

ISPI REPORT 2024

EUROPE IN THE AGE OF INSECURITY

edited by **Alessandro Colombo** and **Paolo Magri**
conclusions by **Giampiero Massolo**



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ISPI

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Table of Contents

Introduction

Alessandro Colombo, Paolo Magri..... 9

1. The Crisis of the International Order Is Being Militarised

Alessandro Colombo..... 25

2. The Ties That Bind: Insecurity and Inflation

Franco Bruni..... 37

3. Migration in the Age of Insecurity

Matteo Villa..... 51

4. Ukraine and Gaza: Tough Tests for the “Biden Doctrine”

Mario Del Pero..... 65

5. Securing the Future: Understanding China’s Internal and External Fears

Filippo Fasulo, Francesca Frassinetti..... 77

6. Russia, Ukraine War, and Multipolarity

Aldo Ferrari..... 91

7. India and the "Voice" of the Global South <i>Nicola Missaglia</i>	103
8. Israel and Hamas: The Origins of Insecurity <i>Ugo Tramballi</i>	115
9. The EU's "Strategic Autonomy": A Mixed Bag <i>Sonia Lucarelli</i>	127
10. Europe's Newfound Search for Economic Security <i>Lucia Tajoli</i>	143
11. Will Europe Ever Achieve "Demographic Security"? <i>Alessandro Rosina</i>	159
Conclusions. Italy in the Age of Insecurity <i>Giampiero Massolo</i>	171
About the Authors.....	179

Introduction

Against the backdrop of the war that Russia has been waging on Ukraine for two years now, the latest Israeli-Palestinian war that closed 2023 and opened 2024 has finally brought to the fore the militarisation of the crisis in the world order. Discernible since at least the first decade of the XXI century, this crisis seems to have entered an acute new phase, marked by growing competition between the declining hegemon (the United States) and rising challengers (particularly China), alongside a proliferation of insecurity in various regional systems. Over the past year, these have included the former Soviet region, with its long war in Ukraine and a very short one in Nagorno-Karabakh; Central Africa, with its recent coup in Niger and growing instability across the Sahel; and the Middle East, with conflicts in Gaza, Iraq and Yemen.

This book raises the question of what role Europe should play in an age of growing insecurity. It does this by first describing the process that has disrupted the once prevailing state of security, and then examining how each of the other major players are responding to it. The book is divided into three parts. The first breaks down insecurity as a whole into its three main components: political and strategic insecurity, economic and financial insecurity, and demographic and migration-related insecurity. The second examines the major international players' responses to insecurity (and the paradox of how these responses may fuel further insecurity) by focusing on the United States, China, the Russian Federation, India and

the “Global South”, and the Middle Eastern players caught up in the latest crisis. The third focuses on Europe’s responses: in other words, how the European Union is striving to react to political and strategic insecurity, economic insecurity, and the issue of demography and migration.

Although the general world crisis order involves all key dimensions of international relations, not all are involved to the same extent or within the same time-horizons. The political and strategic dimension is covered in the first chapter, by Alessandro Colombo. The growing insecurity in this dimension reflects an unfortunate combination of two factors: firstly, the crisis in the ability, will and confidence of the hegemonic power of the past 30 years – the US, with its entourage of friends, allies and partners – to carry on procuring the traditional “public goods” offered (and imposed) by hegemons; and secondly, the continuing inability or unwillingness of the rising challengers to play the same role, either because they are committed to “saving resources” to remedy their own imbalances and internal problems, or because, even when they are willing to intervene, they are not yet able to convert their power into influence.

Looking back at last year, this chapter inevitably shines a spotlight on the wars in Ukraine and Gaza. On the one hand, these two wars are radically different from each other, partly on the strategic and military front, partly in terms of their historical origins and, above all, in their political and diplomatic configuration. On the other hand, however, both are emblematic of some of the most striking manifestations of the crisis in the world order: from the diversification and complication of the world stage over the past 20 years, to the increasingly acute crisis in the political, institutional and cognitive tools of global conflict management, and the short-sightedness that seems to condemn all the major players to surprising and repeated failures.

Of all the manifestations of this crisis, however, none is as far-reaching as the appalling crisis in the rules of international coexistence, starting with the politically and legally crucial rules

governing the legitimacy and limits of the use of force. As the chapter points out, Russia's war of aggression on Ukraine and, in the past year, Hamas's terrorist attack and Israel's large-scale (and equally indiscriminate) reprisals have merely marked the peak of a process of surreptitious re-legitimation and de-institutionalisation of the use of force, which began in the early 1990s and is destined to gradually push back the exceptionally restrictive rules set down in the United Nations Charter. There is an aggravating factor, too, because around the fringes of this breach in the bulwarks of law, every clear distinction between peace and war also seems to have failed in the face of a proliferation of covert forms of attack (cyberwarfare, terrorism, targeted murder and kidnapping, subversion), which are destined to make the questions of when and where a war begins, and when and where it ends, more elusive than ever.

Political and strategic insecurity is compounded and heightened by economic insecurity, which is the subject of the second chapter, by Franco Bruni. In the wake of the largely unpredictable pandemic, this facet of insecurity was fuelled by the geopolitical shock and economic consequences of Russia's invasion of Ukraine, with particular reference to its effect on the price of energy, food and other commodities. Among other things, two phenomena have been empirically confirmed in various ways: the disorientation of medium-to-long-term expectations (deriving from both market data and specific surveys), which growing uncertainty makes unresponsive to changes in the information available to economic actors; and the increase in pure uncertainty in the short and very short term, where risks normally look easier to specify and insure against.

In late 2023, various factors brought a fresh boost to uncertainty: from the outbreak of war in Gaza to new fears of severe slowdowns in the economy, both in the US and Europe, where Germany's growth crisis fuelled pessimism, and in China, where the significant structural slowdown in growth has political, economic and commercial implications that remain

hard to predict and address. In the final four months of the year, moreover, quantitative indicators of risk and uncertainty looked especially sensitive, on a month-by-month basis, to monetary-policy prospects, tending to fall when inflation slowed more sharply and the major central banks looked likely to stop or reverse their rate increases. This is aggravated, in the longer term, by the fact that the high costs of the energy transition and the decline in global competition are also fuelling uncertainty over inflation rates. Under de-globalisation, trade incentives and protectionism distort the flows of purchases, sales and production, with bilateral agreements or “minilateralisms” that often impose high costs and reduce the flexibility of supply, thereby triggering episodes of inflation.

Fittingly, therefore, inflation is the subject of most of the chapter, as it is both a symptom and a cause of economic insecurity. This is partly because it highlights the degree of sustainability of the substantial public and private debts that, paradoxically, were generated for the specific purpose of mitigating the major uncertainties spawned by the sudden shocks that have struck the world in recent years. Although the flames of inflation have been firmly contained over the past year, in both the United States and Europe, if they are to die down on a lasting basis, they must not be given the opportunity to flare up again due to an over-abundance of fuel. The factors that fuel inflation are credit at low interest rates and large deposits of liquidity available to the economy to stimulate purchases at higher prices. Both were reduced by the monetary tightening that began in 2022, but whereas interest rates have increased a lot, liquidity has not yet been absorbed enough and remains available to fuel a new inflationary fire, regardless of the match that ignites it.

A third dimension of insecurity, covered by Matteo Villa’s chapter, lies in the link between international migration and demographic changes, at least in the sense that most international migration is drawn towards regions of the world that are approaching or are already experiencing a

demographic winter, and whose societies therefore have a growing need for large, continuous inflows of foreign labour to alleviate the effects of their demographic transition on general taxation. The relationship between these phenomena and insecurity is ambivalent. On the one hand, according to various contemporary theories of the causes of migration, it is in fact the feeling of insecurity (economic or personal) that drives people to leave their homes and migrate, either to other countries or to other parts of their own country. Insecurity is therefore firstly a cause and only secondly an effect of migration.

On the other hand, high flows of immigrants, especially if they are illegal or not accompanied by good public policies for integrating newcomers into the workforce and into the host society in general, can, in turn, generate feelings of growing insecurity, which are readily exploited by a growing number of political factions. This has the effect of reshaping the public narratives, identitarian processes and even the policies of the host countries. The outcomes of these policies aimed at stemming or reducing illegal migration flows, however, are very varied. Some seem to have been highly effective in reducing illegal immigration, at least temporarily: examples include the Italy-Libya agreements of February 2017 and the EU-Turkey declaration of March 2016. Others, however, such as similar agreements between the United States and Mexico over the past few years, and between the EU and Tunisia in 2023, do not seem to have achieved the desired results. Adopting restrictive policies, furthermore, can have unforeseen and paradoxical effects, which can even lead to higher levels of insecurity. This is either because it makes the outcomes of illegal migration to the destination country directly and measurably worse, or because it has indirect effects on relations between the destination country and the countries of transit or origin, or even on the general effectiveness of a country's foreign policy.

Amid this general climate of insecurity, all the major players come under pressure to adjust their political and economic strategies, at the risk of boosting their own security at the

expense of someone else's. The top player in this great game of adaptation is, of course, the United States, as discussed in the chapter by Mario Del Pero. In the wake of Donald Trump's four years as President, the Biden administration set out to put the United States back at the heart of a multilateralism delivered via the major institutions of global governance, or, where that was not possible, by means of forums and summits set up on an *ad hoc* basis, whenever necessary and feasible. This multilateral approach was to be accompanied by the relaunch of an internationalist approach designed to rebuild a solid domestic consensus around a proactive and, when necessary, interventionist foreign policy. It was also designed to help contain China, which the Biden administration – following in the footsteps of the Trump administration on this front – saw as the United States' main rival for power and the only one able (and willing) to challenge its global leadership.

At first, the Ukrainian conflict seemed to have bolstered the pursuit of these aims. Rallied by US leadership and united in the face of Russia's new challenge, NATO seemed to have regained strategic purpose and political relevance, which was sealed by its further enlargement to Finland (and the prospect of future enlargement to Sweden) and the eastward transfer of assets and personnel. The course of the conflict and the central role played by military technology supplied to Ukraine by the US seemed, in turn, to have restored the credibility of the US deterrent, which had been severely undermined by the many failures of recent years and, under Joe Biden, the humiliating withdrawal from Afghanistan in August 2021. The blend of Atlanticism, exceptionalism and democratic cement that were such a central feature of Biden's vision, seemed at last to have found fertile ground for deployment in the defence of Ukrainian independence, in the leadership role that Washington immediately assumed and, after a few initial hesitations, in the cohesive Euro-American action in support of Kiev.

Over the past year, however, first the deadlock in the war in Ukraine and then the outbreak of the new Israeli-Palestinian war

have brought the weaknesses of such a comeback to the surface. On the European side, the failure of Ukraine's counter-offensive has reopened a few cracks and differences between the allies, while in the United States, the early consensus on support for Kiev has gradually faded as the conflict has worn on and its costs have risen. As for the Middle East, Joe Biden's hopes of putting the US back at the heart of an ambitious plan for diplomatic mediation in the wake of Hamas's attacks on 7 October immediately came up against Israeli inflexibility and the US's essential inability to influence Israel's choices and methods of retaliation. This has been compounded, moreover, by a profound divide that has opened up in the United States, both within the US administration, which until then had been outstandingly cohesive and disciplined, and among voters, especially younger ones, who are currently more closely aligned with the Palestinian cause than with the country's traditional support for Israel.

China, the other major player in today's world order, faces equally weighty problems. These are covered in the chapter by Filippo Fasulo and Francesca Frassinetti, who examine the dual centrality of insecurity in China. On the one hand, China perceives and depicts its environment as being increasingly insecure. Externally, this is attributable to the growing political, military and economic pressure exerted by foreign powers, at a time when the United States is increasingly restricting trade in semiconductors, which top the list of China's imports and represent the main vulnerability of Beijing's economy. Domestically, by contrast, the main challenge is the imbalance in the growth model, which is no longer seen as capable of delivering the necessary growth rate without generating further risks. The biggest of these is the financial risk posed by escalating debt at both central and provincial levels, caused by subsidy policies involving public investment to achieve the Party-set growth targets. The other key route to safeguarding China's economy lies in innovation, which has been made potentially problematic by the major restrictions to be imposed on technology transfer.

On the other hand, China itself is seen as a generator of insecurity, which is prompting other nations to protect their territories and economies. First and foremost this applies to regional neighbours, such as India, Japan, South Korea and the Association of South-East Asian Nations (ASEAN), but also to the European Union, all of which are united by the need to recalibrate their economic dependence on the Chinese market. This has involved building new relationships and deepening existing partnerships with like-minded countries, as well as national efforts to increase resilience and resistance to coercion by external actors. Beyond the growing resistance from small and medium-sized powers such as Australia, Malaysia and the Philippines, Beijing also faces constraints due to Washington's revitalised foreign policy agenda under President Joe Biden. The Biden administration's Indo-Pacific strategy is underpinned by the logic of strategic competition with China, as the White House itself articulated in 2022. This has included a renewed commitment to defending Taiwan, deepening bilateral security and defence cooperation with traditional partners and allies in the region, supporting institutions and forums such as ASEAN, APEC (Asia-Pacific Economic Cooperation) and the Pacific Islands Forum, and promoting new initiatives such as AUKUS (Australia-United Kingdom, United States).

The other country most actively challenging US hegemony, although not on a comparable scale, is Russia, which is the subject of Aldo Ferrari's chapter. Despite its political and economic fragilities, Russia has played a major part in the decline of the world order that arose after the collapse of the USSR in 1991. Having questioned the nature of this order from the outset, Moscow started challenging it more forcefully in the late 1990s, before moving to open defiance, culminating in the invasion of Ukraine in 2022. As well as revealing political and military shortcomings that have been only partly resolved over the past year, the invasion of Ukraine has also had extremely negative consequences for Moscow, including a profound political and economic split from the West, increased dependence on

China, the accession or rapprochement to NATO of previously neutral countries such as Finland and Sweden, and a major loss of political influence in Central Asia in general and the South Caucasus in particular.

Above all, the war in Ukraine has prompted Russia to reconsider the view it has held for over three centuries, of the West as an essential point of reference. It remains to be seen whether this “pivot to the East” is purely a matter of expedience and hence destined to be scaled back once the current crisis is over, or whether it will redefine Russia’s political and cultural position and therefore the entire Eurasian and global scenario on a lasting basis. But the fact remains that, in the face of the West’s attempt to isolate it economically and politically, Moscow has already forged closer links with China and India. At the same time, it has stepped up its relations with the network of alliances and organisations that has emerged in Asia and worldwide in recent decades (in particular the Shanghai Cooperation Organisation and BRICS), under the banner of an anti-Western anti-colonialism that has successfully resurrected various Soviet-era political and cultural practices.

The target of this diplomatic and rhetorical offensive, namely the “Global South”, is the focus of the chapter by Nicola Missaglia. Although the term “Global South” still encompasses a variegated array of countries, this chapter focuses mainly on India, one of the grouping’s prime movers. As well as taking over from China as the world’s most populous country, with a population of 1.4 billion, India has experienced rapid economic growth in recent years. Although India’s GDP is still significantly lower than China’s, India’s share of global growth is forecast to reach 18% over the next five years, surpassing that of the United States, which stands at just over 10%. In 2023, India’s GDP exceeded that of its former colonial power, the United Kingdom, and is estimated to overtake Germany’s and Japan’s too by 2030. This will make India the third largest economy in the world, just behind the US and China.

On this basis, perhaps more than any other country, India has skilfully exploited and reaped advantage from the major changes to the world stage in recent years: from the growing geo-strategic competition between the US and China, to the fragmentation and reconfiguration of global value chains, the emergence of a multi-polar world and the growing divisions between the West and the Global South, which India now aspires to lead, thereby entering into direct rivalry with Beijing. It has done this by adapting its long-standing policy of non-alignment – “few enemies, many friends, no allies” – to the more pragmatic and transactional concept of “multi-alignment,” i.e. the principle of working with whoever happens to be the most convenient partner on any given issue at any given time.

The leading issue for India’s foreign policy, however, is its rivalry with China for leadership of the Global South: a rivalry made even more intricate by differences not only between the two rival countries, but also within the Global South itself. The significance of this is amplified by the fact that the growing rivalry between India and China is emerging as one of the main obstacles to the unity of the Global South, and to the transformation of the enlarged BRICS group into a credible alternative to the G20 and G7. Despite the rhetoric, this rivalry raises serious doubts about the Global South’s ability to rally round any common project or vision. It is much more likely, moving forward, that groups of different countries will coalesce around different issues, according to their national interests and the circumstances of the moment, within fluid and limited frameworks of the type that constitute what is currently known as “minilateralism”.

Against this highly fluid backdrop, the Middle East became a focal point again last year, as the scene of the latest major tragedy linked with the collapse of the world order. As Ugo Tramballi explains, prior to this latest flare-up in October 2023, the Israeli-Palestinian conflict, which is the longest-running in contemporary history, looked set to drop off the international agenda for good. Like Israel, international diplomacy tended to avoid the issue, as it lacked both ideas and the real authority to

propose any. Even public opinion had grown tired of the matter. In the wake of the Gulf Wars, the US invasion of Iraq, the Arab Springs that turned into civil wars, and the advent of ISIS, the Palestinian question seemed irrelevant. The XXI century looked set to be defined by the rivalry between the United States and China, and certainly not by the Middle East, the world's leading producer of hydrocarbons and armed conflicts.

Hamas's attack on 7 October 2023 abruptly reversed this trajectory. With unprecedented violence, cynicism and cunning, Hamas not only forced the Palestinian issue back to the top of the international agenda, but also drove Israel into the trap of a bloody, barely winnable conflict, with no political plan to bring it to an end. But that is not all: in the battle between the West, China and Russia for the hearts and minds of the Global South, the United States and the European Union are likely to pay a high price for the tragedy in Gaza, which will also slow down the ongoing process of realignment within the region. Although previous peace treaties with Egypt and Jordan, and the recent Abraham Accords with the United Arab Emirates, Bahrain, Sudan and Morocco, have always been agreements between governments, not between peoples, this time the bombing of Gaza has forced even the most reluctant states, such as the UAE and Saudi Arabia, to set aside the economic opportunities of relations with Israel.

In the face of this widespread crumbling of the world order, it should come as no surprise that the European Union is also rethinking its concept of security and its security practices. Sonia Lucarelli's chapter discusses the political and strategic dimension of this rethink, which falls within the scope of the "strategic autonomy" project that is controversial and open to multiple interpretations in itself, and has been challenged by a series of shocks of various kinds over the past few years. Russia's annexation of Crimea in 2014 and the ensuing sanctions made European energy dependence glaringly evident; the Covid-19 pandemic exposed Europe's vulnerability not only in the field of public health but economically too; and rapid technological

evolution has posed and still poses significant challenges for the EU's strategic independence in key areas such as internet governance and the regulation of artificial intelligence. After years of faith in the power of interdependence to foster peace and cooperation, interdependence has revealed its downside, in the form of vulnerability. The prosperous, safe and free society that the EU described in its 2003 Security Strategy has been replaced by a Europe in need of resilience and the capacity to protect its citizens, as described first in the 2016 Global Strategy and later in the 2020 Threat Analysis that paved the way for the 2022 Strategic Compass.

The biggest challenges to EU strategic autonomy, however, seem to have originated from Russia's invasion of Ukraine in February 2022. The impact of the war has been ambivalent. On the one hand, as on so many previous occasions, the aggression against Ukraine looked like it might provide the necessary shock to jolt the EU into taking steps towards becoming an effective security actor. This prospect was given credence by the general cohesion shown by the Member States and, more significantly, their ability to take several unexpected decisions that are set to change the EU's international role, such as their unanimous decision to use common funds to supply lethal weapons to a country at war, and their decision to deploy the EU Military Assistance Mission in support of Ukraine (EUMAM) with effect from November 2022.

On the other hand, the war in Ukraine has also shown the limitations of the policy of pursuing credible strategic autonomy. Firstly this is because, by underlining the US's firm commitment to the defence of Europe, the war has reaffirmed the central role that NATO plays in European security and defence, thus leaving the European Union with the important but not top-priority role of providing financial support and training for Ukrainian forces. Secondly it is because, by late 2023, the European domestic front was starting to show signs of subsidence: not only is support for Ukraine exacting a growing toll economically and politically in the face of European public

opinion, but the requirement for unanimity is blocking or delaying important decisions. Above all, however, instead of looking like building-blocks in a clear, shared strategy, the many directions that EU security and defence policy has taken in recent years look more like the result of compromises dictated by differing interpretations of the EU's role in this area and of the concept of strategic autonomy itself.

The second dimension of insecurity – economic insecurity – is the subject of the chapter by Lucia Tajoli. Following the recession triggered first by the Covid-19 pandemic and then by the invasion of Ukraine – just as the long-awaited upturn in the world economy was getting under way – the issue of economic security has become central to the thinking of the European Union. According to many observers, the Covid pandemic and Russia's invasion of Ukraine have shown that the EU is over-dependent on third countries for the supply of certain goods, raw materials and essential services, and that any future disruption to supply chains (caused, for example, by border closures or internal problems in supplier countries) could lead to serious shortages and jeopardise economic growth and the well-being of European citizens.

The concept of economic security therefore seems to go hand in hand with that of economic independence and, once again, *strategic autonomy*. Transplanting these concepts into the economic sphere, however, brings them face-to-face with the fact that one of the key drivers of growth and prosperity in many parts of the world is nothing other than the possibility of specialising in certain sectors of production and enjoying extensive trade relations with the rest of the world. This is especially true of the EU, whose marked openness to international trade is difficult to reconcile with the concept of economic independence. It is no coincidence, therefore, that in the economic sphere, the European Union does not talk about “strategic autonomy” plain and simple, but prefers its qualified variant “*open strategic autonomy*” – a formula used in various EU documents since 2020. Compared with certain

policies adopted in the recent past, such as the widespread use of trade agreements and partnerships, combined with support for the WTO, this signals a far more interventionist approach to industrial policy, which includes the development of critical technologies through the Strategic Technologies for Europe Platform, the exploration of options for ensuring targeted and appropriate support for Research & Development in the field of dual-use technologies, and a review of the regulations governing foreign direct investment.

Europe's re-embrace of economic activism, both internally and externally, has been welcomed in many quarters. Greater investment, encouraged and partly financed by public money, is essential in order to maintain competitiveness in the most advanced areas of technology. This change of strategy, however, also carries risks: partly because it will make the EU more inward-looking, but also because direct industrial-policy interventions – although they might boost Europe's technological capacity and reduce its exposure to external risks in certain sectors – are costly and can distort markets if not properly implemented.

In the final dimension of insecurity – demographic insecurity – Europe's position poses even more problems, and this topic is discussed in the chapter by Alessandro Rosina. Since the second half of the XX century, the relative demographic weight of Europe and the West has moved in one direction only: down. Europe's current demographic weight is about half the weight (approximately 1.4 billion) of each of the three demographically strongest parts of today's world: China, India and Africa. In the early 1900s, Europe accounted for almost 25% of the world's population. That figure has now fallen to below 10% and could fall further to just over 5% by the end of the century. In other words, just over one in 20 people worldwide will be European, compared with more than one in five in the first decades after World War Two. If we zoom in on the EU-27, as opposed to Europe as a whole, we see that its share of the world population has halved from 12% in 1960 to 6% now, and could fall below 4% in the closing decades of this century.

This is aggravated by the fact that the cohort at the heart of working life is shrinking while the elderly population is growing, resulting in a corresponding increase in the share of the population that is fragile, and the consequent need to strengthen the welfare system – beyond family support, with investment in long-term care – and public health services. Inevitably, this will increase both healthcare and pension spending.

Unless properly managed, this demographic transition risks accentuating both Europe's internal fragility (where social inequalities intertwine with geographical disparities) and its external weakness (less weight in the geopolitical arena). The answer on both fronts lies in strengthening the role of the younger generations by means of a common European social policy (integrated with development policy). This means acting on the quantitative front, to increase the percentage of young people in the population, by investing in measures to boost birth rates and attract young people from other parts of the world (especially where they represent a large slice of the population). It also means acting on the qualitative front, by improving education and maximising the human capital of the new generations, with a view to boosting the efficiency of the working-age population, reducing the percentage of people under 30 not in education, employment or training (NEETs) and enhancing the contribution that young people can make to the world of work, both autonomously and with the aid of new technologies.

Against this worrying backdrop, the closing chapter by Giampiero Massolo raises the question of Italy's prospects. In today's world, it is becoming increasingly difficult for the country to independently achieve an adequate level of security or manage the pitfalls of a disorderly and unpredictable global scenario. Alliances and partnerships are therefore set to become more and more important. But this does not mean we should ignore those elements of sovereignty, autonomy and capacity for action that, if appropriately strengthened, would enable Italy to play a more authoritative role in the world and generate

more added value in foreign policy. These are pre-requisites for addressing the risks and reaping the opportunities that the world presents us. The proposal is basically an enhanced concept of sovereignty – not as an idea in itself, but as a set of empowering factors that enable Italy to take part, on an equal footing, in the security initiatives undertaken by the partners to whom it is bound by a common destiny. Firstly, this means Italy must act in conjunction with partners to identify not only the lowest common denominator between the national interests of all parties, but also possible synergies between their respective capacities for action on the world stage. Secondly, it is important that each country promotes the internal development of those essential strengths that bring substance to the idea of a more fully European strategic sovereignty/autonomy. Lastly, it also means helping to strengthen the transatlantic relationship, in the knowledge that European security challenges go hand in hand with a growing need for American support, especially at a time when tangible threats to the continent's security are so close to home.

Alessandro Colombo
Paolo Magri

1. The Crisis of the International Order Is Being Militarised

Alessandro Colombo

The outbreak of open warfare in Gaza, less than two years after the Russian invasion of Ukraine, confirms the irreversible crisis of the liberal international order, already under way since at least the second half of the 2000s, has reached the stage of full militarisation: the collapse of the order no longer generates, in general, crises, but actual wars.

Throughout history, the nature of wars has always mirrored the nature of the surrounding international scenario: its power relations, its geopolitical configuration, its institutional order and even its languages. However, these two recent wars contradict 30 years of political, journalistic and scientific rhetoric, which assumed the obsolescence of the appropriation and defence of territories, of borders, of the military instrument of power and thus of war itself. What is happening now is exactly the opposite of what was supposed to happen. The possibility of war has by no means ceased to put its stamp on international politics and guide the foreign policy of individual actors – as evidenced by the general increase in military expenditure and the launch or revival of military alliances, starting with NATO. Confounding the mantra voiced by liberal economists of a “world without borders”, wars continue to be fought for the specific purpose of appropriating spaces or defending borders. In situations where an existing State is absent, such as in Gaza and the West Bank, they devolve into a primal struggle for raw land and physical barriers (to be constructed or contested).

From Ukraine to Gaza

So, what is the political, strategic and legal significance of the two wars in Ukraine and Gaza? They do not seem to have much in common with each other at first glance. Firstly, because, they are vastly different in terms of their political-military landscape.

The first, the one in Ukraine, harks back to a traditional model of inter-state war, fought by regular armies along a recognisable front of defensive systems, marked by offensives, counter-offensives and friction, and fuelled by the mobilisation of the respective combatants' production systems. The other war, the one in Gaza, is closer to the more recent model of "new wars",¹ "wars amongst the people"² or "low-intensity conflicts",³ in which a regular army seeking decisive confrontation clashes with irregular militias, keenly intent on avoiding it, within the context of a radical asymmetry that encompasses political, strategic and legislative aspects (i.e. first and foremost, judgements on what is legal or illegal and honourable or dishonourable on the battlefield – and, at the outset, where and when the battle is begins and ends).

The two wars also differ from one another in their origins and historical context. The war in Ukraine is, to all intents and purposes, a product of the great change of 1989-91 because like many other wars of the last century (including the last one between Armenia and Azerbaijan over Nagorno-Karabakh), it is a war of succession between the two heirs to a unitary complex that has ceased to exist,⁴ in this case the Soviet Union.

¹ M. Kaldor, *New and Old Wars. Organized Violence in a Global Era*, Polity Press 1999; tr. it. *Le nuove guerre. La violenza organizzata nell'età globale*, Carocci, Roma, 2001.

² R. R. Smith, *The Utility of Force: The Art of War in the Modern World*, Penguin Books, London 2006; tr. it. *L'arte della guerra nel mondo contemporaneo*, Il Mulino, Bologna 2009.

³ M. Van Creveld, *The Transformation of War*, New York, The Free Press, 1991.

⁴ A. Colombo, "From the Balkans to the Caucasus. The Wars of Succession and the New Regional Systems", *Quaderni di Relazioni Internazionali*, no. 8, October 2008, pp. 85-97.

Also, paradoxically, one of its outcomes will be to transport us back 30 years in time to the key problem of the post-Cold War period, i.e. how to resume relations with the defeated enemy and under what conditions. Conversely, the war in Gaza represents the latest chapter in the Palestinian question, which traces its roots back over a century of internal conflicts and external interventions, taking definitive shape around the occupation and colonisation of the Palestinian territories following the 1967 war. Whereas the end of the cold war has so far only resulted in a failed peace process and the insult of being lumped under the heading of the global war on terror.

The theory of a “third world war in pieces” may seem compelling, but it is meaningless as the war in Ukraine and the war in Gaza are as different from one another as one could possibly imagine politically, diplomatically and strategically. Unless one gives credence to conspiracy theorists who believe that their enemy has a hand in everything they do not like, it is clear that the stakes, the players and the respective languages of the two conflicts are completely different from one another. Despite the predictable opportunistic incursions of individual actors, there is no overlap between the sides facing one another in one conflict and those present in the other. Consequently, the outcomes of the two wars are not necessarily linked. This would not happen in a genuine world war. In the 1939-45 war, for example, it would have been inconceivable to win in Europe and lose in the Pacific or vice versa. In the present case, there is no reason for the two wars to operate as different fronts of the same war and thus converge in the same outcome.

Despite all these differences, the two wars in Gaza and Ukraine are cumulatively responsible for some of the most disturbing currents destabilising the international order today. Starting with the process of diversification that has affected and, by the same token, complicated this century’s international scenario.⁵

⁵ For different versions of this thesis, see B. Buzan and O. Waever, *Regions and*

The two wars are so different from each other in terms of players, sides, stakes and language because, despite all the attempts to forcibly pigeonhole them (“the global war on terror” or the new fable of a clash between democracies and autocracies), the international context is actually heading in the opposite direction, i.e. towards progressive breakdown on a regional scale. Consequently, all attempts to identify common trends in conflicts are bound for failure, both theoretically and politically. Instead, they have the effect of making players more aware of the competitive dynamics in their own regions, driving abandonment by sponsors outside the region – and thus triggering a chaotic and ceaseless race for new weapons and new allies.

This process of diversification is inevitably mirrored by a deepening crisis in the political, institutional and cognitive instruments of global conflict management. From this viewpoint too, the current international scenario ironically refutes the rosy promises of the liberal international order, centred on the myth of global governance and its supposed increased capacity for crisis prevention and management. No impartial observer or third-party state could have failed to notice that the situation in Ukraine had been getting worse since at least 2014, and that the situation in the occupied Palestinian territories was steadily approaching its breaking point as the months passed. But this was not enough to set in motion any effective preventive diplomacy in either case. External actors exacerbated rather than mitigating the conflict if they did anything at all. The fact that global dynamics had lost its grip on regional dynamics was also confirmed by the way both wars subsequently played

Powers. The Structure of International Security, Cambridge UP, Cambridge, 2003; A. Colombo, *La disunità del mondo. Dopo il secolo globale*, Feltrinelli, Milan, 2010; D.A. Lake and P.M. Morgan (eds.), *Regional Orders: Building Security in a New World*, Pennsylvania State UP, University Park, 1997; P. Katzenstein, *A World of Regions. Asia and Europe in the American Imperium*, Cornell UP, Ithaca, 2005. On the implications for US foreign policy, R.A. Manning, “US Strategy in a Post-Western World”, *Survival*, vol. 55, no. 5, 2013, pp. 115-32.

out.⁶ The most recent conflict in Gaza has already mercilessly exposed the US's inability to control its Israeli ally, despite the predictable repercussions this will have on American (and western) power and reputation both in and outside the Middle East. On the other hand, growing uncertainties over the long-term sustainability of US and European support for Ukraine jeopardise the effectiveness and the very credibility of their commitment over the past two years.

Given all this uncertainty, it is hardly surprising that the war in Ukraine and the renewed outbreak of the Israeli-Palestinian conflict have also highlighted the remarkably poor predictive abilities that seem to afflict all the major players, leading to a series of surprising failures. We have seen it over the last 20 years, in the fatal miscalculation made by the United States when it invaded Iraq in 2003 and, in parallel, in the endless blundering self-indulgence that typified NATO's disastrous mission in Afghanistan. A few years later, Russia also based its decision to attack Ukraine on completely unrealistic expectations regarding the resilience of the Ukrainian State and Government. Last year, it was Israel's turn to be caught blatantly unprepared by the Hamas attack on 7 October, due to a similarly inadequate assessment of its current security environment.

The Strategic Context. Interpretations of Insecurity

The political and strategic insecurity reflects, firstly, what could, with a stretch of the imagination, be defined as a crisis of governance⁷ or of the steering function⁸ of the international system. More specifically this means a crisis in the ability, will

⁶ M. Kimmage and H. Notte, [“The Age of Great-Power Distraction. What Crises in the Middle East and Elsewhere Reveal About the Global Order”](#), *Foreign Affairs*, 12 October 2023.

⁷ R. Gilpin, *War and Change in International Politics*, Cambridge UP, Cambridge, 1981, trad. it. *Guerra e mutamento nella politica internazionale*, Il Mulino, Bologna, 1989.

⁸ R.C. Tucker, *Politics as Leadership*, Missouri University Press, Columbia, 1981, p. 15.

and trust of the hegemonic power that has reigned over the last 30 years – the United States, with its retinue of friends, allies and partners – to continue procuring what are traditionally referred to as the public assets offered (and imposed) by hegemonies: international peace and security, entitlement to rights over the territory and the regulation of global economic relations.⁹

In recent discussions, all possible explanations for the imbalances in the current international system have essentially revolved around this hegemonic shift. The first explanation – which interprets this historical juncture as part of a bigger picture than the immediate post-Cold War context – still insists on viewing the current international context as unipolar.¹⁰ More specifically, according to this explanation, the American-led unipolarity (now only partial) is seen as the driving force behind instability and, subjectively, insecurity.¹¹ The reason could be that “International norms and institutions still constrain revisionists, but these states are more willing to challenge them”.¹² or that the United States currently appears too internally divided to be able to deal effectively and coherently with these challenges¹³ or even that “some of the most vital muscles” of American hegemony (the relationship with alliances and institutions) have “atrophied” in the recent past¹⁴ and are in danger of doing so again in the future – or that, even without undermining the unipolar structure of the international system “the world is a much more dangerous place than it was 20 years ago”.¹⁵

⁹ G. Modelski, (ed.), *Exploring Long Cycles*, Lynne Rienner Publishers, Boulder 1987; J.S. Goldstein, *Long Cycles. Prosperity and War in the Modern Age*, Yale UP, New Haven-London, 1988.

¹⁰ S.G. Brooks and W.S. Wohlfort, “[The Myth of Multipolarity. American Power’s Staying Power](#)”, *Foreign Affairs*, vol. 102, no. 3, pp. 76-91.

¹¹ *Ibid.*, pp. 85-87.

¹² *Ibid.*, p. 91.

¹³ R. Gates, “[The Dysfunctional Superpower. Can a Divided America Deter China and Russia?](#)”, *Foreign Affairs*, vol. 102, no. 6, pp. 30-44.

¹⁴ J. Sullivan, “[The Sources of American Power. A foreign Policy for a Changed World](#)”, *Foreign Affairs*, vol. 102, no. 6, p. 10.

¹⁵ R.O. Keohane, “[The Ties That Bind](#)”, *Foreign Affairs*, vol. 102, no. 6, p. 169.J

Other, more common, interpretations point at the tensions that are inherent in any process of transition from one power configuration to another: although they cannot agree on which one will emerge. The most common variant of this interpretation, at least but not only in Europe, hinges on a yet undefined multipolar international system, made up of the United States and China as well as players such as the European Union, India and Russia, perhaps backed in the future by Brazil and other emerging countries. The many proponents of this idea believe that this international system would ultimately prove to be more balanced and orderly than the unipolar system of the recent past. However, during the transition phase, it would require a very delicate and contentious process of adapting foreign policies and renegotiating norms and institutions, which would initially exacerbate insecurity rather than containing it.

This more benign interpretation of transition has been countered over the past 10 years, by the possibility of a progressive (and potentially destructive) bipolarisation set up between the declining hegemonic power and the new pretender, i.e. between the United States and China. Here, instability would be a direct outcome of the emerging conflict. Instability would ensue because, as so often in history, the waning and waxing powers would be likely to fall victim to the other's inclination to suspect the other's intentions (present or future), with the attendant risk of plunging into that competitive spiral that scholars of international relations like to call the "security dilemma".¹⁶ The tussle between the United States and China, has more recently been dubbed the "Thucydides Trap".¹⁷ Following this argument, the emerging global competition would end up getting mixed up with and feeding off all the

¹⁶ J.H. Herz, *International relations in the atomic age*, Columbia UP, New York, 1959; R. Jervis, "Cooperation under the Security Dilemma", *World Politics*, vol. 30, 1978, pp. 167-214.

¹⁷ G. Allison, *Destined for War. Can America and China escape Thucydides's Trap?*, 2017; tr. it. *Destinati alla Guerra. Possono l'America e la Cina sfuggire alla trappola di Tucidide?*, Roma, Fazi, 2018.

existing regional rivalries, ultimately distorting or curbing the institutions and international organisations and also hindering the management of common problems and emergencies, as we saw with the Covid-19 pandemic. History is in danger of repeating itself when it comes to the environmental issue.

Both hypotheses – a transition to multipolarity or a transition to bipolarity – share the assumption that the international system is destined to retain its global structure whatever the distribution of power. A third possible interpretation even questions this premise, taking the situation of regional breakdown over the last 30 years to the extreme. According to this view, the global hegemony of the United States being overcome by the ongoing growth in regional powers (the major ones as well as medium-sized regional powers such as Qatar, which has been a leading mediator between Israel and the Palestinians in recent weeks) would not lead to the formation of new centres in the global spatial order, but rather to the shoring up of an alternative spatial order, built on the organisational capacity of individual regions and on the (progressive) marginalisation of any external interference in their peace and war dynamics – a kind of proliferation of Monroe doctrines¹⁸ as well as the scenario shaped by the ascendent powers at the time of the decline of British hegemony.

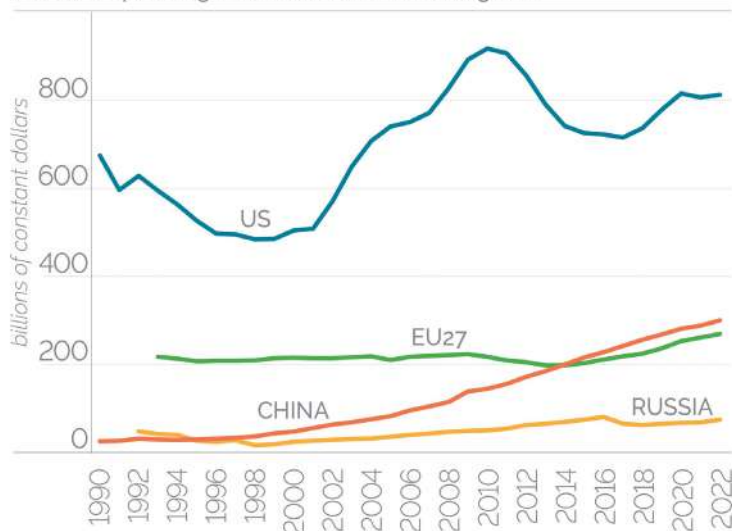
However, there is still one final and even more radical interpretation of the instability. According to this view, instability is not driven by any presence, but rather by a power vacuum, as opposed to the dysfunctions of a partial unipolarity or the stresses of transition. In other words, the declining hegemonic great power and the rising challengers would prove to be increasingly less effective players in international politics.¹⁹ This would come about because they were too busy conserving resources to sort out their own imbalances and internal problems, or because they were less and less able to convert their power into influence, even when willing to intervene.

¹⁸ J. Mearsheimer, *The Tragedy of Great Power Politics*, 2001; trad. it. *La logica di potenza. L'America, le guerre, il controllo del mondo*, Milano, UBE, 2003, p. 364.

¹⁹ Kimmage and Notte (2023).

A Less "Unipolar" World?

Defence spending in certain countries or regions



Source:
SIPRI

ISPI

The Crisis of Rules

However, being uncertain does not only mean being less able to predict how the context in which one operates will evolve and the outcome of one's actions. Matters are complicated by the normative dimension of the crisis, i.e. the impossibility of relying on basic principles, norms, and rules of coexistence.

We have been aware for many years that we are going through a constituent crisis in international society. This crisis is driven by the inevitable ageing of the institutional design dreamed up in the mid-to-late XX century (and entrenched in organisations such as the United Nations, the World Bank, the International

Monetary Fund and, more recently, the G7). It is fuelled, at a deeper level, by the decline of the west's centrality and the consequent ebbing of western influence over the rest of the world. It is made even more insidious by the apparent and at least partial collapse of the Westphalian model of international coexistence, essentially held up by inter-state politics. The crisis also touches on all the essential aspects of the existing political and legal order, starting with the structural principles on which any historical model of international coexistence is founded, i.e., who are the subjects of the international society, what their relative status is, how space should be distributed between them – and whether and under what conditions it is legitimate to resort to war.²⁰

The events of the last few months have had the effect of definitively bringing to the surface the practical and political consequences of this breach. At its most superficial level, but no less important for that, it opens up the chasm of endless debates over double standards. This debate may be largely sidelined or at least underestimated by Euro-centric and US political rhetoric and news reporting, but it is very much alive outside the West and within the United Nations. It is fuelled by the apparent tension, not to say open contradiction, between the legal and moral condemnation of the Russian aggression against Ukraine and the total impunity with which the Anglo-American aggression against Iraq only 20 years earlier had been regarded. Other examples are the de facto support for 55 years of Israeli occupation of the Palestinian territories and the mobilisation, including military, against the Russian occupation of Crimea and Donbass. Another example is the solidarity with or condoning of the appalling massacre of the civilian population of Gaza by the same countries that did not hesitate to intervene militarily in Kosovo in 1999 and Libya in 2011.

²⁰ A. Osiander, *The States System of Europe, 1640-1990. Peacemaking and the Conditions of International Stability*, Oxford, Clarendon Press, 1994.

Behind the debate over double standards, it is easy to glimpse an even deeper clash over who has the right to speak on behalf of all. Who can decide when something concerns the international community and when it does not, defining and redefining the meaning of words (aggression, occupation, terrorism and mass violence), ultimately dictating the threshold for full membership of the international community and the criteria of political, economic and cultural normality that one needs to meet to cross it. For better or worse, this was indeed one of the fundamental hegemonic functions performed by the United States and its European allies at the turn of the 1990s. With the decline of American hegemony, however, there is widespread questioning of this function. This encompasses issues ranging from constitutional matters, such as the relationship between sovereignty and the rights/duties of interference, to the balance between formal equality between States and preferential treatment in favour of democracies;²¹ or, as in the last two years, of deciding who deserves to be declared and prosecuted as a war criminal and who retains the traditional sovereign right to innocence. Once the military phase of the conflicts is over, the debate will focus on who should lead the negotiations or participate in an international conference, in a situation where the European and American monopoly on peace appears to have definitively run its course.

However, the full scope of the crisis of rules is epitomised by the crisis of the norms regarding the use of force, which is politically and legally crucial. Russia's aggression against Ukraine and, over the past year, Hamas' terrorist attack and Israel's full-scale (and equally indiscriminate) retaliation are merely the culmination of a process of re-legitimation and de-institutionalisation by stealth of the use of force. This began in the early 1990s and circumvented the exceptionally restrictive rules of the United Nations Charter by introducing

²¹ A. Colombo, "Una democrazia senza eguaglianza. I paradossi di un nuovo ordine internazionale democratico", *Quaderni di Relazioni Internazionali*, n. 2, settembre 2006, pp. 18-33.

a long string of exceptions that were not necessarily consistent with each other (humanitarian interference, the fight against terrorism and the extension of preventive self-defence to cases where the threat was not yet imminent). All the more so, since this breaching of the legal boundaries is exacerbated by the waning of any clear distinction between peace and war. The breakdown is fuelled by the proliferation of covert forms of attack (cyber warfare, terrorism, targeted assassinations and kidnappings and subversion), reflected by expressions such as “endless war”, “hybrid warfare” and “grey zone” and destined to make the question of when and where a war begins and when and where it ends even more elusive than in the past.

2. The Ties That Bind: Insecurity and Inflation

Franco Bruni

Insecurity is made up of risk and uncertainty. Risk is measurable and insurable; to some extent, its probability distribution is known. Uncertainty is not measurable; it stems from events that are unpredictable by their nature. Having a certain medical condition and being of a certain age represents a risk, whereas the Covid-19 pandemic arose from uncertainty and, despite the progress made in the study of that virus, its future evolution remains unpredictable.

Risks and Uncertainties

The financial markets are subject to both risks and uncertainties, but they also offer instruments for insuring against risk and helping defend the economy against its consequences. Furthermore, the financial markets generate risks and uncertainties for macroeconomic systems, while at the same time being exposed to risks and uncertainties generated elsewhere. Share prices, for example, are susceptible to unwarranted panic, which, in turn, can trigger crises in the real economy. But the bankruptcy of a major public or private debtor, whether more or less foreseeable, for real reasons unrelated to finance, can undermine financial stability, as can an abrupt rise in inflation caused by commodity price increases. So, finance can become the key factor in a vicious or virtuous circle, which multiplies or reduces economic insecurity, wherever it comes from.

Over the past four years, the global macro-economy has experienced intense episodes of risk and uncertainty, their financial repercussions, and the knock-on effects of these repercussions on output, growth, employment, income distribution and wealth. During these episodes, as during the major financial crisis of 2007-08, the economic policies used – or that could have been used – to address them, were agents of stability and certainty on the one hand, but agents of further uncertainty on the other, due to their controversial nature and the difficulty of implementing them.

The pandemic, which was largely unforeseeable, was followed by the sudden, tragic and unjustified invasion of Ukraine, and its economic consequences, especially in terms of its effect on energy prices and sources: this gave the impression that the economy was dominated by uncertainty and was not therefore amenable to forecasting or preventive and protective measures. Among other things, two phenomena were empirically confirmed in various ways: the disorientation of medium-to-long-term expectations (deriving from both market data and specific surveys), which growing uncertainty makes unresponsive to evolution in the information set; and the increase in pure uncertainty in the short and very short term, where risks normally look easier to specify and insure against. Although it is not entirely unforeseeable, many people perceive even the rapid acceleration of developments in artificial intelligence as a precursor of uncertainty, albeit not always one associated with pessimism. The fatalistic climate, which has also become widespread in finance, abetted by the natural tendency towards short-sightedness of many consumers, investors and economic policies, is only partly justifiable: even the pandemic itself, which is often viewed as nobody's fault or attributed to pure uncertainty, should have been considered a risk and should have elicited efforts to prevent it by means of a better-informed, more concerted and more controlled global framework for the governance of health and hygiene.

There has also been a rise in economic risks that should be clearly defined, measurable and insurable. The risk of sharply accelerating price rises for goods and services, in the wake of many years of monetary and fiscal policies that on average have been highly expansionary, was underestimated. When it was tackled, in the second and third quarters of 2022 – dangerously late, both in the US and Europe – it generated other chain risks and propagated uncertainties. As a result of the central banks' decision to raise short-term interest rates sharply and substantially, in a bid to curb inflation, equity and bond performance, the affordability and sustainability of public and private debt and the liquidity of banks have all become more risky. But the future course of monetary and fiscal policies and their consequences on growth and income has also become more insecure: how severe will monetary tightening and inflation-aversion be and how long will they last? As for the public deficits and debts that have grown in response to the black swans of pandemic and war, when and how tightly will they be reined in? These uncertainties have impacted on the outlook for inflation itself, as investors and consumers remain focused on constantly changing forecasts and gambles on its duration and medium-to-long-term level.

While some partly foreseeable risks have also been viewed as sources of “uncertainty”, the awareness of uncertainties has justified efforts to understand them better and be able to predict them, measure them and reduce them to insurable risks, against which timely defensive action can be taken. Perhaps the most striking case has been geopolitics: once seen as a mainly indomitable and unmanageable factor, for many companies, organisations, banks and financial markets geopolitics is now the target of documentation, training, consulting, measurement and scenario-testing, almost to the point of quantitative forecasting and preparation of insurance strategies. In this respect, the history of 2023 and the prospects for 2024 look important: new risks, uncertainties and geopolitical shocks are buffeting both macro- and micro-economies, but growing

efforts are being made to understand these phenomena better and manage them more skilfully than in previous years.

Uncertainty Fluctuates

Various factors of economic risk and uncertainty rose and fell in 2023 and may continue to fluctuate in 2024. A wide range of quantitative indices of economic uncertainty are calculated by central banks, the IMF and the major think-tanks. These are based on both market indicators, which reveal the feelings and forecasts of financial operators, and qualitative and linguistic data, which summarise uncertainty as it emerges from the media and public opinion.¹ Globally, the indices show that economic uncertainty has fallen from the peaks it reached in 2021, the year after the outbreak of Covid. As a result of the war in Ukraine, the opening months of 2022 saw another increase in gas prices and in inflation more generally. The tightening of monetary policy had a dual effect: its early victories over price dynamics reduced uncertainty by bringing the prospect of normalisation closer, but it also increased the risk of debt crises caused by rising interest rates. Indicators of uncertainty remained high, however, due to the continuation of war in Ukraine in 2023, and then spiked in response to the major difficulties faced by certain banks in the spring, especially in the US, before falling back in response to clearer evidence of a slowdown in inflation and the fact that the expected signs of recession in production and incomes had failed to materialise.

¹ See for example: <https://news.research.stlouisfed.org/2023/07/fred-adds-macroeconomic-uncertainty-index-data/#:~:text=The%20Macroeconomic%20Uncertainty%20Index%20is,months%2C%20and%201%20year%20ahead;> <https://fred.stlouisfed.org/series/GEPUCURRENT;> [https://www.statista.com/statistics/1032028/global-policy-uncertainty-index/;](https://www.statista.com/statistics/1032028/global-policy-uncertainty-index/) [https://www.policyuncertainty.com/;](https://www.policyuncertainty.com/) [https://www.elibrary.imf.org/configurable/content/journals\\$002f001\\$002f2023\\$002f229\\$002farticle-A001-en.xml?t:ac=journals%24002f001%24002f2023%24002f229%24002farticle-A001-en.xml](https://www.elibrary.imf.org/configurable/content/journals$002f001$002f2023$002f229$002farticle-A001-en.xml?t:ac=journals%24002f001%24002f2023%24002f229%24002farticle-A001-en.xml)

In late 2023, various factors brought a fresh boost to uncertainty: from the outbreak of war in Palestinian territories to new fears of severe slowdowns in the economy, both in the US and Europe, where Germany's growth crisis fuelled pessimism, as well as China, where the significant structural slowdown in growth has political, economic and commercial consequences that remain hard to predict and address. In the final four months of the year, moreover, quantitative indicators of risk and uncertainty looked especially sensitive, on a month-by-month basis, to monetary-policy prospects, tending to fall when inflation slowed more sharply and the major central banks looked likely to stop or reverse their rate increases.

So, as mentioned earlier, the financial markets echo the risks and uncertainties that arise elsewhere, while generating or countering risks and uncertainties of their own. The past two years illustrate how inflation and the policies designed to address it reflect, whether more or less directly, many of the risk factors and uncertainties facing the global economy. Inflation is both a symptom and a cause of economic insecurity. This is partly because it highlights the degree of sustainability of the substantial public and private debts that, paradoxically, were generated for the specific purpose of mitigating the major uncertainties spawned by the sudden shocks, some expected, others less so, that have struck the world in recent years.

Inflation, a Cause of Uncertainty

In the US, the annual increase in price indices approached 3% in the spring of 2021; in the Eurozone, it did so a few months later. It peaked at around 10% (slightly less in the US) 15 months later on both sides of the Atlantic. After that, partly as a result of the Fed's and the ECB's tightening of monetary policy just three months before inflation peaked, it started falling. But it remained high in late 2022, at around 7% annually in the US and 9% in Europe. In 2023, price rises slowed considerably, as monetary policy was tightened more firmly: compared with

2022, average inflation in 2023 was 4 points lower in the US and 3 points lower in the Eurozone, while at the end of the year, the rate of price rises fell by 6 points in the Eurozone and 3.5 points in the US. Needless to say, not all price rises slowed like the average. Energy price trends, in particular, anticipated and influenced other price trends, while some prices, especially the averages of the most common consumer spending baskets, proved more resistant to falls. Inflation and its deceleration have been global phenomena, across all advanced economies – except Japan, where prices saw only small movements that were peculiar to that specific market – and many emerging economies, in some of which, long-standing, out-of-control hyperinflation first worsened before slowing slightly.

Inflation, especially when as sudden and unexpected as it has been over the past three years, has large-scale redistributive effects that cause insecurity by the arbitrary impact they have on the economy. Price rises trigger redistribution for two reasons. The first, as mentioned above, is that not all prices rise to the same extent at the same time, thus having widely varying effects on the revenues, incomes, costs and purchasing powers of different companies, sectors and social categories. The parties that suffer most are those with the least market power, whether sellers or buyers, those that have fixed incomes, and wage earners who do not renegotiate their pay in time and thus lose purchasing power. The resulting redistribution is arbitrary, unjust, and regressive. The consequent insecurity therefore has adverse effects on economic and financial predictability, medium-to-long-term investment, rational planning and the efficiency of all economic activity, including mere consumption.

The second reason for the redistributive effect of inflation is the erosion of the real value of debt, whose interest rates do not adjust to the pace of price growth in a timely manner. This rewards debtors and penalises creditors. Among the former, governments are particularly important, insofar as the “tax” imposed by inflation unfairly rewards those with the highest levels of debt. The arbitrary nature of redistribution affects

businesses and households according to their position in financial markets. Those with a higher share of real estate assets, for example, perhaps on the back of corresponding debts, can find themselves favoured by inflation; unlike their debt-free counterparts, perhaps with higher wealth and income, who have put their savings into financial assets. This is another way in which unexpected inflation increases uncertainty, thus depressing demand for goods and services; and reduces the quality of resource allocation, thus reducing productivity and aggregate supply.

The scale of the overall redistribution caused by inflation in recent years has been substantial, and is considerably higher than the tax rates that we often complain about. As an illustration of this, consider the effect of a currency's reduced purchasing power on the real value of a public debt comparable to Italy's. Its average remuneration rates, by way of medium-to-long-term bonds, remain for long much lower than accelerating inflation: with Italy's debt-to-GDP ratio, an increase in average annual inflation like the one we saw in 2022-3 equates to the revenue generated by a new tax in the order of 20 percentage points of GDP.

Overall, this arbitrarily redistributive effect is not one of the most widely discussed aspects of inflation, and if public opinion was better informed, it would be more hostile to price instability.

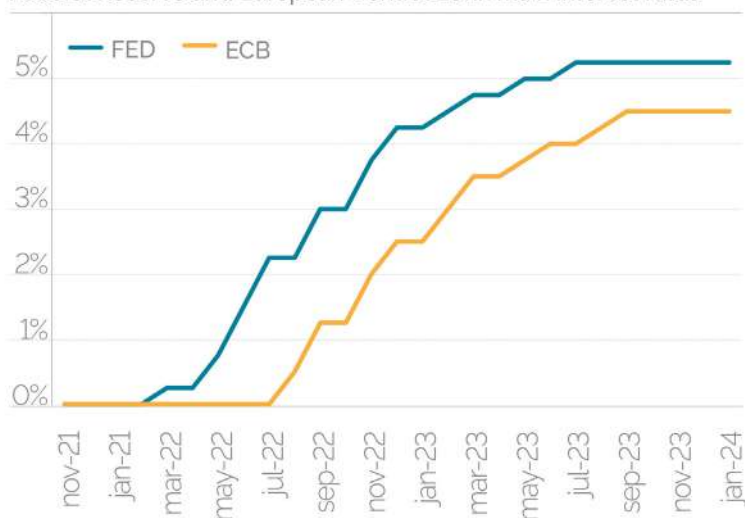
Almost all forecasters estimate that inflation rates in the US and Europe will be about 2.5% by the end of 2024 and 2% by the end of 2025. But the overview of expectations is marked by continuing uncertainties. In the wake of the global macro-shocks of recent years, economic and financial expectations are becoming increasingly uncertain and disoriented as their time-horizon extends beyond 3-6 months. The fact that central banks loudly insist on maintaining a target of 2% for annual inflation, and that they are willing to risk the unpopularity of large interest-rate hikes to achieve that target, provides a somewhat artificial anchor for the forecasts announced, even by

authoritative forecasters. If the forecasts generally agree upon this figure of 2% over the next two to three years, it is partly because of this anchor target, which has long been breached over the past two decades, however, with both excesses and shortfalls.

What are the main factors of uncertainty affecting inflation prospects in economies like the US and Eurozone over the next few years? This is real uncertainty that is difficult to measure and is linked with complex structural and political factors. It is not risk that can simply be represented by the amplitude of the probability distribution of forecasts.

The Rise in Interest Rates

Federal Reserve and European Central Bank main interest rates



Source:
FED and ECB

ISPI

The Uncertainty of Inflation

Let us assume first of all that today's aversion to inflation remains in place, and that everyone, having been frightened by its violent flare-up in recent years, wants to put an end to it. The fact remains that, if they are to die down on a lasting basis, the flames of inflation must not be given the opportunity to flare up again due to an over-abundance of fuel. The factors that fuel inflation are credit at low interest rates and large deposits of liquidity available to the economy to fuel purchases at higher prices. Both were reduced by the monetary tightening that began in 2022, but whereas interest rates have increased a lot, liquidity has not yet been absorbed enough. As far as the textbooks on monetary economics are concerned, high interest rates and excess liquidity are a contradiction in terms; but the unorthodox monetary policies that have been implemented in the decades since the financial crisis of 2007-8 crisis now enable the two to coexist.

The high level of interest rates in the US does not prevent the federal central bank's balance sheet from still having assets, at the end of 2023, in the form of private and public securities purchased over the past 15 years under quantitative easing, worth the enormous sum of US\$7.5 trillion, or 28% of US GDP. Since the beginning of the year, their value has fallen by about US\$1 *trillion*, equating to just under 5% of GDP. As is the case at any central bank, these assets are counterbalanced by liabilities in the form of the cash with which they were purchased, *that is* the huge increase that purchases of securities have brought to the basic liquidity of the economy. If we look at the ECB's balance sheet, the value of the assets it held in the form of securities, almost all public, at the end of 2023, was just under €5 trillion, equating to 33% of the Eurozone's GDP and representing a fall of less than €200 billion since the beginning of the year. To get an idea of how exceptional these figures are, it is worth noting that, at the end of 2007, before the launch of the ultra-expansionary policies with which the various crises

of the past 15 years have been addressed, the securities held by the Fed were worth 5% of US GDP and those held by the ECB were worth less than 2% of Eurozone GDP. Bearing in mind that, since 2007, there has been no significant change in the order of magnitude, relative to GDP, of the two central banks' loans to the banking system – the economy's other major source of basic currency – the huge growth in securities measures the growth of liquidity relative to total output.

Despite the big rise in interest rates, this liquidity remains available to fuel a new inflationary fire, regardless of the match that ignites it: this could be a new shock to commodity and energy prices, new excesses in public spending, new trade and production barriers caused by geopolitical problems, big wage claims triggered by the erosion of purchasing power as a result of past inflation, or any of countless other factors. A considerable amount of uncertainty stems from the fact that a match of one type or another might rekindle price rises before the central banks have drained enough liquidity. This could be reabsorbed or neutralised in various ways, such as by selling securities or increasing banks' unremunerated mandatory reserves, or other more complex operations; but it is difficult to take action of this type without destabilising the markets and inflicting too much harm on banks' profit and loss accounts. For now, this reduction is proceeding slowly, especially as far as the ECB is concerned, and is mainly being achieved by not renewing maturing bonds.

Now let us remove the hypothesis that today's inflation-aversion remains in place. Let us assume instead that there is an increase in what is sometimes called "demand for inflation". This would add another layer of uncertainty. Demand for inflation could be driven up by the burden of large debts and/or the onset of recessions resulting in sharp declines in output, trade and employment. Geopolitical tensions would mix with these factors, thus boosting their capacity to put pressure on monetary authorities to make significant cuts to interest rates again and replenish the liquidity that they have not yet drained intensively.

At the end of 2023, the leading forecasts continue to suggest that the central banks will start cutting short-term interest rates between the spring and the mid-point of 2024. The prospects regarding the rate of liquidity absorption, in other words quantitative tightening, attract little attention. Moreover, no distinction is drawn between a small reduction intended to end a successful battle against inflation and larger reductions that many people would like and that would pave the way for a return to actively expansionary monetary policies. This lack of distinction on the part of forecasters is encouraged by the fact that central banks do not yet want to draw up a medium-to-long-term strategy, and continue to say that their decisions are dictated by the latest available economic data. In some quarters, this is seen as a major generator of economic and financial insecurity.

As far as the short-term consequences of monetary tightening are concerned, there are worries about falling demand for credit from businesses and households, but there is no good, informative narrative about the sustainability of many debts taken on by parties who financed risky investments with substantial leverage before the arrival of monetary tightening – especially in the US, where the most supervised and prudent segment of financial intermediation covers less than half of it.

Even people who are not afraid of recessions and are optimistic about growth and employment are predicting significant reductions in monetary-policy rates. Forecasts of the end of international monetary tightening draw little distinction between the two sides of the Atlantic, where the situation is in fact different: in the US, rates are one point higher, with actual and expected inflation at very similar levels to those in Europe. It is true, however, that Eurozone growth is less satisfactory than US growth, and that fiscal policies in Europe are predictably less expansionary than in the US: this could make it look more legitimate to return to monetary stimulus.

The most prevalent idea by far, that inflation has been beaten, seems to be stifling fears that it will return as a result of attempts

by the workforce to regain all of the purchasing power it has lost. In the longer term, the high costs of the energy transition and the decline in global competition are also fuelling uncertainty over inflation rates. Under de-globalisation, trade incentives and protectionism distort the flows of purchases, sales and production, with bilateral agreements or “mini-lateralisms” that often impose high costs and reduce the flexibility of supply, thereby triggering episodes of inflation.²

The uncertainty of the global economy is heightened by that of the Chinese economy, where attempts to foster growth by modern means and act as a global leader continue to clash with the political regime’s contradictions and mistakes. But Western stock exchanges, which saw large rises in 2023, seem to be ignoring the uncertainties of economies, betting on a strong cycle in 2024 and perhaps reflecting the abundance of liquidity seeking a temporary roost. The precarious nature of every prediction is plain to see: suffice it to say that in mid-December, Germany’s three leading economic analysis institutes cut an average of half a point from the growth forecasts that they had published less than three months earlier. As we have said, if the tail of monetary tightening were to pose a significant threat to public and private debts and the real economy were to deteriorate seriously, it would be difficult for central banks, which have come to see themselves as essential pillars of growth over the past two decades, to resist the pressure they would come under, both from politicians and private economic operators, to start increasing the money supply again, cutting rates vigorously and allowing inflation to resume. And as it has been to date, this would be both a concise expression and a driver of general uncertainty.

Uncertainty is a cost in its own right: the cost of being unsure about one’s economic choices, even if that uncertainty leaves room for both optimistic and pessimistic scenarios, without

² Cf. A. Brugnola and F. Fasulo, “[The Rise of Competing Minilateralism Challenges Multilateralism](#)”, Commentary ISPI, 27 December 2023.

there being any way to associate a degree of probability with them. As Marco Annunziata observes,³ finding our way in the future on the basis of lessons learned in the past seems to be an increasingly “futile ritual”, because “we never learn”: if that were entirely true, we would have no choice but to surrender to uncertainty. Having said that, *The Economist’s* closing issue of 2022, which provided a forecast of the year to come, would appear to prove that “the economy is unpredictable”,⁴ insofar as it got almost everything wrong and its predictions of the big themes of the year failed to even mention artificial intelligence. Which – we hope, as Annunziata hopes – will help us learn more effectively and make better forecasts.

³ justthink@substack.com, 30 December 2023.

⁴ Stefano Feltri, Appunti, 28 December 2023.

3. Migration in the Age of Insecurity

Matteo Villa

The past year has provided a bird's eye view of the contradictions that have been inextricably linked, for decades, with the approach to international immigration taken by countries that receive large inflows of migrants, and by Western societies in particular.

Most international migration heads towards regions of the world that are approaching or are already living a demographic winter, and whose societies therefore face a growing need for large, continuous inflows of foreign labour to alleviate the effects of their demographic transition on general taxation – in other words, to be able to afford to spend more on healthcare and pensions, for a few years longer, before being inevitably compelled to tighten their belts.

Those same societies, however, appear to be ever less capable of resisting the temptation – which has existed since time immemorial and has been a frequent feature of the history of mankind – to cast those who differ from themselves, with particular reference to foreigners, as scapegoats and as the causes of many of the evils affecting politics, economics and society. As the years go by, Western societies in particular seem to be growing more resentful and distrustful. But that's not all: they are also becoming more polarised, with devotees of conspiracy theories such as the “great replacement”, on the right, and supporters of No Borders movements on the left.

In this chapter we take stock of the current state and future prospects of international migration, and explore the link

between immigration and insecurity. We then look at what is happening in particular in the West, Europe and the United States, as far as the politicisation of migration processes is concerned. We explore the details of political agendas and ask how far politics acts as a vehicle for recognising feelings of insecurity triggered by immigration and giving voice to them, and how far politics itself actually generates those feelings of insecurity. Lastly, we shift our focus from politics to public policy, to conclude that responding to migration from a primarily security-driven point of view gives rise to public policy responses that are often theatrical above all else, and consequently ineffective or even counterproductive.

International Migration: Perception *versus* Reality

For the moment, let us start by reversing our point of view. According to various contemporary theories of the causes of migration, it is in fact the feeling of insecurity (economic or personal) that drives people to leave their homes and migrate, either to other countries or to other parts of their own country.¹ Insecurity is therefore firstly a cause and only secondly an effect of migration.

In view of a combination of costs and opportunities, however, humans tend to show a marked preference for permanent settlement in their place of origin, even in the face of high levels of perceived insecurity. There has been no radical change to this propensity of human mobility even after the latest waves of globalisation and the advent of modern means of transport, which have slashed the per-kilometre cost of travel. The number of international migrants was estimated to be 281 million in 2020, which means that 3.6% of the world's population lives outside the borders within which they were born. In other words, except for short periods abroad for the purposes of

¹ B. Bodvarsson et al., "Migration Theory", in B. Chaswick and P.W. Miller (eds.), *Oxford Handbook of the Economics of International Migration*, 2015, pp. 4-51.

tourism, work or study, 28 out of 30 people worldwide spend their whole lives in their country of birth.²

This marks an increase in emigration compared to 1960 levels, when about just 2.6% of the world's population had migrated across national borders during their lifetime. This upward trend, however, is slight, and needs to be considered in the light of a second fact: in several regions of the world, the number of people who express a desire to leave their own country is significantly higher than the number who actually leave. In sub-Saharan Africa, for example, 56% of respondents to a Gallup survey conducted in 2022 expressed a desire to live in a different country from the one they were in at the time.³ Of these, however, only about 2.5% had actually migrated across national borders – a level that is even lower than the world average. The reason for this is that the desire to migrate rises as living conditions fall, but below a certain level of poverty, people lack the means (whether financial, or simply physical and psychological) to consider migrating to another country and then to actually do so.⁴ This is especially true when the only available channels of migration are illegal ones, given the generally restrictive entry requirements in place in destination countries.

If we also consider people seeking asylum in other countries, and disregard the fact that the causes of migration are complex and that these people are likely to be moving partly for economic reasons and not only because they are personally or collectively persecuted, a further fact emerges: of the 110 million people forced to leave their homes and who had not yet returned to them by mid-2023, about 63 million (almost 6 out of 10) were internally displaced and had therefore not left their

² M. McAuliffe and A. Triandafyllidou (eds.), *World Migration Report 2022*, International Organization for Migration (IOM), Geneva, 2022.

³ Gallup International (2023), "One in Three Global Citizens Want to Migrate", 3 February 2023.

⁴ H. De Haas, "Migration and Development: A Theoretical Perspective", Working Papers 29, Center on Migration, Citizenship and Development, 2007.

home country. Of the remaining 47 million people, around 7 million were in European Union countries (including 4 million Ukrainians). As a whole, advanced countries, including the United States, play host to approximately 6% of people forced to leave their homes due to conflict or persecution, who, on average, make up 0.6% of the total population of these host countries.⁵

One more crucial fact: international migration is not speeding up; it is slowing down. This is mainly because world population growth is also slowing, and is expected to peak by 2080. But it is also because people's propensity to migrate to other countries drops dramatically once they are over 30 years old, and the median age of the population is rapidly rising as worldwide fertility rates fall. The median age of Africans will rise from 18 today to 23 in 2050, while in Asia it will rise from 31 to 40.⁶

Although all these facts can be lined up one behind the other, a West that sees itself as ageing and declining, and that is becoming more distrustful and hostile towards a world that it no longer dominates, is unable to come to terms with this reality. The fear of a "great replacement" of the European population is not a conspiracy theory merely because the people who embrace it see it as a deliberate process fostered by an international elite that encompasses both the capitalist right and the humanitarian left. It is also a conspiracy theory because there is no rational reason to believe that the migration pressures facing Western societies today will remain as intense in the future.⁷ On the contrary, it is more likely that we are currently experiencing a "window" of high flows of international migration, driven by a period of strong demographic growth, which in many cases is

⁵ UNHCR, *Mid-Year Trends 2023*, June 2023.

⁶ UN DESA, *World Population Prospects 2022: Summary of Results*, UN DESA/POP/2022/TR/NO, 2022, 3.

⁷ M. Villa and E. Corradi, "What the Future Holds: Migration from Africa to the EU", in M. Villa (ed.), *The Future of Migration to Europe*, ISPI Report, Ledizioni-ISPI, 2020.

already over or fizzling out, and that as the world's population slowly but surely grows older, demand for migration will peak and then fall back again. Irrespective of how well-founded they might be, however, the feelings of insecurity in countries with inflows of migration hinder pragmatic, fact-based assessments of the reality of current and future international migration.

The Reasons for Insecurity

In the face of this, the perception of insecurity that immigration generates is not totally unfounded. Aside from prejudice, there are some reasons why high flows of immigrants, especially if they are illegal or not accompanied by good public policies for integrating newcomers into the workforce and into the host society in general, can generate feelings of growing insecurity.

It is true, for example, that foreign people, on average, tend to be poorer than natives. In the European Union, foreigners from outside the EU have an average net income of around 15,000 euros, or 21% less than European citizens. Refugees, in particular, find it harder to enter the host labour market than other foreigners: five years after arriving in their European host country, their employment rate is still 40% as against 78% for people who emigrated to the EU for work purposes.⁸

Furthermore, although there is no reason to believe that an influx of foreign labour might “steal work” from the native population (most research finds that it has either no effect or a positive effect), this perception is widespread and firmly held by the general public in both the United States and Europe. It *is* grounded in facts, however, in a sub-set of cases: the arrival of new foreign workers tends to have a slight negative effect on the wages of foreigners already living in the host country.⁹

⁸ M. Villa and V. Emmi, “Migranti: La sfida dell'integrazione”, Report, ISPI-Cesvi, 2018.

⁹ G. Peri, “Do immigrant workers depress the wages of native workers?”, IZA World of Labor, 2014, vol. 42.

Lastly, there is a clear correlation between foreigners and crime. There are simple explanations for this fact, but because of its high salience, the issue is easily weaponised. In Italy, for example, foreigners accounted for about 9% of the total population, but 34% of all charges and arrests in 2022.¹⁰ On average, however, migrants are younger and belong to the poorest quintiles of the population, both of which are known risk factors in propensity to crime. Furthermore, illegal immigrants tend to be predominantly male (due to the risks involved in the journey). Once all these factors are taken into account, the difference in propensity to crime between Italians and foreigners ceases to exist.¹¹ Additionally, despite the increase in the number of foreigners over time, most Western societies have become safer in recent decades, not more violent. Between 2008 and 2021, for example, there was a 67% increase in the number of foreigners living in Italy, from 3 million to 5 million. In the same period, the number of reported thefts, robberies and murders fell by 43%, 65% and 51% respectively.¹²

Europe and the United States: The “Fortress” Policy

The accumulation of evidence against the arguments of those who see a direct and inextricable link between higher immigration (in itself) and greater insecurity does not prevent such feelings of insecurity from existing, and does not stop host countries (or those that share a border with host countries: consider Hungary, where foreigners account for no more than 2% of the total population) from building their public narratives, their identitarian processes and their policies on these feelings.

¹⁰ Ministry of the Interior and Eurispes, “La criminalità tra realtà e percezione”, May 2023.

¹¹ M. Barbagli and A.D. Colombo, *Rapporto sulla criminalità e la sicurezza in Italia 2010*, Rome, Ed. Gruppo 24 ore, 2011.

¹² Eurostat, *Crime statistics*, consulted in December 2023.

After a few years out of the spotlight, immigration was back at the top of the political agenda in many European countries in 2023, as the number of illegal arrivals at EU maritime borders increased. In Italy, for example, landings rose from 11,000 in 2019 to about 155,000 in 2023. In the meantime, asylum applications exceeded one million per year, a figure that had not been seen since 2015 and is more than double the figure for 2021.

Surveys show, however, that it is not just the number of illegal arrivals and asylum applications that have an impact, but also the way these numbers are framed and the political narrative that is built around them. Following the rapid increase in landings on the Italian coast since 2013, and then the Greek crisis in the second half of 2015, the number of Europeans who mentioned immigration, when asked by Eurobarometer “What do you think the two most important issues facing the EU are right now?” rose from 8% in 2011 to 30% in 2015.

But despite the massive fall in the number of sea arrivals in Greece since early 2016, and in Italy since the second half of 2017, the number of people who continued to mention immigration remained high, and still stood at 21% in October 2018. The number of sea arrivals in Europe at that time had fallen by over 90% from their peaks in 2015, but the rise of right-wing or populist parties had helped keep the issue on the political agenda much longer than necessary.

More recently, however, in the face of a steady new increase in sea arrivals since the second half of 2020, and despite the fact that Russia’s invasion of Ukraine in early 2022 has brought millions of people in need of aid to EU countries, the number of Europeans who mention immigration as one of the two main threats remained very low (9%) until late 2022, before rising rapidly only in the last 12 months (to 20% in October 2023). It would be interesting to know how much this rise is attributable to the perception of an increase in sea arrivals, and how much it is induced by the narrative of those who choose to politicise these arrivals for electoral reasons.

Be that as it may, the link between immigration and insecurity in Europe was exploited by a growing number of political factions in Europe in 2023, which gained clear electoral successes on the back of it. In the Netherlands, for example, the death of a newborn baby in an overcrowded reception centre in late 2022 persuaded Mark Rutte, the Prime Minister, that his country was in the grip of a “migration crisis”, prompting him to promise to rein it in. The outcome, however, was the fall of his already fragile governing coalition. At the early elections held in October, furthermore, centrist parties lost ground to Geert Wilders’ anti-immigration, anti-Islamic Party for Freedom, which won 23% of the vote, thus gaining a clear lead over the centre-left coalition and Mr Rutte’s party (both on 16%).

Towards the end of the year, the emerging trends were then confirmed by France and the United States. In France, President Macron expressed support for a measure put forward by his government, aimed at reducing the appeal options open to asylum seekers whose applications are rejected, and speeding up their repatriation, as well as legally recognising the position of many illegal aliens in certain critical sectors of the economy. In late December, an even tougher version of the bill was passed by the National Assembly, thanks in part to the fact that Marine Le Pen’s far-right Rassemblement National voted in favour of it. Le Pen’s party then claimed it as an “ideological victory”, on the grounds that it persuaded a centrist party to adopt a more extreme position on immigration. This caused an internal crisis in Macron’s majority, and the immediate resignation of Aurélien Rousseau, the Health Minister. On January, then, Macron changed his Prime Minister from Élisabeth Borne to Gabriel Attal, forming a minority government that has a more explicit right-wing stance on migration. Despite all this, in terms of electoral politics the figures seem to suggest that Le Pen is winning the argument: according to polls, as from the second half of 2023 the RN has become France’s leading party, with 28% support, against just 19% for Macron’s coalition.

Things are no better in the United States, where the number of migrants reaching the southern border with Mexico has now exceeded its all-time peak. Between December 2022 and November 2023, the authorities intercepted 2.5 million border crossings – far more than the previous record of 1.7 million in 2000, and five times more than the approximately 500,000 interceptions per year in the five-year period 2016-20.¹³ For the Biden administration, the increase in arrivals coincided with increasing pressure from the left wing of the Democratic Party, calling for the removal of “Title 42”, the emergency procedures approved by former President Donald Trump in March 2020, which, citing public health reasons relating to the pandemic, enabled the authorities to swiftly push back migrants arriving at the border and deny them the right to claim asylum. Between April 2020 and May 2023, these measures enabled the United States to immediately push back 2.8 million of the 5.8 million people who reached the border. The measure had a dual effect: on the one hand, it enabled the authorities to expel migrants immediately, but on the other, it prompted expelled migrants to attempt to cross the border multiple times, until they managed to get in without being intercepted. The Biden administration hoped that, by ending the measure but replacing it with rules that nonetheless remained strict, the pressure at the border would slowly ease. But this has not happened so far, and since the measure was lifted, the number of arrivals has exceeded the records set in the same period of 2022.

As mentioned, Joe Biden did not choose to “open the borders”. On the contrary, the new rules approved by the White House stipulate that migrants caught crossing the border illegally will be barred from entering the United States legally for the next five years and may face criminal prosecution. The administration has even decided to suspend 26 federal laws, so that work can resume on building the wall ordered by Donald

¹³ US Customs and Border Protection, “[Southwest Land Border Encounters](#)”, 2023, consulted in December 2023.

Trump on the border with Mexico. Experience has shown, however, that tightening up border laws is unlikely to have the desired effect: people making the final, illegal leg of a months-long or even years-long journey have little to lose, and for many migrants, the risk of being tried and imprisoned in the United States is probably the least of their worries. The tightening of border laws has had no political effects either: both the migration crisis at the southern border and its exploitation for political purposes and electoral advantage remain firmly in the hands of the Republicans. The consequences of this state of affairs are reflected in public policy choices on both sides of the Atlantic, with far from obvious effects on the relationship between migration and feelings of (in)security.

Public Policy: Does Fanning the Flames Reduce Insecurity?

It is difficult to understand whether and how far public policy affects overall migration pressure. In the medium term, tighter or looser visa policies appear to have a measurable effect on migration flows.¹⁴ It is much more difficult, however, to determine the effects of policies aimed at stemming or reducing illegal migration flows, and even more so to predict their future effects. Albeit anecdotally, some recent policies seem to have been highly effective in reducing illegal immigration, at least temporarily: examples include the Italy-Libya agreements of February 2017 and the EU-Turkey agreements of March 2016. Similar agreements between the United States and Mexico over the past few years, and between the EU and Tunisia in 2023, by contrast, do not seem to have achieved the desired results.

Adopting restrictive policies, furthermore, often has unforeseen and paradoxical effects, which can even lead

¹⁴ S. Bertoli and J. Fernandez-Huerta Moraga, “[The Effect of Visa Policies on International Migration Flows](#)”, Research Report, ifo DICE Report, March 2018, vol. 16, 2018, pp. 38-41.

to higher levels of insecurity. This is either because it makes the outcomes of illegal migration to the destination country directly and measurably worse, or because it has indirect effects on relations between the destination country and the countries of transit or origin, or even on the general effectiveness of a country's foreign policy. Two recent examples of this can be found in Europe and the United States.

In the EU, the European Council, European Parliament and European Commission finally reached an agreement, in late December 2023, on some of the most controversial legislative features of the New Pact on Migration and Asylum. Politically and diplomatically, this was a success. Although the legislation will have to be approved by the European co-legislators over the next few months, reform of the rules governing migration into Europe had been pending since 2015. In practice, however, the new rules will certainly not make life easier for countries of first entry of illegal migrants or for migrants themselves. The rules provide for the introduction of new detention measures for anyone arriving at the border, who can be detained in closed "hotspots" until they are identified and, if they are a national of a country with a low rate of recognition of international protection (less than 20%), they can even be detained until the end of the accelerated procedure aimed at granting them, or much more often, denying them such protection. This therefore increases the administrative burden on countries of first entry for receiving and detaining people, and processing their applications, and will probably also increase the number of people denied international protection.

On the contrary, Italy's requests for a system of compulsory relocation of asylum seekers have been discarded, substituted by a system of voluntary relocation and "compulsory compensation". In practice, states that do not want to help countries of first entry facing emergency situations will simply be able to pay a certain sum (probably 20,000 euros per migrant refused) into a European fund set up to support countries of first entry. Furthermore, the new rules make it easier to

“Dublin” people, i.e. to send back to their countries of first entry (including Italy) those migrants who, upon arrival, have made a secondary journey to another EU country in breach of the Dublin rules, under which, in most cases, migrants must remain in the country they landed in until their asylum application has been processed. Lastly, nothing is being done to increase the likelihood of illegal migrants in Europe being repatriated to their countries of origin: it would be impossible, after all, to achieve this without entering into direct dialogue with the countries of origin themselves, which are obviously not signatories to the new EU pact. Summing up: the new rules will increase the speed at which migrants become illegal in Europe but not make it easier to send them back to their countries of first entry, with the result that the total number of illegal migrants remaining in Europe will tend to increase. Not a great result for a “Fortress Europe” aiming to make itself increasingly impenetrable; or, to be more precise, a good result for destination countries of current secondary movements within the EU, but certainly not for countries of first entry into the EU (Italy included). It is hard to imagine that the new rules will make European citizens feel more secure.

Things are going no better across the Atlantic. Faced with a worsening migration crisis, and of course in order to score easy political points with their own voters, Republicans decided to tie the approval of a US\$106 billion funding package, including 60 billion for Ukraine, to an increase – from US\$1.4 billion to US\$5 billion – in funding for the US southern-border states struggling with a high influx of illegal migrants. Republicans responded to the White House’s refusal by denying it a majority in the Senate and deferring discussions until early 2024. Clearly it was not the migration issue alone that destroyed the Biden administration’s hopes of approving the package of measures by the end of the year, but a whole set of tense relationships within a divided and increasingly polarised Congress, as well as the jockeying for position between the parties in the run-up to this year’s election campaign. Nonetheless, the outcome is

remarkable: Republicans have shown to be in favour of denying support for Ukraine in order to mark their territory on the migration issue. Although there is justifiable scepticism over the benefit of continuing to finance a counter-offensive that has been deadlocked for months, there is equal justification for the concerns of those who argue that, without US aid, Kiev's ability to retain its current position will steadily decline over time. It is hard not to view this as a problem for the United States, both in its relations with its European allies and in its foreign-policy position towards Moscow. So it seems to be fair to say that the debate on migration policy is capable not only of heightening insecurity where it seeks to do the opposite (as is the case of the New EU Pact), but also of undermining security on issues entirely unrelated to migration.

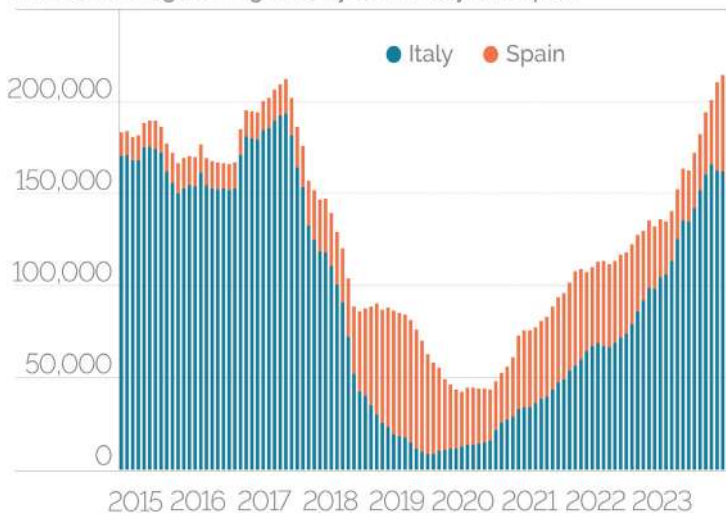
Add to this the medium-to-long-term consequences of tighter border laws motivated more by ideology than by pragmatism (which therefore tend to reduce the number of legal migration channels, as is happening in the US, France, Sweden and several other European countries), and it seems fair to say that the West is sacrificing its actual security on the altar of a perceived link between immigration and insecurity. In so doing, furthermore, the West is reducing the contribution that migration can make to keeping the benefits of the welfare state at their current levels for a little longer, before it has to make the adjustments necessitated by the general ageing of the population and the gradual decline in the share of the population that is an active part of the workforce.

In the vicious circle between immigration and insecurity, voters and the political classes in the West are opting for policies of closure and control, to the detriment of a longer-term view. These policies, however, are not achieving either their desired outcomes (reducing migration pressure at borders), or their more pragmatic long-term goals (diverting migration pressure towards legal channels). In this endless cycle of sailing by sight and governing by soundbite, there appears to be a growing absence of that pragmatic and realistic approach that would

help the West see the question of international migration for what it really is, namely a challenge, but also an opportunity, for ageing societies.

Sea Arrivals Are Back

Arrivals of irregular migrants by sea in Italy and Spain



Source:
UNHCR

ISPI

4. Ukraine and Gaza: Tough Tests for the “Biden Doctrine”

Mario Del Pero

In this chapter, I will attempt to outline the content and thrust of the “Biden Doctrine” on foreign and security policy and how the administration’s strategies have been tested by the two wars of 2022 and 2023, provoked by Russia’s aggression against Ukraine and the Hamas attack on the border between Israel and the Gaza Strip. The essay is divided into four parts. The first sets out the key goals of the Biden administration’s foreign and security policy. The second focuses on the tools used to achieve these goals. The third part examines the implementation of the doctrine and the impact of the wars in Ukraine and Gaza. The fourth and final part discusses the contradictions of the doctrine in the three years of the Biden administration.

The Nature, Goals and Instruments of the “Biden Doctrine”

The Biden administration came into office with specific and clearly stated foreign policy goals. It clearly outlined its interpretation of the national interest and the means of promoting it. The starting assumption was that Trump’s radical, unilateralist nationalism had isolated the US, reducing its influence and centrality in the global landscape. This meant it was essential to put the United States back at the centre of a multilateralism that should be robustly promoted through the

main institutions of global governance or, where this was not possible, through fora and summits to be activated on an ad hoc basis as needed and where possible. This multilateralism had to go hand in hand with (and be justified by) the revival of an internationalist approach that would encourage, first and foremost, the rebuilding of a strong domestic consensus around a proactive and, when necessary, interventionist foreign policy.

Internationalism and multilateralism were to be used as active tools to contain the rise of what was considered – in agreement with the Trump administration – the main power rival of the US and the only one able (and willing) to challenge its global leadership, i.e. China. For this reason, Biden's main public foreign policy documents – starting with the *National Security Strategy* (NSS) of October 2022 – used deliberately ambiguous and often inconsistent formulas, while explicitly presenting Beijing as the US's "only competitor" motivated by the "intent to reshape the international order" and equipped with "the economic, diplomatic, military, and technological power to advance that objective".¹ The aim was thus to limit China's influence – "competing responsibly" with it to defend the US "interest", in the words of the NSS – i.e. to preserve what historian Melvin Leffler characterised in the past as a global correlation of forces favourable to the US: a "preponderance of power" to be rehashed, revived and adapted to the new global context.²

However, China was not the only rival. The Biden doctrine identified other threats of a different scale to be contained, notably those of minor players of the global order – Russia and Iran above all. These lacked China's instruments of power but were capable of effecting opportunistic and destabilising actions

¹ *The National Security Strategy of the United States*, October 2022.

² M. Leffler, *A Preponderance of Power: National Security, the Truman Administration and the Cold War*, Stanford, CA, Stanford University Press, 1992; Idem, "National Security" in F. Costigliola and M. Hogan (eds.), *Explaining the History of American Foreign Relations*, 3rd ed., Cambridge/New York, Cambridge University Press, 2016, pp. 25-41.

in specific regional theatres, particularly the Middle East and Eastern Europe.

The final goal was to create an environment conducive to protecting and defending US democracy. That democracy was struggling, as Donald Trump’s seditious designs following the November 2020 vote and the assault on Congress on 6 January 2021 had most recently brought to the fore. It was also believed that US democracy had been weakened by a global context partly facilitated by serious past errors that the US had committed, which had contributed to domestic inequalities, de-industrialisation, loss of competitiveness and dependence on others. As we will see, this situation led to close links and interdependence between domestic and foreign policy: the global scenario, the solidity of American democracy, the revival of US power and the restoration of the premises of a sovereignty that had been partly lost.

The Tools

This interdependence between domestic and international policy was evident in the many tools used in the multifaceted array of strategies deployed by the Biden administration. The first tool was meant to be the unrivalled network of alliances that the US still leads. In this respect, the divide between Biden and Trump and the latter’s idea of the substantial interchangeability of the US’s partners – and transactional nature of US alliances – was deep and remains so. Biden and his top advisers – starting with Secretary of State, Antony Blinken, and National Security Adviser, Jack Sullivan – are staunch Atlanticists, for example, and the revival of NATO has been a key goal since well before the outbreak of the Ukrainian conflict. The same applies to the strengthening of the US-centric network of bilateral and mini-lateral alliances in the Asia-Pacific, starting with the US’s historic partnerships with Japan, South Korea, Australia and New Zealand.

Strengthening and upgrading this system of alliances met clearly-defined security goals, starting with the containment of China. However, it also supported the second tool that the Biden administration tried to deploy, again from an anti-Chinese perspective. This involved deepening a system of regionalised interdependencies, starting from the Atlantic, to compensate for a reduction in Sino-US interdependence, which was now making itself felt in various spheres. These included trade, sensitive technology transfer and the reduction of Chinese dollar reserves, to name but a few of the most evident examples. The aggressive economic policies adopted by the Biden administration, in particular the well-known *Inflation Reduction Act* of August 2022, should also be read in this light. Such actions were intended to subsidise domestic production to regain lost sovereignty in crucial technological areas. But another aim was to initiate a partial decoupling of the US economy from China's and intervene in global value chains where China still plays a key role in early and intermediate stages, thus enjoying a power of conditionality that Washington believes it necessary to erode. Accordingly, industrial insourcing, ambitions of de-globalisation and regional integrations were meant contain China while promoting and defending US democracy and selective multilateralism. These goals would ultimately have to be met in order to leverage re-industrialisation to achieve an ambitious plan to combat climate change whereby domestic initiatives (and their outcomes) would allow the US to lead again the global diplomatic push on environmental issues, notably at the COP26 summits in Glasgow in 2021 and COP28 in Dubai in 2023.

The Biden administration's diplomatic activism is also deployed in other more specific and regional areas, starting with the Middle East. Here, despite misunderstandings and, at times, tensions with Israel's special ally and Likud leader Benjamin Netanyahu, the US administration has embarked on an intense diplomatic drive with the aim of extending the web of the Abraham Accords woven under Trump to Saudi Arabia, whose recognition of Israel would be a potential turning point.

The third tool was rhetorical. Marking a clear break with Trump, and his brash realism, Biden put several historical pillars back at the centre of US foreign policy discourses. Some of these have long been considered problematic if not outdated. Atlanticism, which used to be based on the idea that there is a natural and profound convergence of values, principles, ideals and interests between the United States and its European partners. Cosmopolitanism, albeit in a less globalist sense than seen by the previous democratic administrations of Barak Obama and Bill Clinton. The emphasis on democracy as the common denominator binding different stakeholders of the international order, joining them in an organic community for which Biden has on several occasions claimed to act as spokesperson and representative. Finally, the return to an exceptionalism that is a long way from Trump’s rough-hewn nationalism. Biden’s discourse is peppered with references to the US as a benign power and indispensable subject, harking back to the language of American globalism used in the late 1990s and early 2000s. In a speech following the Hamas attack on 7 October 2023, Biden for instance explicitly quoted the famous (and controversial) words of Clinton’s second Secretary of State, Madeleine Albright, that the US was “the indispensable nation”. “There are innocent people all over the world who hope because of us, who believe in a better life because of us, who are desperate not to be forgotten by us, and who are waiting for us”, Biden emphasised on this occasion, and it is “in moments like these” that the US must remember that there is “nothing beyond our capacity”.³

³ The White House, [Remarks by President Biden on the United States’ Response to Hamas’s Terrorist Attacks Against Israel and Russia’s Ongoing Brutal War Against Ukraine](#), 20 October 2023.

The Implementation

Any doctrine, even the most complex and sophisticated, must be put to the test in a changing and unpredictable situation and in a tangled internal and international political context made up of unruly allies, unscrupulous adversaries and unexpected crises. The acute polarisation of the political picture in the US poses even more obstacles to the promotion of a consistent and effective international action. The conduct of foreign policy – although becoming more and more of an executive privilege over time – is inherently subject to constraints arising from the presence of different, sometimes competing domestic actors. These include the various departments responsible, the National Security Council, the congressional committees directly and indirectly involved in foreign-policy making, the States and now even the municipalities. Two examples illustrate the situation. Firstly, the Senate – which under the Constitution must approve the administration's appointments – has been holding for months the ratification of several important positions for months. The individuals concerned include one of Blinken's deputies, Kurt Campbell, and various ambassadors. The second example concerns vital foreign policy dossiers, including immigration: various States starting with Texas have defied federal directives and contested the administration's choices (incidentally, many Democratic municipalities did the same under Trump, creating sanctuaries for illegal immigrants in defiance of federal directives).

Unforeseen events test the doctrine or impose a need for adjustments and changes. This is the case with the two major foreign policy crises that have dominated global (and US) politics in the last two years: the war in Ukraine and the most recent Israeli-Palestinian crisis.

The Ukrainian conflict initially seemed to validate many of the assumptions of the Biden doctrine. Russia revealed itself as the enemy – cynical, opportunistic, but ultimately fragile – that would be described a few months later in Biden's first NSS.

NATO would regain the strategic upper hand and political significance, united under US leadership and rallied by the renewed Russian challenge. The mixture of Atlanticism and exceptionalism cemented by democracy, so central to Biden's approach, seemed to have found ideal ground for its application in the defence of Ukrainian democracy, in the leading role immediately assumed by Washington and, after some initial hesitations, in the united Euro-American action in support of Kiev.

The Russian aggression against Ukraine also seemed to offer the Biden administration the means of achieving some of its foreign policy goals. Security efforts were redoubled in the Atlantic space, leading to a further enlargement of NATO (to include Finland and soon also Sweden) and a transfer of military hardware and human resources to the East, putting a damper on Macron's designs for European strategic autonomy. The course of the conflict and the central role of US-supplied military technology in Ukraine seemed to restore the credibility of the US deterrent, which had been heavily undermined by the many failures of recent years and the humiliating withdrawal, under Biden, from Afghanistan in August 2021. This credibility was also a valuable tool to wield against the real adversary, China, and regarding the highly sensitive Taiwan issue. The enlargement of NATO, its reinforcement and the various rounds of harsh sanctions imposed on Russia seemed to offer a means of exerting maximum pressure on the Putin regime and ensure its possible implosion. The war ultimately brought together a politically polarised country and world, as evidenced by polls showing a large majority of Americans expressing appreciation for the administration's choices and large congressional majorities approving the massive aid measures to Kiev.⁴

The brutal attack by Hamas on 7 October 2023 posed major problems for Washington. Its immediate effect was to freeze the

⁴ The US\$40 billion aid package of May 2022, for example, was approved with only 11 out of 100 senators voting against and a clear majority (368 to 57) in the House of Representatives.

diplomatic initiative aimed at extending the Abraham Accords to Saudi Arabia. However, it also seemed to open up certain opportunities to the Biden administration: Netanyahu found himself forced to form a coalition government that seemed to prelude to his political demise; the harsh Israeli response could lead to a radical weakening (and isolation) of Hamas; the power vacuum could only be filled by a re-legitimised Palestinian national authority; and the defeat of the two main obstacles to the peace process and the two-state solution would allow a return to diplomatic action where US leadership would be essential. Lastly, the risk of a regional escalation of the conflict also put the spotlight back on the strength and credibility of the US deterrent, in this case deployed effectively, primarily against Iran.

However, in Ukraine and (very quickly) in the Israeli-Palestinian crisis, problems and difficulties arose that have made it more difficult to achieve the results desired by Washington. The unprecedented Ukrainian resistance did not eventually turn into an effective and decisive counteroffensive, as the US hoped. Cracks and disagreements with the allies gradually re-emerged. On a global scale there a solid and broad anti-Russian front did not emerge, and the war fuelled further fragmentation of the world order, with a reassembling of blocs and alliances and a deepening partnership between China and Russia that, despite its contradictions and inconsistencies, is still capable of having a rapid and radical impact on economic relations between the two countries. Most of all, the initial internal consensus on support for Kiev gradually faded as the conflict dragged on and grew more costly. Polls showed a growing disenchantment with the war's progress and a strong reluctance, more widespread among Republicans but also evident among Democrats, to continue providing military, economic and humanitarian aid to Ukraine.⁵ In Congress, the Republican majority in the House

⁵ A. Cerda, "About Half of Republicans Now Say the U.S. is Providing Too Much Aid to Ukraine", Pew Research Center, 8 December 2023.

and many senators are actively blocking the new aid for Kiev requested by Biden. There is here a long-standing hostility to international aid among the electorate. The Ukrainian crisis put this hostility on hold but only temporarily. The aversion to an interventionist and internationalist foreign policy is prompted by the current public mood – and the lingering effects of the 2008 crisis and failures in Afghanistan and Iraq. Politically, this is felt across the board and is even widespread among many Democrat voters, especially the young. Lastly, the electoral cycle grinds on, limiting the options for foreign and security policy and its margins for manoeuvre.

The deliberately disproportionate Israeli response to 7 October and the ensuing humanitarian tragedy in the Gaza Strip has also had an impact. Biden's hopes of putting the US back at the centre of an ambitious diplomatic initiative immediately came up against Israeli inflexibility and the US's essential inability to influence Israel's choices and methods of retaliation. Statements that were over-supportive of Israel, and isolated opposition (resulting, in one case, in a veto) to UN Security Council initiatives that sought to alleviate the suffering of the Palestinian people and impose a ceasefire, did not help. The US is evidently too much swayed by the Netanyahu government and now finds itself increasingly isolated in the face of world opinion that is appalled by the images coming out of Gaza. The Arab world put up a united hostile front to the US, while several of its allies gradually distanced themselves. Above all, a sharp rift has opened up over Gaza among the previously remarkably cohesive and disciplined members of the US administration and among the democratic electorate. This divide reflects a broader shift in opinion among a segment of the electorate, particularly the young. In 2021, a majority of Democratic voters sympathised more with the Palestinian cause than with Israel. This is the first time that opinion has swung this way since Gallup started this kind of survey in 2001.⁶ The

⁶ L. Saad, "Democrats' Sympathies in the Middle East Shift to Palestinians",

tragedy in Gaza has accentuated this trend, especially among young people who are less anchored to old patterns and political partisanship, and who are now particularly critical of what they see as the Biden administration's excessive appeasement of its "special" Israeli ally.⁷

Biden thus finds himself squeezed between those on the right who accuse him of having wilfully neglected Israel's security in order to focus on Ukraine and of not being sufficiently aligned with Netanyahu today, and those on the left who consider him jointly responsible for the tragedy in Gaza. All of this means that the polls now reflect deep dissatisfaction with his administration's performance with just over 30% approving of its handling of the crisis⁸. The knock-on effect on electoral dynamics is bound to worry the President and the Democrats, who are faced with the risk of defection by part of their electorate that they can in no way afford.

Conclusion

Biden's difficulties during this latest, dramatic stage of the Israeli-Palestinian conflict reflect the very tangled nature of a problem that has become almost insoluble over the years. The US also has less room for manoeuvre and less ability to influence Israeli attitudes than is often believed. However, these difficulties also reflect some intrinsic flaws in the Biden doctrine that were visible well before 7 October 2023. The discourse and foreign policy of the Biden administration often seem to reflect a world – one dominated by a democratic, US-led West that is clearly superior in terms of power – that has long since ceased to exist,

Gallup, 16 March 2023.

⁷ See the insightful remarks by S. Hansen, "We're Beginning to Learn How the War on Terror Has Shaped a Generation", *The New York Times*, 21 December 2023.

⁸ J. Weisman, R. Igielnik, and A. McFadden, "Poll Finds Wide Disapproval of Biden on Gaza, and Little Room to Shift Gears", *The New York Times*, 19 December 2023.

as the international alignments (and geopolitical fragmentation) produced by the Ukrainian conflict and the Israeli action in Gaza clearly show. This US-centric idea of the West has also lost much of its credibility due to the US's systematic double standards over the application of international law. Western democracies, starting with that of the United States, are clearly also struggling, riven by deep and polarising divisions. They are also at serious risk of a shift towards authoritarianism, as we saw with the Trump-led subversion following the 2020 vote.

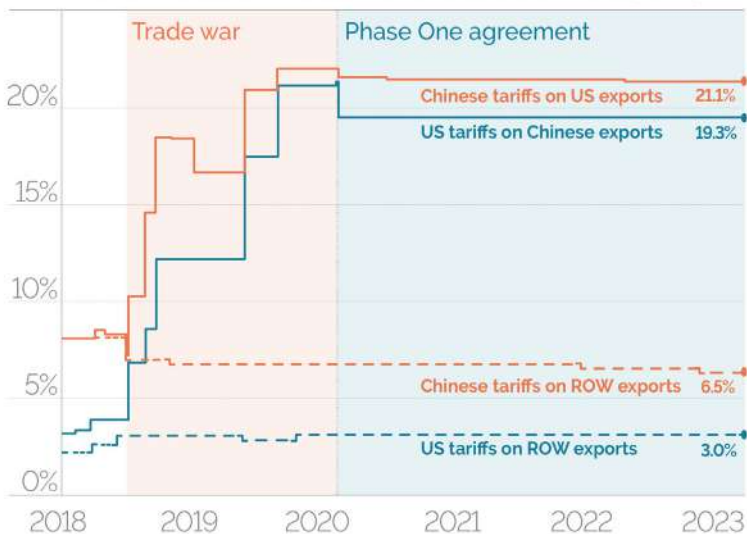
Biden's attempt to reduce Chinese influence by intervening in the very infrastructure of globalisation as it has defined itself over the last half century poses immense problems. Even if this goal is actually feasible, numerous obstacles stand in the way of and limit the ability of the United States to achieve its ends. These include the reluctance of many allies (we need think only of Germany) who have greatly increased their economic interdependence with Beijing. Important corporations and private interest also have a stake in preserving effective and profitable value chains in which China plays a crucial role, while US consumers who are already affected by the high inflation of 2021-22, are accustomed to consumption patterns that would not be possible without Sino-US interdependence⁹.

All this is happening against the backdrop of an election cycle that promises to be at least as bitter and brutal as the one of four years ago. International issues are already occupying a central role, as can be seen in the Republican primaries. Foreign policy is over-simplified to suit electoral propaganda and the opportunism of the various candidates, driving a further degradation of the overall quality of the political conversation and undermining Biden and his administration.

⁹ G.J. Ikenberry, A.J. Nathan, S. Thornton, S. Zhe, and J.J. Mearsheimer, “A Rival of America's Making?: The Debate over Washington's China Strategy”, *Foreign Affairs*, March/April 2022, pp.172-88.

The Trade War Rages On

US-China tariff rates toward each other and rest of world (ROW)



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5. Securing the Future: Understanding China's Internal and External Fears

Filippo Fasulo, Francesca Frassinetti¹

Insecurity has been a defining feature of Chinese policy over the past five years. It affects domestic politics, the economy and relations with other States. In turn, Beijing is perceived as a force that generates insecurity and so pushes other States to seek greater security in their own territories and economies. This principle applies not only to China's regional neighbours but to competing powers as well.

Insecurity According to Xi Jinping

Xi Jinping can claim to have been among the first to state that insecurity is a significant political problem. The Chinese leader's political manoeuvring over the past five years can be seen as a continuous attempt to secure his own policies, the leadership of the Communist Party of China (CPC) and China's economic success. The moment that truly stands out in this regard is the speech delivered by Xi Jinping on 21 January 2019. On that date the Chinese leader addressed top provincial and ministerial leaders at the Central Party School² about future

¹ Although this chapter is the joint work of the authors, Filippo Fasulo wrote the introduction, section 1 and the conclusion, while Francesca Frassinetti penned sections 2 and 3.

² W.W.L. Lam, "[Xi Jinping Warns Against the 'Black Swans' and 'Gray Rhinos'](#)"

obstacles to be overcome, urging vigilance in the face of “black swans” – unexpected events – and “grey rhinos” – known but ignored and underestimated risks. In that speech, Xi Jinping also identified what he said were the major risks: politics, ideology, technology, society, the external environment, and Party building. It is important to contextualise this speech at the time it was delivered, *i.e.* at a time when the so-called “external environment” was becoming less open to China. Only two years earlier, Xi was being celebrated globally as the new standard-bearer of globalisation after a famous speech in Davos,³ which was read in opposition to the start of the Trump administration on 20 January 2017. By contrast, 2018 was the year of Trump’s trade war⁴ with Beijing and the start of a time of worsening relations with China. Similarly, Xi Jinping was worried about the Party’s resilience in a difficult period and undertook to strengthen its political role. By the time 2017 gave way to 2018, China’s political framework had shifted dramatically from a model where the leader changed every decade to Xi’s open-ended leadership.⁵ The reaction of the Secretary of the CPC was to strengthen the ideological nature of the Party while at the same time increasing personalisation in his favour.

In his January 2019 speech, Xi Jinping introduced the “black swan” theme, a recurring element of his rhetoric that paradoxically manifested itself exactly one year later in the form of the Wuhan lockdown for the Sars-Cov-19 pandemic. A few months later, on 3 September, in another speech at the Central Party School, Xi mentioned a second key element in his relationship with insecurity. He used the term “struggle”

of a Possible Color Revolution”, The Jamestown Foundation, China Brief vol. 19, n. 5, 20 February 2019.

³ Xi Jinping, [President Xi’s speech to Davos in full](#), 17 January 2017.

⁴ C.P. Bown and M. Kolib, [“Trump’s Trade War Timeline: An Up-to-Date Guide”](#), Peterson Institute for International Economics (PIIE), 1 June 2023.

⁵ K. Rudd, [“Xi Jinping, the Rise of Ideological Man, and the Acceleration of Radical Change in China”](#), *Asia Society*, 24 October 2022.

especially in the form of “great struggle” (in Chinese *weida douzheng*).⁶ Such terms have not been used in any shape or form since the days of Mao Zedong, in the context of class struggle and the suppression of internal opposition. In Xi Jinping’s usage, it is not easy to pinpoint the precise obstacles he is referring to, but it is reasonable to tie them to the aforementioned external environment and to domestic economic challenges. In essence, it is a call for Party members to close ranks, refrain from questioning Xi’s policy line and focus on the unprecedented challenges, those “swans” and “rhinos” mentioned above. The use of the concept of struggle was not some passing phenomenon, but took centre stage at the XX CPC Congress in 2022.⁷ Xi Jinping used the concept a notable 22 times in his speech, referring to the military and resistance to foreign interference, but also as a warning of the Party’s renewed vigour in tackling existing challenges. Reinforcing the concept, Xi Jinping pointed out that the future needed to be seen as difficult, so it is necessary to “secure the house before the storm comes”. In addition to increased internal social control within the country, the outcome was greater emphasis on the need to improve technological self-sufficiency to reduce dependence on technology transfer from abroad. This comes at a time when the United States is increasingly restricting trade relations in the semiconductor industry – the leading item of Chinese imports and the main vulnerability of Beijing’s economy. China’s future economic growth will largely depend on its ability to achieve primacy, or at least technological independence, in critical sectors despite less international openness towards the country.

But what are the main internal challenges faced? The first is the imbalance in the growth model, which is no longer seen as capable of ensuring an adequate pace without generating further risks. One of the main concerns is the financial risk posed by escalating debt at both central and provincial levels, which is a

⁶ “The Party is Struggling”, China Media Project, 6 September 2019.

⁷ P.M. Kim and M. Prytherch, “Douzeng: Unraveling Xi Jinping’s call for ‘struggle’”, Brookings, 2 November 2023.

direct consequence of the strategy of subsidies through public investment to achieve the Party-set growth targets. Indeed, the rhetoric of economic policy over the past decade has constantly referred to the need to safeguard public accounts, a need that clashes with the need to maintain sufficient growth to meet the populations' requirements. More generally speaking, Xi Jinping's recent economic vision is security-oriented. Not only was the word "security" used more often than "development" in the aforementioned speech to the XX Congress, but the economic line from 2020 onwards is called the Dual Circulation Strategy, formulated as an update of the previous New Normal. The key difference between these models is how they relate to insecurity as perceived by Xi Jinping. While there are some differences, both aim to strengthen the role of consumption and innovation in growth. In the case of the New Normal, the intention is to strengthen the domestic component of the economy to reduce exposure to international economic cycles – which hit China hard in 2008 when the fall in international demand due to the financial crisis hammered Chinese exports – while the Dual Circulation Strategy adds concern about political decisions that could alter the economic dynamics of trade. Conceived during the pandemic, when critical products such as masks and vaccines were in short supply, Dual Circulation seems absolutely central in the current context of US restrictions on semiconductor exports.

The importance placed on consumption and innovation in reducing dependence on external demand and technology faces several hurdles. Chinese consumption has been on a downward trend since the pandemic, and the main economic issues for 2024 include a crisis of confidence that could cause a further drop. We hear more and more about the possibility of implementing family support policies, but this would involve a reallocation of resources to the detriment of public institutions and, more generally, those directly managed by politicians. This suggests any such transfer of resources would be an uphill battle. But by delaying necessary reforms, Beijing is exposing itself to the growing weakness of its economy.

The other major front to secure the Chinese economy is innovation. While such a prospect might have seemed fanciful only a few years ago, China can now aspire to rival the United States for global economic supremacy in the medium to long term because it has seriously challenged the West's technological supremacy. The current situation is the result of China's innovation ecosystem, which has grown tremendously over the past two decades. However, China's innovation model might require a rethink in the current context of competition between great powers. The elements that have characterised China's technological growth are: 1) technology transfer from abroad, either forced as a condition of access to the Chinese market or voluntary and richly rewarded for companies that transferred their technology to China; 2) a favourable ecosystem closed to foreign competition for some private companies, such as in the digital industry; and 3) abundant availability of resources. In the current environment of technological competition, it is clear that technology transfer will be subject to weighty restrictions. Since 2020, the private sector has been subjected to a harsh campaign of subservience to political authority.⁸ The marginalisation of Jack Ma, the well-known founder of Alibaba, is the most blatant example. The creativity of the private sector will have to find new forms in a context where the primacy of politics and the value of ideology prevail, the latter particularly due to Xi's campaign to strengthen the role of the Party in the context of the aforementioned "struggle". Finally, as the economy slows, the resources available for innovation may become scarcer.

China as a Factor of Insecurity

In recent years, the ability of the People's Republic of China (PRC) to exert influence and project power has met with increasing resistance, a sign of a changing world order. In

⁸ "[China's Big Tech crackdown: A complete timeline](#)", *The China Project*.

some ways, this transformation has been prompted by Beijing's own efforts to challenge the global political and economic leadership of the United States and to move away from a unipolar paradigm.⁹ As the international system becomes more polarised, structural competition between the US and China shows no sign of abating. At the same time, change is evident in the way small and medium-sized powers interact with China under the banner of securitising relations with Beijing.¹⁰ This relates to regional neighbours – India, Japan, South Korea and the Association of South-East Asian Nations (ASEAN) – as well as the European Union, united by the need to recalibrate their economic dependence on China.¹¹ This has involved building new relationships and deepening existing partnerships with like-minded countries, as well as national efforts to increase resilience and resistance to coercion by external actors.¹² The choices made by some governments in the Asia-Pacific have provoked varying responses from China, and these cases can provide a useful litmus test for other States in their dealings with Beijing. Two particularly interesting examples can be found in Australia and some ASEAN members, notably Malaysia and the Philippines.

Australia's export-driven economy is heavily exposed to China and so particularly vulnerable to any attempts at economic coercion from Beijing. In 2020, exports of a wide

⁹ Wang Yi, '坚持多边主义 共谋和平发展' ('Adhere to Multilateralism and Seek Peaceful Development'), [Speech by the Foreign Minister of the People's Republic of China at the 73rd Session of the United Nations General Assembly](#), New York, 28 September 2018.

¹⁰ For an overview of the positioning of small and medium-sized powers in Europe and Asia in the competition between China and the United States, see S.A. Grano and D. Wei Feng Huang (eds.), *China-US Competition: Impact on Small and Middle Powers' Strategic Choices*, Cham, Springer International Publishing, 2023.

¹¹ J. Borrell, '[How to Deal with China](#)', European Union External Action, 17 May 2023.

¹² On the topic of the responses to economic pressure from China, see for example, B. Frederick and H.J. Shatz, '[Countering Chinese Coercion: Multilateral Responses to PRC Economic Pressure Campaigns](#)', RAND Corporation, 2022.

range of Australian products to the PRC, including barley, beef, coal, cotton, copper, lobster, sugar, wheat, wine and wool, were affected after then Prime Minister Scott Morrison called for an investigation into the causes of the pandemic. Instead of bringing Canberra to its knees, the Chinese government's tariffs have had unintended consequences for Beijing.¹³ China's retaliation prompted the other side to further deepen ties with traditional partners Washington and London, up to and including an agreement on trilateral military procurement AUKUS (Australia-United Kingdom-United States), while at the same time reinvigorating relations with New Delhi and Tokyo within the Quadrilateral Security Dialogue (Quad).¹⁴

In pure economic terms, the Chinese government's coercive tactics have had little impact. Estimates from Australia's Productivity Commission calculated the total post-tariff decline in exports as just 0.194%.¹⁵ Since 2021, and even more so with the arrival of a Labour government in May 2022, bilateral relations between Canberra and Beijing have improved, leading to the gradual lifting of trade restrictions. In addition to the obvious ineffectiveness of the restrictions, this decision is due to the slowdown in the Chinese economy as it struggles to overcome the effects of its zero-Covid policy. In an effort to revive growth, Beijing's leaders have made a series of diplomatic overtures not only to Australia,¹⁶ but also to the

¹³ G. Wade, [Australia-China Relations](#), Parliament of Australia, Australia, 2022, accessed 30 November 2023.

¹⁴ J. Wilson, ["Australia Shows the World What Decoupling From China Looks Like"](#), *Foreign Policy*, 9 November 2021; Ye Xue, ["China's Economic Sanctions Made Australia More Confident"](#), *The Interpreter*, 22 October 2021.

¹⁵ The Productivity Commission, *"Trade and Assistance Review, 2021-22"*, Canberra, Commonwealth of Australia, 2023, p. 90.

¹⁶ D. Crowe, ["Albanese's High Wire Walk Delivers Promising Result for Australia"](#), *The Sydney Morning Herald*, 6 November 2023.

United States,¹⁷ the European Union,¹⁸ Japan¹⁹ and Korea²⁰ to persuade them to reconsider their respective approaches to economic diversification and risk reduction and to increase trade with China.

Just as for Australia, Beijing is the largest trading partner of Malaysia and the Philippines, but for the latter, the political and security challenge posed by China manifests itself more directly in sovereignty claims in the South China Sea.²¹ Although Malaysia and the Philippines are members of ASEAN and often have very similar political agendas, the two countries have historically pursued different strategies towards Beijing. Kuala Lumpur has tried to walk a tightrope, adopting a position of “non-alignment, neutrality and equidistant diplomacy” as regards the strategic competition between China and the US.²² This did not mean total impartiality, but rather a pragmatic approach in which policymakers cooperated selectively, choosing on a case-by-case basis which of the two great powers would benefit Malaysia the most.

The Philippines has long been Washington’s ally in the region, except for a brief interlude when former president Rodrigo Duterte tried, unsuccessfully, to “separate” from the United States in favour of China.²³ The Philippines has been far more

¹⁷ E. Cheng, “[Biden and Xi’s Meeting Sent an Important Signal for U.S. Business in China](#)”, *CNBC*, 22 November 2023.

¹⁸ Ministry of Foreign Affairs of the People’s Republic of China, 习近平会见欧洲理事会主席米歇尔和欧盟委员会主席冯德莱恩 ([President Xi Jinping Meets European Council President Charles Michel and European Commission President Ursula von der Leyen](#)), 7 December 2023.

¹⁹ Ministry of Foreign Affairs of Japan, [Japan-China Summit Meeting](#), 16 November 2023.

²⁰ “[South Korea, Japan and China Agree to Resume Trilateral Leaders’ Summit, but Without Specific Date](#)”, *Voice of America (VOA)*, 26 November 2023.

²¹ “[Timeline: China’s Maritime Disputes](#)”, Council on Foreign Relations, 2023.

²² Cheng-Chwee Kuik, “[Active Neutrality: Malaysia in the Middle of U.S.-China Competition](#)”, United States Institute of Peace, 11 October 2023.

²³ D. Grossman, “[Duterte’s Dalliance with China Is Over](#)”, RAND Corporation, 2 November 2021.

active in challenging China's claims in the South China Sea, such as by initiating arbitration proceedings at the Permanent Court of Arbitration in 2013, which ruled in Manila's favour in 2016.

However, China's increasingly aggressive assertion of its claims to disputed territories through the militarisation of the Paracel and Spratly Islands and the deployment of military and paramilitary forces to conduct disruptive operations against foreign vessels has led to a gradual convergence in the foreign policy approaches of Kuala Lumpur and Manila.²⁴ Beijing's efforts to intimidate the two South-East Asian countries in territorial disputes have not been entirely successful, as in the case of economic sanctions against Australia. Manila has tried to turn the tables by practising what Ray Powell, a Stanford University analyst, calls "assertive transparency" – photographing and publicising Chinese grey zone operations in the disputed waters in order to damage the Chinese leadership's reputation and win support from other actors in and outside the region.²⁵

Both Malaysia and the Philippines have renewed security ties with the United States and moved closer to Japan and South Korea as part of a process of strategic alignment with like-minded countries seeking to counterbalance Beijing's ambitions. Following Japanese Prime Minister Fumio Kishida's visit to Malaysia and the Philippines in November 2023 "to strengthen cooperation in support of peace and stability in the South China Sea", both governments pledged to take part in joint training exercises and exchanges with Japan's Self-Defence

²⁴ For an in-depth look at Chinese coercion in the South China Sea, see F. Frassinetti, "Chinese Maritime Coercion in East Asia: Probing the US Alliance System Trigger Points", in M. Berrettini and D. Borsani (eds.) *Bringing Eurasia Back In? The Resilience of the Western-Centric Alliance System between History and Politics*, Lausanne, Peter Lang, pp. 99-124.

²⁵ R. Powell, "Assertive Transparency: The Philippines' Counter Gray Zone Innovation", *SeaLight*, 8 October 2023.

Forces.²⁶ The Philippines is the first country to join Japan's new Official Security Assistance Programme, formalised in 2022, under which Tokyo will provide financial subsidies for the purchase of defence equipment – an initiative that Malaysia has confirmed it wants to be part of.²⁷ In terms of relations with Seoul over the past decade, Manila and Kuala Lumpur have steadily increased their purchases of small arms and high-tech systems, and the Philippines has become the largest importer of “Made in South Korea” weapons among ASEAN members.²⁸

Renewed Strategic Competition with the United States

Beyond the growing resistance from small and medium-sized powers such as Australia, Malaysia and the Philippines, Beijing also faces constraints due to Washington's revitalised foreign policy agenda under President Joe Biden. The Biden administration's Indo-Pacific strategy is underpinned by the logic of strategic competition with China, as the White House itself articulated in 2022. This has included renewed commitment to defending Taiwan, deepening bilateral security and defence cooperation with traditional partners and allies in the region, supporting institutions and forums such as ASEAN, APEC (Asia-Pacific Economic Cooperation) and the Pacific Islands Forum, and promoting new initiatives such as AUKUS.²⁹

²⁶ Ministry of Foreign Affairs of Japan, 岸田総理大臣のフィリピン及びマレーシア訪問（令和5年11月3日～5日）(Prime Minister Fumio Kishida's Visit to the Philippines and Malaysia (3-5 November 2023)), 5 November 2023.

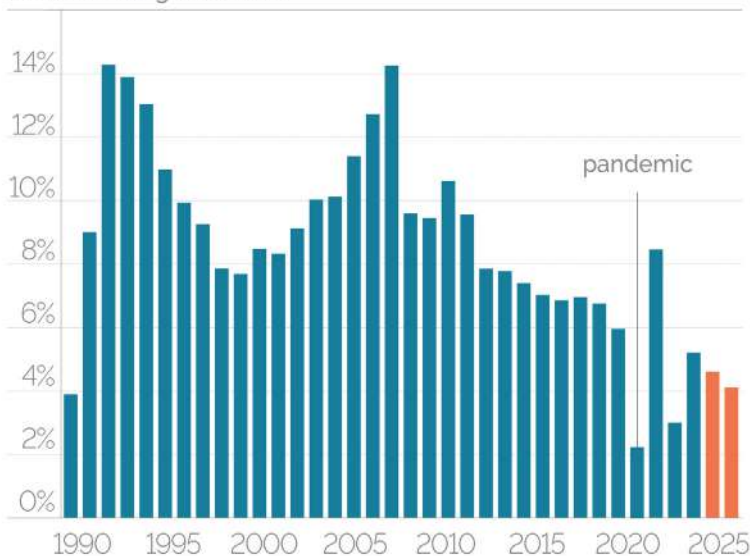
²⁷ G. Dominguez, “Japan and Philippines Agree to Take Defense Ties to Next Level”, *The Japan Times*, 4 November 2023; “Japan and Malaysia Vow to Boost Defense Tie amid China's Rise”, *Nikkei Asia Review*, 5 November 2023.

²⁸ “Trend-Indicator Value of Arms Exports from South Korea, 2012-2022”, SIPRI Arms Transfer Database, Stockholm International Peace Research Institute (SIPRI), 2023; N. Goh, “Malaysia Buys South Korea Fighter Jets as ASEAN Arms Market Grows”, *Nikkei Asia Review*, 7 March 2023.

²⁹ The White House, Indo-Pacific Strategy of the United States, Washington,

Beijing Slows Down

Chinese GDP growth rate



Source:
IMF (in orange: forecasts)

ISPI

Beyond recent moves to militarily and diplomatically counterbalance China in the Indo-Pacific, Washington has long sought to thwart China's ambition to gain a technological edge to give it more economic leverage. Beijing is particularly interested in harnessing new and emerging technologies to further automate and digitise its economy as a driver of growth and a response to the demographic challenges caused by a declining birth rate and an ageing population.³⁰ A recent study by the Australian Strategic Policy Institute found that China

D.C., 2022, pp. 5, 9-10, 13, 15-17.

³⁰ Huifeng He, "China Steels Itself for Labour Shortfalls, Demographic Decline with Industrial Robots", *South China Morning Post (SCMP)*, 31 October 2023.

has surpassed Washington in 37 out of 44 new and emerging technologies in the fields of advanced materials, artificial intelligence, biotechnology, defence, energy, environment, space and quantum computing.³¹ The report uses the number of high-impact research products as a measure of success, an approach that may be methodologically questionable but does reflect the scale of Chinese investment in emerging technologies.

Behind the PRC's apparent successes, there are many risks to Xi Jinping's leadership in this area. National security and geopolitical considerations have led to a bipartisan consensus in US politics on the need for technological decoupling from China in order to maintain America's competitive advantage in high technology.³² This poses a very real threat to China's continued economic development, which has funded the global ambitions of Beijing's leaders. Despite attempts to encourage technological innovation by relying more on internal resources and by implementing technology transfer requirements, the PRC remains dependent on foreign technology.³³ In the past 12 months alone, China's technology sector has been hit by a series of measures from Washington aimed at slowing or halting its development. These have ranged from restrictions on the purchase of advanced semiconductors³⁴ to bans on the sale of hardware manufactured by Chinese companies such as Huawei and ZTE,³⁵ from curbs on US investment in China in high-

³¹ J. Gaida et al., "ASPI's Critical Technology Tracker: The Global Race for Future Power", Policy Brief, Australian Strategic Policy Institute, March 2023.

³² K. Honglin Zhang, "U.S.-China Economic Links and Technological Decoupling", *The Chinese Economy*, vol. 56, no. 5, 2023, pp. 356-57.

³³ B. Waldie, "Lexicon: Indigenous Innovation or Independent Innovation (自主创新, Zìzhǔ Chuàngxīn)", DigiChina Project, Stanford University (blog), 7 March 2022.

³⁴ United States Department of Commerce Bureau of Industry and Security, "Public Information on Export Controls Imposed on Advanced Computing and Semiconductor Manufacturing Items to the People's Republic of China (PRC) in 2022 and 2023", United States Department of Commerce, 6 November 2023.

³⁵ "U.S. Bans the Sale and Import of Some Tech from Chinese Companies Huawei and ZTE", NPR, *Associated Press*, 26 November 2022.

tech sectors³⁶ to the development of multilateral export controls with partners and allies to hinder access to semiconductor manufacturing equipment.³⁷ The impact of these measures on China's technological progress remains to be seen, but some of the decisions have caused concern among the authorities in China. For example, Beijing prevented US companies from undertaking mergers and acquisitions with Chinese companies, launched a cybersecurity review before subsequently banning purchases of semiconductors from the US company Micron, and introduced strict licensing requirements for the export of minerals such as gallium and germanium, which are critical for semiconductor manufacturing.³⁸

Conclusion

Xi Jinping's China and the concept of insecurity can be seen as an almost inseparable pair. On the one hand, all of the Chinese leader's political and economic actions can be seen as an attempt to satisfy a need for security that is found in many forms. On the other hand, Chinese assertiveness and territorial claims in some spheres cause other actors to perceive increased insecurity and react accordingly. The 'meeting' of the two different security claims – those of China and those of other actors – takes places both in the form of clashes over disputed territories, and economic and technological competition. China is pursuing technological self-sufficiency to become independent in sensitive industries, and G7 countries are trying to bring manufacturing back home in critical sectors.

³⁶ K. Freifeld, A. Shalal, and D. Shepardson, "[Biden Orders Ban on Certain US Tech Investments in China](#)", *Reuters*, 10 August 2023.

³⁷ A. Swanson, "[Netherlands and Japan Said to Join U.S. in Curbing China's Access to Chip Tech](#)", *The New York Times*, 28 January 2023.

³⁸ G.C. Allen, "[China's New Strategy for Waging the Microchip 'Tech War'](#)", Centre for Strategic and International Studies, 5 March 2023.

6. Russia, Ukraine War, and Multipolarity

Aldo Ferrari

Russia has undoubtedly played a major part in the decline of the international order that began with the collapse of the USSR in 1991, primarily by questioning the very nature of that order. Moscow's challenge of US-led Western hegemony began in the late '90s and gradually grew into open defiance, culminating in the invasion of Ukraine in 2022. This event not only brought the divide between Russia and the West to a head but also led to a substantial redefinition of the international scenario.

The Search for a New International Order

Since he came to power, i.e. at least since March 2000, in addition to consolidating Russia's economy and institutions, Putin has implemented a foreign policy designed primarily to recover the central role that Russia lost during the disastrous Yeltsin decade. The key drivers of this policy have been firstly opposition to US unipolarism and secondly the aspiration to build a new multipolar equilibrium, as proposed by Yevgeny Primakov (1929-2015)¹ who served as foreign minister from

¹ There is a large bibliography on Primakov, from which I have selected the following studies: R. K. Simha, "[The Man Who Created Multipolarity](#)", *Modern Diplomacy*, 30 June 2015; E. Rumer, *The Primakov (Not Gerasimov) Doctrine in Action*, Carnegie Endowment for International Peace, 2019; M. Delong, "The Concept

1996 to 1998 then as prime minister from 1998 to 1999. Sometimes called the “Russian Kissinger”,² Primakov was a typical exponent of the USSR’s old political establishment, yet his ideas have made a decisive contribution to post-Soviet policy, though this is largely ignored by the West. When flying to Washington in an attempt to prevent the bombing of Serbia by NATO, Primakov immediately ordered his plane to return to Moscow when he received news that attacks had already begun. This reversal of course continues to have a strong symbolic value today.³ Primakov’s approach to international relations – the so-called “Primakov Doctrine” – was first transposed into the Russian Federation’s Foreign Policy Guidelines in the year 2000. This official document stated that Russia could not accept a unipolar international order led by the United States and therefore had to strive to develop a multipolar order in its place. Such a scenario began to emerge in the first decade of the new century despite Washington’s resistance:

Yet one has the feeling that the difference between a specific role for the US in a multipolar system and the unipolar order in which the US is deemed predestined to act as the sole centre of power, is not even considered by US foreign policy makers. Furthermore, it must be understood that multipolarity itself is liable to change in its configuration. The number of poles will certainly not be limited to those in existence today: new ones will form. For example, growing attention is being paid to the rapid growth of Brazil and South Africa and to the integration processes destined to develop in Latin America, Asia, Africa and the Middle East as a result of new economic and political conglomerates forming.⁴

of Russian Federation Foreign and Security Policy by Eugene Primakov”, *Internal Security*, 2020, vol. 12, no. 1, pp. 307-18.

² M.L. Levin, *The Next Great Clash. China and Russia vs. The United States*, Westport-London, 2008, p. 130.

³ R. Sakwa, *What Role for Russia in a Multipolar World?*, in A. Ferrari and E. Tafuro Ambrosetti (eds.), *Multipolarity After Ukraine: Old Wine in New Bottles?*, ISPI Report, Milan, ISPI-Ledizioni, 2023, pp. 36-37.

⁴ E. Primakov, *Un mondo senza la Russia? Le conseguenze della miopia politica*, Pisa,

According to the “Primakov Doctrine”, Russia must construct this multipolarity by collaborating mainly with China and India, whom it sees as the most important players in the new international scenario. Primakov’s multipolar vision and rejection of US unilateralism have become central to the Kremlin’s foreign policy. Of particular importance in this regard is the famous speech given by Vladimir Putin in Munich in 2007:

I believe that the unipolar model is not only unacceptable but also impossible for the modern world. This is not only because today’s world [...] lacks the military, political and economic resources to exercise unilateral hegemony. More importantly, it is because unilateral hegemony is not and cannot be the moral basis for modern civilisation.⁵

It is worth emphasising that at this stage Russia strongly condemned all forms of military intervention abroad. In particular, Moscow accused the United States and its NATO allies of destabilising the international scenario with a series of aggressive and hegemonic actions: the bombing of Serbia in 1999, the invasion of Iraq in 2003, support for the colour revolutions in Georgia and Ukraine in 2003-2004, the eastward expansion of NATO in 2004 and the attempt to admit Georgia and Ukraine in 2008, and the interventions in Libya and Syria in 2011.⁶

In the face of such military and political actions by the West, Moscow strongly affirmed the inviolability of the sovereignty of states, establishing Russia as an advocate for stability in the international order despite its own intervention in Georgia in the brief war of August 2008, which was widely seen as an imperialist aggression.⁷

Pacini Politica, 2018, p. 35.

⁵ *Speech and the Following Discussion at the Munich Conference on Security Policy.*

⁶ Cf. R. Sakwa, *Russia against the Rest. The Post-Cold War Crisis of World Order*, Cambridge, Cambridge University Press 2017, pp. 93-98; and F. Bettanin, *Putin e il mondo che verrà. Storia e politica della Russia nel nuovo contesto internazionale*, Rome, Viella, 2018, pp. 165-76.

⁷ R.D. Asmus, *A little war that shook the world: Georgia, Russia and the future of the*

A New Phase

Though the concept of sovereignty remained a key element of official political discourse, Moscow increasingly contradicted the principle of non-intervention in subsequent years, first with the annexation of Crimea and support for Donbass separatists in 2014, and then with the intervention in Syria in 2015. As with the Georgian War of 2008, Moscow struggled to legitimise its actions in order to justify them to the international community.

Ignoring for the moment Moscow's arguments for its foreign interventions, we have to admit that they substantially succeeded thanks to a close match between the objectives and the country's political, economic and military potential. A similar match has characterised the actions carried out by Russia in more recent years. This was seen in Africa initially, with the support in Libya of General Haftar (2019) and further interventions in other countries, mainly through the Wagner militia. It was likewise the case in dealings with the nations of the post-Soviet space, especially with the stabilisation of Kazakhstan in January 2020, the preservation of Lukashenko's shaky hold on power in Belarus in the second half of the same year, and above all the cynical but highly functional intervention during the war between Azerbaijan and Armenia between September and November 2020, which ended with the consolidation of Russian positions in the South Caucasus.⁸

There has also been a clear balance in Russia's relationship with China, which strengthened significantly as a result of the crisis with the West that followed the annexation of Crimea in 2014.⁹ In this relationship – which has developed as part

West, New York, Palgrave Macmillan, 2010.

⁸ A. Ferrari, "La politica estera russa in crisi? Mosca e le crisi di Bielorussia, Kirghizistan e Armenia", in *L'influenza della Russia nel Vicinato: tra minacce di erosione e adattamento alle nuove sfide*, Approfondimento a cura di ISPI per il Parlamento e il Ministero degli Affari Esteri e della Cooperazione Internazionale, march 2021.

⁹ See G. Rozman, *The Sino-Russian Challenge to World order. National Identities, Bilateral Relations, and East Versus West in the 2010s*, Stanford 2014; M. Lubina,

of the so-called Greater Eurasia project and become central to Russian political discourse in recent years – Moscow has basically accepted a subordinate role to Beijing given China's far superior economic and demographic strength.¹⁰

Until the end of 2020, in other words, Russia seemed able to pursue a foreign policy that, though distasteful to the West, quite effectively matched the limited economic conditions created by a substantial failure to fully develop the country's immense potential. The Russian leadership basically prioritised political stability over economic growth and social development. Putin's grip on power has become even tighter in recent years, as seen from the constitutional reform of 2020, which marked a transition to a clearly authoritarian system¹¹ and, among other things, allows him to run for President yet again. It is also worth noting that an increasingly conservative ideology has been adopted since 2013, based on a claim to traditional Russian values, especially religious and moral, in contrast to the alleged decadence of the West.¹²

Ideological and institutional rigidity increased during the Covid years and is now reflected in Russian foreign policy, particularly with regard to Ukraine and its possible entry into NATO, which Kiev even incorporated into its constitution in 2019.

Russia and China. A political marriage of convenience, Opladen - Berlin - Toronto, 2017; A. Ferrari and E. Tafuro Ambrosetti (eds.), *Russia and China. Anatomy of a Partnership*, ISPI Report, Milan, ISPI-Ledizioni, 2019.

¹⁰ A. Ferrari, "Greater Eurasia. Opportunity or Downsizing for Russia?", in A. Ferrari and E. Tafuro Ambrosetti (eds.), *Forward to the Past? New/Old Theatres of Russia's International Projection*, ISPI Report, Milan, ISPI-Ledizioni, pp. 33-47.

¹¹ A. Di Gregorio, *Il presidenzialismo in Russia: da un modello ibrido a un sistema apertamente autoritario*, DPCE Online, [S.l.], v. 57, n. 1, April 2023

¹² N.N. Petro, *How the West Lost Russia: Explaining the Conservative Turn in Russian Foreign Policy*, University of Rhode Island, 2018; A. Ferrari, "Russia. A conservative society?", in idem (ed.), *Russia 2018. Predictable Elections, Uncertain Future*, ISPI Report, Milan, ISPI-Ledizioni, 2018; M. Laruelle (Guest editor), "Grassroots Conservatism: Attitudes, Actors, and Scenes of the Conservative Revival in Russia and Central Asia", *East European Politics*, vol. 39, no. 2, 2023.

Russia and the War in Ukraine

With regard to Ukraine and the question of its entry into NATO, Putin seems to have lost his previous political equilibrium. This began with the famous article published on 12 July 2021 on the presidential website entitled *On the Historical Unity of Russians and Ukrainians*.¹³ Regardless of whether its arguments are valid or not, what is striking about this article is that it forms a sort of ideological programme for the subsequent invasion. It is therefore surprising that the Russian President's political moves in the following months appear to lack the ability to balance resources and goals that had characterised his actions in previous decades. Though legally illegitimate, the annexation of Crimea was a swift and successful operation. The invasion of Ukraine that began on 24 February 2022, on the other hand, worked out quite differently, mainly because Moscow clearly misjudged both its own forces and those of Ukraine, along with the willingness of the United States and Europe to provide Kiev with effective support. It should also be emphasised that Russia's armed forces, which enjoyed a great deal of prestige before the war and were considered second only to those of the United States, have significantly underperformed and that perceptions of their ability have changed dramatically as a result of the so-called "special military operation".¹⁴

The invasion of Ukraine has also had a number of extremely negative consequences for Moscow: a profound political and economic break with the West, increased dependence on China, the accession or rapprochement to NATO of Sweden and Finland (two previously neutral countries), and a critical loss of political weight in Central Asia and especially in the South Caucasus.¹⁵

¹³ Article by Vladimir Putin "On the Historical Unity of Russians and Ukrainians", Presidential Library.

¹⁴ P. Baev, *Russia's War in Ukraine Misleading Doctrine, Misguided Strategy*, Russie.Nei. Reports, No. 40, Ifri, October 2022.

¹⁵ In particular, Russia's failure to counter Azerbaijan in its military intervention in

During the course of 2023, however, the situation seems to have partly improved for Russia. Firstly, the Russian economy has proved substantially resilient and has withstood Western sanctions far better than expected by diversifying the sale of hydrocarbons (especially to India and China) and by keeping industrial output high, obviously thanks to demand from the military. Moscow can therefore play a waiting game, relying on the attrition of a Ukraine that is far poorer in human and natural resources and that depends largely on Western support.¹⁶

Even in the military realm, though the performance of Russia's armed forces remains underwhelming, the situation seems to have improved for Moscow after the disastrous autumn of 2022. The Ukrainian counter-offensive that began in the late spring of 2023 has been very burdensome in terms of human lives and military material, and can be considered to have substantially failed. Russia has also reassumed the initiative on the battlefield, demonstrating that it can supply the men and the means needed to maintain its effort despite almost two years of war. Recruitment ensures an influx of volunteers, providing Moscow with a constant supply of "fresh" troops and reserves. Despite Western sanctions, Russia's military-industrial complex still manages to operate effectively thanks to increased use of national components and parts sourced through the many countries that continue to collaborate with Moscow.¹⁷

Armenia in September 2002, in the blockade of Nagorno-Karabakh that began in December of the same year and in the September 2023 attack that ended the existence of the self-proclaimed independent republic have perhaps irremediably undermined the centuries-old cooperation between Russia and Armenia and paved the way for a stronger Turkish presence in the South Caucasus along with a larger role for the United States and the EU, who previously had very little influence in the region. See in particular the article by Th. De Wall, "[The End of Nagorno-Karabakh. How Western Inaction Enabled Azerbaijan and Russia](#)", *Foreign Affairs*, 26 September 2023.

¹⁶ E. Rumer, "[Rogue Power: Russia's Wartime Foreign Policy](#)", Carnegie Endowment for International Peace, May 2023.

¹⁷ P. Batacchi, *Ucraina: Advīdka, Bakhmut e la resilienza della Russia*, Rivista Italiana Difesa, 14 November 2023.

The country has even succeeded in overcoming the dramatic internal crisis caused by the controversial Prigozhin “uprising” in June, losing a valid fighter, but normalising its internal political-military framework.¹⁸ These political, economic and military dynamics are beginning to reveal cracks in the Western support on which Kiev relies. Such cracks are destined to widen as the US election approaches. Washington is likely to reduce its support for Ukraine, perhaps calling on European states to engage more. As Eugene Rumer has noted,

Instead of pulling back under the weight of international resentment and the difficulty of conducting a war of such dimensions, Russia has repositioned itself as a brutal and even more aggressive actor [...] Almost without limits, Russia is now adopting an increasingly provocative attitude toward the West.¹⁹

This confrontation, which the war in Ukraine has only made more acute, seems to be prompting Russia to reconsider the three centuries or more during which it has viewed the West as its essential point of reference. It remains to be seen whether this “pivot to the East” is dictated only by contingencies and will therefore be reviewed once the current crisis is over, or whether it will redefine Russia’s political and cultural position and therefore the entire Eurasian and global scenario on a lasting basis.²⁰

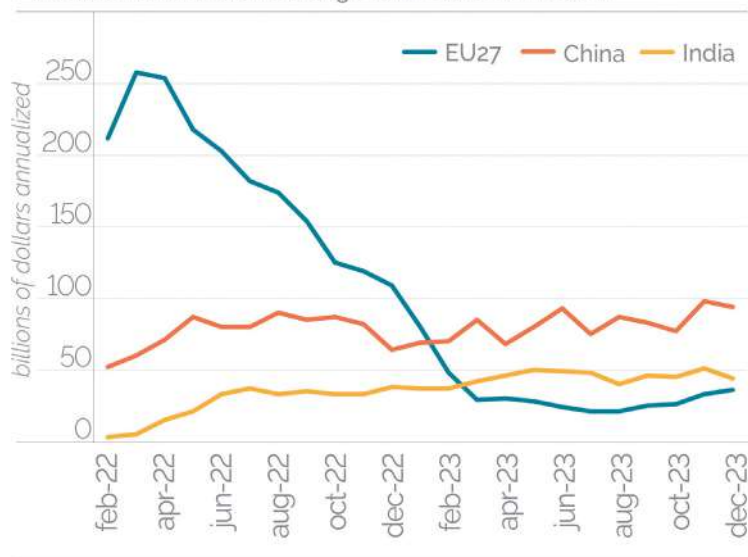
¹⁸ E. Rumer, “The Prigozhin Affair Is Much Less than Meets the Eye”, *Politico*, 3 July 2023; D. London, “How Does Putin’s Response to Prigozhin’s Mutiny Change the Threat from Russia”, *Just Security*, 5 July 2023.

¹⁹ E. Rumer, *Rogue Power: Russia’s Wartime Foreign Policy...*, cit.

²⁰ G. Cigliano, Introduzione, in G. Cigliano and T. Tagliaferri (eds.), *La Russia e l’Occidente*, Россия и Запад. *Atti della Giornata di studio Napoli, 9 June 2022*, Naples, FedOA Press 2023, p. 19.

Who Finances Moscow?

Purchase value of oil, natural gas and coal from Russia



Source:
CREA

ISPI

The Global South and Multipolarism

Other aspects need to be considered too when assessing the effects of Russia's invasion of Ukraine.

In the face of the West's attempt to isolate it economically and politically, as well as pursuing ever closer relationships with China and India, Moscow has strengthened its ties to the network of alliances and organisations (in particular the Shanghai Cooperation Organisation and BRICS) that has emerged in recent decades in Asia and globally. Russia's political activism is aimed primarily at the Asian, African and South American countries that make up the so-called "Global South"

and takes the form of an anti-colonialism directed against the West that successfully recalls the political and cultural practices of the Soviet era.²¹

While not siding with Russia, many countries in the Global South – from India to South Africa and Brazil – have expressed a clear stance against the position adopted by the US-led West. In particular, at the UN General Assembly, many states have abstained or voted against resolutions condemning Russia for its invasion of Ukraine. Indeed, it is important to understand that while Western nations have almost unequivocally condemned Russia, many other countries have adopted a different approach. Some have remained neutral; others, while condemning the invasion, have actually developed closer economic ties with Moscow. Despite Western threats of economic retaliation, China, India, virtually all of Asia (except Japan, South Korea, and Taiwan), all of Africa, and all of Latin America continue to trade with Russia directly or through intermediaries. This attitude cannot be attributed to economic interests alone. There are several political reasons why these nations are reluctant to condemn Moscow and show practical support for Ukraine. The refusal of Latin American leaders to send arms to Ukraine, for example, stems from a long-standing tradition of non-interventionism that they do not wish to abandon. Furthermore, the Western perception of the war in Ukraine as a conflict with global connotations and an exceptionally serious attack on the values of democracy, freedom and self-determination is not universally shared.²² Many governments in the Global South regard the Russo-Ukrainian conflict as a purely European issue if not as yet another example of the West's double standards in the face of events such as the 2003 invasion of Iraq or Israel's

²¹ A. Ferrari and E. Tafuro Ambrosetti, Conclusions, in idem (eds.), *Multipolarity After Ukraine: Old Wine in New Bottles?...*, cit., pp. 120-21.

²² F.A. Lukyanov, "Why the 'World Majority' Sees the Ukraine Conflict as an Example of Declining European and North American Power, Russia", *Global Affairs*, 11 September 2023.

occupation of Palestinian territories.²³ In any case, as E. Rumer points out,

Frequently dismissed as irrelevant, Russia's investments in the Global South are paying off. Though isolated from the West, Russia is far from isolated from the "rest of the world".²⁴

Russia's immediate future, however, depends largely on the outcome of the war in Ukraine. If this ends in a heavy defeat, the country could run serious political, social and security risks. If, on the contrary, Moscow manages to maintain control of the conquered territories, it could present the war – at least to its own people – as a victory against the "collective West", thus giving further impetus to the consolidation of a post-Western international system. One of the main interpreters of Moscow's political discourse, Sergei Karaganov, argues, for example, that Russia is shaking off the "Western yoke" for the benefit of the whole world.²⁵

The political situation resulting from the war has indeed strengthened the constitution of the new multipolar order desired by an increasingly large and influential group of nations that consider their interests harmed by the hegemony of the West. Zachary Paikin notes that 2022 might indeed go down in history as the year in which multipolarism became a reality.²⁶ This applies whether Moscow wins the war in Ukraine or loses it. Even a further downsizing of Russian influence will not prevent the consolidation of an international scenario that Richard Sakwa defines as

²³ A. Ferrari and E. Tafuro Ambrosetti, Conclusions, in A. Ferrari and E. Tafuro Ambrosetti (eds.), *Multipolarity After Ukraine: Old Wine in New Bottles?*..., cit., pp. 120-121.

²⁴ E. Rumer, *Rogue Power: Russia's Wartime Foreign Policy*..., cit.

²⁵ S. Karaganov, "We are shaking off the Western yoke...", *Biznes online*, 28 May 2023.

²⁶ Z. Paikin, "After the Ukraine War: Liberal Order Revisited", in A. Ferrari and E. Tafuro Ambrosetti (eds.), *Multipolarity After Ukraine: Old Wine in New Bottles?*..., cit., p. 27.

a highly unequal multipolarity [...] accompanied by vaster ideological and even civilisational competition between the political West and the rising political East.²⁷

The West's stubborn opposition to the multipolar evolution of the international order is indeed based on a political discourse in which the defence of its centuries-old hegemony is systematically linked to the reaffirmation of values proclaimed as universal. It is perhaps worth wondering whether it is really in the West's interest to offer ineffective opposition to a transformation that is already under way rather than to participate positively in bringing it to fruition.

²⁷ R. Sakwa, "What Role for Russia in a Multipolar World?", in A. Ferrari and E. Tafuro Ambrosetti (eds.), *Multipolarity After Ukraine: Old Wine in New Bottles?...*, cit., p. 46.

7. India and the “Voice” of the Global South

Nicola Missaglia

This year, 2024, has been described as the biggest election year in history. More than 4.2 billion people – over half the world’s population – will be called upon to choose new governments, parliaments and leaders in dozens of countries.¹ Over 900 million Indians will go to the polls this spring to elect a new parliament and government in an electoral process that will last almost two months. Of course, these timescales and numbers befit the world’s largest democracy.

Prime Minister Narendra Modi, a leader of the Hindu nationalist Bharatiya Janata Party (BJP) with over 180 million members, has a very good chance of being re-elected for a third term. His nine years in government, which began in 2014, have not tarnished his success. On the contrary: in India he enjoys an unparalleled consensus, greater than that of any other leader on the subcontinent in recent decades. His success reaches heights previously touched only by historical figures such as Jawaharlal Nehru or Indira Gandhi. Modi’s political flair and strategic skill allowed him to see off the opposition offered by the historic Congress party, which has been groping around for a leader and identity for years now. Many Indians perceive the Prime Minister as someone capable of elevating the country to a prominent position on the international stage, envisioning India as the emerging Asian power in the XXI century.

¹ “2024 is the biggest election year in history”, *The Economist*, 13 November 2023.

Modi has adeptly crafted a successful global image for himself. The days when Western governments considered the religious nationalist to be persona non grata now seem a distant memory, and even the mistrust Arab and African countries showed towards him now seems to have evaporated. The Prime Minister's pragmatic, albeit in many respects ambiguous, foreign policy has earned him, if not respect, certainly the attention of all. More than any other nation, India has adeptly capitalized on and exploited significant changes in the international landscape in recent years. These changes include the stepping up of geostrategic competition between the US and China, the fragmentation and partial reconfiguration of global value chains, the emergence of a multipolar world and growing divisions between the West and the countries of the Global South – where India now aspires to snatch the leadership from its tough challenger Beijing.

Recording-Breaking India

India boasts all the credentials to claim this title. Its economy is the fastest growing among the world's top 20. In 2023, the year of its G20 presidency, India recorded growth of 7%, far surpassing China. Even by the most conservative estimates, India's growth rate is expected to remain stable in the coming years.² These are the kind of figures we must expect from a giant where more than one million young people enter the labour market every month. And at a time of global uncertainty, these results instil confidence and benefit India's credibility both in the region and internationally.³

India also made headlines in the field of technology last autumn by becoming the first country in the world to land a probe on the inhospitable south pole of the Moon, an area

² J. Fernandes, "IMF Executive Director KV Subramanian predicts 7% growth for FY24, says India 'charting own path'", *Live Mint*, 2 December 2023.

³ International Monetary Fund (IMF), *World Economic Outlook*, October 2023.

believed to be rich in water and resources. Even though the Chandrayaan-3 probe has now stopped sending out signals as it is trapped by the lunar winter, the enterprise is still considered to have been an unqualified success. It was followed a few weeks later by yet another Indian mission to Mars. Despite these achievements, India's public spending on space missions is only about 6% of that of the United States, demonstrating the effectiveness and ambition of the Indian space programme.⁴

Another record achieved by India in recent years is demographic: with its 1.4 billion inhabitants, it has overtaken China, which held the title of the world's most populous country for more than three centuries. At a time when the economic growth and geopolitical ambitions of the "world's factory" are about to be brought up short by the decline and rapid ageing of its population (the average age in China is 38.4), India – where the average age is 28.4 – will benefit from an unparalleled demographic dividend for the next half century. By 2030, India's working-age population is expected to expand by more than 100 million to over a billion, while China's population will contract by 40 million to under 950 million. The young average age of the Indian population stimulates a rapidly growing consumer market and is a formidable driver of innovation. This is borne out not just by space missions or start-ups in Bangalore and Chennai, but also by the country's thriving, cutting-edge information economy.⁵

Out-Performing China

Above all, India owes its regional and global rise to its booming economy. Although India's GDP is currently still significantly lower than China's, in the next five years India's share of global growth is expected to reach 18%, surpassing that of the US,

⁴ "India's moon landing made history at a low cost", *CNBC*, 23 August 2023.

⁵ "India's Manufacturing Moment", *Economist Intelligence Unit*, March 2023.

which is languishing at just above 10%.⁶ In 2023, India's GDP surpassed that of its former colonial power, the United Kingdom, and is estimated to overtake Germany and Japan too by 2030. This will make India the third largest economy in the world, just behind the US and China. In the meantime, it is also becoming clear that the Chinese "decline",⁷ as some are quick to describe the tail-end of a boom lasting almost half a century, will in due course open up opportunities for the Indian economy and those of other emerging Global South countries.⁸

New Delhi is not willing to trade its security in any sphere for such opportunities. Although India's economic and geopolitical rise has not (as yet) been accompanied by a particularly assertive foreign policy, nor by any hegemonic ambitions such as those that have accompanied China's rise in recent decades, it should come as no surprise that India's defence spending is now the third highest in the world after the US and China (US\$76.6 billion in 2022).⁹ In an increasingly unstable regional context, the consolidation of the strategic alliance between China and Pakistan, two hostile nuclear powers, has greatly fuelled New Delhi's sense of insecurity. Over the past three years, tensions along the long Himalayan border with China have escalated, leading to frequent military clashes in the disputed regions of Tibet and Ladakh. Bilateral relations between New Delhi and Beijing are at an all-time low, compounded by nationalist rhetoric on both sides. In Asia, India is the country that has most resolutely challenged Chinese power, despite the fact that Indian leaders are well aware that a China beset by economic difficulties and political tensions could pose a greater danger than it has in the past.

⁶ A. Roy, "India Will Boost Contribution to Global Growth by 2028, Says IMF", *Bloomberg*, 20 October 2023.

⁷ "India is going to get a lot of money that would have normally gone to China: Mark Mobius", *Business Today*, 23 November 2023.

⁸ S. Bhalla and K. Bhasin, "India-China: Reversal of fortunes?", The Brookings Institution, 14 September 2023.

⁹ D. Singh, "India third largest military spender after US and China", *The Hindu*, 25 April 2023.

Building Consensus, The Global South Challenge

The part of the international political arena where the rivalry between India and China is most evident is in the struggle for leadership in the Global South. Both countries are aware that they possess the credentials to represent the Global South in major international fora, especially at a time when much of the Global South is frustrated by the developed world's inability to help it solve some of the world's most pressing problems. These include climate change, high debt burdens, a lack of resources for sustainable development and shortcomings in the economic and social infrastructure for the provision of public goods.¹⁰

China and India are adopting very different approaches to supporting calls for change in the international economic, financial, and institutional system voiced by the developing countries that make up this "club".¹¹ The struggle over leadership and setting an agenda for consensus in the Global South sees India and China engaged in a complex game. This web is made even more intricate by differences between the two countries and within the Global South itself.¹² The different reactions of Beijing and New Delhi to the Russian invasion of Ukraine or the Israel-Hamas war, as well as the stances they adopted at annual meetings¹³ of the International Monetary Fund and the World Bank,¹⁴ show that choices made by the two contenders will be crucial in determining the possibility of a common consensus.

The speed with which Modi rushed to insist, in the year of India's G20 presidency, that the countries of the Global South

¹⁰ A. Palit, "India and China: Close Rivals in the G20 and in the Global South", ISPI, 5 September 2023.

¹¹ A. Russell, "Year in a word: 'Global south'", *Financial Times*, 31 December 2023.

¹² G. De Carvalho, "Global South: The 'Rest' vs the West?", in *The World in 2024: The Great Fragmentation*, ISPI, 23 December 2023.

¹³ Interview with Indian Finance Minister Nirmala Sitaraman, "India's Finance Minister endorses immediate IMF quota solution".

¹⁴ H. Tran, "Breaking down China and India's race to represent the Global South", Atlantic Council, 20 October 2023.

should speak “with one voice” should come as no surprise, just as it is no surprise that India is positioning itself as the spokesperson. “This is the time when the countries of the Global South should unite for the greater global good”, was the call issued by Modi on 17 November 2023 in the opening address of one of the many *Voice of the Global South* summits organised by the Indian G20 presidency during the year.¹⁵ “The message”, the Prime Minister said at another event, “is that the Global South wants autonomy and its voice to be heard on global governance, Global South is ready to take a big responsibility on global issues. India is proud to have the opportunity to put the voice of the Global South on the agenda of a forum like G20...”¹⁶

As the multipolar world hunkers down under the rubble of collapsing multilateralism, it appears to be full of rich pickings for a country like India that acts as a free agent in international affairs.¹⁷ However, its growing geopolitical rivalry with China will be one of the main obstacles to the unity of the Global South, as well as to the transformation of the enlarged BRICS group into a credible alternative to the G20 and G7. The differences between New Delhi and Beijing, as well as between the 11 members, will make it difficult for the BRICS+ to reach a lasting consensus on important issues. The first signs of friction have already appeared on more than one occasion. These include India’s own hesitation in agreeing to the expansion of the BRICS to include six new members, fearing to strengthen a group so far unequivocally dominated by China, whose GDP is more than twice that of all the other members put together. Additional indicators included Xi Jinping’s

¹⁵ Government of India, Ministry of External Affairs, “[Voice of Global South Summit](#)”, 12-13 January and 17 November 2023.

¹⁶ K. Sharma, “[India’s Modi calls for Global South unity on Israel-Hamas war](#)”, *Nikkei Asia*, 17 Novembre 2023.

¹⁷ <https://www.ispionline.it/it/pubblicazione/il-mondo-nel-2024-cosa-pensano-gli-esperti-157659>

last-minute withdrawal from the G20 summit in New Delhi¹⁸ and Modi's widely publicized proposal to grant permanent G20 membership to the African Union.¹⁹ This maneuver enabled Modi to establish himself as an inclusive leader of the Global South, while China, in contrast, is often accused to entangle nations in debt and exploitation.

The dramatic events of recent months, starting with the war in the Middle East, have also highlighted significantly different stances and policies between India and China and between the West and the Global South – and the same differences are evident in other countries of the Global South. Such divergences suggest that proposing a common, broad vision to which all countries of the Global South can subscribe is an enterprise that cannot be certain of any practical success. In the upcoming years, it is highly probable that various groups of countries encompassed by the Global South umbrella will unite around diverse themes, influenced by their national interests and prevailing circumstances. These dynamic and quite specific scenarios are presently classified as "minilateralism".²⁰

Aligning with either India or China will be driven by specific objectives rather than a generic convergence of viewpoints. It is likely that, for the foreseeable future, nations aspiring to enhance their trade and investment prospects will predominantly turn towards China, given its larger global economic influence compared to India. Similarly, countries with robust anti-colonial inclinations are likely to follow a similar pattern.²¹ New Delhi's less ideological and more pragmatic approach is poised to be more appealing to emerging countries seeking to foster a conducive environment for negotiations with advanced

¹⁸ J. Palmer, "Xi Jinping Will Be a G-20 No-Show", *Foreign Policy*, 5 Settembre 2023.

¹⁹ "Indian PM Modi proposes full G20 membership for African Union", *Al-Jazeera*, 27 August 2023.

²⁰ N. Mladenov, "Minilateralism: A Concept That Is Changing the World Order", The Washington Institute, 14 April 2023.

²¹ Tran (2023) and *ibid*.

economies and reforming existing international economic and financial institutions and practices. A noteworthy illustration of this mounting interest in India manifested in 2023 when several significant countries endorsed its G20 presidency, acknowledging and appreciating its pragmatic and well-balanced stance in international relations.²²

These shifts will lead to the emergence of an intricate network of multi-alignments among the nations of the Global South, as opposed to a straightforward non-alignment approach.²³ For the Western world, this complexity will present an additional obstacle in establishing robust and enduring relationships with developing countries, especially within the context of geopolitical competition with China.²⁴ Simultaneously, it becomes increasingly essential for Western nations to actively collaborate with influential players such as India to address the needs and valid concerns of developing countries. Nevertheless, the diplomatic influence of both India and China is inherently constrained. Neither nation can genuinely assert to represent the entire Global South, as a clear consensus on major issues of international politics remains elusive, except for shared grievances concerning the Western-led world order.

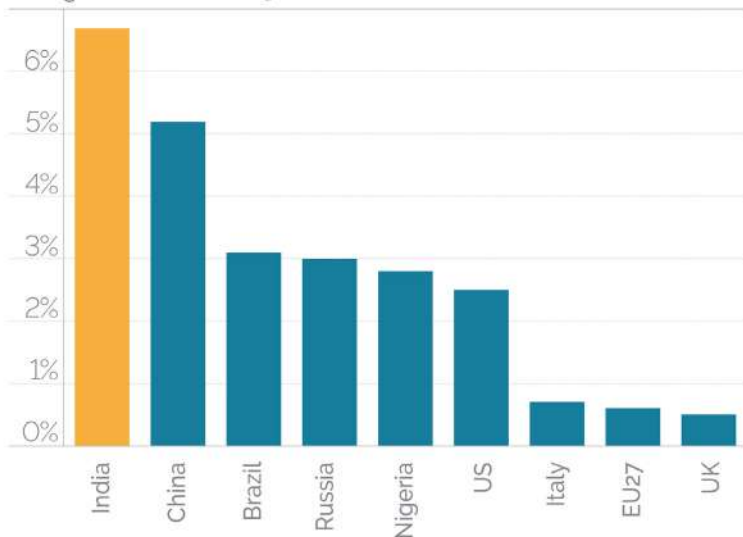
²² C. Bajpae, “The G20 showcases India’s growing power. It could also expose the limits of its foreign policy”, Chatham House, 7 September 2023.

²³ L. Ishmael, “The New South in a Multipolar World Multi-Alignment or Fence Sitting?”, Policy Center for the New South, 23 October 2023.

²⁴ M. Leigh, *Is multi-alignment a path to chaos or order?*, GIS Report, 13 November 2023.

India's Growth Continues

GDP growth rate in 2023



Source:
IMF

ISPI

The West, Multi-Alignment and Security

In recent years, India has shown increasing interest in strengthening its relations with the West. However, New Delhi remains cautious about entering into formal military alliances with Western countries. American and European leaders launched a charm offensive at the beginning of the war in Ukraine, hoping in vain to convince New Delhi to openly side with the West and against Russia, but this has been to no avail.²⁵ India continues to import the bulk of its weaponry and energy needs from Moscow, and it

²⁵ J. Malhotra, “Why Western charm offensive for Modi is proof of PM walking foreign policy middle path”, *The Print India*, 24 May 2023.

is therefore unlikely that Western wishes will come true in the short term.²⁶ In the current uncertain international environment, even New Delhi has not been slow to adapt its historical policy of non-alignment – “few enemies, many friends, no allies” – to the more pragmatic and transactional concept of “multi-alignment”, i.e. entering into whatever partnership seems most convenient,²⁷ which today seems to be the focus of all Indian diplomacy.²⁸

Apart from words and strategies – including the Indo-Pacific Strategy – the Western powers have offered little in the way of firm action over security to the subcontinent in recent years, implicitly suggesting to New Delhi that India alone must take full responsibility for its own security. Because India’s rise will depend on its ability to defend itself against external threats, it is therefore very likely that in the coming years New Delhi will seek to accelerate the modernisation of its conventional armed forces and strengthen its nuclear deterrence capability.

The Challenge of Modernisation

In addition to its remarkable ability to adapt to the changes and challenges of the international environment, India’s future will also largely be shaped by the responses of its governments to domestic challenges. During his first two terms in office, Prime Minister Modi led the country to make major strides towards modernising a cumbersome and outdated bureaucracy, facilitating the spread of digital tools to reduce inefficiencies and attract foreign investment. In particular, the Indian government has also recently invested significantly in infrastructure development and expansion, implementing some important

²⁶ P.D. Wezeman, J. Gadon, S.T. Wezeman, “[Trends in International Arms Affairs 2022](#)”, SIPRI Fact Sheet, March 2023.

²⁷ F. Fasulo, G.A. Casanova, and P. Morselli, “[Is India’s Multi-Alignment Working?](#)”, ISPI, 26 July 2023.

²⁸ A.J. Tellis, “[Non-Allied Forever: India’s Grand Strategy According to Subrahmanyam Jaishankar](#)”, Carnegie Endowment for International Peace, 3 March 2021.

regulatory reforms and stimulating domestic production through the "Make in India" programme.²⁹

If India is to truly transform itself into a new global manufacturing hub as an alternative to China (a development on which many are banking in this era of geopolitical and geo-economic tensions), India must now begin to invest unreservedly in human capital, education, training and, not least, the inclusion of women in the labour force. The average duration of schooling in the subcontinent is 6.5 years, lower than Vietnam's 8.3 or Thailand's 8.9. One in three women are also excluded from the labour market.³⁰ The Indian middle class consumer market is also still surprisingly small, at US\$500 billion, compared to a global market of over US\$30 trillion.³¹

These crucial challenges must be overcome to ensure that India's rise is sustainable and lasting, particularly within such a large and diverse country. India has stood as the largest among developing economies steadfastly pursuing modernization while upholding a resolutely democratic political system since the end of colonial rule. Despite its flaws, this system has thus far succeeded in mitigating and containing political polarisation, centrifugal forces, and outbreaks of violence, despite the profound cultural, religious and linguistic diversity of the nation. This achievement can be attributed to a political system that, while imperfect, effectively guarantees freedom of expression, dialogue, emancipation, and social mobility for historically marginalised communities and individuals. Therefore, the Indian democratic framework stands as a cornerstone of stability. The Indian democratic framework stands as a cornerstone of stability, not only for India but also for the West and the nations of the Global South. These countries now view India as an essential ally amidst the challenges posed by countries like China or Russia, which aim to impose a radical revisionist change on the global order.

²⁹ Government of India, "Make in India".

³⁰ Economist Intelligence Unit, "India's Manufacturing Moment", cit.

³¹ A. Subramanian and J. Felman, "Why India Can't Replace China", Foreign Affairs, 9 December 2022.

Democracy and the Future of India

India's prospective ascension in the global geopolitical landscape, along with the expectations vested by the West and other nations in the subcontinent as a potential ally and counterbalance to China, hinges upon India's capacity to uphold and safeguard its democratic system. Political stability, sustainable economic growth, internal and external security, as well as a responsible and forward-thinking foreign policy, all pivot on the preservation of this system. In recent years, the religious nationalism promoted by the Modi government has tested the principles of coexistence and pluralism upon which Indian democracy is built. If Modi is re-elected in 2024, it is crucial for the global community, and especially for Indians, to remember that democracy in India is not just a supplement to its economic progress, but a fundamental component that will significantly influence its geopolitical position in a shifting world.

8. Israel and Hamas: The Origins of Insecurity

Ugo Tramballi

No Israelis are in any doubt that, as day dawned on Shabbat on 7 October 2023, their lives changed forever. Some 3,000 Hamas militants attacked population centres in the south of the country, killing over 1,200 people and kidnapping almost 250. Never, in the history of its wars, had Israel had suffered so many civilian casualties. What that change meant, however, had various implications, whether individual or collective, moral or ideological, religious or secular.

In the words of Naftali Bennett, “Until then, we Israelis mostly felt that we were a Western society, where people worked in tech, planned skiing vacations and went on wellness retreats, with few worries”. The change, as he sees it, was radical and robust: “Israel’s future depends not on pity from the world, but on fear in the hearts of our enemies”.¹

So a future not unlike the past, since the establishment of the State of Israel in 1948; and even prior to that. In an essay he wrote in 1923, Ze’ev Jabotinsky, the founder of Revisionist Zionism, argued that Jews should only negotiate with Palestinians once securely protected by “an iron wall”. The Arabs “feel at least the same instinctive jealous love of Palestine, as the old Aztecs felt for ancient Mexico, and the Sioux for their rolling prairies”, wrote “Every native population in the world resists colonists as

¹ “Naftali Bennett argues that Israel’s future depends on striking fear into its enemies’ hearts”, *The Economist*, 17 October 2023.

long as it has the slightest hope of being able to rid itself of the danger of being colonised. ... Palestine will have to be taken from them by force”.²

Naftali Bennett was Israel’s Prime Minister for just over a year, with effect from June 2021, and previously served as director of the Yesha Council, an organisation that takes its name from the Hebrew acronym for “Judea, Samaria and Gaza Council” and whose purpose is to support settlers in the Occupied Territories.³ His comment on the tragedy of October 7 is careless but revealing. It shows how little consideration the Israelis gave to the Palestinians and their plight. Israel’s overall GDP is 26 times higher and its per-capita GDP is 15 times higher than that of Gaza and the West Bank. Its tech industry has seen phenomenal development: a decade ago, Israel, with a population of 9 million, had twice as many tech start-ups as France and Germany put together. Investors regularly expressed the view that Silicon Valley was the only other place with a comparable business ecosystem.

The Gulf States offered peace without asking what Israel intended to do with the Palestinians. Kings and emirs did not conceal the fact that trade with the former “Zionist enemy” was a priority. The Gulf and Israel, the Middle East’s success stories, “account for only 14% of the population but 60% of GDP, 73% of goods exports and 75% of inward multinational investment”.⁴

Israel was therefore convinced that in the absence of political solutions, which had failed one after another, they could simply “manage the conflict” with the Palestinians. Many, including Naftali Bennett, thought it would be easy to make the transition from managing the conflict to annexing the Occupied Territories and thus creating the “Greater Israel”, from the Mediterranean to the Jordan River, imagined by Jabotinsky and aspired to ever since by his successors in the

² H. Halkin, “*Jabotinsky – A Life*”, Yale University Press, 2014, p. 138.

³ Judea and Samaria are the Hebrew names of the West Bank in the Bible.

⁴ “The Gulf’s boundless ambition to change the world”, *The Economist*, 7 September 2023.

Likud party who became Prime Ministers, namely Menachem Begin, Yitzhak Shamir and Benjamin Netanyahu.

The playbook for the day-to-day management of the conflict involved enclosing and sanctioning Gaza's Palestinians within their own strip, and controlling the West Bank Palestinians by force and by means of invasive electronic systems comparable to those used in Xi Jinping's China.

According to B'Tselem, the Israeli Information Center for Human Rights in the Occupied Territories, "At the end of September 2023, the Israel Prison Service (IPS) was holding 4,764 Palestinians in detention or in prison".⁵ Many of them are "administrative detainees", who are unable to consult a lawyer and unable to find out what they are charged with or when their case will come to court. And then there are the dead: almost 500 Palestinians were killed in the West Bank in raids by Israeli soldiers in 2023 alone, over half since the start of the Gaza War. As in the case of the bombings of the Gaza Strip, most of the dead were civilians, not Hamas militants.

Fatherlands and Demography

"I wanted to do lots of things but I live in a place where it's impossible to fulfil your dreams. Martyrdom is victory: your life ends but at least ends in happiness",⁶ a Jenin teenager wrote on his mobile phone, in his farewell message to his parents. For a few years before and several months since the start of the war in Gaza, the West Bank has been a daily battlefield.

⁵ "I wanted to do many things, but we live in a place where achieving your dreams is impossible. Martyrdom is victory. It is true that your life ends but at least it ends in happiness. ... Don't be sad, father. I wished for martyrdom and I received it....We can counsel the students but we can't prevent the army from raiding the camp. ... The occupation is the biggest driver among the youth who ask why they should stop when they are subjected to war and death (https://www.btselem.org/statistics/detainees_and_prisoners#).

⁶ R. Abdulrahim and Hi. Yazbek, "The West Bank teenagers who write out their last words", *The New York Times*, Friday 7 July 2023.

The occupation and raids by Israeli border police and settlers have destroyed all prospects: for young people in the Occupied Territories there is no chance of a holiday in Europe or even a visit to Jerusalem, just a few kilometres away as the crow flies. Their horizon ends at the first Israeli checkpoint outside the city. It is not difficult for Hamas to recruit them: all it takes is a hundred dollars, a Kalashnikov, the deference of other teenagers and the promise that martyrdom will secure financial aid for their family.

Without military training, holding a rifle in front of Israeli soldiers is tantamount to suicide. “Father, don’t be sad: I sought martyrdom and I found it”, wrote another boy, under no illusions about the fate that awaited him. “We can give students advice, but we can’t stop the army from attacking the camp”, said a school psychologist from Dheisheh, a refugee camp south of Bethlehem. “The occupation is the strongest driving force among young people, who ask themselves why they should stop when they are so exposed to war and death”.⁷

When the Oslo Accords were signed in 1993 – not actually in Oslo, but in the White House Rose Garden in Washington – there were about 110,000 Israeli settlers living in 128 settlements in the occupied West Bank, and 140,000 in Arab East Jerusalem. By September 2023, their number had risen to 460,000 in 300 settlements in the West Bank and 230,000 in the occupied part of Jerusalem.⁸ To ensure their safety, the number of Israeli army checkpoints multiplied. In late 2017, B’Tselem and the United Nations counted 98 permanent and 2,941 flying checkpoints.⁹ In more recent years of clashes in the West Bank and during the Gaza War, many more have sprung up.

The conflict between Israelis and Palestinians, which is the longest-running in contemporary history, appeared to have no solution. Like Israel, international diplomacy tended to avoid

⁷ Ibid.

⁸ <https://peacenow.org.il/en/30-years-after-oslo-the-data-that-shows-how-the-settlements-proliferated-following-the-oslo-accords>

⁹ https://www.btselem.org/freedom_of_movement

the issue, as it lacked both ideas and the *gravitas* to propose any. Even public opinion had grown tired of the issue. In the wake of the Gulf Wars, the US invasion of Iraq, the Arab Springs that turned into civil wars, and the advent of ISIS, the Palestinian question seemed irrelevant. The XXI century, after all, was set to be defined by the rivalry between the United States and China, not by the Middle East, the world's leading producer of hydrocarbons and armed conflicts.

So there was clearly a gaping divide between the world of Naftali Bennett, as it planned its skiing holidays in the Alps, and the world of the 2.3 million Palestinians in Gaza, the almost three million in the West Bank and the 362,000 in East Jerusalem. So close together and yet so far apart. If you then add the two million Arab citizens of Israel, there are currently more Arabs than Jews living between the Mediterranean and the Jordan River.

The illusion of living in a Western country is contradicted by geography, demography and the inexorable dynamics of the Middle East, which are more powerful than GDP and the tech industry. On 7 October 2023, Hamas demonstrated, with the utmost brutality, that if swept under the carpet, the past and its unresolved conflicts come back to destroy the future. The reality in which Israelis and Palestinians live is not the one marked by Tel Aviv's booming start-ups. It is the one marked by the millennia-old city of Jerusalem, with the presence of God looming over it, where two peoples do not share the same place but live in two separate cities, ignoring each other. This is what poisons their existence on a daily basis.

Walls of Jericho

The nearly 40-page document sent to the military and intelligence commands responsible for security at the Gaza border went by the code name "Walls of Jericho". It revealed that Hamas and its allies in the Gaza strip were planning a major attack against Israel. This would start with a barrage of

rocket-fire. Drones would knock out the alarm systems. Then, borne by paragliders, a squad of men would land behind Israeli lines and open the way for a ground attack. The targets were kibbutzim, border-villages and military bases.

“Walls of Jericho” predicted the events of 7 October 2023 at least a year in advance. In July, an analyst from Unit 8200, army intelligence, reported intensive training taking place in Gaza. According to a *New York Times* reconstruction, a colonel dismissed the report as “total fantasy”.

“I utterly refuse that the scenario is imaginary: ... it’s a plan designed to start a war”, the analyst insisted in an email.¹⁰ But for the colonel and his superiors, who had received a copy of “Walls of Jericho”, nothing suggested that an attack of that magnitude was on the horizon: Hamas lacked the strength, the capacity and the weaponry, was their conclusion. Naftali Bennett was not the only person who had fallen prey to national complacency syndrome.

What prompted Hamas to choose that day, the last in a long series of Jewish holidays? What were its aims? To highlight Israel’s weakness and take hostages to exchange for the thousands of Palestinians locked up in their prisons? Or was it a more ambitious plan, agreed with Iran and Lebanon’s Hezbollah?

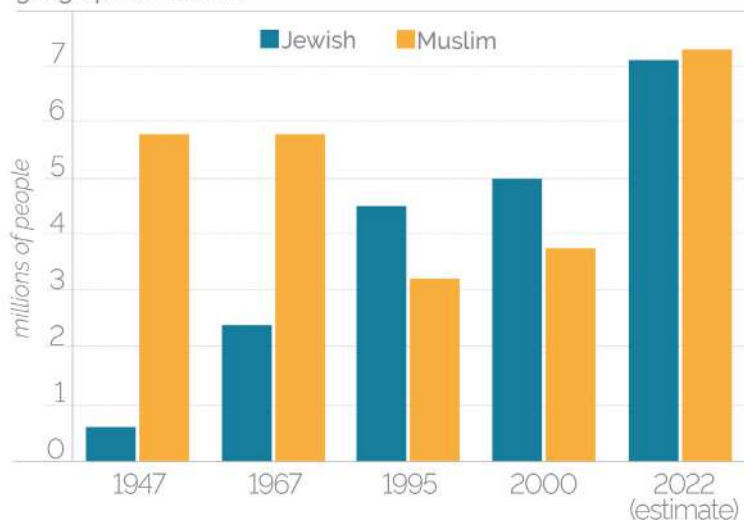
Israel's Fragility

On 10 September, less than a month before the Hamas attack, a conference between military officers, legal experts and civil society specialists was held at Bar-Ilan University on the outskirts of Tel Aviv. The topic for discussion was the conduct of the armed forces in the clash over the judicial system, on whose independence the Netanyahu government wanted to impose limits.

¹⁰ R. Bergman and A. Goldman, “Israelis knew of Hamas plan for attack”, *The New York Times*, 2-3 December 2023.

Contested Palestine

Inhabitants adhering to the Jewish or Muslim religion in geographic Palestine



Source:
ISPI, based on official sources

ISPI

The question was dividing the country. It was not only about the independence of magistrates but about the nature of democracy: whether it should be secular and modern or increasingly religious and illiberal, as desired by the governing parties of the nationalist-religious right and ultra-Orthodox factions who were propping up Netanyahu's majority.

For almost a year before the war, every Saturday night hundreds of thousands of Israelis took to the streets in Tel Aviv and the rest of the country to protest. Many were reservists, including fighter pilots, who were ignoring the annual call-up. The Israeli army is a people's army and the refusal to serve called into question the country's cohesion and security.

Israel looked deeply divided. “We concluded that the deepest problem will be a prolonged rupture between the politicians and the army. This connection, which has mostly been closely guarded until now, is liable to unravel. It could lead to refusing orders.....Our enemies may be tempted to view an advantage in a multi-front threat over us”.¹¹

If it was this fragility that prompted Hamas to launch its attack on 7 October, the group miscalculated. Of 360,000 reservists called to arms, 360,000 responded. But that is perhaps the only serious mistake Hamas made in this tragedy: with unprecedented violence, cynicism and cunning, it drove Israel into the trap of a bloody, barely winnable conflict, with no political project to bring it to an end.

For Hamas, the people of Gaza were nothing more than a tactical weapon in its military arsenal: treated as dispensable, provided it could goad Israel into perpetrating a civilian massacre that would outrage the international community. No justice for the attack of October 7 can leave such ample margins as to look like revenge. No legitimate defence can include the humanitarian disaster caused by Israel.

Within two months, Israeli’s offensive had killed more civilians than 20 years of American bombing in Afghanistan. The Israelis have used “extremely powerful weapons in extremely”.¹²

The massacre and the biblical images of hundreds of thousands of Palestinians forced to seek refuge from the north to the south of a strip of land with an area of 360 square kilometres have complicated the issue of Western support. Lloyd Austin, the US Defence Secretary, had criticised the military campaign against Gaza: if you push Gaza’s civilians “into the arms of the enemy, you replace a tactical victory with a strategic defeat”.¹³

¹¹ A. Harel, “Chief of Staff learned the lessons of ’73 war”, *Haaretz*, 14 September 2023.

¹² L. Leatherby, “Big bombs have taken heavy toll in Gaza war”, *The New York Times*, 28 November 2023.

¹³ P. Baker, “With drive southward, Netanyahu tests Biden”, *The New York Times*, 7 December 2023.

Nevertheless, the Americans continued to supply Israel with the bombs that caused those massacres.

In the battle between the West, China and Russia for the hearts and minds of the Global South, the United States and the European Union are still paying a high price for the tragedy in Gaza. We are helping the Ukrainians fight for the rights that we do not grant to Palestinians; Vladimir Putin is a pariah, Benjamin Netanyahu is not. In the increasingly influential countries of the growing South, this is seen as a double standard. “Europe has to grow out of the mindset that Europe’s problems are the world’s problems but the world’s problems are not Europe’s problems”,¹⁴ was the analysis of Subrahmanyam Jaishankar, the Foreign Minister of India, which aspires to be the leading country of the Global South.

The Israelis never made it clear what their purpose was. Operation “Iron Swords” had clear, albeit not easily achievable, military objectives: to destroy Hamas, to demilitarise the Gaza strip and to restore security. “However, the Israeli government has shown difficulty in presenting a strategic political idea – the concept of the political campaign... Israel has not defined what it wants to achieve”.¹⁵

This opacity has disconcerted the Arabs who enjoyed relations with Israel before the war, and even Saudi Arabia, which was counting on establishing relations with it. As a Palestinian faction of the Muslim Brotherhood, Hamas is anathema to Jordan, Egypt and the kingdoms and emirates of the Gulf, no less than to Israel. For them too, it is an obstacle to any political solution to the war. The emergency Arab League summit in Riyadh in November illustrated how cautiously they intended to tackle the crisis. They opted for generic recommendations on the Palestinian right to independence in preference to proposals for an oil embargo and breaking off relations with Israel. “The once unifying

¹⁴ <https://www.youtube.com/watch?v=nLXUOKjW7CQ>

¹⁵ U. Dekel, “*The Israeli-Hamas war: Israel Needs a Political Idea*”, INSS Insight, No.1788, 20 November 2023.

factor among the Arab world – to be against Israel – is no longer true”.¹⁶

However, previous agreements with Egypt and Jordan, and the recent Abraham Accords with the United Arab Emirates, Bahrain, Sudan and Morocco, have always been peace treaties between governments, not between peoples. The bombing of Gaza has forced even the most reluctant states, such as the UAE and Saudi Arabia, to set aside the economic opportunities of relations with Israel: “Although the taboo in the Gulf states against relations with Israel has fallen in recent years, Arab public still care about the Palestinian cause”.¹⁷

Fears that the war in Gaza would spread to the region as a whole have not been realised. To date, Iran, Lebanon’s Hezbollah and Israel have not crossed the red line of military conflict. But the crisis has widened what is set to be a lasting division, between the front led by Iran and the one composed of the Arab Gulf States with Egypt and Jordan. Israel is a natural partner of the latter: if it grants the Palestinians their rights after the war.

What Will Aftermath Look Like?

Shivshankar Menon, the former Defence Secretary of the Indian government of Manmohan Singh (2004-14), tried to explain the virtues of restraint to the Israelis: in his view, the use of force is not the right response to terrorism. The example he cited was the attack by a Pakistani-backed group, which launched an assault on Mumbai and the Parliament in Delhi in 2008. “India reasoned that a military stryke was unlikely to solve the problem of cross-border terrorism. It would divert international sympathy from the Indian terror victims, suggesting that the affair was a

¹⁶ H. Ehsani, “[The Arab League and the current conflict](#)”, *The Jerusalem Post*, Tuesday 21 November 2023.

¹⁷ F. Gregory Gause III, “[What the War in Gaza Means for Saudi Arabia](#)”, *Foreign Affairs*, 17 November 2023.

quarrel between India and Pakistan, in which both states were made equivalent. And it would give the terrorists precisely what they had hoped: an angry divided India and possibly even a war".¹⁸

Israel did not listen to Menon. It reacted with all the force it had. The result is that the post-war period will be one of the most difficult episodes in its history. A committee of inquiry will establish who bears responsibility for the state of military unpreparedness that existed on 7 October. Benjamin Netanyahu heads the list of the accused, but he has made it clear that he will fight to stay in power, thus dividing the country further. When the weapons fall silent, early elections will probably be held in this febrile political climate.

The war stopped the large-scale protests against reform of the judicial system. A democratic Israel was squaring up to an Israel in favour of a Jewish theocracy. The clash is now frozen, but it will re-surface in even more dangerous form.

Among the protesters shouting "*Democratia!*", few were asking themselves how far the occupation of other people's land was compatible with democracy, which suggests that they underestimated the importance of the Palestinian question as much as Naftali Bennett did. But what the Americans, Europeans and Arabs will demand of Israel is a political horizon for the Palestinians that will bring the conflict to an end. Perhaps Israel is not ready: the aftermath of the Gaza tragedy will be extremely complicated.

Nahum Barnea, a well-known journalist for the daily newspaper *Yedioth Ahronoth*, argues that "Israelis are used to planning their lives around war. They were born a year after a war, they signed up for military service a year before another war; they got married just after a third war and had a child before or after the next war".¹⁹

¹⁸ S. Menon, "[The Virtues of Restraint](#)", *Foreign Affairs*, 16 November 2023.

¹⁹ U. Tramballi, "Il sogno incompiuto – Uomini e storie d'Israele", Marco Tropea, 2008, p. 65.

The same applies to the Palestinians: their lives are marked by a Nakba,²⁰ followed by another flight, a massacre in a refugee camp, an Intifada, an attack by the Israeli army, imprisonment in Israel and the destruction of an olive grove.

Despite sharing such a common destiny, and with a few glorious exceptions, the two peoples still stubbornly refuse to listen to each other's claims. They are unlikely to change: the pasts of both are too heavy a burden to bear.

²⁰ For the Palestinians, the birth of Israel is known as the “Nakba” – the catastrophe.

9. The EU's "Strategic Autonomy": A Mixed Bag

Sonia Lucarelli

Macron's European Vision crashed and burned in Ukraine.

M. Bart and J. Szewczyk¹

*Ukraine war gives Macron's drive for EU
autonomy new impetus.*

G. Leali and B. Moens²

The European Union's much debated and variously interpreted "strategic autonomy" project has encountered serious challenges in recent years. Russia's annexation of Crimea in 2014 and the ensuing sanctions made European energy dependence glaringly evident; the Covid-19 pandemic demonstrated Europe's vulnerability not only in the field of public health but economically too; rapid technological evolution has posed and still poses significant challenges for the EU's strategic independence in key areas such as internet governance and the regulation of artificial intelligence. After years of confidence in the EU's potential for cooperation and the promotion of peace, interdependence has manifested a highly problematic side:

¹ M. Bart and J. Szewczyk, "Macron's European Vision Crashed and Burned in Ukraine", *Foreign Policy*, 8 April 2022.

² G. Leali and B. Moens, "Ukraine war gives Macron's drive for EU autonomy new impetus", *Politico*, 9 March 2022.

vulnerability. The prosperous, safe and free society that the EU described in its 2003 Security Strategy has been replaced by a Europe in need of resilience and the capacity to protect its citizens, as described first in the 2016 Global Strategy and later in the 2020 Threat Analysis that paved the way for the 2022 Strategic Compass.

The biggest challenge to EU strategic autonomy, however, seems to have come from the invasion of Ukraine in February 2022, which highlighted not only the risks of energy dependency on Russia but also the continuing relevance of the US and NATO to European security. The conflict seems to have shown a persistent gap between the ideals and the reality of the European strategic independence so desired by certain Member States, France first and foremost.

Yet, in the history of European integration, external and internal shocks have been the events that have led to most progress. Positive developments like the introduction of the Common Foreign and Security Policy (CFSP) and Common Security and Defence Policy (CSDP), the creation of the European Defence Fund (EDF), the Coordinated Annual Review on Defence (CARD) and the launch of Permanent Structured Cooperation (PESCO) were only achieved in the aftermath of dramatic events elsewhere in the world, such as the end of the Cold War or the transformation of relations with the United States, or following European crises like the Balkan Wars, Brexit and the war in Ukraine. In response to the last of these, the EU has taken unprecedented steps, including the decision to use the European Peace Facility to supply military equipment to Ukraine's armed forces. The EU's partnership with NATO and the European Political Community (EPC) have also been revitalised.

It is, therefore, reasonable to ask whether the war in Ukraine has strengthened or weakened the EU's plans for strategic autonomy in the field of security and defence. The present short chapter attempts to answer this question by focusing on the implications of the war in Ukraine for EU strategic

autonomy in terms of defence capabilities. The chapter begins by examining what is meant by "strategic autonomy".

Strategic Autonomy: A Concept with Many Interpretations

The defence debate in Europe has long been characterised by the cacophony produced by those advocating a common European defence force and those detracting from it as unrealistic and/or inappropriate given the EU's relations with the United States. Nothing, however, has ever led to such heated debate as the concept of "strategic autonomy".

First mentioned by the European Council of November 2013 in relation to the defence industry, the concept of EU strategic autonomy resurfaced on several later occasions and eventually found embodiment in the 2016 Global Strategy.³ While reaffirming Europe's desire to cooperate closely with NATO, this document emphasised the need for the EU to develop the capacity for autonomous action, starting with shared intelligence. In November 2016 the European Council defined strategic autonomy as the "ability to act autonomously, if and when necessary, and with partners, when possible". Analysts, however, very soon began to use the term "European sovereignty" interchangeably to identify the same concept.⁴

Reaffirmed by most subsequent Councils, adopted by PESCO and the Regulation establishing the European Defence Fund, and repropounded various times by Emmanuel Macron since 2017,⁵ the concept of strategic autonomy nevertheless remains

³ European External Action Service (EEAS), *Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy*, June 2016.

⁴ For a critique of the interchangeable use of these two terms, see D. Fiott (ed.), *European Sovereignty. Strategy and Interdependence*, Chaillot Paper, no. 169, July 2021.

⁵ Emmanuel Macron, "Initiative pour l'Europe - Discours d'Emmanuel Macron pour une Europe souveraine, unie, démocratique", Élysée – Présidence de la République, 2017.

vague or at least subject to differing interpretations by those who use it. While initially dominated by the French interpretation – itself rooted in French strategic thinking – the European debate on strategic autonomy has since been enriched by alternative positions proposed by other European countries and more focused on strategic autonomy in the economic or digital sphere.⁶

A first area of ambiguity concerns the precise scope of the concept. Though originally referred exclusively to security and defence, strategic autonomy soon became considered in a more holistic way, referring to the EU's ability to act autonomously in disparate sectors such as energy, trade, finance and health or in relation to the procurement of scarce materials, etc.⁷ In a world in which Europe and the EU are becoming increasingly irrelevant, the High Representative for Foreign Affairs and Security Policy/Vice-President of the Commission Joseph Borrell proclaimed that “strategic autonomy is a process of political survival”.⁸ Survival, it is implied, requires the EU to develop the capacity to act autonomously in crucial political, economic and social areas, and not only in the field of defence. Dominating European debate today is the concept of “open strategic autonomy”. This is central to the European Union's external actions under the “Geopolitical Commission” led by Ursula von der Leyen. The main objective of open strategic autonomy is to establish the necessary conditions for the EU to become a resilient, sustainable, cohesive and competitive player in a global context of rapid technological change without falling into the trap of protectionism.

⁶ “Spain - Netherlands non-paper on strategic autonomy while preserving an open economy”, 24 March 2021; and “The heads of government of Germany, Denmark, Estonia and Finland: Europe's digital sovereignty gives us the ability to shape our own future”, 2 March 2021.

⁷ For a review of the various areas in which the EU could/should develop strategic autonomy, see: M. Lenard and J. Shapiro, “Sovereign Europe, Dangerous World: Five Agendas to Protect Europe's Capacity to Act Berlin”, London European Council on Foreign Relations, November 2020.

⁸ J. Borrell, *Why European strategic autonomy matters*, European External Action Service (EEAS), 3 December 2020.

In the limited space available in this short chapter, since other aspects of strategic autonomy, including the economic dimension, are covered by other chapters in this volume, we shall focus on the European Security and Defence Policy (ESDP) and its developments.

A second area of ambiguity relating precisely to strategic autonomy in the area of security and defence concerns relations with the United States and NATO. In this sense, the interpretation of strategic autonomy as the EU's ability to act at all times for its own security and defence independently of the US and NATO is misleading and an easy target for criticism and scepticism. As well illustrated by Daniel Fiott, this is just one of the possible meanings of the term. In fact, there are three ways to understand the concept of strategic autonomy in discussions of the relationship between the EU and NATO: autonomy as responsibility, autonomy as an insurance policy (hedging), and autonomy as emancipation.⁹

Autonomy as responsibility "revolves around the idea that European countries should take on a greater share of the defence burden within NATO, acting through the EU when appropriate".¹⁰ According to this definition, autonomy is not *actual independence* from the United States, but rather identifies the *potential* for the EU to carry out tasks and operations on its own. It, therefore, refers to the EU's capacity to assume responsibility for conducting autonomous operations if transatlantic allies show no interest or willingness to undertake joint action. In practice, this would mean reinforcing NATO's European pillar and reassuring the US of Europe's commitment to take on a fair share of the burden for the continent's security and defence. This in turn would require strengthening the Rapid Deployment Capacity introduced by the Strategic Compass, increasing defence spending, reviewing the decision-making procedures governing the ESDP (i.e. overcoming the need for

⁹ D. Fiott, *Strategic autonomy: towards 'European sovereignty' in defence?*, EUISS Brief Issue 2018.

¹⁰ *Ibid.*, p. 2.

unanimity) and developing the European defence industry. The objective of this approach is greater *operational autonomy* for the EU.¹¹

Autonomy as an insurance policy (“*hedging*”) refers to the Union’s ability to carry out independent missions and operations and to assume greater independence from the political power and interests of the US defence industry. This approach would enable the EU to protect Europe if US reduces its commitment to European security. While *strategic hedging* would not automatically reduce dependence on the US, it would give the EU greater autonomy in specific and strategic sectors such as the defence industry. This interpretation views programmes such as PESCO and EDF as essential for promoting the development of a unified, independent and competitive European defence industry. “In addition to operational autonomy, therefore, *autonomy as hedging* also includes an industrial dimension”.¹² The transatlantic alliance would be preserved, but the EU would be better able to provide for its own defence.

More demanding than either of the first two, *autonomy as emancipation* implies the full autonomy of the EU in all sectors. In this case, the EU would have complete responsibility for its own security and defence, both in terms of territorial integrity and in the form of acquiring deterrent capacity. Only this form of autonomy, its proponents insist, would effectively enable the EU to overcome the many challenges it faces. The EU should therefore become far more ambitious, develop its defence industry, boost defence spending to become fully independent of third countries, and develop full decision-making and operational capacity in all areas, including nuclear weapons. In other words, *autonomy as emancipation* would combine the operational, industrial, and political dimensions of strategic

¹¹ O. Costa and E. Barbé, “A moving target. EU actorness and the Russian invasion of Ukraine”, *Journal of European Integration*, vol. 45, no. 3, 2023, pp. 431-46, DOI:10.1080/07036337.2023.2183394.

¹² *Ibid.*, p. 437.

autonomy.¹³ There are, however many challenging difficulties in the way of *autonomy as emancipation*.

The ambiguity of the concept of strategic autonomy has pervaded public debate and influenced the positions of various Member States. Emmanuel Macron has repeatedly stressed the need for a common strategic security and defence culture in Europe, greater integration between the armed forces of EU Member States, and a genuine, well-structured European military force with its own dedicated budget. In 2019, the French president breathed new life into the idea of strategic autonomy for the EU by proclaiming the end of NATO and therefore the urgent need for an autonomous European defence capability.¹⁴ Other European countries have assumed a more cautious attitude.¹⁵ Germany, for example, prefers the idea of "European sovereignty" as opposed to "autonomy", which it considers harmful to military and commercial ties with allies such as the United States and trading partners like China.¹⁶ The position of Central and Eastern EU countries is extremely wary and Spain is more attracted to the economic dimension of the concept ("open strategic sovereignty") and in favour only of a "transatlantically sustainable" strategic autonomy in certain areas.¹⁷

¹³ Ibid.

¹⁴ "Emmanuel Macron Warns Europe: NATO Is Becoming Brain-Dead", *The Economist*, 7 November 2019. Cf. L. Ratti (2023) "NATO and the CSDP After the Ukraine War: The End of European Strategic Autonomy?", *Canadian Journal of European and Russian Studies*, vol. 16, no. 2, 2023, pp. 73-89.

¹⁵ Cf. E. Belardinelli and D. Natale, "Tre modi di guardare all'autonomia strategica europea: un confronto tra Italia, Francia e Germania", in M. Mazziotti (ed.) *Ambizioni e vincoli dell'autonomia strategica europea. Aspetti politici, operativi e industriali*, Osservatorio di Politica Internazionale (Camera dei deputati – Senato della Repubblica), 2023.

¹⁶ D. Schwarzer, "European Sovereignty. Commentary on the Findings of the Survey in Germany", Friedrich Ebert Stiftung, 2021.

¹⁷ Giorgia Meloni, [Speech made during the visit to Warsaw on 5 July 2023](#); D. Cristiani, "Italy Positions Itself as the Driver of "Transatlantically Sustainable" European Strategic Autonomy", GMF, 2021.

The Impact of the War in Ukraine on EU Strategic Autonomy: An Assessment

Russia's invasion of Ukraine on 24 February 2022 marked a watershed in modern European history, not least because of the unexpected cohesion of the European response. On the day of the attack, the European Council attributed full responsibility for the aggression to Russia and declared total solidarity with Ukraine.¹⁸

Taking steps unprecedented in recent history, on 26 February 2022 Germany announced that it would send arms to help the Ukrainian resistance; the next day Chancellor Olaf Scholz announced the creation of a special fund of €100 billion to strengthen and modernise the Bundeswehr. Two days later, EU defence ministers agreed to use the European Peace Fund (EPF) – an instrument established the previous year to finance ESDP missions and third countries – to allocate €450 million for the supply of arms and €50 million for the supply of non-lethal materials to Ukraine.¹⁹ This was indeed an unprecedented move and profoundly challenged the idea of Europe as a civil power that had long typified the (self-) representation of the EU on the international stage.

At the same time, it was decided to ban the state-owned Russian news agencies Russia Today and Sputnik, both part of the Kremlin propaganda machine, to strengthen sanctions against Russia and to put in place a package of sanctions against Belarus. The humanitarian response was rapid too, with the decision to grant millions of Ukrainian refugees temporary protection.²⁰

¹⁸ [European Council, European Council conclusions, 24 February 2022.](#)

¹⁹ For a chronology of the European response to the war in Ukraine and a link to the main documents, see the dedicated section on the European Council, [EU response to Russia's invasion of Ukraine.](#)

²⁰ (EU) Council Implementing Decision 2022/382 of 4 March 2022 establishing the existence of a mass influx of displaced persons from Ukraine within the meaning of Article 5 of Directive 2001/55/EC, and having

On 4 March 2022, in response to Zelensky's request to establish a no-fly zone over Ukraine, NATO Secretary-General Stoltenberg stated that the only way to do so would be by sending NATO fighter planes, which would effectively mean a war between Russia and NATO. This statement summarises what is potentially at stake: a nuclear world war.²¹ In such a scenario, NATO appeared as the only European security organisation capable of interacting – if cautiously – with Russia and exercising a deterrent effect.

A few weeks later, in the Versailles Declaration, EU leaders declared the need to “substantially” strengthen defence capabilities, reduce energy dependence and build a more solid economic base; they also instructed the European Commission to issue an opinion on Ukraine's EU membership aspirations.²² On 21 March 2022, the Council approved the EU's Strategic Compass, slightly amending the previous draft in the light of the ongoing conflict.

The return of war in Europe, with Russia's unjustified and unprovoked aggression against Ukraine, as well as major geopolitical shifts [...] require us to make a quantum leap forward and increase our capacity and willingness to act, strengthen our resilience and ensure solidarity and mutual assistance.²³

Viewed differently, the attack on Ukraine provided the shock needed for the EU to take a decisive step forward towards becoming an effective security actor.

On the diplomatic level, in March 2022, all EU Member States, together with other Partner States, collectively referred

the effect of introducing temporary protection. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2022.071.01.0001.01.ENG&toc=OJ%3AL%3A2022%3A071%3ATOC

²¹ L. Bayer, “NATO won't establish no-fly zone over Ukraine, Stoltenberg says”, *Politico*, 4 March 2022.

²² European Council, *The Versailles declaration*, 10 and 11 March 2022

²³ <https://data.consilium.europa.eu/doc/document/ST-7371-2022-INIT/en/pdf>.

Russia to the International Criminal Court.²⁴ On 2 March, thanks partly to the diplomatic activities of the EU, the General Assembly condemned the invasion of Ukraine and called for the withdrawal of Russian troops. On 7 April, the vote was taken to expel Russia from the Human Rights Council. In both cases, however, key nations of the Global South either voted against the motion or abstained, indicating a growing divide between the North (West) and South of the world.²⁵

Almost two years since the war began, the European response continues to be one of substantial cohesion between Member States, with only a slight loss of unity compared to the divided reaction to the war in Gaza triggered by the terrorist attack on Israel by Hamas in October 2023. Until the end of 2023, Europe's commitment to maintaining sanctions against Russia remained strong (sanctions were indeed increased on several occasions with 12 additional packages adopted on 12 December), as did financial support for Ukraine²⁶ and willingness to move towards enlargement of the EU to include Ukraine.²⁷ Overall, however, Europe's response to the war in Ukraine has presented a nuanced picture in terms of prospects

²⁴ Consistently with this position, the European Union Advisory Mission (EUAM) has been allowed to provide support and training to Ukrainian authorities investigating and prosecuting possible war crimes. The European Union Agency for Criminal Justice Cooperation (Eurojust) has also supported the creation of a joint investigation team made up of members from Ukraine, six EU Member States, the International Criminal Court and Europol. Eurojust also hosts the International Centre for the Prosecution of the Crime of Aggression against Ukraine. Eurojust (EU Agency for Criminal Justice Cooperation), [Eurojust and the war in Ukraine](#).

²⁵ N. Helwig, "EU Strategic Autonomy after the Russian Invasion of Ukraine: Europe's Capacity to Act in Times of War", *Journal of Common Market Studies*, vol. 61, *Annual Review*, 2023, pp. 57-67.

²⁶ For up-to-date information on EU sanctions on Russia following the attack on Ukraine: European Council, [EU restrictive measures against Russia over Ukraine \(since 2014\)](#).

²⁷ In June 2022, the EU offered Ukraine and Moldova candidate status and in December 2023, overcoming Hungary's reluctance, the European Council decided to open accession negotiations with the two countries.

for strategic autonomy. A number of observations need to be made on this subject.

Russian aggression led to unexpected decisions that are destined to change the EU's international role. The most significant was undoubtedly the unanimous decision to use common funds to supply lethal weapons to a country at war. Between 2022 and 2023, the EU mobilised €5.6 billion through the European Peace Facility to support the Ukrainian armed forces in defending their country. Overall, the EU and its Member States are estimated to have contributed more than €25 billion to Ukraine's military effort.²⁸ It is believed that at least two thirds of the arms and finance supplied to Ukraine by EU Member States have been coordinated and approved by the EU Military Staff.²⁹ Not only that, starting in November 2022, the EU also deployed a mission (EUMAM - EU Military Assistance Mission) to provide military assistance and training to Ukraine's armed forces. This mission, which had a planned duration of two years, was open to participation by third countries and aimed to coordinate the bilateral activities of Member States and other international partners. As of November 2023, costs for it came to €255 million. The target was to train 40,000 Ukrainian soldiers by 31 December 2023. The Kiel Institute for the World Economy calculates that "of the total 25 billion in heavy weapon commitments (Jan. 2022 – Oct. 2023), the US accounts for 43% of the total value, while all EU countries and institutions together account for 47%".³⁰

Even the narrative used by the EU has changed, and no longer hesitates to use the term "rearmament" or talk of "Ukraine's

²⁸ European Council, [EU solidarity with Ukraine](#)

²⁹ O. Wintour, "[No turning back': how the Ukraine war has profoundly changed the EU](#)", *The Guardian*, 30 September 2023.

³⁰ In addition, European institutions have provided by far the most financial aid, amounting to €77.14 billion (24 January to 31 October 2023), against €25 billion from the United States. See P. Bomprezzi, Y. Dyussimbinov, A. Frank, I. Kharitonov, and C. Trebesch, "[Ukraine Support Tracker](#)", IFW Kiel Institute for the World Economy.

victory on the ground”.³¹ On the subject of rearmament, on 13 July 2023, MEPs approved €500 million of funding to help EU industries boost the production of ammunition and missiles with a view to meeting Ukraine’s needs and increasing the stocks of EU countries. In September of the same year, the European Parliament passed a law permitting joint purchases of armaments by at least three Member States, assigning it a budget of €300 million (until 31 December 2025).

At the same time, Member States have increased defence spending. NATO’s target of 2% of GDP for defence spending has become more achievable. In 2023, eleven of the allies devoted 2% or more of their GDP to defence.³² In addition, NATO and the EU signed a third Joint Declaration³³ broadening the range of issues addressed to include cyber and hybrid threats, the strategic challenges posed by Russia and China, and the security situation in the Western Balkans, the Middle East, Afghanistan and Ukraine.

PESCO has likewise progressed, reaching 68 ongoing projects in 2023.

Finally, for the first time, on the outbreak of the Russia-Ukraine war, four Member States in the Council resorted to constructive abstention on foreign policy (previously only seen once in 2008), reinforcing the idea that overcoming the need for unanimity is increasingly necessary.

However, despite the progress made in raising awareness of the need for a European defence system,³⁴ the EU remains

³¹ F. Coticchia, “A Watershed Moment? European Defence and the War in Ukraine”, in S. Giusti and G. Grevi (eds.) *Facing War: Rethinking Europe’s Security and Defence*, Milan, ISPI-Ledizioni, 2022, p. 25.

³² NATO, “*Defence Expenditure of NATO Countries (2014-2023)*”, Press Release, 7 July 2023.

³³ https://www.nato.int/cps/en/natohq/official_texts_210549.htm?selectedLocale=en. On the NATO-US partnership, see N. Fasola and S. Lucarelli, “The EU-Nato Partnership”, in S. Giusti and G. Grevi (eds.) (2022).

³⁴ European Parliament, *The EU’s Foreign, Security and Defence Policy after the Russian War of Aggression against Ukraine* (A9-0164/2022), 8 June 2022.

far from effective strategic autonomy. The steps taken so far move only in the direction of greater strategic autonomy *as a responsibility*, to quote from the types listed above.

Firstly, the war in Ukraine has reaffirmed NATO's central role in European security and defence, confirming the organisation as "the cornerstone of Europe's collective defence", as Borrell put it.³⁵ The return of territorial war to Europe and the nuclear threat posed by Russia make NATO the only player with a credible deterrent capacity. It is no coincidence, therefore, that previously neutral EU countries such as Sweden and Finland have applied for membership of the alliance.

Secondly, the war in Ukraine has confirmed that the United States is seriously committed to the defence of Europe. However, whether and to what extent this will continue remains to be seen, and the elections in September 2024 could well bring tenants to the White House who are far less concerned about the fate of the old continent. However, it remains clear that without US economic and military support, Ukraine could not have resisted Russia's attack.

Thirdly, the war in Ukraine confirms that to date the only role the EU is capable of playing lies in the broad field of security rather than in defence. NATO, not the EU, has helped defend Europe's eastern flank while the EU has played and is still playing an important role in financing and training Ukraine's armed forces. Moreover, as Fabrizio Coticchia notes, there are evident gaps in European military capabilities: from tanks and troop transport vehicles to advanced military technologies for air refuelling and "C4ISR" capabilities – Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance.³⁶

Fourthly, in December 2023, the European domestic front finally began to show signs of collapse. Not only is support for Ukraine becoming increasingly onerous economically and

³⁵ European Union External Action, [Foreign Affairs Council: Remarks by High Representative Josep Borrell at the press conference](#), 21 March 2022.

³⁶ Coticchia (2022).

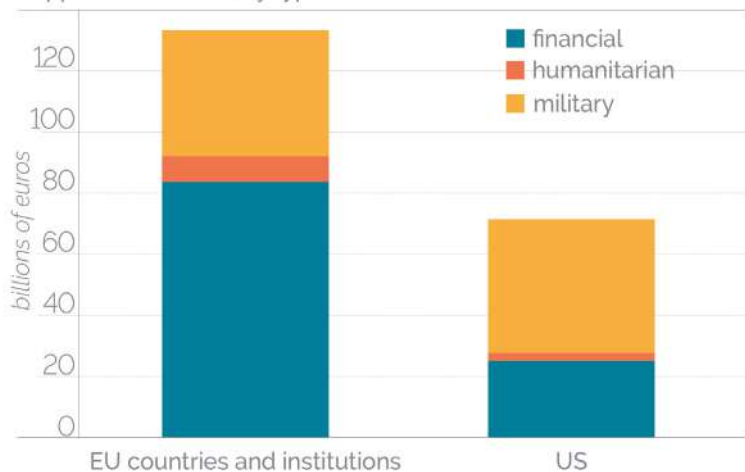
politically in the face of European public opinion, but the requirement for unanimity is blocking or delaying important decisions. This was the case with the €50 billion financial package for Ukraine, which was blocked in December 2023 by a Hungarian veto after other Member States had circumvented Orbán's opposition to opening accession talks with Kiev. Differences of opinion have also emerged regarding the supply of certain weapon systems (e.g. Leopard 2 or Leclerc tanks) to Ukraine, with France and Germany being far more cautious than Poland and the Baltic countries. There are also clear differences in the way various European countries use defence equipment and systems not produced or licensed by the EU.

Finally, rather than building blocks in a clear and shared strategy, the many directions that EU security and defence policy has taken in recent years seem to be the result of compromise and due to differing interpretations of the EU's role in this area and of the concept of strategic autonomy itself.³⁷ While a certain amount of ambiguity has often enabled the EU to progress down the road of integration (as was the case with the St. Malo Declaration, which allowed France and the UK to agree to the ESDP – though for different reasons), the time has probably come to take strategic decisions that are not based on ambiguity but on a negotiated agreement on the kind of security (and defence?) that Europeans want.

³⁷ S. Giusti, "EU Security and Defence Policy in a Volatile Context", in Giusti and Grevi (eds.) (2022).

Ukraine: EU Aid Exceeds US Aid

Support for Ukraine, by type of aid



Source:
Kiel Institute

ISPI

10. Europe's Newfound Search for Economic Security

Lucia Tajoli

Following the slowdown triggered first by the Covid-19 pandemic and then by the invasion of Ukraine – launched just as the world economy was beginning to recover – the issue of so-called economic security has become central to discussions within the European Union. These two events, though not economic in origin, had a significant impact on the economies of many countries, which were highly interconnected and exposed to serious knock-on effects. Yet is not entirely clear what is meant by economic security.

Globalisation, Interdependencies and Poly-Crises

In the debates that began to rage in 2022, the term was linked mainly to the concept of protection against potential shocks, with particular reference to two aspects. Firstly, in the context of bottlenecks in global supply chains and the international transport system, when a rapid recovery in demand coincided with difficulties on the supply side, the term was used to refer to the certainty of receiving sufficient supplies from international markets, and therefore always having the equipment, raw materials and other inputs needed to maintain production and provide all the necessary goods and services. However, in light of the problems created for energy supplies following the sanctions and restrictions on trade imposed on Russia in

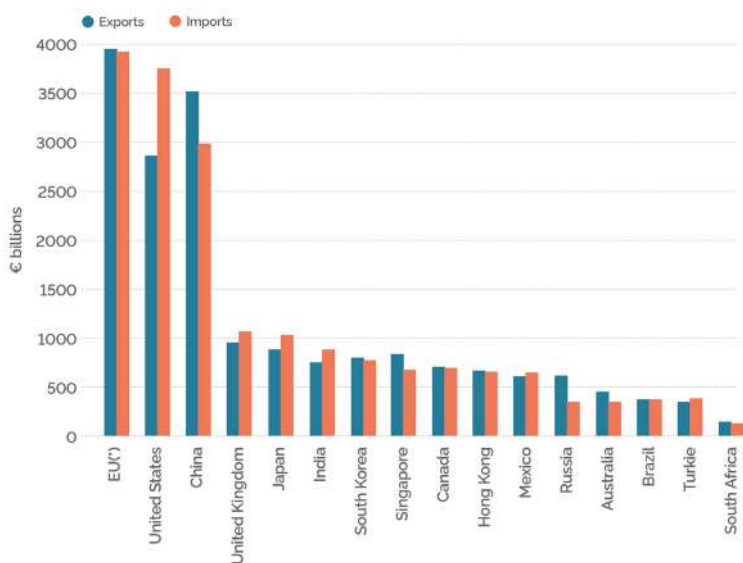
response to the invasion of Ukraine, the term was also taken to indicate the importance of choosing economic partner countries that are not only commercially and financially trustworthy, but also geostrategically reliable. According to some observers, the Covid pandemic and Russia's invasion of Ukraine demonstrated the EU's excessive dependence on third countries for the supply of certain essential goods, raw materials and services, and showed that future disruption to supply chains (caused, for example, by border closures or internal problems in a supplier country) could easily lead to serious shortcomings, jeopardising economic growth and the well-being of European citizens. As one of the most economically advanced regions in the world, the EU is intricately connected to the global economy and is therefore impacted both positively and negatively by events that happen elsewhere.

The concept of economic security therefore seems to go hand in hand with that of economic independence or autonomy. Indeed, it is no coincidence that official documents produced by the European Union have referred to "strategic autonomy" since long before these recent crises. However, in rational economic terms, complete autonomy is strictly impossible and even partial autonomy very expensive and highly inefficient. The truth is that one of the fundamental drivers of growth and prosperity in many parts of the world, and certainly in Europe, is precisely the ability to specialise in certain products and then trade extensively with the rest of the world. The EU proudly points out that it is one of the most economically interconnected regions in the world, with a level of openness measured in exports and imports to and from non-EU countries running at around 25% of GDP, that it is a major trading partner for almost every country in the world, and that it has signed numerous free trade agreements with nations in all parts of the world.¹ This strong propensity for internationally open trade has always typified EU thinking and is difficult to reconcile

¹ See, for example, Eurostat, [World trade in goods and services - an overview](#).

with the concept of economic independence. Awareness of this has led to use of the term “open strategic autonomy”. This concept has appeared in several EU economic documents since 2020. The idea of strategic autonomy originated in the sphere of defence. It made its first appearance in an official EU document in 2013, and became a principle of foreign policy in the EU’s 2016 Global Strategy. In economic discourse, vague definitions have sometimes been adopted in an attempt to reconcile the partly contradictory terms that express the EU’s intention to pursue its own interests in world markets more actively. The policies that the EU have introduced clarify this strategy.

FIG. 10.1 - EUROPEAN UNION TRADE WITH THE REST OF THE WORLD COMPARED WITH OTHER COUNTRIES



Note: Ranked on the total value of exports and imports
(*) Extra-EU trade

Source:

Eurostat (online data code `bop_eu6_q`) and International monetary fund
(Balance of Payments and International Investment Position Statistics)

Open Strategic Autonomy

The global interdependencies created by decades of growth in international trade have certainly increased the need to keep markets open and to ensure a secure supply of the raw materials and other inputs needed to maintain certain levels of production. This internationally distributed organisation of production has created global value chains. It has also enabled production of the highly sophisticated, complex, yet reasonably priced goods that are currently available to the vast majority of European citizens, and has integrated previously marginalised parts of the world into the production process, lifting hundreds of millions of people out of poverty.

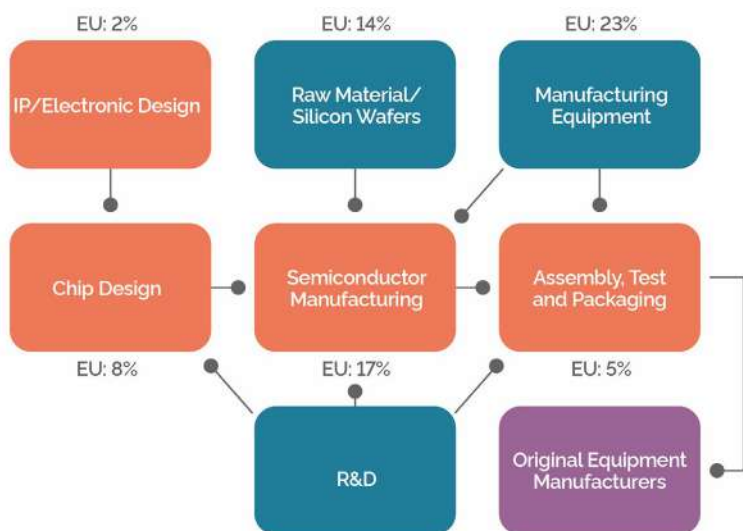
However, the existence of such interdependencies also means that in the event of an external shock to supply chains, production in many countries, including European ones, will be impacted. Hence the need to achieve greater strategic autonomy. The problem affects sectors that, though they may have very different characteristics, are essentially exposed to two types of risk, considered particularly relevant to the EU's economic security. The first type of risk concerns supply chains that are deemed critical (based on various, not always transparent criteria), and the dependence of European companies on supplies from them. The second type of risk involves loss of the technological advantage and indispensability currently typical of EU products. If the export of, or a foreign investment in, a critical technology contributes to the EU becoming strategically dependent on another country, or otherwise undermines a key technological advantage, the EU's economic security may be placed at risk. Here too, however, we have the problem of identifying key areas from a technological point of view.²

We can point to recent examples of both types of risks. Europe's dependence on external energy suppliers, especially on

² For a discussion of these types of risks for the EU see, for example, T. Gerkhe, "A maker, not a taker: Why Europe needs an economic security mechanism", European Council on Foreign Relations (ECFR), 9 November 2023.

Russia, became particularly evident as a result of the dramatic reduction in trade that followed Russia's invasion of Ukraine. Europe in general and some EU Member States in particular proved highly dependent on energy imports from Russia, and renouncing them proved neither quick nor easy. An example of technological risk is the supply of microchips from Taiwan. Taiwan boasts an extremely high output of microchips. Almost half of all the world's microprocessors and over 90% of its most advanced chips are produced there. European companies, on the one hand, dominate the market for microchip production machinery; on the other, many sectors are major importers of microchips, starting the automotive industry first and foremost. These considerations have given rise to the strategy (seen not only in the EU but in the US, China and other parts of the world too) of developing greater autonomy in the procurement and production of microchips.

FIG. 10.2 - SEMICONDUCTOR SUPPLY CHAIN: EU GLOBAL MARKET SHARES OF RELEVANT SEGMENTS



According to the European Commission, open strategic autonomy provides a response to this type of problem. It has certainly become a key concept in the EU's external actions, and has been applied to various policies, including EU trade policy. It has likewise entered the institutional language shared by the European Parliament, the European Economic and Social Committee and Member States. The basic idea is that Europeans should be able to live by their own laws and to defend their own interests without foreign interference (or assistance). However, given the EU's cooperative nature, consensus-based decision making and extensive economic links with the rest of the world, in practice actions that affect the world outside need to strike a balance, being multilateral whenever possible and unilateral only when necessary. Only the right balance between security and competitiveness can ensure the EU's future ability to "act autonomously when and where required and to collaborate with partners wherever possible". The core concept of open strategic autonomy is therefore to weigh exercise of the EU's political powers against respect for an open market economy. This complex balance must be maintained at all times since any direct intervention risks rendering the markets less open.

In June 2023, the European Commission, together with the High Representative appointed by President von der Leyen, issued a communiqué on the EU's economic security strategy precisely to clarify certain aspects of future policy choices. This document emphasises that the EU's strategic objective is to "minimise risks arising from certain economic flows in the context of increased geopolitical tensions and accelerated technological shifts, while preserving maximum levels of economic openness and dynamism". In other words, though the policy focuses on critical imports and exports, especially in certain areas, and on the issue of technological interdependencies, interventions are not intended as protectionist and the EU will continue to work with the widest possible range of countries to address shared concerns and interests.³

³ See the Communiqué: European Commission, "[An EU approach to enhance](#)

By adopting an appropriate methodology and working with Member States, the strategy aims to thoroughly assess four kinds of risk to economic security: risks to the resilience of supply chains, including energy security; risks to the physical and cyber-security of critical infrastructure; risks related to technological security and technology leakage, based on a list of technologies that are key to economic security; and risks deriving from the weaponisation of economic dependencies, or economic coercion. The strategy then proposes to address and mitigate the identified risks through a three-pronged approach: firstly by promoting the competitiveness of the EU by strengthening the Single Market, supporting a strong and resilient economy, investing in skills and promoting research as the technological and industrial basis of EU prosperity; secondly by protecting the EU's economic security, using a range of existing policies and instruments and developing new ones where necessary, and acting proportionately and precisely to limit negative impacts on the European and global economy; and finally by working with the widest possible range of partners to strengthen economic security, including by promoting and stipulating trade agreements, strengthening partnerships, reinforcing the rules-based international economic order and multilateral institutions such as the World Trade Organisation (WTO), and investing in sustainable development.

Compared to certain long-established policies, including the widespread use of trade agreements and partnerships supported by the WTO, a far more interventionist approach to industrial policy is outlined. This new approach foresees the development of critical technologies through the Strategic Technologies Platform for Europe, the exploration of options for ensuring targeted and appropriate support for the research and development of dual-use technologies, and a review of regulations governing foreign direct investment.

One of the most sensitive issues in implementing such a challenging strategy, which obviously requires the direct involvement of Member States, is precisely the use and limitation of national sovereignty. Disunited and fragmented decisions by Member States with different national objectives have, in the past, weakened Europe's resolve on matters of economic security. For example, many Member States have yet to introduce (serious) national instruments to control foreign direct investment, which means that the EU is not as well protected from the actions of other powers as it should be. There are also significant differences in the introduction of new technologies: for example, regarding 5G, though the EU has agreed minimum security standards, Member States interpret them in quite different ways. These fragmentary responses run counter to the objective of protecting Member States' own economic security, which would benefit greatly from a unified European position.

Strategic Raw Materials and the Ecological and Digital Transition

As mentioned above, EU strategy demands the identification of those sectors and supply chains where action is required. This is crucial to the implementation of policies designed to boost economic security. The approach adopted identifies critical dependencies in sectors that are deemed particularly important to development and future policies. At the moment, the focus is on ecological and digital transition, two areas considered key to European economic growth. Demand for critical raw materials in both is expected to increase dramatically, and Europe presently relies heavily on imports, often from semi-monopolistic third country suppliers. In order to improve its economic resilience, the EU therefore wants to mitigate the risks to supply chains deriving from such strategic dependencies. The classification of presumably critical raw materials begins with the identification of these sectors and the goods they produce. The supply chain

is then reconstructed in order to identify the necessary inputs for this type of product. Finally, inputs are identified where the share of imports from non-EU countries is particularly high and particularly concentrated in a specific country.

Not surprisingly, on the basis of these criteria, the share of critical raw materials imported from China has grown significantly over the years. China is therefore “specially monitored” in these policy choices, both because of its centrality as a supplier, and because of its presumed unreliability as an ally. But China is certainly not the only case, as is evidenced by the EU’s complex relations with Russia even before the invasion of Ukraine.

This focus on strategic supplies has led to the introduction of various EU Acts intended to implement the overall strategy outlined above.

The EU Chips Act, proposed in 2022 and agreed between Member States in April 2023, seeks to strengthen the semiconductor ecosystem. This programme is presented by the EU as a way to support research and development in Europe, to provide a legal basis for EU Member States to apply normally prohibited national subsidies for semiconductor production and to facilitate trade measures to support the production chain in times of crisis.⁴ The motivation for this type of intervention, which is directly linked to the policy of open strategic autonomy, lies in the aforementioned lack of autonomy in the field of semiconductors – products that are becoming increasingly essential in a large number of industrial and consumer products. Investments in European semiconductor production over the last two decades have been quite limited, resulting in a fall in the EU’s share of world production capacity from 11.7% in 2005 to 7.2% in 2020, with a very limited presence in the most advanced digital segments. In 2021, the EU’s trade deficit in microchips came to almost €20 billion. The Digital Agenda for Europe aims to reach a 20% share of global microchip production by 2030.

⁴ See European Commission, [European Chips Act](#).

There are three key aspects of the programme: the Chips for Europe Initiative, which focuses on research and technology, and on support for large-scale technological capacity building and innovation in the most advanced semiconductors; the expansion of production capacity in Europe, with a new framework to attract large-scale investments, boost installed production capacity and ensure the security of supplies; and finally, a coordination mechanism between Member States and the Commission to monitor market developments and anticipate possible crises in supply chains and interruptions to production. The framework of the EU Chips Act provides public support for two innovative types of production facility, both the first of their kind. These new facilities are “Open EU Foundries”, which are intended to devote a significant part of their production capacity to other industrial actors, and “Integrated Production Facilities”, intended to design and produce chips for their own markets.

On the energy and environment front, in 2023 the EU introduced the Net-Zero Industry Act (NZIA),⁵ which aims to encourage investments in the production of products crucial to achieving the EU’s climate neutrality objectives. The reasoning behind the Net-Zero Industry Act is similar to that behind the Chips Act: the aim is to increase the competitiveness and resilience of the EU’s industrial base for net-zero technology and to reduce not only reliance on Russian fossil fuels but other energy dependencies too. Support is provided for the following technologies: solar photovoltaic and solar thermal technologies, onshore and offshore renewables, batteries/memory, heat pumps and geothermal energy, electrolysis and fuel cells, sustainable biogas or biomethane, carbon capture and storage, and grid technologies for energy distribution. The target is for these technologies to cover up to 40% of European needs by 2030.

⁵ European Commission, Internal Market, Industry, Entrepreneurship and SMEs, [The Net-Zero Industry Act: Accelerating the transition to climate neutrality](#).

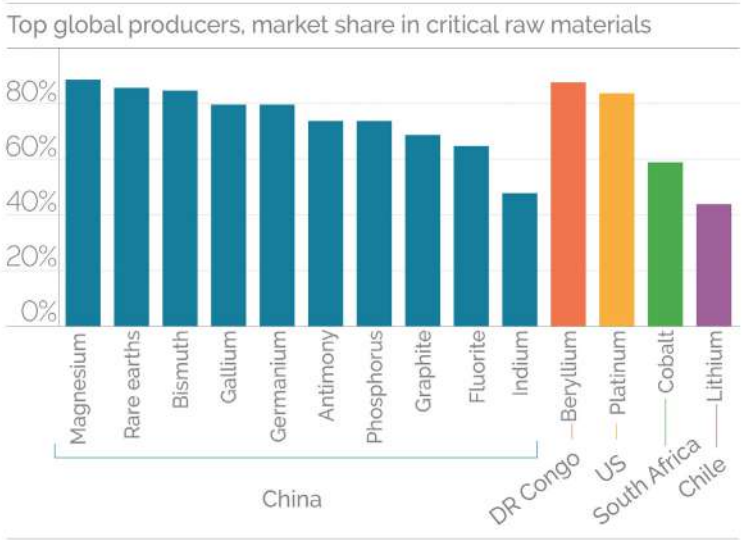
In March 2023, the European Commission presented the Critical Raw Materials Act. Rather than addressing specific industries, this Act aims to improve the EU's ability to monitor and mitigate supply chain disruption risks and to improve circularity and sustainability in production processes that require critical raw materials.⁶ The Act identifies a list of strategic raw materials critical for Europe's green and digital technologies and for space and defence applications, and that might be subject to supply side risks in future. It establishes systems for monitoring the supply chains of critical raw materials and coordinating stocks between Member States. It also integrates lists of critical and strategic raw materials into EU law and establishes clear parameters both for national production capacities in the raw materials supply chain and for diversification of EU supplies by 2030. For example, it determines that no more than 65% of the EU's annual consumption of each strategic raw material at any stage of processing should come from a single third country. Large companies therefore need to audit their strategic commodity supply chains and perform a company-wide stress test. The Act is also designed to boost investment in research, innovation and skills, for example by establishing a large-scale skills partnership for critical raw materials and a Raw Materials Academy to develop relevant skills in critical raw materials supply chains within the European workforce.

The European Union nevertheless remains well aware that it can never become entirely self-sufficient in the supply of many raw materials and will continue to rely on imports for most of its needs. International trade is therefore essential to sustain global production and ensure diversification in the supply chain. For the EU consequently, reducing supply chain risks also involves development and diversification by strengthening ties with reliable partners. The plan is to use the Global Gateway as a vehicle to assist partner countries in developing

⁶ European Commission, "[Critical Raw Materials: ensuring secure and sustainable supply chains for EU's green and digital future](#)", Press Release, 16 March 2023.

their extraction and processing capabilities, including through skills development, with a view to strengthening foreign supply channels. Though intended primarily to monitor and reduce risks, these measures will have a direct impact on the European economic system by influencing the choice of supplier companies and nations, not necessarily on the basis of economic efficiency alone.

China Dominates Critical Sectors



Source:
European Commission



Possible Future Developments

The rekindling of European economic activism both internally and externally has been welcomed by many. In the past, the EU has certainly done very little to determine the direction of its economic system compared to the US (not to mention China), playing instead a regulatory role that has probably not helped European companies in the recent technology race, in which American and Asian companies have prevailed. Greater investment, encouraged and partly financed by public money, is essential to maintain competitiveness in the most advanced areas of technology.

However, this change of approach also involves risks. Taken as a whole, the above measures could indeed increase European technological capacity and reduce the EU's exposure to external risks in some sectors, but at a cost that is not easily measurable. Direct interventions in industrial policy not only come at a cost but could prove distortive if not properly implemented, making the EU more inward-looking.

Some of these instruments have indeed been put in place as retaliatory measures against coercion and unfair trade practices by partner countries, and could therefore make trade with such nations more difficult. Together with the EU's traditional agenda of internal market access, these new policies will also shape the future of European international trade policy. The EU has so far been a supporter of trade liberalisation, working with the WTO and signing over 40 free trade agreements with multiple countries. Especially in the last decade, the EU's free trade agreements have also included many non-trade objectives with the aim of unilaterally regulating even non-EU firms by using access to the common market as the main political lever. Pursuing this combination of economic and non-economic goals is difficult, however, and placing too much trust in alliances with like-minded countries does not offer protection against all risks: individual Member States' partnership preferences are always subject to political change, and many potential partners – such as Brazil and India – are far from fully aligned with the EU.

In the autumn of 2023, the Spanish Presidency of the Council of the EU produced a report entitled “Resilient EU2030: a roadmap for strengthening the EU’s resilience and competitiveness”, which makes a number of interesting contributions to the debate on open strategic autonomy. First of all, the report emphasises the importance of openness and international cooperation, and affirms that the EU must remain determined not to close itself off from the world. It goes on to insist that the EU should not only maintain close ties with the West in general, but should also avoid decoupling from China, which appears not feasible and would prove extremely costly if attempted. With this in mind, the EU should play a leading role in the necessary reform of the international order, engaging with the Global South. The report notes that services (and platforms) will shape the evolution of the global economy. This means that the EU’s single market for services will be crucial for its future competitiveness, though the new strategy currently sidelines this consideration.

Another element identified as essential to improving European economic security is the need for better-structured cooperation within the EU. It would go a long way towards reducing risks if European countries were to pool their technical and industrial skills and knowledge in order to gain a deeper understanding of their strengths and weaknesses, and if they were to agree to a coordinated EU response in defence of their economic security interests when put under pressure. Overall, such a mechanism could create a stronger Europe, capable of reinforcing global economic security rather than falling victim to growing insecurity and uncertainty.

In an increasingly complex global context, the EU needs to take geopolitical risks seriously and increase its resilience if it is to resist economic coercion and suffer less from market shocks. But resilience cannot be increased by protectionism or greater isolation, only by keeping markets open and concluding trade agreements. Industrial policy can indeed play an important role, but the EU should apply a “tight selection” principle in its

industrial policy and strengthen cooperation to reduce the risks and costs of a global subsidy race. Economic security will require investments in European public goods such as defence research and development, decarbonisation and technology, and these can be made more efficiently and effectively if coordinated between Member States. Finally, economic security also depends on the robustness of crucial macroeconomic variables. With this in mind, revision of the Stability and Growth Pact, in a way that encourages new investment while keeping financial risks under control, combined with greater coordination between Member States and a stronger international role for the euro would improve European economic security.

11. Will Europe Ever Achieve “Demographic Security”?

Alessandro Rosina

Europe’s Demographic Weight in a Changing World

Throughout the XX century and into the early decades of the XXI, Europe was one of the most prosperous regions on the planet. This is particularly true for the Member States of the European Union, plus Great Britain. Four of these countries are part of the G7, an organisation formed in 1975 as a group of six countries, with Canada joining slightly later.

Figures from the United Nations show that in 1975 the population of the European continent was 676 million out of a world population of just over 4 billion. By this moment in history, the Western world was already in the dying days of its growth process, with demographic increase largely concentrated in other parts of the world. Underlying the differentiated dynamics of population growth – and the economic and geopolitical consequences of this – is the Demographic Transition, a unique transition in the history of humanity in which the various countries of the world are gradually leaving behind the high birth and death rates typical of pre-industrial societies to achieve much lower levels.

The Demographic Transition began in Western Europe. During the first phase, characterised by declining mortality

but a fertility rate that has yet to stabilise around two, the population enters a period of unprecedented acceleration in growth. In Europe, the population doubled between 1800 and 1900 (from just over 200 million to over 400 million), such that its incidence on the world's population grew from 20 to 25% (with North America accounting for almost 30%). In the first half of the XX century, Europe experienced two wars within its borders, but it was also the period in which fertility declined most, from an average of almost 5 children per woman to less than 2.5.

The relative demographic weight of the Western world would decline even more markedly in the second half of the XX century, as the rest of the world began to experience its own Demographic Transition.

In the 1970s, the decade in which the fertility rate in many Western countries fell below two (the threshold at which a population exactly replaces itself from one generation to the next), the global average remained more than twice as high.

Continued high fertility and reduced infant mortality are leading to unprecedented youth population growth worldwide. Conversely, in Western countries, fertility has fallen to levels which are insufficient to ensure generational replacement, leading to both a significant and continuing decline in population and a narrowing of the base of the population pyramid.

The drop below this generational replacement level in Europe happened between the late 1960s (Sweden in 1969) and early 1980s (Spain in 1981). In Eastern European countries, the decline in fertility came later. The fertility of the whole area behind the Iron Curtain, including Russia, plummeted from around two to just over one during the 1990s. The current figure for the European Union is just over 1.5, although the situation differs markedly across the Union. These dynamics underlie the differentiated growth in two dimensions: geography and age.

In 1950, four European countries were among the ten most populous in the world (Russia, Germany, the United Kingdom,

Italy), with France in 11th place. Asia took the top two spots with China and India, followed by Japan in fifth and Indonesia in sixth. The United States was in third and Brazil in sixth. Nigeria, Africa's most populous country, ranked 15th.

By the start of this century, no country in the European Union ranked in the top ten, with Germany the top EU nation in twelfth place, below Nigeria which had risen to tenth.

A more updated snapshot shows Germany has dropped further to 19th place, followed by France in 23rd place and Italy in 25th place. Russia is 9th and Britain is 21st. Nigeria has risen to the sixth place, with the prospect of moving up to the third place in the coming decades, probably overtaking even the United States.

Looking ahead to 2050, Germany is the only European Union nation projected to be among the top 25 (in 23rd). Britain looks set to fall to 27th place and Russia to 14th, according to UN estimates. The EU as a whole, although in demographic decline, would rank third by mid-century.

In addition to the general trends of the European Union, there are differentiated dynamics across the bloc.

Eastern Europe not only has low fertility rates, but also less favourable migration dynamics, with fewer entries from abroad and more exits to other European countries, especially from rural areas (in search of better jobs and education opportunities). As the European Commission acknowledges: "The resulting demographic differences can exacerbate existing economic, social and territorial inequalities, and provoke political divides".¹ Bulgaria, Greece, Croatia, Italy, Latvia, Lithuania, Hungary, Poland and Romania will see the most significant declines in the coming years. On the other hand, Denmark, Ireland, Cyprus, Luxembourg, Malta and Sweden will start to see population growth once again.

¹ European Commission - COMMISSION STAFF WORKING DOCUMENT, "The impact of demographic change - in a changing environment", Brussels, 17/1/2023, p. 1.

Developments on the European continent could be affected by the fallout from Russia's invasion of Ukraine. Even before Ukraine's possible accession to the European Union, the conflict had led a significant part of the Ukrainian population to migrate to Member States, especially those closest to Ukraine and those with the most established migration routes. Although many people will return to their place of origin at the end of the conflict, many others will decide to stay in the countries of the Union, probably taking advantage of targeted policies to stabilise the situation of refugees. Countries such as Poland, the Czech Republic and others in the Visegrad Group, which remain unwilling to encourage emigration from abroad despite suffering from worrying demographic imbalances, may see immigrants from Ukraine as a solution able to achieve greater domestic consensus than integration. By the end of 2022, more than one million refugees had found shelter in Poland. Eurostat estimates suggest that as a result of the flows from Ukraine, the EU's population could return to well over 450 million (from the current 447 million) and then return to the century-long process of decline.

More than the dynamics in absolute terms, as has been said, what matters is the differentiated growth in different parts of the planet, with unprecedented consequences for the geopolitical picture. There are currently three relevant areas on the planet who have similar population sizes (around 1.4 billion): China, India and Africa. Demographically, Europe as a whole is about half that size. Europe's share of the world's population has fallen below 10% and could be just over 5% by the end of the century. Just over one in twenty of the world's population will be European, compared with over one in five in the first decades after World War Two.

If we look at the EU-27 instead of the European continent as a whole, its share of the world's population has halved since 1960, from 12% to 6%, and is forecast to fall below 4% in the last decades of this century.

The three major world regions mentioned above, which currently have broadly similar proportions of the world's

population, are heading towards different destinies in the coming decades, helping to shape a demographic and geopolitical picture at the end of the century that is very different from that of the last century. China, like Europe, has already stopped growing and its population is expected to almost halve by 2100. India will continue to grow, but at an increasingly slower rate, as fertility has now fallen to almost 2 children per woman. Its population is expected to begin to decline in the last third of the century, after reaching nearly 1.7 billion, but still to remain above 1.5 billion by 2100. Over the same time horizon, Africa could reach nearly 4 billion, well above the combined population of China, India, Europe and North America. Asia as a whole will remain more populous (over 4.5 billion).²

Cost of Demographic Imbalances

At the time when the G7 was formed, the Western world still had a strong competitive advantage, represented by the “demographic dividend”. This is the stage of the Transition when, other factors being equal, demographics have their greatest positive impact on an economy. This occurs when the share of the population of working age (usually defined as between 20 and 64) largely exceeds the share of the population that is “dependent”, *i.e.* not of productive age (because they are too young or too old).

In Europe, the share of the 20-64 age group gradually consolidated in the second half of the XX century and the first decade of the XXI, peaking at 62% around 2010. A phase of gradual decline has now been reached due to the combination of the retirement of the generations born in the Baby Boom era (1960s and early 1970s) and the entry into adulthood of later generations. In the coming decades, the persistence of low fertility rates and increasing longevity will further reduce the percentage of the population at the centre of working life. The

² United Nations, *World Population Prospects 2022: Summary of Results*, New York, 2022.

latest UN estimates indicate that Europe's share of the 20-64 age group could fall below 50% by 2080 (and below 55% by 2040), moving over the course of the century from the region with the highest proportion of working-age population to the region with the lowest.

Conversely, Africa and parts of Asia will see the largest growth in this key population group over the same period. Africa in particular is projected to grow from 46% today to 58% in 2080.

As various studies have shown, a shrinking working-age population has negative consequences for the labour market and the welfare state, as well as increasing the per capita burden of public debt.

Europe will not only experience a significant and unprecedented reduction of its working-age population, but will also remain one of the regions of the world with the highest growth in the elderly. On 1 January 2021, people aged 65 and over will make up 20.8% of the EU's population. Compared to a decade earlier, the proportion of older people has increased by 3 percentage points (it was 17.8% in 2011). This percentage is expected to rise to 30% by 2050.

This tends to increase the number of vulnerable people. This affects women even more, as they live longer and are more likely to need help and support in old age. In Member States as a whole, almost 20% of men and 40% of women live alone in old age. This points to the need to strengthen the welfare system – beyond family support, with investment in long-term care – and accessible public health tools more generally. This inevitably means that both health care and pension expenditure will increase.

In the baseline scenario of the 2021 Ageing Report, the total cost of demographic ageing, which accounted for 24% of GDP in 2019, is projected to increase by almost 2 percentage points of GDP by 2070.³

³ European Commission, *The 2021 Ageing Report. Economic & Budgetary Projections for the EU Member States (2019-2070)*, European Economy, Institutional Paper 148, May 2021.

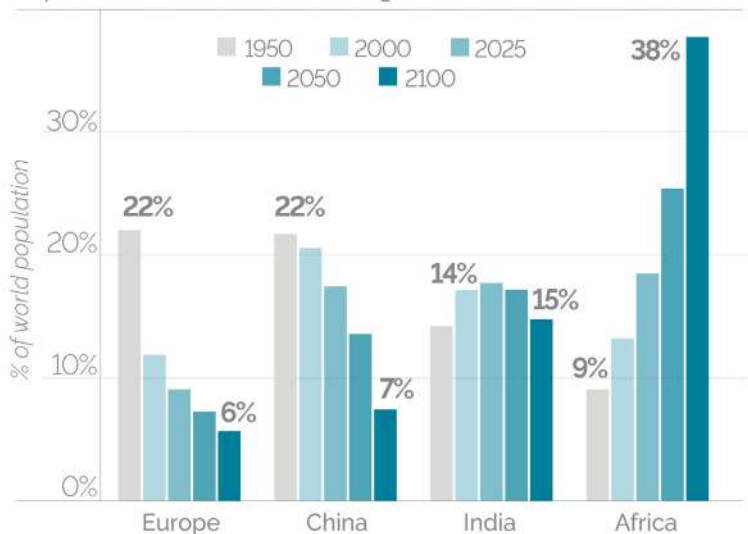
The greatest effects of the Demographic Transition on the distribution and age structure of the planet's population are already underway and will be most pronounced in the coming decades of the XXI century. The most closely watched indicator in the dynamics of advanced mature economies is the one that looks at the relative relationship between generations, particularly between the elderly and the working-age population. An increase in this ratio means that, in the demographic balance, the weight shifts from the age bracket in which people contribute most to growing the economy and making the welfare system work, to the age bracket in which they absorb, precisely, public spending resources. Data show that the ratio of people aged 65 and over to those aged 20 to 64 in the world population has risen from around 10% in 1960 to more than 15% today and is forecast to double by mid-century.

Africa, the continent with the most delayed Demographic Transition, will see this indicator worsen less, reaching just over 10% by the 2050 horizon. In the Western world, the picture is very different. In North America, this figure has doubled since the 1960s, from 14% to 28%, and it is expected to exceed 40% by 2050. The generational imbalances are even greater in Europe. In the EU-27, the dependency ratio of the elderly is close to 33% (just over three Europeans of working age for every European over 65) and is projected to exceed 55% by 2050 (less than two people of working age for every elderly person). In Europe, the worst figure is the Italian one, which is currently just under 40% and is expected to reach around 65% by the middle of the century.

Globally, East Asia stands out, with Japan having some of the most pronounced generational imbalances, followed by South Korea. The case of China is also interesting. Here, the proportion of elderly people to the working-age population is currently relatively low, at less than 20%, but it is expected to rise to almost 50% by mid-century and then continue to increase, reaching over 60% in the last decades of the century.

An "African" Century?

Population share in each world region...



Source:
UN

ISPI

In Defense on Quantity, in Attack on Quality

In the European Commission's documents, attention to the impact of demographic change in the coming years and decades is focused in particular on the following points: the increase in the elderly population; the reduction in the working-age population; the internal differences between regions in population dynamics and their economic and social consequences; the reduction of Europe's weight in the world; the interdependence of all these factors (changes in relations between generations, between internal areas and with the rest of the world) with the green and digital transition.

If this situation is not properly managed, the Demographic Transition risks accentuating both Europe's internal fragility (with intertwined social inequalities and territorial disparities) and its external weakness (less weight in the geopolitical arena).

The answer on both fronts lies in strengthening the role of the younger generations to be fostered through a common European social policy (integrated with a development policy). There are four levers to act on, using them in combination. The first two relate to the quantitative size of the younger generations, which requires solid investment in policies to support births and to attract people from other parts of the world (especially where the proportion of young people is very high). Across Europe, there are examples of countries with fertility levels that have never fallen far below two children per woman (such as France), of countries that, after falling to very low levels, have reversed the negative trend in births through a combination of family policies and immigrant integration (such as Germany), and of countries that show how fertility and female employment can be reconciled (such as Sweden, which has a low employment gap between men and women, but also between women with young children and those without).

Moreover, in addition to increasing the numbers of new generations by preventing the birth rate from falling too low and through well-integrated immigration, it is also crucial to act on the qualitative lever of education and to improve the human capital of new generations. This makes it possible to make the working-age population more efficient, reducing the percentage of Neets (those under 30 who are "Not in Employment, Education or Training") and improving the skilled contribution of the younger generations, including in combination with new technologies, in the job market. In this way, the quantitative reduction in the workforce is offset by a qualitative improvement (in terms of actual employment, well-being at work, productivity, safety).

These three levers are interdependent. Improving the quality of employment not only encourages young Europeans to form

new households, but also makes the area more attractive for quality immigration.⁴ Strengthening family policies allows new entrants who come for work to find suitable conditions to stabilise and contribute to the birth rate.

The fourth lever is to promote the positive aspects of population ageing. People who live longer and healthier lives have increased opportunities for personal and professional development. Ageing can create positive economic dynamics in regions and sectors that offer opportunities in the “silver economy” (helping the market and improving quality of life for older people, including through advanced products and services that stimulate investment in research, development and innovation).

Fuelling economic growth in a population that is living longer, healthier and with a growing share of highly educated people in the labour force is the so-called “second demographic dividend”.

Thus, containing external fragilities and weakening requires both a focus on the quantitative aspects of the Demographic Transition (defensive approach), and an offensive push on the qualitative dimension, exploiting the second demographic dividend.

Thus, containing internal fragilities and external weakening requires both a defensive approach on the quantitative aspects of the demographic transition, and a push in attack with respect to the qualitative dimension, leveraging the second demographic dividend.

However, the dynamics outlined must also be viewed in the context of a broader transition that will see the entire planet's population exhaust its growth drive. However, the different moments at which this process takes place in different parts of the world make a difference. As we have seen, Western countries are already in the period of decline, while Africa is still at the peak of its growth. The significance of this is twofold. The first is

⁴ European Commission, Communication, [Harnessing Talent in Europe: a new boost for EU Regions](#), 17 January 2023.

that we will gradually move from the quantity of growth, which dominated the XX century (not only demographically), to the growth of quality. This means that the quality of human capital and its development, at all stages of life is becoming a more important driver of development processes than the weight of the active segment per se. The second is that, for much of this century, quantity will still make the difference. In fact, it will be even more so than in the past, because as we have seen, growth rates between regions of the world and between generations have never been so different. Europe's limitation is that, in the midst of this global phase of transition, its weight is diminishing the most. The advantage is being forced to act immediately on the qualitative lever (training, use of new enabling technologies, ability to relate to different cultures, soft power, sustainable development) which will make the difference in the long run.

Conclusions.

Italy in the Age of Insecurity

Giampiero Massolo

The world is going through an acute phase of insecurity: such is the picture that emerges from the preceding chapters of this book, and from direct observation of what is happening around us. It is a question of political, strategic, economic, financial, social, demographic, health-related and climate-related insecurity, which every sovereign state needs to address. With the US-led liberal world order now behind us, and the foreseeable Sino-American bipolar world order not yet fully formed, the international stage appears to be increasingly dominated by power politics and attempts by emerging actors to exert influence and assert dominance, as they project their ambitions within and beyond their regional spheres. Crises, especially geopolitical crises, therefore tend to escalate quickly from a local to a global scale.

Against a backdrop of widespread conflict, in which one-off mutual interests prevail over structured cooperation between states, it is becoming increasingly difficult to see how we might find effective, lasting solutions to the major causes of international insecurities. It would appear to be more realistic to focus on mitigation, by resorting to compromises that inevitably fall short of ideal responses. This raises two problems: firstly, how to ensure that these initiatives work as quickly and effectively as they need to, and secondly, how to deploy adequate resources and capacity for action to achieve the goal

of re-establishing an acceptable framework of security and stability. In both cases, these are often goals that fall outside the reach of middle-sized powers, such as Italy.

It is clear that, in today's world, it is becoming increasingly difficult for countries like Italy to independently achieve an adequate level of security or manage the pitfalls of a disorderly and unpredictable global scenario. In this context, alliances and partnerships are set to become more and more important. It would therefore be limiting, for the purposes of our analysis, to examine the factors behind insecurity in our country and the options for responding to them, without looking at how our allies and partners are acting within the framework of Atlantic and European cooperation.

At the same time, however, we cannot ignore those elements of sovereignty, autonomy and capacity for action that, if appropriately strengthened, would enable Italy to play a more authoritative role in the world and generate more added value in foreign policy. These are pre-requisites for addressing the risks and reaping the opportunities that the world presents us. What we are proposing here is basically an enhanced concept of sovereignty – not as an end in itself, but as a set of empowering factors that enable our country to take part, on an equal footing, in the security initiatives undertaken by the partners to whom we are bound by a common destiny. How can we safeguard ourselves against the threats that an increasingly insecure world poses to our country?

The Return of “Zero-Sum Games”

In the current international system, which looks more and more like a playing field where the national interests of various players meet and clash, unsupervised by referees, international cooperation should be the instrument of choice for managing tensions. The history of this first leg of the XXI century, however, shows that the international community is growing increasingly divided, making multilateral mediation and international

organisations weaker and weaker, thus undermining their ability to play their traditional role as a clearing house of international conflict.

As we know, these organisations do not act on their own initiative, but are vehicles for the will of their Member States. Nowadays, they are often paralysed by the continual disintegration and reconstruction of the positioning of their Member States, which act on the basis of what they find to be convenient at any given moment, rather than according to a sense of belonging to a clearly defined system of shared values. With multilateralism now in such deep crisis, international law itself inevitably falls prey to vetoes, coercion and tit-for-tat action. A glaring recent example of this was the inability to obtain a unanimous vote at the UN condemning Russia's invasion of Ukraine.

Another effect of the demise of multilateralism is that it has weakened the safety nets that used to help prevent conflicts, or control and manage their fallout. A prime example is the gradual dismantling of the framework of collective security and dialogue that secured lasting peace in Europe in the second half of the Cold War, and that is now at growing risk, in the wake of Russia's withdrawal from the agreements that made up that framework. Security has thus become a "freelance" enterprise, which states are prompted to manage as autonomously as possible, and which they tend to view as a zero-sum game.

Against this backdrop, how should Italy seek to reconcile the needs of national security with its EU membership?

National Interest and Europe

All of the above does not necessarily mean that European countries must fend for themselves. However, it does indicate that they must first look to the national level for security, before involving other actors. This is a kind of "security autarky", which has been called "strategic autonomy" in many quarters in recent years, often with reference to the still dominant role of the

United States in underwriting Europe's defence. The concept is not free from controversies and contradictions, however.

In fact, we are living in an age of paradoxes, of which at least two warrant attention here. The first is that, although European countries are unable to ensure their own security alone, when they turn to the EU as a possible collective guarantor and source of power, they realise that Brussels also lacks the means to assume this role and to press Member States to pool their resources. While the EU proved to be quick and effective in its response to the pandemic (think of the NextGenEU package), the same cannot be said for security and defence. The continuing fragmentation of the European defence industry, despite ongoing plans for the joint production of tanks, fighter aircrafts, ships, and weapons systems involving various EU countries, bears vivid witness to this.

The second paradox is that citizens in Western countries are increasingly turning to their governments in search of (often urgent) solutions, only to find that they are toothless or that their sovereignty has been eroded by other actors (whether major companies, NGOs or individuals with a high degree of power and influence). This leads to the perception that democratic systems are inefficient and painfully slow at making decisions, to the benefit of autocracies, which, by contrast, often give the impression of being more effective problem-solvers. This could be the reason why the worldwide advance of democracy, which looked unstoppable in the 1990s, slowed down sharply in the first decade of the new millennium, and why, since 2010, more countries have been shifting towards autocracy each year than have been making the opposite transition, towards democracy.

European countries, especially Italy, can draw lessons from this.

Firstly, it is essential to act in conjunction with partners to identify not only the lowest common denominator between the national interests of all parties, but also synergies between their respective capacities for action on the world stage. Secondly, it is important that each country promotes the internal development of those essential strengths that bring substance to the idea of

a more fully European strategic sovereignty/autonomy. Viewed through this lens, strengthening national institutions does not mean acting exclusively in one's own national interest, but also in the common European interest. Ultimately, it also means helping to strengthen the transatlantic relationship, in the knowledge that European security challenges go hand in hand with a growing need for American support, especially at a time when tangible threats to the continent's security are so close to home.

Let us not deceive ourselves: the United States is still (and will continue to be for a long time to come) the essential bulwark of our security. Maintaining strong bonds with America is therefore a key objective for Italy and Europe. All the more so in fields where Washington's attitude towards Europe could prove to be less cooperative in the years to come, especially on matters of security. This risk would only increase if isolationist instincts were to take the upper hand across the Atlantic.

Recipes for Italy

Inevitably concise as it is, this overview helps us identify a few possible lines of action that Italy could take. Before doing so, however, it is worth emphasising that a country like Italy, by virtue of its history, geographical location, foreign policy culture and economy, is better placed to defend and promote its national interest through the power of coalition than the power of coercion. In other words, we need to work on the assumption that, to play a full role in today's world, and to make up for the loss of traditional safety nets, it is vital that we focus on strengthening existing alliances and finding new travelling companions, rather than resorting to deterrence and compellence.

Let us take a closer look at what form these lines of action could take.

First of all, we should base our approach on a greater awareness of what the system of international relations is

today, how it is structured and what it means for a country like Italy to make its way in the age of insecurity. This involves developing a comprehensive view of the context within which Italy aims to pursue its national interests, and there is much to be learned in this respect from carefully reading the chapters of this book. They examine the combined effect of European “insecurities” and factors that are specific to Italy, as a means of both interpreting these insecurities and translating them into foreign policy actions.

Secondly, regardless of the lessons one learns from analysing insecurities, Italy needs to be committed to its alliances and recognise that it belongs to the West. The country’s government should therefore direct its international action first and foremost at strengthening the European Union as the “shared home” of the continent of democracies and the rule of law and international law in its most modern forms, but also at strengthening Atlanticism, not to be intended as subjection (whether real or psychological), but on the basis of a renewed partnership founded on shared values and interests.

Thirdly, this awareness of the centrality of our relationship with Europe and the United States should form the starting point for developing mutually beneficial partnerships with China and other emerging powers of the “Global South”. In so doing, we should bear in mind the difference between allies (with whom we share values) and partners (with whom we may share common interests). As highlighted by the recent survey conducted by ISPI, in which over 250 Italian experts took part, the country, or at least its ruling class, has already widely recognised what the role of Europe and Italy needs to be in the face of growing demands by emerging countries, i.e. neither to concede and promote everything they want, nor to counter their ambitions, but to strike a balance between their demands and the interests of the West.

Fourthly, Italy should consolidate its image as a reliable partner and uphold its international commitments. In this respect, it is imperative to enhance the institutional system’s ability to

take decisions with the speed that pressing international crises require, while at the same time bringing continuity to foreign policy action, irrespective of changes of government.

This perhaps spawns a fifth imperative for the Italy of today, which bears the burden of low economic growth and high public debt, thus forcing governments to make tough choices about how they allocate the less-than-abundant resources at their disposal. The country needs to find the best possible balance between the needs of defence and security, economic growth and social fairness, and explain them clearly to the public, in such a way as to mark out the exact perimeter within which the country intends to allocate resources to strengthening its capacity for international action. This requires placing particular emphasis on restoring efficiency and competitiveness, not least through the structural reforms deriving from a successful implementation of the National Recovery and Resilience Plan.

Sixthly, in light of what has happened over the past two years, there appears to be a pressing need to contribute to the European effort to reduce the EU's energy dependency, by embracing appropriate energy mixes at a national level (by gradually weaning European countries off fossil fuels and replacing them with renewables). This must, however, take account of the fact that, in the early stages at least, dependency on fossil fuels will be coupled by dependency on the critical raw materials that are instrumental to the green transition, and a dual dependency on the imports of finished and semi-finished goods that derive from them. It is worth bearing in mind, in this respect, that China currently supplies 60% of wind turbines, about 85% of solar panels and 90% of the rare earths that the EU needs to proceed with its planned green transition.

Lastly, Italy should take steps to counter its demographic decline by drawing up and developing integrated migration policies. The government's decision to approve a migration decree that, for the first time, sets a three-year time-frame rather than an annual one (and thus has the potential to attract a higher proportion of migrants towards legal channels, instead

of the illegal channels they might otherwise have chosen) and raises the entry quota from 130,000 for the past three years to 490,000 for the three-year period 2024-2026, is therefore a step in the right direction.

Conclusion

This array of measures should be developed within a coherent framework, designed to structurally reinforce Italy's international dimension, by enabling it to be a reliable ally of the West, a positive contributor to the EU and a credible partner for countries of the Global South. Although this process will not guarantee security in itself, it will help Italy secure an appropriate position on the world stage – a position that meets the need to feel less alone in the world and, hence, less insecure.

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