time. The density of external actors seems destined to remain high, at least in the medium term, and fuelled by geopolitical motives that remain as relevant as ever. The main implications to be monitored include both rivalries and potential friction between external actors with different agenda and approaches, and more importantly their impact on development processes in an emerging area that remains fragile and vulnerable.

8. Latin America

Loris Zanatta

Latin America is one of the most critical playing fields on which the United States and China are competing for global hegemony. It is therefore essential for us to understand the nature of the game and the rules that govern it; what has changed and what remains unchanged; to what extent the outcome depends on the players alone and to what extent it depends on local actors and on the burden of their histories. In short, the “home-field effect” is important. But first of all we need to understand exactly who the two teams are, what formations they are likely to play and how their past performance compares. Nothing can be taken for granted.

The Trump's Politics

The first team, in terms of strength and reputation, is the United States. Latin America has traditionally been considered its “front garden”. This should be taken with a pinch of salt, like all traditions, but we can accept it for the moment. If it is true, however, the gardener has certainly been idle. The garden has been ignored since the end of the Cold War; the trees have hardly been pruned since 11 September 2001. This has probably not been a good move. The concerns generated in Washington by the sight of so many Chinese tending the US’s own plot proves the point. But on one matter there is general agreement: nobody has ever treated the garden as badly as Donald Trump.

What exactly is Trump’s policy towards Latin America? Nobody knows. Mike Pompeo, his Secretary of State, describes it as “*realism, restraint, respect*”. What does this mean? Sadly,

nobody knows. The experts have certainly not pulled their punches. The kindest describe Trump's approach as "erratic", the harshest call it "terrible". All, basically, seem to agree that "it doesn't exist". Trump's policy for South America is essentially US election policy.

Trump rages against Mexico and the Mexicans, then praises the country's President when, forced into a corner, he sends in the troops to stem the flow of migrants. Pandering to a powerful lobby at home, he tweets new duties on Brazilian aluminium. Hardly a good move, considering that Jair Bolsonaro is his sole ally in the region, all that remains of America's old network of alliances. He barks at Maduro and threatens devastation in Venezuela. But a barking dog never bites, nor does it resolve anything. Only in the case of Cuba is he consistent: more sanctions, as if they did any good ...

The incurable conspiracy theorists denounce the usual "imperialist plot"; the Pope, seemingly happy to draw the President's anger, reminds him of Operation Condor and the 1970s. Possible? Only pan-Latin nationalists, prisoners of their own history, can see any "plan": for them there is always a "conspiracy" in waiting. Everybody else, Latin American diplomats first and foremost, are left wringing their hands, disconcerted, disoriented. The closer they are to the US, the more disillusioned they feel. The more acerbic among them joke that a monkey is in control in Washington. Trump cannot complain if his popularity in the region has halved at the speed of light: only 16% of South Americans now support him, a negative record.

To be cynical, Trump is not doing too badly: his sworn enemy, the Bolivarian axis, is falling apart. Bolivia and Ecuador have changed side while the remaining exponents, Venezuela, Cuba and Nicaragua are discredited and barely able to keep afloat. But Trump is claiming a victory for which he can take no merit, and we shall have to wait to see the end result. The harvest comes long after sowing time, and with what Trump is sowing, we can hardly foresee a good return. Democracy, human rights and free trade, the historic pillars of America's

“mission” in the region, are of no interest to him: he will exploit them only if useful to himself, otherwise ignore them. What is he offering in exchange? “*Realism, restraint, respect*”, whatever that means in practice.

The fact is that hegemony costs, as we all know. It is certainly an expensive privilege, both politically and economically. Trump is not prepared to pay the cost of world leadership, this much is clear. So, while the “leader” is navel-gazing and making up policy as he goes along, banging his fists and repeatedly changing course, the Chinese, who *are* prepared to pay the cost of global leadership, are taking advantage. And doing well! The tide of Chinese influence in Latin America is rising unstopably. Is the White House complaining? Is Pompeo sounding the alarm and calling on America’s allies? Is a new anti-Chinese “consensus” forming in Washington? All they can see, below the Rio Grande, is infighting. Joe Biden is complaining that the United States’ withdrawal from Latin America has left the region open to the Russians and Chinese and is promising a return to more “American values”.

The China's Politics and Economy

Now let’s have a look at the second team on the field. What does China have that the United States does not? Let’s start with the simplest but weightiest answer: money. Between 2000 and 2017, Chinese companies invested US\$109 billion in Latin America and Chinese banks lent another 147 billion; 87% of this went into energy and infrastructure. That’s not all: in the wink of an eye, Beijing has become the region’s second largest trading partner, and the biggest for certain key countries, including Brazil. So?

Not all that glitters is gold and the road to hell is paved with good intentions. Unlike western and World Bank investors, the Chinese do not demand respect for environmental criteria or workers’ rights; they are backed by a Chinese state that, unlike private capital, is not interested in the solvency of the countries

where they invest. Chinese involvement is strategic. And there's a price to pay. Nations celebrating an influx of ready money today may well lament their burden of debt and loss of sovereignty tomorrow. The most serious case of this is Venezuela, a nation now so indebted to China that it is ready to sell its future. "Neocolonialism", shout the more succinct commentators, but this accusation changes nothing: eager for investments and hungry for capital to create jobs and wealth, Latin American governments are queuing up at Chinese embassies that spend and regale, invite and court, donate public works and offer bribes.

In a region where the end of the raw materials price boom left many dead and orphaned, all this is manna from heaven. Few, if any, are determined to resist the call of the Chinese sirens. Not even Bolsonaro, who raged against China in his electoral campaign. It did not take him long to change his mind and bite into the Chinese doughnut.

But money, we all know, is not everything. This may not be a Chinese proverb but the Chinese know it well. Their influence, in short, is not just about business. It never was entirely, and has been even less so since 2016, when Xi Jinping launched his "new, long-term strategy", more assertive and ambitious than the previous. Nobody believes in the myth of an apolitical, non-ideological China any more. Like other nations, China too has its own legitimate sympathies and objectives.

What sympathies and objectives are these? Much can be said regarding the first: China courts all nations without exclusion, but has a clear preference for the more illiberal, populist, autocratic and ideological regimes, partly because they resemble China and partly because they stand against the "Yankees", but mainly because they welcome China with open arms. Venezuela and Cuba are China's current favourites; love as well as money unites them. And the objectives? What does China really want? A much-debated question. Diagnoses range from "world domination" to "the isolation of Taiwan", which still has a few allies left in Latin America, for what they are worth. The truth probably lies in the middle.

The Big Challenge for a Liberal Patria Grande

There can be no doubt that the United States is facing a serious challenge to its leadership of the American hemisphere. This is a simple fact. Likewise, Washington's rhetoric towards China is becoming increasingly aggressive. It is, however, unlikely that this will result in serious tensions. There are many reasons for this: Trump is focusing on re-election and only on re-election; the State Department is more intent on condemning Chinese "expansionism" than the White House is interested in expanding the influence of the United States; China is moving with great stealth and is taking great care not to step on too many toes and, while talking a great deal about economics, is being particularly cautious in the political and military spheres. The two superpowers also have an open dialogue on South America, which helps to defuse tensions. Perhaps there is another less tangible but more important reason too: as the head of one South American government once put it, "please don't ask us to choose between the United States and China, you wouldn't like our answer".

This is where the "home-field effect" comes into play and the real actors line up, i.e. the South American nations themselves. This is where their history, their internal dynamics and the differences between them become important. This is the filter through which regional competition between the US and China has to pass, as that between the States and other historical powers passed previously: Great Britain until the First World War, Germany in the 1930s, the Soviet Union until the 1980s and Japan as the Cold War drew to a close.

On the surface, it seems as if all Latin American nations aspire to the same thing: the Patria Grande or Latin American unity once dreamed of by Simon Bolívar. But saying is easier than doing. The region is fraught with historical tensions and rivalries, discordant interests and age-old sympathies and antagonisms. The fact remains that there has never been any consensus on how the Patria Grande should look, nor is it likely

that there ever will be. On the contrary, a civil war of ideologies and histories rages around the very concept, even undermining regional stability, sometimes to a lesser, sometimes to a greater extent.

To explain things simply, on the one side we have the liberal nations. The *Patria Grande* that these countries imagine is founded on the principles of multilateralism, liberal democracy, the rule of law, and free trade – in short, on the pillars of the international order. It stands for a process of integration and adherence to shared rules and institutions, respectful of the ideological pluralism of member countries in their interpretation of the values of democracy. Whether governments are socialist or conservative, liberal or catholic does not matter: institutions rather than ideologies form the basis of the liberal *Patria Grande*. Such a project is not incompatible with the principles of US pan-Americanism, neither does it imply any necessary hostility towards Washington. Latin America or at least South America, united in this way, would be stronger in its dealings with the United States, but not antagonistic towards it.

There have been various attempts at this kind of integration since the 1960s. The latest and perhaps the most successful is the Pacific Alliance, a trading partnership between Mexico, Colombia, Peru and Chile. Formed quietly by four liberal nations with steadily growing economies, the Alliance has greatly benefited the trade, development and globalisation of its members. But there's a long way to go before this model can be extended to other nations in the region. The election in Mexico of Andrés Manuel López Obrador, heir to the nationalist tradition, and the social unrest that has emerged in other member states, especially Chile and Colombia, have dramatically cooled enthusiasm for this kind of integration and even more so for the principles on which it is based. It may not be wrong to attribute the present unrest to the heightened expectations generated by ongoing modernisation and by past success. But this is of secondary importance: as in the past, liberal integration seems to have reached its limits and perhaps the end of the line.

The Pan-Latin Dream, Historical Project of Integration

Its eternal enemy is pan-Latinism, a nationalist, nationalist-populist or purely populist tradition. The pan-Latin *Patria Grande* is the complete opposite of the liberal version. In short, it is anti-liberal. Peronism, Castrism, Chavism, all the main Latin American populist regimes have cultivated it and adopted a mission to construct it, and their descendants continue to invoke it today. Rather than a project of integration, they see it as one of fusion: while integration happens between different nations and is based on agreed institutions, fusion occurs between equals and is driven by ideology. A necessary premise to such fusion is therefore the dominance of “nationalist, populist” governments following a “revolution” in each country, via the ballot box or the street. This is the principle on which was founded the Peronist “third position”, the export of arms to the Cuban revolution, and the Bolivarian Alternative guided by Hugo Chávez in the last decade: unanimism as opposed to pluralism.

The nationalist dream is pan-Latin and anti-American, based on an ethical and therefore a visceral and absolute anti-Americanism. It does not matter who is in control in Washington nor what they want or have to offer: the pan-Latin populists are not fighting the United States for what it is, but for the liberal order it represents. What binds us, they have always said, is our common “language, culture and religion”; in other words, Hispanic history and a catholic, anti-liberal background. And the historical enemy of Hispanic Catholicism and Spanish imperialism was the Anglo-Saxon Protestantism that eroded and subjugated it. Their enemy today is the heir to that tradition, the political liberalism and economic capitalism of the United States and the West in general. It should come as no surprise, therefore, that their idea of “democracy” differs from that of liberalism, or that their version of populism is intolerant of multi-party politics, the separation of powers and individual rights. It is even

less surprising that they reject and criticise the ethics of capitalism, in which they identify the sins that the Hispanic nations have always attributed to the Anglo-Saxon cultures, and from which they consider themselves immune: egoism, materialism and individualism.

As, in each nation, pan-Latin tradition professes to represent the pure, Christian “people” in their unending struggle against an age-old and corrupt “oligarchy”, so, on a regional scale, it hopes to build the *Patria Grande* on the ruins of the empire of America and its liberal allies: the “proletarian nations”, as populist Latin leaders like to call them, against the “plutocracies”. Needless to say, no compromise is possible between liberal integration and populist fusion. Latin American political dynamics has, since time immemorial, revolved around this dichotomy, with every new government or regime change re-balancing the scales in one direction or the other.

Does this affect the competition between the United States and China in Latin America? It does, and how. Unlike Great Britain and Japan, but more like Germany and the Soviet Union in their day, China represents more than an economic challenge to the United States: it is also an ideological thorn in America’s side. It is so directly of course, but even more so through the United States’ ancestral enemies in the region, the populist regimes. For them, China embodies a political regime and a model of development in direct contrast to those of liberalism and capitalism. For them, China’s blend of communism and Confucianism evokes the holistic imagery to which Latin populists have always aspired, namely the idea of the “people” as an organic community.

If this is the case, and indeed it is, then it is only natural for them to see in China at least an ally if not a leader of a global anti-liberal coalition, whether China is eager to assume this role or not. It always has been this way. It was when Peronism identified fascism as the most promising alternative to the liberal model, and again later, when it deluded itself that it could unite the entire catholic Latin world against it. It was when Castrism

initiated an anti-liberal crusade with the Soviets, championing the cause of the third world. And when Chavism, under the auspices of China, cultivated its vast, heterogeneous front against American and global liberalism, stretching from Russia to Turkey and from radical Islam to North Korea. While it is true that the Chinese move with the greatest care, it is equally clear that China is ready to make massive investments in order to influence Latin American public opinion and promote the cause of its own “model”.

Conclusion

Today as in the past, the unstoppable expansion of liberal universalism generates, by way of reaction, a powerful anti-liberal recoil that primarily targets US. hegemony. It matters little that Donald Trump is the most unlikely representative of the liberal heritage, or that Beijing is not eager to lead a challenge, at least in Latin America. Pan-Latinism will fall in line behind China in any case, it is easy to see. This, then, is and will be the biggest challenge that the United States faces in the region. It is also the most powerful ideological weapon that China can use against the US. This is what people in Washington have in mind when they accuse the Chinese of trying to upset the region’s political equilibrium and encourage the rise of populist regimes. It may not necessarily be true, nor can it be proved with any certainty, but many in America intuitively see it as the danger. Because, to put it simply, these are the rules of play in the Latin American arena: this is what I define as the “home-field effect”.

There is no shortage of indicators to confirm this. It is true that very little remains of the Chavist challenge to the United States and Latin America’s liberal front, given the calamitous state to which Venezuela’s rulers have reduced the country, and it is clear that only ruins now remain of the Bolivarian Alternative that Chavez once guided. Even China, which invested so heavily in both, now finds itself embroiled in a crisis that exposes it to serious economic loss and dangerous political

costs. Yet, following the decline of Chavist pan-Latinism, we can already glimpse the rise of an heir, another pan-Latin front ready to carry the flag. This has always happened in the past. Why should it not happen again?

We recently saw the formation of the progressive Latin American grouping, Grupo de Puebla, and the magnets around which it is likely to grow are already emerging: Argentina and Mexico. As soon as he was elected President, Argentina's Alberto Fernández raced to Mexico City to embrace Andrés Manuel López Obrador. Who could be better suited to hoist again the flag of the Patria Grande than a Peronist heir to the old general's dream of pan-Latin unity and a Mexican nationalist inspired by the concept of the great revolution? Of course, as in the past, it is easy to see that what ideology unites, different interests divide. Mexico will never lead the crusade against Washington that the pan-Latin myth demands: one way or another, too much ties it to the United States and separates it from its South American "brothers". But of one thing we can be sure: the *Grupo de Puebla* will wink its eye at China and China will assess how far it can go in support.

It is not that the group's members intend to embrace China's political model, as this would be unthinkable for western nations. And so far, nothing suggests that China intends to undermine the international order at all, and certainly not in Latin America, so far from Beijing and so close to Washington. But what we can be sure of is that Trump will cry wolf in his coming electoral campaign and that Pompeo will put pressure on America's Latin American partners to resist the "predatory" methods of China. Not because they have any political strategy to counter China's rise or to fill the void America has left and China is now occupying. Simply because their sole political strategy is re-election. *America first.*

9. Middle East

Armando Sanguini

“Five years maximum from now, you will not recognise the same Middle East”. On 11 November 2019, Amr Moussa, the former Egyptian Minister of Foreign Affairs and former Secretary General of the Arab League, spoke these words, anticipating major change for the better in the region.

As appealing as such a prediction might be, it seems not to match the snarl of tension, hotbeds and conflicts that have troubled the Middle East and North Africa once again in 2019. Examples of this abound:

- the spiral of tension sparked by Trump leaving the Iranian nuclear agreement and the “maximum pressure” campaign for sanctions on Iran, to which Tehran responded by pulling back from certain key points in the agreement and by increasing tension in the Gulf;
- the repercussions of the war caused by General Haftar’s April push to take Tripoli (Serraj government) that reached breaking point by December;
- the Turkish military invasion of north-east Syria, aided by the American withdrawal and the understandings reached initially with the US and then with Russia;
- the hegemonic and sectarian battle between Shia Iran and Sunni Saudi Arabia, which also became interwoven with the intra-Sunni conflict between Riyadh and Ankara (Muslim Brotherhood) in 2019;
- the protest movements in Algeria, Lebanon and Iraq that might have different roots, but all shook the systems of power in those nations, echoing the “Arab spring”;
- the resurgences of ISIS terrorism – felt even by the

Italian contingent in Iraq – despite it having been defeated militarily and territorially, and having lost its leader Caliph Abu Bakr al Baghdadi;

- the profound problems with the peace process that have been exacerbated by Tel Aviv's attacks on Islamic Jihad in the Gaza Strip and Syria (Damascus).

One should also remember the weakness or inability of the multilateral approach to deal with these conflicts, where even the efforts of the top brass – from the UN Secretary General himself, to his local representatives (Pedersen in Syria, Griffiths in Yemen, Salamè in Libya, etc.) – have proven to be inadequate. Much of this was because of the division within (and obsolescence of) the Security Council, which left the field open for the tangled web of power-seeking games of international and regional players, and their respective non-state entities. Such games are pernicious, an almost never-ending story involving even governments committed to official agreements or, at least, official alignments.

Take, for example, Moscow, Tehran and Ankara working together on the Astana Process, which is theoretically about creating an independent, sovereign and territorially unified land, but actually seems to work on the basis of creating areas of influence for these countries. Take, on the other side, the Arab League and how it has proven unable to have much impact, publicly making declarations of unity, but suffering from internal divisions about Iran, the regime in Damascus and even Israel. Take the “changes” evident in relations between various Arab kingdoms and Iran. Take Qatar, with its good relations with Iran, Turkey and even the US. And take the cross-eyed convenience of governments that officially concur with the international recognition of the Libyan Prime Minister Fayez al-Serraj, but act otherwise, supporting Khalifa Haftar. For an example, think about the ambiguity of Moscow in Paris, as it supported Haftar, but stated it was “cooperative” with Serraj, whose legitimisation lacks the confidence of the recognised Tobruk Parliament.

The Intricate State of Affairs of the Middle East

This is the backdrop against which to see the key weavers of the intricate Middle Eastern tapestry.

Let us start with Russian President Putin, who managed in autumn 2015 – through his military support for the wobbling Damascus regime – to carve out a primary military and diplomatic role, a role that extends well beyond Syria’s borders. He manoeuvred patiently and astutely, showing the skill of a consummate chess player and a remarkable ability to swiftly use the space created by American “disengagement”. Europe, let me just add, was unable or unwilling to do this, despite the Middle East being a key area for it, a pre-eminent interest.

Putin also showed an indisputable capacity to mediate and promote good relations with all countries in the region, both those with shared or converging goals and those who are openly hostile to each other, such as Israel and Iran, and even Saudi Arabia, Damascus and Ankara, and the two contenders in Libya. Here, he has proven able to offer and receive in return that small slither of political, military or economic support that such parties can share.

His balancing act will have consequences in the medium-long term, but his limited resources confine his ambitions. His efforts are very much a work in progress, fraught with obstacles, particularly on two fronts. First, there is Syria, where a sustainable peace and reconstruction process remains a distant dream and then in Libya, where taking on too much militarily in the war against Tripoli might come back to haunt him.

At the same time, it might be a tad premature to call President Trump the “loser”. His “disengagement” is ultimately tied to the Middle East being assigned, from the times of the Obama administration, less strategic importance, so his backtracking is not caused by external pressure. Additionally, he has deviated from this approach with his dual priority of “maximum pressure” on Iran and the fight against terrorism, for which he seeks the support of allies, especially Israel and

Saudi Arabia. Admittedly, he gave Turkey free rein in the “safe zone” in Syria, but he actually maintained, through the Syrian Democratic Forces (SDF), control of the remaining area east of the Euphrates, a land rich in fossil fuels. The official explanation was to protect this zone from IS, but the reality is that it was to maintain the up-and-down battle between the SDF, Turkey and the Damascus regime for the future of Syria.

He has pushed forward with his attacks on terrorism in Libya and he has managed to get back to his feet in the battle with Moscow in Libya by increasing military support for General Haftar (Tobruk). Among other aspects, he has supported an international conference on the future of Libya that Germany is working on through the United Nations that also involves Italy.

A discussion on active international protagonists in the Middle East must mention China, which is quietly strengthening its position and influence in the area well beyond the still fundamental energy industry and increasingly to aid its Belt and Road Initiative. This growing presence ranges from the “comprehensive strategic partnership” with Iran to the “strategic partnership” with the Arab world, especially Saudi Arabia, but also Jordan, Egypt, Djibouti (militarily) and so on. And one must not forget Israel.

The Actors of the Region

Turning to the regional players, Iran certainly has a special place. Despite being stifled by the primary and secondary sanctions imposed by the US and frustrated by the perceived European inconclusiveness about promised compensation for losses from sanctions, Iran has not shown signs of taking backward steps in its overall policy of presence and influence in the region.

Iran

Undoubtedly, in the dual leadership in Iran of Khamenei and Rouhani, the more aggressive line is linked to the former,

with the Revolutionary Guards (Quds Force under General Soleimani), but in terms of engagement in the politics of presence and influence in the region – from Syria to Iraq, from Lebanon to Gaza and Sanaa – their views converge. Such regional action hardly seems restrained at all, at least thus far, by the hefty US sanctions. Iran has responded to these with a plan to disengage from the obligations – allegedly reversible – it accepted as part of the Nuclear Agreement (uranium enrichment, development of centrifuges etc.). These actions seem likely to undermine the very foundations of the agreement, resulting in understandable worry on the part of Moscow and Beijing, in addition to France, Germany and Great Britain. This seems especially true in the light of the attacks in the Persian Gulf/ Strait of Hormuz – shooting down an American drone, sabotage attacks on petrol tankers, the attack on Saudi oil facilities etc. – that can be directly or indirectly traced back to Tehran. This regional involvement was linked to the violent, widespread popular protests that broke out towards the end of the year, leaving the regime to respond with a harshness that might be a harbinger of a highly problematic fallout.

The reference to Khamenei and Rouhani recalls another regional “couple”, namely Saudi King Salman and Crown Prince Mohammad bin Salman (MbS). They have probably received more limelight for the civilian victims in the war in Yemen at the head of an Arab coalition backing the legitimate President of Yemen against Houthi rebels and for the repressive climate in which a series of otherwise progressive measures have been introduced, than for their ambitious VISION 2030 strategy.

In 2019, MbS acted with great discretion nationally and internationally to try and remedy the reputational damage caused by the horrendous killing of the journalist Khashoggi, which is said to have been ordered by MbS. Even his belated and rather stunted admission of some responsibility has not helped to rebuild his image.

Only late in the year did King Salman once again step back from the stage to allow space for MbS. This move was partly

based on the belief the conditions were right, and partly out of a need for more general change of political pace both regionally and internationally for several reasons. First, there are the new challenges created by the security shortcomings at Saudi oil production facilities, as clearly shown by the September attacks, and in the protective umbrella provided by America. Secondly, it has become essential to extricate Saudi Arabia from the quagmire of the war in Yemen, adopting a more realistic negotiating approach to the Houthi in the wake of the agreement with the southern separatists. Thirdly, there was a need to breathe new life into the Gulf Cooperation Council – Saudi Arabia, the United Arab Emirates, Bahrain, Kuwait, Oman, Qatar – and bring Qatar back in from the cold. Fourthly, there is the presidency of the G20 to manage, using appropriate political leverage and financial resources to focus on the globalising VISION 2030, as a necessary corollary to the stock market listing of ARAMCO.

Turkey

The unease of Erdogan's Turkey was clearly evident in 2019. He continued to clash with Egypt over political Islam (Muslim Brotherhood) and he received plenty of the spotlight as he relished his accusatory campaign against Saudi MbS.

He projected his protagonism into Syria, but never forgot about places like Iraq, Gaza and Libya, if we only consider MENA. And he did this showing an ambiguous loyalty with his membership of NATO caught in a tightrope dance between the US and Russia, a slippery embrace with a series of Syrian and other rebel militias, a veiled clash with the Damascus regime and his challenging approach to the European Union.

The "threat of Kurdish terrorism" was the turning point for his armed invasion of north-east Syria, designed to create a safe zone along the border following the various green lights, given in different ways, by the US and Russia. This invasion was complementary to the action in northern Iraq, where Ankara has created a notable 11 military bases.

It seems pointless to note these create a series of unknowns for future relations between Turkey and Syria and Turkey and Iraq, respectively.

He is a clear enemy of Israel, harshly stigmatising the latter for its attacks against Palestinian Jihad, and he also barged into the front row in Libya, as noted above, where he provided his support, including military support, for the international recognition of the Tripoli regime (Serraj), placing him on a dangerous crash course with Moscow. He also signed an agreement with Serraj setting out their respective exclusive economic zones (EEZs), creating a hub of tension in the heart of the Mediterranean, with immediate protests from Greece and critical reservations from the European Union and the US.

Israel

In turn, after receiving US approval for its sovereignty over the Golan Heights and the international legitimacy of its West Bank settlements, Israel returned to its “targeted killings” against Islamic Jihad in the Gaza Strip and in Syria (Damascus), where it has also continued to direct the attacks on Iranian military sites.

Netanyahu’s actions were clearly for internal reasons, linked to the sword of Damocles hanging over him in the form of his indictment and to his belief he can hang on to power until at least the elections in March 2020. Yet, his actions were also designed to drive a wedge between Islamic Jihad and Hamas, and to open up various innovative forms of contact and discussion. And this was all with the silent neutrality of Moscow.

These killings resulted in harsh condemnation from Iran, which stigmatised the inertia of the international community. The Arab world also protested against them, but this seemed more out of duty than any real conviction in a scenario in which real hope for some upward spiral in the peace process seems all but impossible.

Syria

As the shadow in the sections above has shown, the Syrian situation remains problematic, with the Bashar al Assad regime continuing to regain control of its territory, but at enormous cost and effort. It has had to deal with powerful demonstrations against the regime in those areas of the country where rebellion was strongest in 2011, such as Daraa, and it has also continued to pay a hefty price of sovereignty to its international backers, namely Iran and especially Russia. Take, for example, the restrictions placed on retaking control of the Idlib area (stronghold of the most radical regime opponents, entrusted to the control of Ankara) or Ankara's armed invasion of the northern borderlands to create a safe zone to the detriment of the Kurds. Plus, he has not been able to free himself of the US presence, through the SDF, in the rest of the eastern zone.

In such a context, the failure of the first Geneva meeting – backed by the United Nations through the Syrian Constitutional Committee – is particularly worrying.

Iraq

In Iraq, repeated protests in 2019 definitely moved up a level, especially in the Shia south – at least 250 dead – forcing the resignation of Prime Minister Abdul Mahdi after less than a year in power. These protests have further highlighted the ethnic and sectarian divisions – Kurds, Shias and Sunnis – over which this former British-ruled territory was recklessly unified, with differences aggravated by the disastrous management of the post-Saddam Hussein era and by the perverse web of corruption, poor distribution of wealth, lack of public services, bad governance and denial of the need for national identity. Unfortunately, this need has come up against external intrusiveness primarily from Tehran but also from the US, and its unheard spokesperson the Grand Ayatollah al-Sistani.

In this uneasy scenario in which terrorism has returned to strike hard, it is necessary to wait for the new government to

take power – President Barham Salih has stated he is willing to resign rather than appoint, as Prime Minister, the governor of the southern Basra province, Asaad al-Eidani, whose is the candidate for a parliamentary group backed by Iran – and the outcome of the elections sought so vocally by the popular mobilisation units.

Lebanon

The direction Lebanon will take also remains unclear. Facing a serious socio-economic and systemic crisis, it is practically in the pre-collapse phase, leading to a flood of such fervent protests to wash the country that Prime Minister Hariri resigned. In the stocks is corruption at all levels and public management, which is undermined by the intricate political and religious platform on which the Lebanese system rests. The role of Hezbollah in this is also firmly established, a powerful military, political and economic force with very close ties to Tehran and links to the Shia Amal movement and the Free Patriotic Movement, which is opposed to the Future Movement (Tayyar al-Mustaqbal) and the 14 March Alliance, tied to the America-leaning and Saudi-leaning block.

The scenario that seemed to be taking root in Lebanon, at least towards the end of the year, was a return of Hariri, with a largely technical government. He would be backed by Sheikh Abdul Latif Derian, the Sunni Grand Mufti of Lebanon, an authoritative religious figure. Both Riyadh and Washington are happy with such an option and have their wallets at the ready to avoid this country collapsing, as it is one of the most indebted in the world, but a vital cog in Middle East equilibrium. However, Hariri gave up trying to form a government, so the task was given to Hassan Diab, a university Lecturer and former Education Minister who enjoys the backing of parties under the Hezbollah umbrella (Iran leaning). This choice immediately brought popular protests as he is seen as part and parcel of the “system” that thousands of Lebanese want to see overthrown.

Algeria

In 2019, Algeria saw a long series of protests (Hirak movement) against Bouteflika and the political, military and economic system in general, which had gradually taken over all the levers of power since independence in 1962. The country had effectively become caught in an intolerable straitjacket of power. Thus, the crisis was clearly political, but also had social and economic sides, with suffocating corruption and such uneven distribution of energy wealth that most of the population had to pay an almost unsustainable price for energy, despite the country being one of the world's top 10 gas producers and Africa's third largest oil producer.

The resignation of Bouteflika in April was never likely to be sufficient to stop the people protesting. And it did not, continuing with real force and leading to the boycott of the 12 December elections with a view to a radical change in the political and institutional system.

The first goal (boycott) was partially achieved as voter turnout was 39.9%, the lowest ever but not sufficiently low to compromise the result. The success of the second goal (radical change) will only become clear once the Abdelmajid Tebboune government starts to take its first steps, empowered by winning 58% of the vote. He was Bouteflika's Prime Minister in 2017, a high-level civil servant, with friends across the board who describes himself as the man for reform. Clearly, arresting over 400 protesters in the aftermath of the vote was hardly an encouraging sign, especially with the sudden death of his great ally Salah, army chief and "director" of the country's security forces. There is no guarantee he will be accepted by the people.

Conclusion

As the Middle East is beset with hotbeds of tension and conflict fed by political, sectarian, economic and financial influence with national, regional and international origins, the hallmark

of the region will remain uncertainty in the near future. Such uncertainty is exacerbated by the lack of both a top-down and bottom-up multilateral approach focusing on specific issues such as the climate, water, infrastructure and so on.

The situation in Libya is perched on very thin ice above a sea of devastating war that only a division of Russian and Turkish influence might avoid, but also leave Moscow and Ankara with a decisive role to play. The consequences of this for Europe are evident, especially for Italy.

In Syria, any true political solution remains distant, particularly one able to find an acceptable balance for the ambitions of Moscow, Ankara and Tehran and into this mix one must add the “unknown Trump factor”.

The de-escalation attempts in Yemen remain embryonic, just like the Gulf Cooperation Council’s efforts in Qatar.

Turning to 2020, this year will show us the true scope, in terms of political impact and identity, of the current protest movements that have engulfed and continue to engulf much of the region, from Lebanon to Algeria, with Iraq and, to a less evident degree, Egypt.

This year will shine light onto the real repercussions – potentially very worrying repercussions – of the “killing”, in Baghdad, of the Iranian General Qassem Soleimani and members of his inner circle that was ordered by President Trump.

It will also show us whether the European Union formed in the May 2019 elections and, as a consequence Italy, will be up to the challenges of the Middle East, a region that is so crucial to the EU’s political, economic and cultural interests and security.

PARTE III

THE PLAYERS

10. The United States and China: An Inevitable Conflict?

Mario Del Pero

As we know quite well, the relationship between the United States and China is at the centre of the current international order. Looking at the most obvious indicators of power – from GDP to military spending – we see that the two are not only at the top of the hierarchy, but in a league all of their own, unmatched by any other country. Over time, a form of extremely close and inextricable interdependence has developed between Washington and Beijing, with US consumption of China-made goods, delocalisation of American productive activities, a growing share of US foreign debt held by China, and intensive cultural and technological exchanges (just to mention one of countless data points, one-third of the 360,000 or so foreign students in US universities come from China; just 15 years ago, they were just 60,000, less than 10% of that total). This interdependence between China and America – “Chimerica”, as some have put it – is characterised by a peculiar, volatile mix of collaboration and competition, common interests, and evident spheres of friction.

This contradictory dialectic has grown sharper and more visible in recent years, during which the competitive aspect hasn't so much affected the policy choices of the two countries as it has shaped the public narrative of “Chimerica”, which has become nearly hegemonic in the US. Many factors originating in the actions of both Beijing and Washington have contributed to this shifting narrative. First and foremost is China's growing assertiveness on the global scene, which has manifested itself on many levels. One is the impetuous growth of foreign direct investments (FDIs), which increased nearly tenfold between 2006

and 2016, and with the US (and Europe) becoming a major destination for Chinese FDIs, which were previously concentrated in African and Latin American countries rich in the essential commodities that Beijing's economy needs. China's aggressive technological modernisation campaign aims to quickly achieve self-sufficiency through targeted investments, especially in education, but it often also has a very cavalier attitude towards non-Chinese patents, and stringent constraints on foreign companies that want to work in China. In addition, China has pursued a policy of state subsidies to national companies operating on global markets, often underpinned by the hyper-nationalistic rhetoric that seems to be one of the hallmarks of the era of President Xi Jinping (in office since 2013). This rhetoric is also used to justify the increase in military spending (which grew by about 80% over the last decade) and an increasingly confrontational stance towards neighbouring countries, especially Japan (over the East China Sea) and Vietnam (over the South China Sea).

A counterpoint to Chinese assertiveness is America's disillusionment towards the idea – which had long been thought realistic, and to some degree taken for granted – that China's integration into the US-led global order would not only influence its choices and behaviour, but also drive internal changes that would inevitably lead to irreversible processes of liberalisation and democratisation. Beijing – it must be said – has on numerous occasions acted as a “responsible stakeholder” in the international order, to use the controversial expression first introduced in 2005 by then US Undersecretary of State (and later World Bank President) Robert Zoellick, and later taken up by the Obama administration. This was clearly evident in the key role Beijing played after the crisis of 2008-9, when its willingness to increase investments and domestic consumption gave a major boost to the world economic recovery; it was manifest with regards to climate change, with the 2014 China-US agreements serving as a precursor to the crucial Paris Agreements the following year; and finally it was visible in China's attempts

to adopt a multilateral approach – albeit a partial one, and ultimately one that largely failed – to the complex North Korea question. However, Xi Jinping’s nationalistic and authoritarian turn laid bare the groundlessness of the strain of deterministic optimism claiming that commercial integration and political transformation would have mutually fuelled one another. (“In the knowledge economy” – said then-President Bill Clinton in March 2000 to justify his support for China’s admission into the World Trade Organization (WTO) – “economic innovation and political empowerment, whether anyone likes it or not, will inevitably go hand in hand [...] bringing China into the WTO doesn’t guarantee that it will choose political reform [...] but still, it is likely to have a profound impact on human rights and political liberty”). Instead, according to all the available data and studies, human rights and political liberties have been severely curtailed in recent years in China, partly in the name of the war on corruption that the current leadership has used to launch a wide-ranging campaign against dissent.

Sino-US Relations: Between Conflict and Collaboration

In addition to Chinese assertiveness and American disillusionment, a third element explains the growing emphasis on the conflictual and competitive dimension of US-China interdependence: for convenience’s sake, we can call it the legacy of the 2008 crisis. Its shadow still hovers over US policy and international relations, and it is a useful prism through which to understand the origins and nature of the rise of Donald Trump. Over the last 30-40 years, the model of credit-fuelled consumption (at invaried levels of inflation) that typified US society, and in which the explosion of Chinese imports played a key role, fulfilled a number of social and political functions: it acted as an indirect social cushion in a system where welfare is weak, particularly for the disadvantaged; as a way of compensating for huge disparities in wealth distribution, balancing

the loss of manufacturing jobs and stagnant salaries; and as the engine for global growth driven by the voracious and indispensable US market. Its manifest unsustainability has laid bare its many weaknesses and contradictions, and ended up fuelling a rhetoric that is all-too-easily focused on pointing the finger at China (and its many US accomplices) as the main culprit behind the drastic loss of US industrial jobs, which fell from 17 million in 2001 (when China joined the WTO) to 11.46 million in January 2010. China has become the main target of a nationalistic and protectionist front that spans across the political spectrum, ranging from a right-wing faction that has found in Donald Trump its prophet to the left of labour unions and leaders such as Bernie Sanders, and which has become increasingly influential within the Democratic Party.

Anti-Chinese discourse, which sometimes takes up elements from a longstanding tradition of sinophobia, has become widespread and popular in light of this ability to speak to both the right and the left. While for the latter the main problems were human rights violations and the key role played by China in global integration policies that sometimes harmed job protection and wages in the US, the former pointed to the growing geopolitical rivalry with Beijing, China's challenge to US supremacy in the Asia-Pacific region, and its flaunting of the rules meant to discipline financial and commercial globalisation.

Trump has essentially been the consequence and not the cause of these criticisms and the narrative they fuelled. The President exploited them ruthlessly and often in a coarse manner. In his binary, hyper-realist depiction of international relations China has become public enemy number one for the United States and its national interest. In Trump's primitive, zero-sum vision of an anarchic world, the US monumental trade deficit with China becomes the primary indicator with which to measure the state of "Chimerica" and understanding who is winning and who is losing in this competition. Albeit in a more sophisticated manner than in the President's rhetoric, all of the Trump's administration's main foreign policy

and security documents – starting with the National Security Strategy (NSS) of December 2017 and the National Defense Strategy (NDS) of January 2018 – emphasise the competitive and antagonistic nature of the relationship with China and identify Beijing as a “revisionist power” that together with Russia “challenges American power, influence, and interests, attempting to erode American security and prosperity”. China, as the 2017 NSS states, expresses a worldview “antithetical to US values and interests” and has shrewdly exploited the naive hope that economic integration would lead to liberalisation to “expand its power at the expense of the sovereignty of others”. There has often been a surprising bipartisan consensus around this idea: “President Trump’s instincts on China are correct”, said Senate Democratic leader Chuck Schumer on the Senate floor in July 2019, “and I am not afraid to say it in spite of our broad political (and moral) disagreements”.

The administration’s anti-China stance has coalesced around the adoption of three closely related policy guidelines in technology, trade and finance, and security. Under Trump, the United States has adopted an even firmer stance on the protection of patents and intellectual property rights. It has tried to put up barriers against the transfer of know-how that have led to the adoption of more restrictive visa policies for Chinese students, whose numbers dropped by nearly one-third (from 150,000 to 100,000) between 2016 and 2018. On the whole, these students tend to be enrolled in “STEM” – Science, Technology, Engineering, and Math – programmes that often involve potentially sensitive information, to the extent that the FBI has invited numerous prestigious US university to enact stricter control and screening mechanisms for student applications from China. Indeed, FBI Director Christopher Wray explicitly denounced the “naiveté on the part of the academic sector” about the way Beijing exploits its porosity and openness. According to Wray, the Chinese challenge isn’t merely between governments, but also between societies, and as such it requires new forms of cooperation between universities and

the administration. Technology has been at the centre of other disputes between the US and China during Trump's term, and this culminated in an American attempt to block the transfer of sensitive technology to certain Chinese firms, including the telephony giant Huawei, and to prevent these companies from having contacts with state and federal administrations in the US.

The most striking and visible aspect of Trump's China policy is undoubtedly the escalation of the trade war. Numerous tariffs on Chinese products were introduced in 2018-19, targeting at various rates (between 10% and 25%) a wide array of Chinese imports worth US\$370 billion, or about two-thirds of US imports from China in 2018. Beijing responded by imposing tariffs of its own on all imports from the US (worth about US\$120 billion in 2018) and drastically reducing its purchases of US agricultural commodities: soy imports – to use an obvious example with high political and symbolical relevance – fell by 70% as the China-America trade war escalated. Before launching this offensive, the President proclaimed in one of his habitual night-time tweets that “Trade wars are good and easy to win”. We will return to this claim in our conclusion, but so far, the tweet is being proved wrong by this same trade war.

The third and final sector, which for convenience's sake we will call strategic, comprises the system of alliances that continues to underpin US hegemony in the Asia-Pacific theatre. Trump, as he is wont to do, made some controversial statements and threatened to disengage the US from the region or to fail to fulfil its obligations to historical allies – especially Japan and South Korea – if much like the US's NATO partners these two nations refused to accept to bear a higher share of their defence costs. Once again, the gap between the President's see-sawing rhetoric and the policy that was actually adopted was quite broad, and in fact, there seems to be a high degree of continuity with certain aspects of the Obama administration's policy. On the one hand, a longstanding dynamic seems to be consolidating: a dual hegemony, Chinese as concerns the

economy and American as concerns security, both feeding off each other. The commercial and financial dependency on the Chinese giant of many of the region's countries leads them to seek or strengthen US protection through bilateral agreements, such as a three-year (2018-2020) defence cooperation agreement with Vietnam, or traditional alliances with Japan, South Korea, Australia, the Philippines, and Thailand. On the other hand, the region's architecture has grown more complex, and in certain regards its America-centric nature has been strengthened. The many pieces in the network of bilateral alliances have been tied together through "mini-lateral" forms of collaboration that represent a step forward compared to the past, even if they do not reproduce the highly institutionalized trans-Atlantic integration model. This process was launched with Obama – for example, through new forms of collaboration – such as support for collaboration between regional powers and Vietnam- and it remains very much in place under the Trump administration, which has however framed it in explicitly anti-Chinese terms. This takes place in a context in which, according to the 2017 NSS, the consolidation in Asia of "long-standing military relationships" and the "development of a strong defense network with our allies and partners" – beginning with the Philippines, Thailand, Indonesia, and Vietnam – has the explicit goal of containing the possibility of "Chinese dominance [that] risks diminishing the sovereignty of many states in the Indo-Pacific" and with it, the stability of a beneficial order that continues to have the United States at its centre.

Security, the economy, and technology are thus the sectors in which Trump's United States adopted measures to face China's challenge and contain its ascent. The narrative is that of a radical change and an effective response to China's evident and indisputable revisionist ambitions. However, the underlying assumptions, the operational dispositions that arise from them, their actual application, and the results they have achieved, once examined, reveal many intrinsic contradictions and an inner opaqueness.

The claim that China is a coherently revisionist actor is doubtful and questioned by most scholars. Beijing isn't so much challenging or destabilising the current order and its network of formal and informal rules as it seems to be exploiting those elements of it that work in its favour, and is asking for a full integration into the current order that acknowledges its increasing influence and its status as a great power. Many of the policies adopted by the US over the last decade seem aimed at welcoming and steering this non-conflictual integration in order to co-opt – as opposed to exclude – the Chinese giant, and influence the terms of its inclusion. This emerges clearly from the security order in the Asia-Pacific region. Its partially multi-lateral nature and the presence of the United States ensure a degree of stability that Beijing can only welcome, as this helps contain revanchism and new regional inter-state tensions that could potentially be dangerous for China itself.

US Strictness and Chinese Opportunisms

If the axiom – Chinese revisionism – is questionable, the operational indications that arise from it – the containment of this revisionism – become impracticable, potentially counter-productive, since the United States is obviously not China's sole interlocutor. Taking up an example we used previously – that of Chinese university students in the US – we can quickly discover two things. One is that in spite of visa restrictions, the total number of Chinese students has continued to rise, in no small part due to the resistance to the Trump administration's requests put up by many universities. The other is that the global growth curve has remained essentially unchanged, since the US university system is certainly not the only one that can meet the educational demand coming from China, which in turn is investing heavily in its own research and higher education sectors. Attempting to hinder the free flow of knowledge in our deeply interdependent world appears to be entirely unrealistic. To some extent, this applies to the technology sector as well,

where American requests to fight Chinese penetration have been met with a cold shoulder even in allied and ideologically aligned governments such as that of the United Kingdom.

The contradictory nature and short-circuits of policies inspired by an idea of China as an unequivocal revisionist enemy and of the China-US relationship as inevitably antagonistic emerge most clearly in the economic sphere. It is true that Chinese FDIs have decreased significantly, due to a stricter vetting process both on outgoing investments (on the part of the Chinese government) and incoming ones (in both Europe and North America). The trade war obviously affected the volume of bilateral trade, which has decreased by about 10% over the last year (less than in many forecasts). It did not, however, improve the US trade balance, which had its highest deficit ever in 2019, thanks in part to dramatically growing bilateral deficits with countries such as Vietnam or Mexico. Neither did the trade war contribute to the illusory promise of re-industrialisation made by Trump, as clearly shown by the employment curve for the manufacturing sector, which has been linear and without major discontinuities from 2009 to the present. In fact, the impact of tariffs on global production chains has often damaged US companies instead, and the excellent results achieved by the US economy were primarily due to the service sector (as they had been under Obama): health, tourism, and finance above all. Additionally, it would be impossible to extend and raise tariffs on currently irreplaceable key goods and products for US consumers. High consumer confidence is essential to Trump's re-election hopes, and its contribution to economic growth during the Trump era has been and continues to be crucial. All of the above led Trump to take a step backwards. In January 2020, China and the US agreed on a first economic *détente*, de-escalating the trade war, although some terms of the accord remain nebulous, especially with regards to Chinese commitments to greater respect for intellectual property and the purchase of US farm products. The agreement is however quite clear in indicating a reduction of US tariffs, which will

not be applied to a number of products, ranging from telephony to electronics that are particularly important for US consumers. It is too soon to tell whether this truce is a prelude to a long-term de-escalation, but there is no doubt that it testifies to the inapplicability of Trump's binary solutions and to the extremely complex nature of "Chimerica".

Conclusion

Does this mean that the depth of interdependence between China and the United States protects their relationship from frictions that could lead to their irreversible deterioration? The answer – and history backs this up – is exactly the opposite. The tensions in recent years have been, and continues to be, quite real. And together with the narrative that has accompanied and informed them, they have contributed to fuelling increasingly negative depictions of the other side. The latest Pew survey of August 2019 found that the share of Americans with a negative opinion of China has jumped from 29 % in 2006 to 60% today (this share increases to 70% among Republican voters). Meanwhile, in China, countless indicators show how Xi Jinping's nationalist message is increasingly popular. These dynamics and these types of nationalism feed off each other in a dangerous, unhealthy spiral, which adds another element of tension to a fraught, contradictory, and extremely fragile relationship, that between China and the United States, which continues to constitute the key interdependence of the current international order.

11. Russia Between US and China: An Inconvenient Third Power?

Aldo Ferrari

The increasingly apparent China-US diarchy taking shape on the global stage provides the main dynamics of present-day international politics. Addressing the role of Russia in this context means chiefly highlighting its absence, although it is the direct heir to the Soviet superpower (including to its seat on the UN Security Council) that challenged the United States' bid for global hegemony during the Cold War. Given its vast natural resources, especially though not exclusively its energy resources, and its cultural as well as technological (at least insofar as weapons and the nuclear sector are concerned) strength, Russia could aspire to a top-ranking global position which it is currently far from achieving. But although it has the potential to match the United States and China, it is increasingly lagging behind them.

A Great Power's Foreign Policy

Since Putin took office as Russian President in March 2000, in the wake of the severe political and economic crisis of the first post-Soviet decade, Russia has regained its role as a leading player in the international arena. The process began in various regions of the post-Soviet space, in particular Central Asia and the Caucasus where Russia consolidated its position between 2005 and 2008, effectively precluding United States involvement¹. Moscow then embarked on a project of re-integration of

¹ See A. Ferrari, "La politica estera russa nel Caucaso e in Asia Centrale (1991-2017)", in F. Aragona (ed.), *La Russia post-sovietica. Dalla caduta del comunismo a*

the post-Soviet space, launched in 2011 with the establishment of the Eurasian Customs Union of Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan – the predecessor of today's Eurasian Economic Union. The project set Russia on a collision course with the process of further eastward enlargement of the European Union (Eastern Partnership Policy) and NATO². The clash between these two mutually incompatible projects was the leading cause of the Ukraine crisis in 2013-2014.

Russia's annexation of Crimea and its support for the separatists in the eastern regions of Ukraine led to a confrontation with the West that is still ongoing. Due to its determination to reassert its dominant position in the post-Soviet space, Russia was expelled from the G8 and was hit by economic sanctions which, along with the collapse of oil prices in 2014, exacerbated its already weak economic situation. As a result, Russia seemed to have been pushed into a corner and forced to substantially curtail its political ambitions. But in recent years Russian foreign policy has instead become increasingly assertive, especially since Moscow launched its military intervention in Syria in September 2015³.

This intervention has actually been very successful, firstly because it has diverted international attention away from the Ukraine crisis, which rapidly lost much of its geopolitical centrality as a result. Although Russia's annexation of Crimea has not received international recognition, that now seems to be an accepted reality, while the situation in Donbass has begun to "normalise", following a similar pattern to that of other *de facto* states in the post-Soviet space (Transnistria, Nagorno-Karabakh,

Putin: storia della grande transizione, Milano, Mondadori, 2018, pp. 175-187.

² On this project, see particularly N. Vasilyeva and M. Lagutina, *The Russian Project of Eurasian Integration. Geopolitical Prospects*, Lanham - Boulder - New York - London, Lexington Books, 2016; and A. Di Gregorio and A. Angeli (eds.), *The Eurasian Economic Union and the European Union: Moving Towards a Greater Understanding*, The Hague, Eleven International Publishing, 2017.

³ On Russia's role in Syria and the Middle East, see N. Popescu and S. Secieru (eds.), *Russia's return to the Middle East. Building sandcastles?*, Chaillot Papers no. 246, July 2018.

Abkhazia and South Ossetia). Also, the election of Volodymyr Zelensky as President of Ukraine in April 2019 has in some respects helped Moscow's position, since he has weaker ties with extreme nationalists than his predecessor Petro Poroshenko⁴.

In addition, the effectiveness of Russia's military intervention in Syria, particularly compared with the West's lack of decisive action, has created a sense of strong political energy that has considerably bolstered Russia's international standing. On the one hand, Moscow's broadly successful support for Assad's government has been more important than ever in reaffirming Russia's total opposition to any attempts at regime change within sovereign states, something that the West has instead promoted on several occasions in recent years, with disastrous outcomes in almost all cases. On the other hand, in the process for the peaceful resolution of the Syrian conflict launched in Astana/Nursultan, the participation of Russia, Iran and Turkey and the glaring absence of the West – most notably of the United States – is a major and possibly historically decisive consequence of Russia's intervention in Syria.

In recent years, Moscow has also moved skilfully in other countries across the Middle East, including Libya, Egypt, Israel and Turkey. Its effective engagement with Turkey, a member of NATO, is particularly significant⁵. The role played by Russia in the negotiations for the Iran nuclear deal is equally important, and there is no doubt that Russia is currently reaping the benefits of President Trump's hardening position towards Iran⁶. It seems clear from all this that Russia now plays a decisive – albeit

⁴ On the Ukraine conflict, see particularly R. Sakwa, *Frontline Ukraine: Crisis in the Borderlands*, London, I.B. Tauris, 2016, and for the various developments in contemporary Ukraine, see A. Franco and O. Rumjancev (eds.), *L'Ucraina alla ricerca di un equilibrio: sfide storiche, linguistiche e culturali da Poroshenko a Zelens'kyj*, Venezia, Edizioni Ca' Foscari, 2019.

⁵ On this subject, see C. Frappi, "The Russo-Turkish Entente: A Tactical Embrace Along Strategic and Geopolitical Convergences", in V. Talbot (ed.), *Turkey. Toward a Eurasian Shift?*, Milano, Ledizioni-ISPI, 2018.

⁶ See R. Erlich, "Trump Is Driving Iran into Russia's Arms", *Foreign Policy*, 28 May 2019.

not dominant – role in a strategically crucial region, where the influence of the West is steadily declining.

In recent times, Russia has also been pursuing an active foreign policy in other strategic areas of the world. Some of these regions had a strong Russian presence during the Soviet era, first and foremost in Latin America⁷ and Africa⁸, where Moscow is now attempting to revive old political, military and economic ties with several countries but in a radically changed international situation. Although in Latin America's case these actions are essentially an irritant to the United States, and in Africa Russia totally lacks the capacity to compete economically with China on an equal footing, Moscow's display of an increasingly diversified international projection nevertheless contributes to enhancing its global visibility.

Meanwhile, Russia has continued its efforts to strengthen the Eurasian Economic Union. This project's success is crucial for Moscow, but its development is strongly influenced by China's greater economic dynamism. This is precisely why, in 2015, Russia decided to make the best out of a bad situation and accept the Belt and Road Initiative launched by Beijing in 2013, seeking ways of integrating the two projects.

China is clearly set to become Russia's main partner in the near future⁹. Since the Ukrainian crisis, Moscow has in fact considerably intensified its strategic cooperation with Beijing, and the two powers are at one in countering the US-led unipolar global order that has emerged since the end of the Cold War. But when it comes to the balance of power between them, particularly economic power, the scales are increasingly tipped in Beijing's favour and Moscow will need to guard against being crushed by its eastern neighbour. The construction of a Greater

⁷ J. Gurganus, *Russia: Playing a Geopolitical Game in Latin America*, Carnegie Endowment, 3 May 2018.

⁸ See C. Casola, M. Procopio, and E. Tafuro Ambrosetti (eds.), *Russia is knocking on Africa's Door*, Dossier, ISPI, November 2019.

⁹ On Sino-Russian relations, see A. Ferrari and E. Tafuro Ambrosetti (eds.), *Russia and China: Anatomy of a Partnership*, Milano, Ledizioni-ISPI, 2019.

Eurasia, a major feature in Moscow's conversation in recent years, will certainly not be easy to achieve¹⁰.

Nevertheless, despite the challenges in its relations with China and its definitive rupture with the West, Russia appears to feel comfortable with the new post-Western order that is rapidly establishing itself globally. Its position thus seems set to remain crucially important in the international arena.

Domestic Stagnation

At the same time, however, Russia's domestic outlook is in many respects far from bright. The country is grappling with a host of internal issues, including a stagnant economy, the growing disaffection of the middle classes particularly in the main cities, the large-scale emigration of highly educated young Russians, the strong opposition of the great majority of the population to pension reforms, the ruling party's heavy losses in the latest local elections despite the exclusion of many opposition candidates from the ballot, the steady demographic decline and several major regional security challenges, from the ever-turbulent northern Caucasus to the still unresolved dispute of the Kuril Islands. All this, against the background of Putin's succession, a crucial issue since he has now been in power for twenty years and according to the constitution he is obliged to leave the presidency permanently in 2024¹¹.

Russia is thus faced with an array of internal challenges that are anything but easy to resolve and whose links with its global projection capability are all too apparent. During Putin's twenty-year rule, Russia's internal development has not matched its international ambitions. Although the authoritarian political

¹⁰ For an overview of Russia's position on the current political scene, see F. Bettanin, *Putin e il mondo che verrà. Storia e politica della Russia nel nuovo contesto internazionale*, Rome, Viella, 2018.

¹¹ See A. Ferrari and E. Tafuro Ambrosetti (eds.), *Russia's internal challenges: the domestic-international link*, ISPI Dossier, 2019.

system built through this period is consistent with Russia's long-standing historical tradition, it seems incapable of managing the country's vast resources effectively. Yet authoritarianism per se does not appear to be the main reason for Russia's sluggish economic growth since some countries with even more authoritarian systems, most notably China, are actually achieving far better results. The critical factor may be Russia's political choice to prioritise domestic stability over social and economic development. In order to maintain this stability, the leadership has relied on an elite that is trustworthy but unfit to meet the country's needs. As Dmitry Trenin put it, "The political regime that replaced the chaos of the 1990s has been unable to mature into a full-fledged state: it predominantly services the needs of a narrow elite, who are exploiting the country's resources for their personal and collective aims"¹². This situation is certainly not exclusive to Russia but in its case it has reached particularly critical levels.

Russia's current political and economic life is driven not so much by the government itself but by the members of the security apparatus behind the President. From this elite's perspective, any real economic change can potentially shift the country's internal balance of power, and hence is a threat to its very existence as a ruling class. The barriers to Russia's economic growth are all too well-known, namely a very powerful class of state capitalists whose interest is to preserve the status quo, weak competition between private and public companies, the growing role played by the state within the economy and the country's extreme difficulty in attracting foreign capital. In other words, Russia has a sluggish economy that simply mirrors the dynamics of a rigid, albeit not yet totally paralysed, society. The problem is that the Russian government appears to have no intention of seriously addressing these issues since it is itself an expression of the conditions that have brought them about.

There are no indications that anything is about to change in

¹² D. Trenin, "20 Years of Vladimir Putin: How Russian Foreign Policy Has Changed", *The Moscow Times*, 27 August 2019.

this situation, which after many years has become deep-seated and is increasingly being defined as one of “stagnation”, *zastoi* in Russian – a term that evokes the Brezhnev era in the USSR. This stagnation is widening the gap between the establishment and the most progressive sections of the population, fuelling in particular the growing conflict between the ruling elite and the young and educated urban middle class which, having attained a reasonable standard of living, now aspires to greater political freedom. This dissatisfaction, however, is not shared across the middle class, a large proportion of which is still closely connected to the state and the institutions directly or indirectly dependent on it, including the nation’s armed forces, security services, ministries, judiciary, energy companies, and so on.¹³ These groups within the middle class have no real interest in the country’s political and economic liberalisation and have broadly supported the status quo, thereby limiting the growth of the opposition, at least until 2011-2012, when Putin’s third re-election sparked a huge protest movement. In the years immediately following the election, however, the movement failed to consolidate and was largely overshadowed by the dramatic rise in patriotic fervour caused by events in Crimea and the growing strength of the neo-conservative stance embraced by the Kremlin¹⁴.

Recently, however, something is beginning to change. The perception of the nation’s stagnation is becoming increasingly widespread throughout the population, first and foremost among the middle class – including the groups that are in various ways employed by the state – whose expectations of social and economic development have remained largely unfulfilled. But the discontent is also beginning to spread to broader sections of the population, which have been most directly affected

¹³ See A. Kolesnikov, *How Moscow protests reveal schism in Russia’s middle class*, Carnegie Moscow Center, 13 September 2019.

¹⁴ On this aspect, see my article “Russia. A conservative country?”, in A. Ferrari (ed.), *Russia 2018. Predictable Elections, uncertain future*, Milano, Ledizioni-ISPI, 2018.

by the fall in living standards in recent years and are concerned about pension reform. There is thus a growing awareness that the nation's stability does not necessarily produce wealth except for a privileged and narrow elite. The protests held in recent months and the outcome of September's parliamentary elections seem to suggest that a more critical attitude towards the status quo is developing within Russian society than was seen in the past. While there is no guarantee that this sentiment will ultimately prevail, it is likely to gather strength if the government fails to take concrete action to improve the situation.

Any change in this respect seems highly unlikely, however, as the Russian political system is designed to secure the nation's stability rather than its development. Hence, the most that can be achieved is a streamlining of the existing system but without this impacting the way it essentially works. As one analyst noted, "Economic growth will be capped around 2 percent a year. From Putin's perspective, economic stagnation is tolerable. He has the tools he needs to stay in power. Big changes in economic policy, by contrast, might anger key support groups and loosen the Kremlin's control over Russian politics"¹⁵.

In contrast to its approach during the 2011-2012 period, Moscow's current leadership seems unwilling to show any kind of openness towards the protests taking place through Russian society. In recent years, authoritarianism within the ruling elite has gained considerable strength at the expense of the liberal attitudes that previously enjoyed a certain amount of influence therein, as we saw with Finance Minister Aleksei Kudrin, for instance. As has been pointed out, "If back in the winter of 2011-2012, the idea of moderate liberalization was at least rhetorically acceptable to the authorities, now, liberalism is de facto anathema. Liberal ideas are not just unfashionable, they are perceived as hostile. Liberalism has definitively become the ideology of Russia's geopolitical enemies"¹⁶.

¹⁵ C. Miller, "Putin Isn't a Genius. He's Leonid Brezhnev", *Foreign Policy*, 12 February 2018.

¹⁶ T. Stanovaya, *Uncertainty means a Jittery Russian Elite and Brittle Regime*, Carnegie

The Russian political system is solid but totally lacking in flexibility, and in the long run this is a very dangerous trend for the country. Even the constitutional reforms announced by Putin in mid-January seem to actually aim at preserving the *status quo* – including preserving its dominant role in a new institutional architecture – rather than introducing real changes¹⁷.

From a global perspective, the idea that, in the long term, democracy and economic development are inextricably linked and guarantee political stability is no longer as self-evident as it was until a few years ago. Yet there is no doubt that the inability to bring about economic improvement can potentially jeopardise the very stability that seems to be the Russian leadership's top priority. And ultimately, Moscow's constant reliance on the narrative of patriotism and Russian values is unlikely to prove a sufficient source of support. Seen from this perspective, Russia's future seems to depend far more on its ability to tackle the challenge of domestic economic and social development through new approaches rather than on its foreign policy successes – which in any case are more tactical than strategic.

Conclusion

The same argument can be used to assess the historical legacy of Putin's leadership. During his twenty years in power, Putin has certainly stabilised the country and has brought Russia back to centre stage globally. At the same time, however, he seems increasingly reluctant to introduce the internal changes that are absolutely vital if Russia is to avoid lagging behind in the global contest. In recent years, the gap between Russia and the United States and China has widened instead of narrowing – an unacceptable situation for a country with such vast natural as well as human resources. Without a major, though currently

Moscow Center, 1 November 2019,

¹⁷ See A. Kolesnikov, *Planning for a (Non-So) Post-Putin Russia*, Carnegie Moscow Center, 16 January 2010,

unforeseeable, change of direction, Russia is seriously in danger of going down a road of substantial decline, albeit partially mitigated – or obscured, rather – by its natural resources and activist foreign policy.

12. The European Union and the Arduous Search for a “Geopolitical” Role

Sonia Lucarelli

The new President of the European Commission’s message was peremptory: *This will be a “Geopolitical Commission”*¹. Ursula von der Leyen did not explain exactly what a “geopolitical Commission” means, but from the letters of appointment she sent to each new Commissioner, we can surmise that according to its President, the Commission should work in a more cohesive and strategic manner, in closer touch with Europe’s citizens, and in such a way as to boost the European Union’s relevance worldwide². Europe’s problems and those of the world are closely linked, and thus Europe’s internal policies and international role must be conceived coherently, the new President suggests: only thus can we contribute to the well-being of European citizens and the enforcement of a rule-based international order³.

In spite of the unfortunate choice of a conceptually fraught term such as “geopolitical” – which is quite poorly suited for characterising the action of a *polity* such as the European Union – von der Leyen’s message is sound: the challenges that Europe and its institutions are faced with are the result of global and regional processes in addition to domestic ones. Populism, Euro-scepticism, and authoritarian drifts that are undermining the

¹ This expression is used in the letters of appointment sent by the President to the new Commissioners, https://ec.europa.eu/commission/commissioners/2019-2024_it

² See also Ursula von der Leyen, *A Union that strives for more. My agenda for Europe, Political guidelines for the next European Commission 2019-2024*.

³ Ursula von der Leyen, *Mission letter to Josep Borrell, High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the Commission for a Stronger Europe in the World*, 1 December 2019.

European integration process are also the result of global trends and local responses (national and European): a multi-level, coherent, and coordinated approach is needed in order to tackle them.

After all, the only way the European Union can save itself is by proving its international relevance, its ability to respond to major challenges, and its ability to influence the reform of global governance. This is quite a daunting challenge, probably beyond the reach of an actor that has been significantly weakened by internal divisions and souverainism, and by the emergence of an international system that is increasingly less liberal and all the more centred on the struggle between two actors – the United States and China – who are defining, either by default or by choice, the outline of the new international (dis)order. We are seeing the contours of the issue and the EU’s position *vis-à-vis* fundamental questions of the international order.

The Liberal West: The Fragmentation of a World and the Crisis of a Model

The crisis of the West and China’s ascent must both be framed within the broader context of the crisis of the liberal order – a Western-inspired order, global in its breadth, and founded upon the principles of free trade, democracy, multilateralism, international institutions, and trust in the future that emerged after World War II and slowly began to enter a crisis right as it was achieving its greatest success at the end of the Cold War⁴. In fact, the period that began with the end of bipolarism laid bare the struggles of the global order and its protagonists in responding effectively to threats of various types (from “new wars” to terrorism and cyber threats). In particular, the terrorist attacks of

⁴ Regarding the international order and its crisis, see among others V.E. Parsi, *Titanic: Il naufragio dell’ordine liberale*, Bologna, il Mulino, 2018; S. Lucarelli, *Si chiude il sipario sull’ordine liberale? Crisi di un sistema che ha cambiato il mondo*, Milano, Vita e Pensiero, 2020; for a more markedly European overview of the topic, see J. Zielonka, *Counter-Revolution: Liberal Europe in Retreat*, Oxford, Oxford UP, 2018.

2001 (and those that followed) showed a vulnerable and divided West willing to jettison its vaunted principles in the name of security (one need only think of the human rights violations at Guantanamo prison, or more recently, to the violations of online privacy perpetrated by the US and British governments denounced by Edward Snowden). The lengthy economic crisis that began in 2007, and that hit the “losers of globalisation” particularly hard, polarised Western societies and undermined confidence in the benefits of free trade, exposing the limits of intra-European solidarity and boosting Euro-scepticism. Finally, increased migratory flows to Europe (and later to the United States) contributed to increasing concerns and social friction in societies already sorely tried by the economic downturn. Anti-establishment sentiment, which had already manifested itself in the street demonstrations of 2011 (such as “Occupy Wall Street” or the *Indignados* movement), was harnessed and co-opted by populist leaders and movements, mostly of a right-wing souverainist nature. These movements proved skilled at riding the general discontent towards an order that did not keep its promises of well-being and security for all. By communicating directly with their target audience through social media, adopting ‘folksy’ language, and broadcasting a message focused on the concerns of “the people” (or “*Gli Italiani*”, “*Les Français*”, “The Americans”, ...), depicted as the 99% of the population marginalised by the political elites (“the 1%”), populist parties made major inroads in a disaffected electorate.

In their efforts to build up an “enemy” (a key element in populist propaganda), European populists found fertile ground in pointing the finger at the elites in Brussels, often conveniently forgetting that many of “Brussels’ decisions” are actually made by the Member States, and that there are limits on what the European Union can do in terms of resources and competences.

Two events have been particularly emblematic of the ongoing processes in the West, and both have had major consequences: the election of Donald Trump as President of the United States, and the referendum on the United Kingdom’s withdrawal from

the European Union, generally known as Brexit. Trump's election and the Brexit vote not only unequivocally marked the distance between elites and a significant part of Western society, they also showed how the liberal project is in crisis in the same area of the world that produced it. Western societies are increasingly looking divided and polarised around geo-economic fault lines that separate wealthy areas from those hit hardest by the negative effects of economic globalisation, neo-liberal policies, and a technological and digital revolution that has transformed the way we work. It is in these areas that Donald Trump's anti-globalist and protectionist policies and his calls to break with the existing order and elites found the largest support. A similar electoral geography also emerged in much of Europe, not least with regards to the Brexit referendum.

In addition, these two events also had an impact on the further unravelling of the liberal order. On one hand, Donald Trump took every opportunity to delegitimise existing institutions, dismantle major pieces of the multilateral system (both in international trade and in climate change policy), abandon important agreements (such as the Iran nuclear deal, which was weakened first by Washington's defection, and then by the rash assassination of General Qassem Soleimani in January 2020) and gain converts among the world's souverainist populists. On the other, Brexit sanctioned the reversibility of an integration process that seemed headed down a one-way street, and that embodied, more than anything else, the principles of the liberal order.

The Western front thus currently appears to be weakened and fragmented: trans-Atlantic relations are at a historical low, Western societies are polarised, and the EU, NATO, and WTO – institutions that are the cornerstones of the neo-liberal order – are experiencing a moment of near-irrelevance. This might seem like a bold claim, but to confirm its veracity one need only think to the war in Syria, the Libyan civil war, the dismantling of the Iranian nuclear deal on the part of the United States, the war of sanctions the United States is waging against

China and Iran, and the failure of the 2019 Madrid summit on climate change. In all of these situations, the organisations that held the old liberal world order together failed to make their voices heard and proved ineffective; in fact, one of the main protagonists of the world order – the US – was actually actively working against it.

In this context, the European Union has undergone (and in some ways not yet overcome) the three most serious crises of the last several decades (economic crisis, migration crisis, and Brexit), and has come out of it substantially weaker. While it is true that the souverainists failed to make a real breakthrough during the 2019 European elections, that major progress has been achieved in terms of defence collaboration between European countries, that the new Commission's programme features some innovative aspects (an emphasis on the green economy, climate change, the international role of the EU, and the digital sphere), the fact remains that in many of the EU Member States souverainism continues to be a force, bolstered by discontent that shows no signs of diminishing. Given the largely intergovernmental nature of the EU, this can only hinder its ability to play a leading international role, as it could do by harnessing its great political and economic potential (after all, the EU has the world's second-largest GDP, above China and below the United States⁵). Unlike the United States, the European Union is not engaged in the dismantlement of the liberal order, but it does suffer from its consequences and is unable to work for its protection and reconstruction, except in a few sectors we will discuss later. All of this takes place at a time when a cohesive Europe would be crucially important both to face with some measure of effectiveness the challenges that come from the instability of neighbouring regions and the growing Chinese presence in Europe, and the difficulties arising out of the relationship with the American ally, which often ends up dividing the European front.

⁵ Data on GDP at purchasing power parity. *World Economic Outlook Database 2019*, International Monetary Fund (IMF), 2019.

The Inexorable Advance of the Dragon

While the Western front seems to be too riven internally to sustain the liberal order (the only one we have at the moment, it should be pointed out), China – more than any other “emerging power” or than newly assertive Europe – is now clearly asserting itself as a great power, which is challenging the established order both directly and indirectly. In fact, it is thanks to the opportunities provided by the liberal economic order that China was able to grow so fast (growth rates have now “fallen” to 6%, but they had reached double figures in the recent past) and to increasingly penetrate international markets.

Today, the Chinese challenge is playing out on several different planes (economic, military in Southeast Asia, cybersecurity ...), but instead of representing a challenge to the international order as an ascending power that will “inevitably” clash with the hegemonic power (as many argue and as the well-known “Thucydides trap” would suggest⁶), China is a challenge to the model the liberal order represents. China is also a challenge to liberal world is due to its ability to penetrate Western (and non-Western) open societies, and for its participation in creating international institutions that are both parallel and alternative to liberal ones. Let’s briefly see the three challenges one by one.

First of all, the success of the Chinese model (based on a monopoly on political power, ironclad control over strategic sectors of the economy, repression of individual political freedoms, and a rejection of liberalism) represents an intrinsic challenge to the liberal order, since it undermines the Western-promoted narrative on the indissoluble link between liberal democracy and capitalism, and since it diminishes the attractiveness of the Western model in the eyes of developing countries.

⁶ The “Thucydides trap” is an expression inspired by Thucydides *History of the Peloponnesian War*, which describes how the ascent of Athens (the emerging power) “inevitably” led to a war against Sparta (the hegemonic power). G. Allison *Destined for War: Can America and China Escape Thucydides Trap?*, Boston, Houghton Mifflin Harcourt, 2017.

Additionally, the adoption of a foreign policy founded on “post-colonial” principles of non-interference and mutual respect of the sovereignty of other countries⁷, as well as the absence of any type of conditionality in economic relations have brought China into open competition with the United States and the European Union, who have extensively used trade as a lever to influence the democratic transition of third countries. On the other hand, China’s ‘non-interference’ in trade relations ends up becoming a form of interference of its own, since it helps bolster autocratic regimes and dictatorships, especially in Africa and in Central Asia⁸.

Secondly, China is exceptionally skilled at penetrating the societies with which it interacts through a number of strategies ranging from purchasing crucial infrastructure (an excellent example in Europe is that of the Port of Piraeus) to its highly effective intelligence work, which now focuses on cyber-intelligence. Of particular concern is the Belt and Road Initiative (also known as the “New Silk Road”). The B&R Initiative calls for creating a series of infrastructure and logistical hubs linking China to Europe via land through Central Asia and Europe. At the same time, the Maritime Silk Road should link southern China with Southeast Asia, South Asia (especially Pakistan and Sri Lanka), the Persian Gulf, and the Mediterranean. Through the construction of high-speed transcontinental rail links, new ports, new sea routes, and trade agreements with the countries through which the B&R runs, China’s ability to penetrate the strategic sectors of these countries is becoming a source of

⁷ At least, this is how China’s narrative presents it. For an analysis of the ideological origins of these principles, see M. Dian, *Contested Memories in Chinese and Japanese Foreign Policy*, Oxford, Elsevier, 2017.

⁸ R. Gonzalez-Vicente, “The limits to China’s non-interference foreign policy: pro-state interventionism and the rescaling of economic governance”, *Australian Journal of International Affairs*, vol. 69, no. 2, 2015, pp. 205-223; T. Summers, “China’s ‘New Silk Roads’: sub-national regions and networks of global political economy”, *Third World Quarterly*, vol. 37, no. 9, 2016, pp. 1628-1643; J. Reeves, “China’s Silk Road Economic Belt Initiative: Network and Influence Formation in Central Asia”, *Journal of Contemporary China*, vol. 27, no. 112, 2018, pp. 502-518.

concern, and is creating a rift between the United States and those European countries that are more willing to sign agreements with the Asian giant. A particularly controversial topic at the moment concerns the risks associated with the introduction of the 5G network (in which China is a leader⁹), which will very gradually replace the current 4G LTE network. 5G offers great opportunities (not the least in business terms, with a turnover of tens of trillions of dollars)¹⁰, but many have raised concerns about some of its more problematic elements, including threats to privacy and security. The worry is that China will use its domestic companies engaged in developing 5G in the West as Trojan horses to open up espionage channels that would make the West more vulnerable.

The third issue concerns the possible challenge China poses to existing international norms and institutions. Tellingly, in his opening remarks to the United Nations General Assembly in 2019, UN Secretary General António Guterres listed among the matters of concern the creation of two separate worlds, one governed by the United States and the other by China, and each with its own norms and institutions in the economic, political, military, and digital sectors¹¹.

⁹ Entire regions of China are currently on the global cutting edge of manufacturing high technology. The Guangdong technological triangle (Hong Kong, Shenzhen, Guangzhou) is now the world's second technological capital and is one of the engines of Chinese development. Huawei, ZTE, and Alibaba have a turnover similar to that of their Western counterparts, and are key components of global chains of production in high-technology. See W. Liu et al., “The Development Evaluation of Economic Zones in China”, *International journal of environmental research and public health*, vol. 15, no. 1, 2018, DOI: 10.3390/ijerph15010056; C.Y. Cheng, *China's Economic Development: Growth and Structural Change*, London, Routledge, 2019.

¹⁰ K. Campbell et al., *The 5G economy: how 5G technology will contribute to the global economy*, London, HIS Markit, 2017.

¹¹ As António Guterres put it: “I fear the possibility of a Great Fracture: the world splitting in two, with the two largest economies on earth creating two separate and competing worlds, each with their own dominant currency, trade and financial rules, their own internet and artificial intelligence capacities, and their own zero sum geopolitical and military strategies”. A. Guterres, [United Nations](#)

The most cited example of building alternative institutions to the current order is the New Development Bank inaugurated by the BRICS (Brazil, Russia, India, China, and South Africa) in 2016, but this bank can also be seen as a revised and modified regional version of the World Bank. Instead, where China can truly make a difference is – as we have seen – in representing an alternative model that combines both liberal and illiberal principles. But China can also play an important role in defining norms for the governance of emerging sectors, such as regulating the internet and artificial intelligence.

In such a scenario, in which the two major powers – the United States and China – seem to be both working against the preservation of the liberal order, and in which the European Union is growing distant from its historical ally, divided, and objectively fragile from a political and diplomatic standpoint (not to mention militarily), it is very difficult for the EU to show relevance and the ability to act “geopolitically”. And yet, this would be possible ... under the right conditions.

Potential Scenarios for (Dis)Order and Strings to the EU's Bow

The European Union's position in the world and the success of the new European Commission's programme (including what may currently appear to be geopolitical wishful thinking) will depend on at least five key factors. The first concerns the state of the economy: if another major economic crisis should arrive, it would be difficult to avoid other countries pushing for exiting the EU and a fresh outbreak of Euro-scepticism fuelled by nationalistic forces. Secondly, the political future of the EU will depend on the ability (currently non-existent) of national and European political systems to express visionary leaders, who understand that no single European state has any chance to succeed in the current international system by going at it alone,

and who act consequently with the necessary political skill. The post-Merkel era, the future of the Italian government and of the tormented Spanish government, the resilience of Macron’s leadership, and the ability of the President of the European Community to take on a leadership role and mediate between Member States and other Community institutions are all factors that make predictions – especially positive ones – difficult. Thirdly, the future of international politics and of the role of the EU will depend on the outcome of the US presidential elections in November 2020: a second Trump term could deal a fatal blow to the Wilsonian world order as we know it, fan the flames of nationalism and populism in Europe, widen the gap between the two shores of the Atlantic, and further weaken NATO and the EU. Fourthly, the future of the EU will depend on the developments of Brexit, which has only just about finished its first chapter, and is about to embark on the second: the negotiations that will define the EU-UK relationship for all of the unsolved aspects upon the official divorce. Paradoxically, if Brexit should prove less costly than expected to the UK, this could be used to encourage additional defections. Given the type gap between the current political debate and the negative impact of Brexit, which will only be visible in the mid-term, this argument could be brought to the fore earlier than we expect. Finally, the future of the EU in terms of its internal and international dimensions (which, as we have argued, are closely interlinked), will also depend on the abilities of the non-populist side (which populist rhetoric depicts as the 1%¹², but which actually comprises about half of the population) to stake out a political space of its own and prove itself capable of responding to the malaise that generated phenomena such as Trump, Brexit, Euro-scepticism, and illiberal tendencies in Western society. 2019 saw a glimmer of hope with public squares packed

¹² One of the commonest slogans in anti-establishment protests pits the elites that make up 1% of the population, but hold all the power (and advantages) against the people (comprising 99% of the population, but deprived of all power).

“like sardines”¹³, but it also raised concerns that wars in the Middle East (Libya, and potentially Iran) could lead to new waves of refugees that could easily be exploited to promote the idea of “fortress Europe”, with states that are deeply protective of their sovereignty. This would further weaken the EU’s ability to play an internationally relevant role.

Rebus sic stantibus, we cannot know which of these scenarios will come true, but we do know that in light of its economic importance and the size of its market, the European Union could take on a leadership role in at least three important spheres for the revival of the liberal order and the role of Europe in the world: the re-definition of the balance between free trade and social security, the fight against climate change (and more generally, the promotion of an environmentally sustainable economy), and the regulation of the internet. In each one of these spheres, the EU could create the necessary conditions to act as a counterweight against the United States and China, and harness its economic potential to help transform the liberal order in such a way as to allow it to re-emerge under a more inclusive form that is better suited to current challenges. A few words about the first two points (more broadly discussed in the public debate) and some slightly more complex thoughts about the third: if implemented coherently and courageously, an economic programme with ideas and investments based on a Green New Deal could contribute to the first two goals. For the second goal, however, closer cooperation with China would be necessary, as it is both the world’s largest polluter and the country that invests the most in renewable energies.

One of the most novel aspects of the Commission’s programme concerns the digital sphere. The scandals of the recent past, from Cambridge Analytica to online control programmes on the part of democratic governments, underscored the urgency for a global governance of the internet that can define a proper balance between freedom and security, assigns responsibilities,

¹³ The so-called “sardines” movement was born in Italy with an Italian agenda, but was soon imitated in other European countries.

and reduces the risks associated with the marketing of personal data. The way this will be managed will have a major impact on many aspects of daily life and on international politics. The initial approach, a US-inspired one centred on maximum freedom, has shown major shortcomings. The European Union has made major strides towards finding a compromise between internet freedom and these need to protect internet users. This is the case of the General Data Protection Regulation (GDPR)¹⁴ and its amendments and derogation, especially the ePrivacy directive (Directive 2002/58/EC) on the protection of personal data. The importance of this regulation cannot be underestimated, because it represents an initial and important response to the overwhelming power of web-based businesses in a way that will help protect personal data. It will also have repercussions outside of Europe, and aims to set an international standard, since it includes a mechanism to evaluate the adequacy of regulations in non-European countries (Cf. European Commission, 2019b). With a view towards protecting the rights of internet users, the European Court of Justice has banned pre-checked consent boxes for tracking with cookies, enshrined the “right to erasure”, and ordered Facebook to take down illegal content. These examples highlight how the EU’s economic might can help it play a key role in defining international standards in an important sector of global governance. The same potential can and should be harnessed in other spheres in which the EU’s economic might is an asset, especially the taxation of internet giants, which is currently being hindered by obstructionism on the part of certain Member States.

In addition to a commitment to these three crucial spheres of global governance, the EU would also do well to have a cleared, unified, and effective presence in areas of strategic interest such as the MENA region, sub-Saharan Africa, and the Balkans. In the first two regions, the EU and the US frequently have clearly contrasting positions (one need only think of the EU’s critical stance on Israeli settlements in the Palestinian territories, which

¹⁴ Officially known as Regulation (EU) n. 2016/679.

is at odds with the US position¹⁵), and competition with China is evident in sub-Saharan Africa, and increasingly in the Balkans as well. In all these areas, internal rifts prevent the European Union from defining a coherent and effective foreign policy.

Conclusion

The future of the European Union is closely linked to that of the liberal order: as a product of that very order, the EU risks to founder together with it. Playing a more relevant international role is thus not so much a choice as a prerequisite for survival. The EU needs to acquire a relevance that is currently elusive due to the internal crisis it is undergoing (internal rifts, populism, Brexit) and to its structure as an unfinished *polity*. For these reasons, the new President of the Commission is right to place the international role of the EU front and centre, and to focus her attention on sectors in which the EU can effectively set standards of conducts and impose them upon others through its economic might: the transition towards an economically (and environmentally) sustainable economy, the fight against climate change, and the regulation of the internet. If and when this effort will be successful depends on many other factors that the Commission itself has limited power over, but it is an approach that needs to be pursued, not to “compete” with the US and China, but to contribute to the global governance of complex phenomena, and preserve at least some of the elements of the international liberal order that needs to be reformed in order to be saved. The European Union can contribute to this with a few but very important measures, but only if it is able to build a united front, and without creating expectations of the emergence of a full-fledged power (including in military terms), as this latter possibility is still very much in the distant future.

¹⁵ “EU says Israeli settlement on Palestinian territory is illegal”, *Reuters*, 18 November 2019.

“G Zero”, Italy and National Interest

In Italy, the concept of national interest has never been keenly felt. This continues to be the case, in spite of the centrality that this concept has re-acquired in the European public debate and beyond. This centrality struggles to make headway here, surrounded as it is by an aloof hint of shame. However, Italy, like any other country, can and must pursue its national interest: this would obviously benefit the collective good, especially if national interest is properly identified (whether cooperative or competitive, depending on the case at hand). This is all the more true since today the implementation of policies in pursuit of the national interest is increasingly “one of”, if not “the” determining factor in how the world is run. It certainly is for foreign policy.

In order for a foreign policy to pursue the national interest, it must meet several preliminary conditions: clearly defined priorities; an awareness of one’s limits; the availability of tools to achieve stated objectives; and the willingness to use them. Is this Italy’s case?

First of all, what is the national interest? The most intuitive definition is also a negative one: it is what we cannot fail to pursue without damaging the national collective good. It includes both averting threats and taking advantage of opportunities. This includes elements that permanently mould the national interest, and others that are more temporary, shaped by this same short-term mixture of threats and opportunities.

The “core” national interest reflects a country’s historical background, geography, institutional framework, the key features of its citizens, and its willingness to take part in alliances. Provided that no country can go it alone in today’s international

system, in Italy's case it is inevitable and imperative to look at geographically proximate multilateral contexts: Europe, and Transatlantic relations.

These are objective constraints that no government can change. Indeed, all of Italy's governments have had to take into account the fact that Italy's interests play out in a very specific geographic area, a sort of reclining "L" that runs from Trieste to Cairo and Rabat, with a detour to Iraq, and a line that runs from there all the way through the Sahel and to Africa's Atlantic coast.

These are the major trajectories of the Italian foreign policy, but the temptation to deviate from this continuity has never been vanquished. We have never failed to give in to it, whether to get closer to Russia, China, or Iran. But the era of tolerance for such licentiousness ended with the bipolar order, when iron-clad alliances and clear dichotomies between the good guys and the bad guys left a margin for free riding. Today the occasional fling risks taking a toll in terms of international credibility.

When it comes to the non-permanent traits of today's national interest, threats and opportunities are not what they used to be. This is especially true for threats, which no longer appear to put states' existence at risk, as much as they attempt to erode their sovereignty from within. They are complex, hybrid threats that can be likened to a generalised risk of structural downgrading for states, with attacks on their economies, their industrial property, their scientific assets, and their very reputation.

The nature of the tools that hostile actors have at their disposal has also changed. The prevailing activities aim to influence and leverage technological multipliers and the consequent asymmetry between the costs of an attack, which are often quite low, and those for defence, which are always very high. The cyberworld is no longer the playing field, it is the game itself, so that prevention and early warning make the difference. Lack of preparation can be fatal, as is the case when one inhales carbon monoxide and only realises it once it is too late. Cyber-resilience is now the scalpel that carves the contours of the national interest.

If this is the national interest, we clearly cannot shirk our duty to pursue it. And in doing so, we must take into account the factors that limit its scope, namely:

- A. the institutional framework – pursuing the national interest in a Western democracy is different from pursuing it in a “guided democracy” or in an authoritarian regime. The most complex and delicate challenge for any liberal democracy – and one that other systems are free to skip – is to strike a balance between pursuing one’s interests and respecting fundamental human rights. The solution lies in *raison d’état*, combining ideals and rationality. The right balance can only be struck by accepting political responsibilities;
- B. the alliances to which we belong – we cannot take our alliances for granted, privatising their benefits while externalising their costs. Both need to be carefully thought out, and citizens must be involved in decision-making in a timely and conscious fashion. This is especially true for advanced supra-national institutions such as the EU and NATO. Let Brexit be a lesson;
- C. the national interests of other countries – we cannot always rely on others to desist, as evidenced by the eternally ambivalent Franco-Italian relationship: same size, same population, same geographic location, same alliances, same manufacturing sectors, and same target markets. And yet, there are drastic differences in the efficiency of their institutions: rigid to the extreme in France, and flexible almost to the point of being brittle in Italy. The two countries are destined to be natural competitors, and neither one can do without the other. It is difficult for us Italians to imagine to do what Paris already does, and yet we should do it: pursue our own interests, look for joint interests and collaborative efforts when possible, without giving special treatment and without expecting it;

- D. public opinion and the “man in the street”, both in the actual street and in its virtual counterpart – i.e., the blogosphere and social media. Public opinion is crucially important today, in part because it can now combine its efforts with the activism of non-state actors in influencing the way governments and institutions pursue the national interest. This is an additional and powerful source of public pressure that needs to be taken into account, and that no longer solely coincides with the role of NGOs and diasporas;
- E. non-state actors, first and foremost major corporations and leading technological firms. This isn't so much due to their economic might – even though it may often surpass the budgets of entire nations – but because we have allowed them to become the sole proprietors of humanity's digital knowledge. It is thanks to them that individuals may be capable of going up against an entire state, confident in the possibility that they might succeed, and that their actions will be amplified enormously.

It should be noted that the fields in which individual pressure can effectively be brought to bear on the national interest are not limited to security threats. Greta Thunberg is a case in point.

If these are the factors that influence governments in defining the national interest, this is all the more reason to point out that there is one ultimate and supreme national interest, a pre-requisite for pursuing any other interest on the national and international scenes: national security. But security itself has changed. In addition to the integrity and independence of the state and its democratic institutions, it now also comprises political stability, economic strength, and social cohesion: in other words, the essential pre-requisites for prosperity.

What follows from the above is that the national interest is an exercise in setting priorities for which only national governments are responsible. They set the agenda. They reject certain

options and adopt others, making political choices that need to be approved in Parliament and for which they will be accountable during elections.

And yet, it is at the ballot box that a short-circuit has emerged in recent decades between public opinion, which is not always sensitive to foreign policy issues, and governments, which are concerned mostly about consensus, and have generally not been able to set off a real debate over foreign policy options on the part of the citizenry. This held true until the world, which had been kicked out the door, so to speak, forced its way back through the window.

The conflict in Libya reminded us that what happens in our immediate sphere of interest is of concern to us all, even though this happened mostly through the prism of migratory flows and the distorted view thereof. Earlier still, the transformation of the financial crisis of 2008 into a sovereign debt crisis showed us first-hand how each country must contribute to mitigating the undesired effects of globalisation, first and foremost by doing its homework. Will this be enough to stimulate a broader sector of Italian public opinion to assume a more demanding posture regarding government choices in foreign policy, at least with regards to strategic ones with direct consequences on the country's security and development prospects?

Whether we like it or not, we are part and parcel of the world, and delusions about the end of history can no longer serve as an alibi. We are part of a system of international relations that is and has always been a playing field where each country's national interest comes up against each other. This is a complex system that can be studied at three different yet complementary prisms: the systemic level, the system's actors and the global outlook.

From a systemic standpoint, the key issue is that the international context in which nations currently operate no longer provides any protective umbrellas. The slow but tangible decline of multilateralism and the loosening of the values holding alliances together have gradually blurred the distinctions

between allies and partners. The echoes of Trump's speech in Warsaw's Krasinski Square in July 2016 have fallen silent, but the fact that it took him six months to mention the importance of transatlantic ties did not bode particularly well. Trump's speech showed no trace of any conviction to reaffirm the validity of NATO's Article 5, regardless of the fact that the only time the article was actually invoked and applied was after 9/11, and in favour of the United States. It appears that "the West" and "Alliance" mean different things on either shore of the Atlantic.

Nor should we be surprised that China and Russia, major players busily promoting their alternative models, are actively working to gain as much as possible from such a golden opportunity, throwing their weight around to accelerate the process of loosening the traditional binds that hold the transatlantic community together. This dynamic they are trying to accelerate is all to their advantage, but they are not its core instigators. The malaise is endogenous, and it continues to gnaw at the tapestry of values, ideas, aspirations, and worldviews that once made it possible to draw a clear distinction between "us", the political systems that were founded upon democratic principles and the bond between democracy and a social market economy, and "them".

The fact remains that the context within which the West's core policies are best implemented – those permeated by an awareness of the value of mediation between opposites, the search for compromise, and the push for dialogue – has changed in both its appearance and its mechanisms. Recently, NATO celebrated its seventieth anniversary almost as a weary duty. While it did reaffirm the Alliance's unity, it did so in a climate of long-term tension and unresolved issues. The EU is in permanent search of an identity, while the UN is constantly paralysed by vetoes at the Security Council level. The world has become one of rivals, and our traditional safe harbours have been found wanting.

From the standpoint of actors, we are searching for suitable ways to interpret the current equilibrium and those to come. The temptation is strong to conclude that we are heading towards a new US/China bipolarism. Only time will tell.

For the time being, we must acknowledge that the Cold War balance was preserved by the solid and well-oiled mechanism of mutual deterrence. Right now, this mechanism is no longer in place, and there is no guarantee that it will resurface under the guise of technological antagonism, given the multiplicity of elements that determine the blackmail and coalition potential of each actor, especially the major ones. The liberal world order as we knew it, based on the US and the West, on free market, and on the values of representative democracy as a corollary, is also no longer in place. We are unlikely to see it return, at least in the version we were familiar with.

What instead is likely, at least in the near term, is that we will continue to be left wondering, in a state of geopolitical recession in which the US-USSR G2 is a distant memory, and a new US-China G2 is still in the making. This is thus the G-Zero era, a multipolarity that is likely to be transitory and in which each state actor pursues its own interests and enforces its own red lines.

In a mid-term perspective, it is plausible that the shift from a cooperation-oriented logic to one revolving around power will become irreversible, and that a transactional world will take shape: a world where influence and alliances are a function of convenience. In such a world, governments will tend to hold on tight to their levers of power: political control, control over borders, and control over the economy, despite the fact that dirigisme has proven unable to work its magic. Interference and efforts to exert influence will be more important than ever, given the unusual powers of intrusion and penetration that cybernetics puts in the hands of those engaged in such efforts. Finally, even the traditional alliances that will manage to survive will be based mainly on reciprocal selfishness, without any higher values cementing their bonds.

On the other hand, we are not condemned to living in a Hobbesian world where any divergence in interests will degenerate into conflict. Excessive pessimism in this regard would be self-defeating. It would be better to devise the countermeasures

that the change in the system of international relations imposes, with an eye towards the reasons that could still fuel reasonable optimism.

In the meantime, we must keep in mind that no single state, no matter how powerful, can control every variable. All face the same threats. And all are subject to profound forces, from the most traditional ones, reflecting history and geography, to the newest, which arise out of globalisation processes, and whose by-products cannot be erased at will. These forces are profound precisely because they cannot be reversed, neither by single individuals nor by governments.

In the United States Constitution's two hundred and more years of history, the meaning of that peculiar form of representative democracy and of checks and balances had never been questioned as much as it has today. These are entirely new circumstances for an institutional model that had been rock solid until the present.

Russia, while fearsome as an adversary, is not very credible as an enemy. Even Italy, whose economy has not recovered from pre-crisis levels, is still well ahead of it in the GDP rankings of the world's economies. Neither its unmatched experience in hybrid warfare, nor the costly re-organisation of its armed forces, nor its ruthlessness in exploiting its role as a key energy supplier for political gain have sufficed to allow it to win back the status it had in the bipolar era: Moscow can make the difference in many theatres, with a high return on its political investments, but the sheer force of the USSR remains in the history books.

China is a two-faced Janus. It is a giant in the technologies of the future, it has lifted 800 million people out of absolute poverty in the last few decades, but it is still hindered by the backwardness of its rural areas, while social inequality dramatically exceeds danger levels. Not to mention that it remains an autocratic regime, with a real dark side, and an embarrassing human rights record. Let Hong Kong be a lesson.

Let it be a lesson, because national and European democratic institutions have not lost strength completely, although they do have to face delicate challenges for their renewal. They have a long road ahead to refine their decision-making processes and meet the expectations of citizens, who are otherwise easy prey for disengagement and falling under the spell of easy solutions for complex problems. But the intrinsic value of these institutions remains vibrant. The ability of the democratic ideal to serve as a beacon has remained intact, as has, in like-minded democratic countries, the drive to look for shared interests and form coalitions of the willing among countries with common values and short-term interests.

If this is the world today, Italy has excellent reasons not to resign itself to a downscaled geopolitical status, or to economic decline, or to the gradually growing gap between a citizenry that does not see its perceived interests met and institutions of representative democracy whose authoritativeness is being eroded.

This will only happen if Italy is ready and equipped to sail the open seas. This implies clearly identifying our national interest, adopting an efficient decision-making system, and embracing the idea of taking on more responsibilities on our own, without thinking that we can easily outsource them to multilateral organisations. Indeed, the latter are only as strong as their member states, and cannot autonomously make up for any hesitations and insecurities on the part of said members. And we would also have to ditch the habit of considering public opinion as an unwitting source of electoral consent: in the long run, this strategy does not pay, although it might be advantageous in the very short term.

It would be equally illusory to believe we can ignore the distinction between allies and partners. On the contrary, it remains valid, albeit in a somewhat less clear-cut way than in the past. The search for travel companions cannot be left to chance. It is still true today that, while allies can sometimes have diverging interests to ours, their values remain the same. On the other hand, partners might have converging interests to ours,

but their values remain opposite. Dialogue and cooperation can extend outside the boundaries of the Euro-Atlantic community, but the latter delimitates the scope of our alliances.

Like any other European country, Italy should not hesitate to frame its own geopolitical universe around those boundaries, and to take its cues first and foremost from the Euro-Atlantic area in order to revive multilateralism on a new, more sensible basis – if for no other reason than a lack of real alternatives. One can only stand on equal footing with one's peers. For example, only Europe as a whole can establish a fruitful and positive dialogue with China. Individually, no single European country would be able to hold its own against such a giant. This is the irrevocable verdict that comes from demographic and geographic realities, and from the comparison between the productive fabric and the scope of the Italian and Chinese economies: attempting to overturn this reality may have dramatic effects. This is a recurring temptation for us, but today it would only bring about a rude awakening. Few things are more harmful to a country than losing credibility. This is in no way irreconcilable with the choice on whom to do business with, as long as the two are kept separate and cultivated with equal care and determination, each in its own sphere.

In our current “multi-conceptual world” we must work towards finding issues that unite and facilitate a shared commitment, since certain problems (especially those who may have catastrophic consequences) can only be tackled successfully by working together – even going beyond the willingness of individual governments.

This is the case for those threats that in varying ways and degrees undermine the national security of each state. Of course, each state is free to choose the solutions most in line with their sensitivities, traditions, and institutional culture in order to protect their security. But all have the duty to adopt agreed-upon, coherent, and coordinated lines of action, unless they want to give free rein to threats which by their very nature may easily cross physical boundaries.

This is the case with climate change, which has seen a solidaristic approach being adopted within the United States themselves, with individual states, headed by California, adopting more stringent measures than those taken at the federal level after Washington's withdrawal from the Paris Agreement.

Along the same lines, cybersecurity is paradigmatic. Each state has both the right and the duty to design its own national cybersecurity architecture, which by the way is destined to remain a work in progress, since the cyber sphere stands out for the ever-shifting challenges it poses. These challenges are dictated by perennial technological innovation and by the three-pronged need to preventing conflict, stimulating international collaboration at all levels, and creating robust synergies between citizens, institutions, and businesses in order to define security priorities.

Italy has achieved a lot in this field: it has strengthened the Inter-Ministerial Committee for the Security of the Republic; it has tasked the Department of Information Security with defining guidelines for intervention; it has introduced a national cybernetic security perimeter, as a regulatory space encompassing all private and public subjects whose systems and networks are of strategic interest and whose security must thus be ensured; it has broadened the government's scope in exercising Golden Power (extended to sensitive technologies and 5G networks); and it has established a body to provide technological oversight over public procurement. This framework aims at striking the right balance between the protection of national security and adherence to free market principles.

A criterion that applies to all key sectors for the national interest is valid for cybersecurity as well. It is not much use to design sophisticated tools if they are ultimately not useful, and we instead lapse back into ingrained bad habits, such as delays in implementation, low propensity to make decisions that can draw the maximum possible benefits from regulatory solutions, shortcomings in governmental culture, and inter-institutional rivalries hindering coordination and information sharing.

What is more, governments run into serious trouble when they demand awareness from those they govern while proving themselves barely aware of their own duties. And the choice between doing or not doing, and what to do, is once again exclusively political.

And yet, the unanimously acknowledged importance of bottom-up issues, climate change and cybersecurity first and foremost, allows us to hope in the emergence of a modern multilateralism that can benefit everyone. European nations are still tied to a common destiny, and if we discard the possibility that the current institutional framework of the European Union will be radically upended, there is much that can be done to strengthen and consolidate it, at least with the goal of making Europe a more credible and respected actor. If Europe as such were then able to strengthen its industrial and technological sovereignty, including in the pursuit of a common foreign and defence policy, its weight on the international scene would grow on par with its ability to shape its own destiny. Its capacity to act on the global stage would be boosted, thus giving more credibility to its aspirations. This would help relaunch multilateralism on a firmer and more convincing footing.

Letting Europeanism slowly waste away would be unforgivable. The duty of being lucid and realistic in pursuing the national interest does not impinge our right to foster our ideals. These are not two irreconcilable alternatives. They are two vital needs that feed off one another in a climate of constant and fruitful tension, the complexities of the current historical era notwithstanding. But we will only be able to find a proper balance if we rediscover the nobility of politics as the “art of the possible”.

Giampiero Massolo
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