Fast Forward: Navigating the Future of Euro-Atlantic Stability

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Fast Forward: Navigating the Future of Euro-Atlantic Stability

PURPOSE

This paper is designed to look beyond demanding day-to-day challenges for policy-makers and explore some of the future trends shaping the global and regional context. We ask how we want Europe and the world to respond to developments in three realms - technology, governance and geopolitics. By casting forward to 2030, this paper aims to illuminate the path to a future that supports our values, delivers for citizens, adapts to emerging realities and engages the broader global community in the pursuit of mutual and sustainable progress.
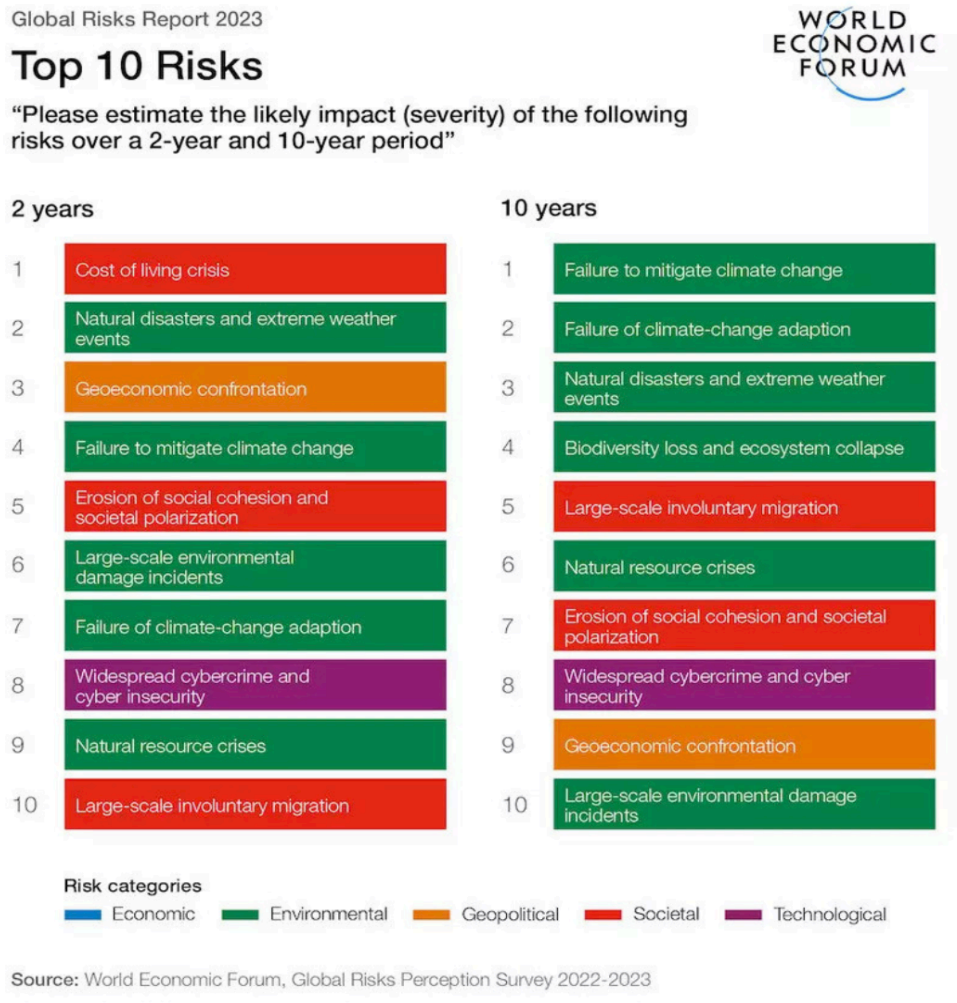
INTRODUCTION

A POLYCRISIS WORLD

The world is going through a radical shift. The 21st century has seen a profound political, economic, social, technological, military and environmental transition at a pace and scale hitherto unseen in human history. These shifts are enabling huge advances in medical science and knowledge-share. Net zero targets are already reshaping the economy, generating massive investment and creating new jobs, while threatening others in agriculture, livestock, fossil fuels and transport. Artificial intelligence will also revolutionise many areas of the job market, especially data analysis. The concurrence of so many structural shifts has sharpened geopolitical and economic competition, destabilised the liberal international order, left democracy in distress and heightened environmental damage. A new term has entered the lexicon to describe this cluster of connected and compounding risks: polycrisis.

As with every crisis, there are opportunities. Europe is in a strong position to shape the changing order in the coming decades as a global leader, trade and technology power, security and aid provider, rule-setter and regulator, values leader and model of regional integration. To stay ahead of the game, European states and their allies need to design forward-looking solutions and integrated approaches to maximise opportunities, resist interference and coercion, and manage challenges together.

Critically, this will need close-knit Euro-Atlantic cooperation and improved global relationships, based on a foundation of strong intra-European coordination. The concept of "broader Europe" will also gain ground as the EU recognises a need to extend its economic and stabilisation strategies to encompass neighbours and third countries. With the implementation of the UK-EU Trade and Cooperation Agreement, there is an opportunity for these erstwhile partners to reset relations and collaborate better to protect shared values and interests from external and internal threats. Transatlantic relations will also remain essential given combined efforts to counter Russian aggression, engage more robustly with China and support a rules-based world order. New configurations and partnerships taking place across the world highlight that we will remain a globalised world, despite elements of protectionism and regionalisation.

DRIVERS OF CHANGE

1. CLIMATE CHANGE

Global Risks Report 2023

Top 10 Risks

"Please estimate the likely impact (severity) of the following risks over a 2-year and 10-year period"

WORLD ECONOMIC FORUM

2 years

1	Cost of living crisis
2	Natural disasters and extreme weather events
3	Geoeconomic confrontation
4	Failure to mitigate climate change
5	Erosion of social cohesion and societal polarization
6	Large-scale environmental damage incidents
7	Failure of climate-change adaption
8	Widespread cybercrime and cyber insecurity
9	Natural resource crises
10	Large-scale involuntary migration

10 years

1	Failure to mitigate climate change
2	Failure of climate-change adaption
3	Natural disasters and extreme weather events
4	Biodiversity loss and ecosystem collapse
5	Large-scale involuntary migration
6	Natural resource crises
7	Erosion of social cohesion and societal polarization
8	Widespread cybercrime and cyber insecurity
9	Geoeconomic confrontation
10	Large-scale environmental damage incidents

Risk categories

■ Economic ■ Environmental ■ Geopolitical ■ Societal ■ Technological

Source: World Economic Forum, Global Risks Perception Survey 2022-2023

In 2023, the World Economic Forum's Global Risks Perception survey gathered insights on global risks from over 1200 experts. While the cost-of-living crisis was identified as the biggest short-term risk, a failure to mitigate climate change was cited as the major longer-term concern.

Scientists have long warned that climate change effects will affect life as we know it for future generations. Research proves we are too late to avoid all the consequences, but taking concrete action now could reduce the potentially devastating impact on human livelihoods and natural habitats including biodiversity loss and natural disasters. Extreme weather events and natural phenomena are already leading to mass population displacement and migration. Access to potable water will decrease, while some countries such as the Small Island Developing States in the Pacific and Indian Oceans, risk being submerged by rising sea levels caused by thawing ice-sheets and glaciers.

Climate change has reshaped the agenda for governments and industry who must respond to massive pressure from civil society demanding a sustainable future. During the last decade, the international political community set ambitious goals to limit global warming, reduce emissions and introduce greener solutions by 2030. In December 2015, 196 nations signed the Paris Agreement adopting legally-binding provisions to limit the temperature increase to 1.5°C above pre-industrial levels. The United Nations (UN) set 17 Sustainable Development Goals as part of its 2030 sustainability agenda producing yearly progress reports. In 2020, the EU approved the European Green Deal to transform its economy by promoting clean energy and transport and the taxing emitters. Under this strategy, the EU aspires to become the first climate-neutral continent by 2050. Outside of the West and its allies, the commitments of China, Russia, India, South Korea, Saudi Arabia, Indonesia and Brazil will be decisive.

New rules agreed by most of the world mean less room for energy-intensive, polluting industries despite challenge from climate-sceptic interests. Companies will have to follow stricter sustainability standards and assume more corporate responsibility. Governments will have to eventually endorse a minimum amount of environmental regulations to ensure access to the European market. Nevertheless, a lot still needs to be done. Significant investment in technological innovation and scientific collaboration is necessary to solve most climate change riddles.

2. MIGRATION

Migration as a phenomenon is not new though flows across the world are rising, especially through 'corridors' from developing to developed economies. According to a recent IOM World Migration Report, there were a record 281 million international migrants in 2020, equal to 3.6% of the global population and 9 million more than the previous year.

The drivers of migration have evolved with climate change, conflicts, and the search for labour creating new waves of population movements. In Europe, studies in middle-income countries show that climate change is fuelling the trend towards urbanisation, as rural areas become more inhospitable. More 'south-south' migration and internal displacement are expected, as well as increased pressure on Europe's southernmost areas. Natural disasters will become more frequent and severe, requiring governments to focus on risk-reduction, emergency preparedness and resilience.

Future mass migration will increase pressures at the borders of all European countries, especially front-line states like Italy, Greece, Malta, Spain, Bulgaria and Cyprus. Administrative delays, disinformation, discrimination and outdated practices are common. The accession of new EU Member States and an expanding Schengen area will also change demographics. Similarly, new UK trade deals and arrangements, such as with Hong Kong, are seeing the arrivals of different communities.

Tensions will continue between the economics of migration that demand millions of new workers every year and the politics of migration demanding the closure of borders. Right-wing political parties across Europe and North America will continue to play on domestic fears to call for stricter measures. Extremist voices will try to drive nationalist sentiment, fomenting hate crimes against foreigners. Given the rise of populist parties, The Economist suggests the EU needs to inject more political will into finding balanced and effective solutions to prevent future waves becoming crises. This will require a collective response within the EU and with regional neighbours. A global response will also be needed to strengthen stability in countries of origin, crack down on trafficking rings and institutionalise more efficient and humane management of displaced people crossing borders.

3. TECHNOLOGY

Technological advances will fundamentally transform society in ways that cannot fully be predicted. Some innovations will enhance quality of life through medical breakthroughs, help tackle climate change and deliver smarter and faster solutions across every sector. Technology will help decarbonise economies, generate new sources of energy, maximise resources and create new jobs. New modes of information-share will accelerate productivity and give citizens greater access to knowledge and democratic participation, fuelled by the ability to demand more transparency and accountability.

Other technological advances such as artificial intelligence (AI), while ground-breaking, are likely to be high disruptive. Over time, manual workers and knowledge-workers alike will become redundant as autonomous cars become safer than taxi drivers, and algorithms make more accurate diagnoses than doctors. Targeted support will be needed to prevent structural economic changes from disadvantaging those less able to adapt. Liberal democracies will need to cooperate on policy controls that ensure equitable access, as healthcare is transformed by new bio-medical technologies including gene editing and individualised medicine. The governance of technology and AI, including creation of legal frameworks to ensure its fair and ethical use, will continue to pose questions in how to manage this burgeoning and far-reaching capability.

4. GLOBAL COMPETITION

As technology has revolutionised societies in the 21st century, other major social, economic and geopolitical changes have generated turbulence in international relations and disrupted norms that have defined the Euro-Atlantic political landscape since the Second World War. Respect for democratic principles, political moderation and diplomatic convention are in jeopardy. Faith in public and international institutions and even the concept of cross-border cooperation and globalisation has been shaken.

At the systemic level, the headwinds of this **more competitive global environment** have led to political and economic upheavals as many countries embrace more protectionist, nationalist and autonomous agendas. Viewed through this lens, the Brexit referendum and election of Donald Trump in 2016 can be seen as symptoms of a struggle to adapt to a more complex, competitive and volatile world.

These trends were accelerated by the 2007 financial crash, COVID effects, and cost-of-living crises triggered in part by the war in Ukraine. This is leading citizens of liberal democracies to increasingly question the prevailing model of economic development as living costs squeeze the middle class. Organisations such as the Hewlett Foundation and Omidyar Network have called for a wholesale re-imagining of capitalism for the 21st century.

A critical re-evaluation of both Europe's internal relations and its place in the world is underway, as the economic centre of gravity transitions from the Atlantic to the Pacific and access to critical resources is no longer assured. Within a generation, the military and political power of China and, to a lesser extent India, could rival that of the United States.

Relative economic decline in the West, however, will not simply translate into gains for Asia, which depends on healthy Western markets and good trade links to achieve its potential. Furthermore, the Asia-Pacific region will need significant reform to improve connectivity, reduce trade barriers, resolve conflict and maintain stability. The risk is that intensified geopolitical competition could lead to the bifurcation of global economies and ideologies into opposing political or regional blocs, and create fractures which disrupt supply chains and lead to higher prices.

For its part, Europe faces the challenge of an ageing population and the long-term prospect of low(ish) growth, with increasing public expectations of the state. Meanwhile, in Africa, better health outcomes and growing populations combined with climate change and a lack of jobs will create migratory pressures that will affect Europe for decades to come.

5. SYSTEMIC RIVALRY

Extreme terrorist actors such as Al Qaeda and Islamic State changed the trajectory of Western foreign policy after 9/11. However, due to loss of territory and ideological appeal, they have now lost their power to threaten Western democracies, while still destabilising volatile parts of the Middle East, Africa and Asia.

Instead, it is the current 'autocracy versus democracy' systemic tension which may define globalisation for the next decade, as rival superpowers compete to prove which system best delivers for citizens. The appeal of open societies and individual liberties will remain a persuasive political sell, but under economic strain, nationalist politics and social fragmentation is also rising, aided by new trends in divisive communications, culture wars and public discourse. Recent victories for autocracies, in Syria, Afghanistan, Turkey, Hungary and indeed China, have shown that one party rule and limited freedoms can still prevail by promoting strength, control and stability over 'chaotic' models of democracy. This will put more pressure on the world's democracies.

There is now a pervasive sense that the **international order** based on the post-war consensus is being shaken as the geopolitical space becomes both more congested and contested. A major war in Europe, which few thought likely again, has flared with devastating and far-reaching consequences. As Putin kicks out at post-imperial loss and attempts to expand Russian territory by force, he has focused allied minds and resources on existential needs and a comprehensive approach to security.

A Sino-Russian alliance has also created connections between two distinct theatres of tension in Europe and the Asia-Pacific. China has aligned itself with Russia insofar as this reinforces its own challenge to Western hegemony. Together, they are leading the challenge against America's superpower status, the normative power of Europe's democracies and markets, and the global rulebook. In its attempt to dislodge Western concepts of rights and democratic norms, Beijing is framing these values as a "post-colonial imposition" and pitching its own interpretation of global governance, technology and development in ways that are gaining traction in some parts of the world.

Its tri-partite Global Development, Security and [Civilisation Initiatives](#) unveiled in 2023 aim to project Beijing's vision as an alternative to the post 1945 world order. In the tracts, President Xi argues that countries should refrain from imposing their own values or models on others and stoking ideological confrontation. An editorial in the Government's [Global Times](#) newspaper, disparages the practice of "distinguishing between friends and foes in the name of 'values' and wooing one faction while fighting another, thus casting a huge shadow on world peace and development." This narrative appeals to countries with mixed or authoritarian systems that want economic development without the demands to protect rights.

Great-power battles and a renewed expensive arms race will come at a cost for all, as they distract from joint efforts to tackle climate change, overhaul international institutions, boost a global economic recovery, and contain future pandemics. Over time they also risk undermining respect for international law and democracy, unless more effort is put into reinforcing democracies and generating global consensus and ownership of the rules. Europe and the West will need endurance, intensive diplomacy and clear narratives in order to outlast any gains and appeal of autocratic approaches.

6. EURO-ATLANTIC ALIGNMENT

The war in Ukraine has highlighted the essential contribution of the US as a guarantor of European security. The return to a more traditional US presidency under Joe Biden restored a sense of normality to Euro-Atlantic relations and led to deeper collaboration on an array of joint concerns, including the war. But European leaders remain concerned at the prospect of another less friendly leader returning to the White House, provoking calls for more 'European strategic sovereignty,' including stronger defence capabilities.

Domestic and regional turbulence have also pushed the UK and EU to resolve some post-Brexit differences through the Windsor Framework agreement and renewed efforts to build on the UK-EU Trade and Cooperation Agreement. A growing sense of competition with China and above all the war in Ukraine, have brought the UK and Europe back into closer alignment and paved the way to enhanced cooperation. However, there is a long journey ahead to a more committed and stable relationship and a deeper understanding among the public of the UK's place in the European project.

The visit of the UK Prime Minister to Paris in 2023 signalled a thaw in Anglo-French relations which had been frosty since Brexit. Their Joint Declaration pointed to a shared agenda on Ukraine, defence and security, energy and decarbonisation and migration and foreign policy. In the latter basket, the leaders agreed a plan to support the UN Secretary General's "Common Agenda" and 2024 Summit of the Future.

With the establishment of the new **European Political Community (EPC)** attended by 45 countries including the UK, the EU is searching for new ways to engage with third countries in the region in times of crisis. The UK's 2023 refresh of its Integrated Review (IR2023) welcomes the EPC as a new platform for cooperation. As future challenges take shape, the UK and EU may need to deepen alignment and pooling of resources.

A COORDINATED RESPONSE

The instability of the last two decades raises major questions for Western policy makers, business leaders and civic organisations about how to navigate the future and ensure Euro-Atlantic stability and a rules-based world order. Intense coordination between partners will help form a common picture of future trends, threats and opportunities, and a basis on which to define core interests and long-term strategy. Pragmatic diplomacy, strategic partnerships, calibrated deterrence and multi-domain resilience will define an approach to autocratic regimes and a range of hazards. It will also be critical to maintain public confidence in the ability of democracies to deliver by being honest about the challenges ahead, illustrating the high stakes, and robustly challenging solutions offered by populists, autocrats and climate sceptics.

Focus 1: Emerging Technology

Advances in technology will have a profound impact on every aspect of society in the next decades. Its effects will revolutionise human relationships, work, trade, agriculture, healthcare, human development, defence and climate change in ways that are hard to predict. Most international actors have understood the importance of investing in technological innovation and regulating the space to avoid negative societal impacts, shore up new vulnerabilities and prevent major dependencies. The globalisation of technological production and its applications has created a new area for geopolitical competition as well as collaboration.

OPPORTUNITIES AND RISKS

Many countries recognise that technology will have both a **transformative and disruptive impact** across a range of areas. Manual automation such as driverless cars will create mass redundancies. Cognitive automation threatens to make a large class of knowledge workers redundant as artificial intelligence becomes able to make more accurate judgements and decisions than humans. AI can already translate languages as well as humans. It is not long before it will be able to make more reliable medical diagnoses than doctors based on larger data sets.

This creates new economic opportunities, but also risks fuelling inequality and division. Leading international thinkers such as Yuval Noah Harari argue that redeploying displaced workers will be one of the hardest social and political challenges of the 21st century. In a podcast interview for Leading the Future of Work he argues there is a risk that states will not invest in health, education and welfare systems for citizens who are economically inactive. Over a thousand industry leaders spearheaded by Elon Musk called for a moratorium on AI research in order to jointly develop "a set of shared safety protocols for advanced AI design and development that are rigorously audited and overseen by outside experts." The grouping expressed fears of an "**out-of-control race** to develop and deploy ever more powerful digital minds that no-one – not even their creators – can understand, predict or reliably control."

Professor Stuart Russell, lecturer at California University and former adviser to the UK and US Governments has also warned of a reluctance to regulate the industry despite concerns that technology could threaten the future of humanity. He warned that ChatGPT could become part of a super-intelligent machine that cannot be constrained. The launch of the advanced AI chatbot in November 2022 sparked much discussion around the creation of 'digital minds' that may impact the role of education, the functioning of democracies, civil liberties, freedom of speech and the spread of disinformation. As the technology rapidly evolves, continuous research is needed on AI's potential impact and new regulations and monitoring bodies set up in response.

There are also fears that Europe's adversaries will be able to weaponize technology in ways that threaten to undermine open democratic societies, including through the very technologies that liberal democracies helped to create. These risks are already with us. As Ian Bremmer and Cliff Kupchan argue in Eurasia Group's Top Risks 2023, authoritarian leaders are rapidly acquiring the means to spy on citizens. Future advances will help authoritarian leaders and extremists further manipulate public opinion and stifle dissent, including using deep fakes to spread disinformation. Criminals, hackers and activists will be able to manipulate markets.

Looking more deeply into the future, Harari predicts that biotechnology will give us the ability to manipulate our bodies through bioengineering processes such as gene editing, nano-immunity, and even augmentation of the human body with non-organic body parts. However, there is a big danger that if these new technologies are used without a full understanding of the consequences, they could widen social inequality and create unforeseen hazards for mental health.

To harness the power of new technologies while managing the risks of misuse will require both investment and regulation. China, the EU and US are investing vast resources into the tech sector. US legislation such as the Inflation Reduction Act (IRA) offers subsidies to public and private sector entities in the development of green technologies as a way to compete with China's subsidised industry. The EU and UK are concerned as to whether this 'subsidies race' is consistent with WTO rules.

The EU is also concerned that Chinese electric vehicles, as with solar panels, are supported by subsidies, lower labour costs and cheap coal, distorting and flooding markets with cheaper goods than Europe can produce. To remain competitive in the face of intense competition, Europe will need to invest heavily to promote innovation, especially in research and development. The US will need to partner with like-minded allies to ensure access to critical resources, new sources of manufacturing and effective standard-setting.

UK STRATEGY

The UK Ministry of Defence's Global Strategic Trends from 2018 identified 16 drivers that will shape the future out to 2050: AI, technology and automation; growing competition; weapons of mass effect; eroding state authority; adaptation of the international system; an expanded and unregulated information space; rising inequality, reduced social cohesion and fragmentation; human enhancement; competition in the global commons; climate change; resource competition; crime and extremism; and demographic change.

Some factors offer huge potential advantages. The UK prioritises five technologies for targeted support: artificial intelligence, semiconductors, quantum technologies, future telecommunications, and engineering biology. This tracks closely with the priorities outlined in a report by the Tony Blair Institute for Global Change (TBI), A New National Purpose: Innovation Can Power the Future of Britain. Tony Blair and William Hague argue that harnessing three areas in particular will be vital to securing economic progress in the face of rapid technological change: AI, biotechnology and climate technology.

Artificial Intelligence, the report argues, has the potential to automate cognition. It can already pass the Turing test and is likely to outperform human beings in decision-making and predicting our habits and choices better than we do ourselves. This will have far-reaching consequences for knowledge professionals and the world of work.

Biotechnology will produce medical advances that improve health outcomes across the globe. Drug discovery times will be radically shortened. Scientists will be able to grow artificial organs, allowing for transplants without donors. Robotic surgery will perform quicker and safer procedures than human surgeons can deliver. The availability of big data will enable us to both better predict the likelihood of disease and provide individually tailored treatment, supported by wearable technologies that monitor health. New materials will enable the development of novel treatments and implants. It will also allow for the production of biofuels that do not rely on intensive land use.

Climate technologies promise to help decarbonise economies, extract carbon from the atmosphere, and support the crisis response to natural disasters. Cold fusion could revolutionise how energy is generated. Advances in recycling will allow lithium-ion batteries to be reused after their natural life cycle ends.

The UK Government's IR2023 calls for a 'systems approach' to manage digital technology, working with industry and international partners to shape the regulatory agenda. This includes digital standards, internet and data governance, and international cyberspace rules to constrain offensive uses of cyber by state and non-state actors. At the same time, the review acknowledges gaps in the multilateral architecture, and proposes new global multi-stakeholder coalitions and like-minded groupings *beyond* traditional partnerships. It also proposes working with industry to help set international standards for dual-use and other new technologies.

The TBI report praises specific UK technological strengths such as university assets and its private sector. However, it also warns that in terms of scale, the UK will not be able to compete with the US and China. To compete on quality, the authors recommend more investment in research and development, reorganisation of government, creation of AI infrastructure and strategic European and global partnerships. The Economist proposes that the UK should update data-sets especially in the NHS, boost chip production and infrastructure and generally straddle the line between US 'Wild West permissiveness' and the EU's 'regulatory warren.'
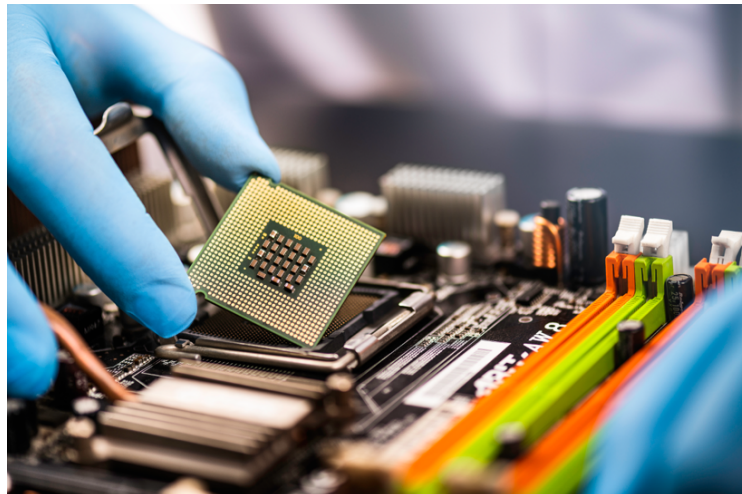
EU STRATEGY

The EU tech strategy focuses on boosting Europe's digitalisation and competitiveness across several areas in preparation for future challenges. To secure technological sovereignty, European institutions have produced regulations for digital markets and services, and an enhanced industrial strategy to stimulate growth in data, AI infrastructure, and defence technologies.

The TBI report credits the EU's Green Deal Industrial Plan for the Net Zero Age for simplifying the regulatory environment and providing accessible funding for clean-tech innovation. Through NextGenerationEU, €250 billion has been allocated to boost digitalisation. At the same time, the Digital Markets and Digital Services Acts adopted in 2022, attempt to regulate the vast space of online activities, creating a level playing field for platforms and providing more online safety. Similarly, the AI Act promotes innovation by creating enabling conditions and funding for research while introducing a set of principles and risk assessments to prevent misuse. These new rules are designed to support EU leadership aspirations in a globally competitive field. Digital sovereignty also gives the EU a say in rules around data and connectivity, currently dominated by Big Tech companies and third countries.

Moreover, EU leaders want to ensure the bloc's strategic autonomy in producing vital technological equipment and avoiding external dependencies on countries with a democratic deficit - a lesson learnt from excessive energy dependence on Russia. Supplies of semi-conductors were also disrupted during the Covid pandemic. Another supply crisis could be looming if tensions increase in the Asia-Pacific and war breaks out between China and Taiwan. China is the biggest producer of semi-conductors in the world while Taiwan accounts for over 90% of the world's most advanced chips. The European Chips Act will mobilise investment in semiconductor technologies and applications to tackle the rising demand for chip production at home.

Technological innovation is also a key pillar in the EU's security and defence agenda aimed at increasing its hard power in a changing geopolitical environment. The European Defence Fund is supporting future-oriented and disruptive defence technologies.

The EU sees security, technological sovereignty and resilience of critical infrastructure as interconnected elements of the continent's digital and green transition. However, the investment is costly, technological changes are unpredictable and global competition is rising. By pooling resources, including with the UK and other third countries, the bloc has a better chance to influence rules and innovation. Ultimately however, the EU will need to partner with the US and Asian-Pacific nations including China, if technological gains are to be responsibly and creatively harnessed for the good of all.

US STRATEGY

The US is seen as a global tech leader, keen to out-compete China as geopolitical tensions rise, but held back by some strategic vulnerabilities. According to Bloomberg, the US goal is to reduce dependency on Chinese supply chains by 40% by 2030 – a daunting challenge given China currently has 70% of the global share in smartphone production, as well as a dominant share in chips and electronic manufacturing. US giant Apple assembles 98% of its iPhones in China. The US is also dependent on Taiwanese and other Asian semiconductor markets. Creating other sources of manufacturing and resource supply alongside fostering domestic capabilities will take time and significant investment but is essential for US aspirations unless the relationship with China is put on a more secure footing.

The 2023 National Standards Strategy for Critical and Emerging Technology affirmed US commitment to tech leadership through open investment, partnerships with the private sector, academia and civil society, free and fair market competition, and workforce education and harmonisation of standards with like-minded countries. It also warned of the need to guard against strategic competitors who are "tilting a neutral playing field to their own advantage" in order to advance their military-industrial policies and autocratic objectives.

The US is therefore increasingly turning to **export controls** on sensitive dual-use technologies to satisfy a broader range of foreign policy objectives beyond national security, such as limiting human rights abuses and supply chain disruptions. In October 2022, the US introduced severe controls on China to try to limit its development of the chips and supercomputers that underpin its defence and surveillance technologies. Inbound and outbound investment restrictions are also being reviewed.

However, the US will need international cooperation on export controls if they are to be effective. The State Department states that external diplomatic engagement on frontier technologies is now "an integral part of the conduct of US foreign policy and diplomacy." The Centre for a New American Security confirms the US

will need to coordinate with others to effectively restrict Chinese development, beyond working through AUKUS, the trilateral security pact between the US, UK and Australia. The US will also need to demonstrate to partners that "US-China tensions are not pushing the US toward a new era of technology protectionism. Rather, strategic competition with China will necessitate even more international coordination and information-sharing among the world's leading techno-democracies in the decades to come."

GLOBAL COOPERATION

Global cooperation on technology-related trade, innovation and management is supported through fora such as the US-EU Trade and Technology Council (TTC), OECD, Quad (US, India, Japan, Australia), Future Tech Forum, Global Partnership on Artificial Intelligence (GPAI) as well as a new G7 Working Group. The G7 which met in May 2023 alongside eight other nations issued a statement praising cross-border data flows of knowledge for generating greater productivity, innovation, opportunities and sustainable development. The group recommended multi-stakeholder approaches to further standardisation backed by rules-based multilateral systems which must "keep pace with the evolution of digital technologies."

Furthermore, governance of the digital economy should be "updated in line with shared democratic values such as fairness, accountability, transparency, protection from online harassment, and respect for privacy, human rights and freedoms." Within the context of Russia's aggression against Ukraine, the G7 also underlined the need to strengthen the resilience of digital infrastructure in the face of cyber-attacks, including securing routes of submarine cables, an area in which NATO also plays a role. Its statement on economic security also highlighted the need to protect against the misuse of technologies by malign actors, including through export controls and investment screening.

Regulating the AI space is proving to be a challenge for governments and legislators as they try to predict all its potential uses whether benign or malign. A Politico report suggested the EU has been forced to rethink its regulatory approach with the rise of ChatGPT. Members of the European Parliament requested its addition to a list of high-risk systems, given its potential to spread disinformation at scale. However, an investigation by the Corporate Europe Observatory found that Microsoft and Google had lobbied EU policymakers to exclude general-purpose AI like ChatGPT from these obligations. The US approach to regulation is seen as risk-based and specific by sector but risks fragmentation due to the distribution of decision-making across different federal agencies. According to the Carnegie Endowment for International Peace, existing AI-related legislation implementation has been slow and unsuccessful. Nevertheless, the US has directed much investment toward research and development and augmenting government capacity.

RECOMMENDATIONS

Ensuring tech competitivity in the 21st century will need a comprehensive approach incorporating standard-setting, education, research, procurement, administrative reform, infrastructure, joined-up big data management, IT, digital identity certification, visa processes that attract talent, and optimisation of markets by incentivising investment. In all these areas, there is **scope for deeper cooperation** between the UK, EU and US and other democratic partners across the world.

According to Brookings, the US and Europe share "conceptual alignment on a risk-based approach and agree on principles of trustworthiness and the importance of creating international standards." However, they differ on the specifics of risk management regimes. More alignment is recommended by building on the early collaborative success at the US-EU Trade and Technology Council.

In Europe, the potential re-entry of post-Brexit Britain into EU research programmes, notably Copernicus, Horizon, Euratom, the European component of ITER, and the European Defence Fund will help pool resources. The TBI report recommends the creation of a UK-US-EU coordination body to fashion regulatory standards on the use of technology and agree restrictions of tech exports to authoritarian states. This platform could project outwards to help shape global frameworks as an alternative to autocratic models.

Focus Two: New Stories of Power

ECONOMIC SHIFTS

The international order is in flux. This is partly due to structural causes such as the long-term economic shift to the east, especially the rise of a more assertive China and greater international competition from the emerging economies of the Association of Southeast Asian Nations (ASEAN). A recent Goldman Sachs Global Economics Paper estimates the Chinese economy will overtake the US in 2035, and by 2050, the world's five largest economies will be China, US, India, Indonesia and Germany. It predicts a long term global slow-down in economic growth as population growth tapers off especially in Europe, with annual global growth of just under 3% a year over the next decade. It also anticipates that while there will be less **global** inequality, there will be more **local** inequality, posing significant challenges to social cohesion and the future of globalisation.

This is not to argue that China's rise is unassailable. A number of economists predict that the days of double-digit growth are over as its population ages and it reaches market saturation. If true, the prevailing Chinese political compromise of sacrificing individual rights and freedoms for high economic growth may become unsustainable, creating internal pressures within the country.

CHALLENGES TO LIBERAL INTERNATIONALISM

Economic shifts have also been accompanied by tectonic political shifts. Princeton University Professor John Ikenberry argued in the journal International Affairs in 2018 that the collapse of the Soviet Union led to a major expansion of the liberal order from a closed ecosystem to a much broader global community. While initially seen as a triumph for Western liberalism and its 'templates for global cooperation,' the underpinning principles of the club were challenged by the arrival of new diverse states less ideologically committed to the principles of liberalism, and in some cases, on the receiving end of colonialism. Expansion therefore diluted both the political and security rationales of the order as a bulwark against a Soviet threat. These two factors led to a "crisis of authority and social purpose" in the liberal international order.

At the same time, Ikenberry noted a trend towards a "more nationalistic, state-centric and transactional model where the electorate questions the costs versus benefits of the post-war liberal consensus." Factors underlying this trend were identified as rising non-Western states; global shifts in economic power; illiberal non-state actors; deep-seated problems with the legitimacy of political elites; as well as social and racial problems at home especially in the US.

Ikenberry argues that the Western liberal order has become a victim of its own success as the "rapid spread of global capitalism, market society and complex interdependence has overrun its political foundations." As such, liberal internationalism will need to be reimagined either as a 'small and thick' vision centred on western democracies; or a 'large and thin' version with global principles and institutions to address modern problems like environmental destruction, weapons of mass destruction and pandemics.

Western politicians continue to wrestle over the best response to the challenges of globalisation. Some call for a doubling down on liberalism and its core values while others argue for more assertive nationalist policies as the best foundation for stability. As this battle of narratives plays out in political discourse, there is a growing rejection of old stories and search for new ones. This has provided fertile ground for those advocating more nationalistic solutions based on protectionism, self-sufficiency and limited migration, even as they prove short-termist, simplistic or ineffective when faced with real world complexity.

In his recent book Liberalism and Its Discontents, Francis Fukuyama argues that liberalism is in crisis due to actions and attacks from across the political spectrum: The right argues that liberalism has emptied society of any common meaning or higher shared purpose beyond the pursuit of individual liberty, even as dogmatic neoliberals have made a 'religion of free markets.' The left suggests the ideology has failed to deliver for group identities with protected characteristics because of its focus on inalienable universal rights (i.e. protecting bankers while failing to sufficiently protect women and minority groups). Fukuyama suggests this has fractured civil society, with repercussions for the health of our democracies.

There is thus an increasing tendency to present political choices in Europe in **binary and polarised terms:** sovereignty versus globalisation; competition versus cooperation; open borders versus closed fortresses. There are indeed hard choices to be made. Turkish economist Dani Rodrik summarised the conundrum in his famous 'trilemma' arguing that democracy, national sovereignty and global economic integration are mutually incompatible, with only two of the three achievable at any one time. Rodrik argues that the Bretton Woods institutions overcame this problem by compromising on ambitions for international economic integration through capital controls and limited trade liberalisation. It was this compromise, discarded in the clamour for globalisation, that was the source of the system's success.

This inherent tension has created winners and losers. Rapid globalisation and increased migration have resulted in a backlash by those who feel left behind under the new system. The rise of populism, far right parties, single issue parties, nostalgia, disruptive politics, 'alternative' facts and attacks on technocratic elites as the embodiment of the 'deep state,' are all part of a response to growing pains in confronting the challenges of modernity in a highly interconnected world.

Traditional liberal narratives based on a progressive view of history do not ring true for many of Europe's citizens left behind by the advance of progress. At the same time, generations who saw the most improvements to their quality of life and freedoms, banked these benefits long ago and no longer recognise them as the fruits of a liberal democratic system in need of ongoing sustenance. There is also complacency about the advantages that globalisation has brought, such as the availability of affordable goods from across the world, the spread of cultures, travel and ideas, higher standards of living and access to markets and talent. Populist parties and hostile external interference have capitalised on this malaise to sow chaos, undermine the legitimacy of institutions and spread further mistrust in the system – now at an all-time high in Europe and the United States.

There are further drivers behind this disaffection. In his book *'This is Not Normal'*, William Davies argues that the two inventions that have caused the greatest disruption to liberal democracies in the past 50 years are the credit derivative and digital platform. He argues that they share a common logic eating away at the integrity of public institutions. "Platform capitalism" has created dependencies on digital social infrastructure, as companies insert themselves in the relationship between governments and citizens, and between different constituencies. These relationships, previously based on mutuality and trust, are exploited for financial gain and reframed by scoring and ranking systems, turning them into relationships based on "instrumentality, strategy and self-interest."

Weak or non-existent platform oversight allow disrupters and hostile entities to spread disinformation at scale. Elements of 'surveillance' have further eroded the social contract - liberalism's founding article of faith - creating distrust in politicians and between different sectors of society. The information anarchy, polarisation and post-truth world unleashed by these platforms has become more evident as time goes by, with regulation, civil society and media literacy programmes struggling hard to catch up.

CHALLENGES TO PARTY POLITICS

Liberalism has also foundered as a political construct in shaping domestic politics. The Economist's Bagehot columnist attributed the cause not to a failure of liberal principles but to a form of elite liberalism led by managerial technocrats who are disdainful of popular opinion. Not only have career politicians broken the economic contract by failing to raise living standards as proponents of globalisation promised, they also protected bankers at the expense of workers in the first major economic crisis of the 21st century.

Liberalism's elite problem, Bagehot argues, lies in its remote and undemocratic institutions, its inherent tendency to centralise decision-making, and its dismissal of nationalism as racism and bigotry. However, liberalism's proponents argue that while reforms are needed to address democratic deficits and structural inequalities, the rise of political extremism and divisive communications is muddying the waters, toxifying public debate and throwing out the good with the bad.

Populist politics offers simplistic and divisive answers to the failings of traditional 'elitist' parties and actors to limit large-scale migration, spread equitable economic progress and give voice to the marginalised. Grievances are exploited through classic tropes and 'othering', boosting the electoral performance of the far-right in Europe and elsewhere. Julia Ebner, research fellow at the Institute for Strategic Dialogue, argues in her book '*Going Mainstream'* that once fringe subcultures and their ideas have gained acceptance through the creation of powerful networks, surprising coalitions and alternative information ecosystems. Extreme groups have thus fuelled a "hostile societal backlash against progressive movements," fracturing societies along the dividing lines of race, gender, climate and Covid in ways that connect powerfully to their own identities. This has led to hyper-polarised communities which may be more prone to violence under the right conditions.

Traditional European parties are thus wrestling with the challenge of state sovereignty being eroded by global economic forces, anti-system elements and information echo chambers. The party system looks increasingly under strain in an environment where multinational companies also wield enormous power over our lives, and public debate on social media gets more attention than Parliamentary debate. This is leading parties to gravitate towards the fringes, pander to transient social media trends and play into emotive culture wars to attract voters.

According to the research platform EU Matrix, polling suggests that parties on the far right and left margins of the spectrum will make gains in the 2024 elections to the European Parliament at the expense of centrist parties - a trend in evidence since 2009. A poll by the 'European Conservative' adds that voters may also turn against the Green movement. If these trends continue, the next European Parliament is more likely to support market-based approaches to industrial regulation and social welfare, tougher stances on asylum and immigration and a slower transition to green energy.

The EU is pledging to improve democracy ahead of the 2024 elections by learning lessons from previous ballots and the recent citizen consultation, the Conference on the Future of Europe. Steps include efforts to increase youth voter turnout, protect against foreign interference and illicit lobbying, reform leadership election processes and enhance citizen participation. More intense work will be needed however to understand new conduits for information and manipulation, respond to myths and conspiracies, and convey a strong and compelling agenda in new ways that resonate with voters.

RIVAL POLITICAL MODELS

A report by the Friedrich Naumann Foundation (FNF) entitled 'The New West' argues that the war in Ukraine is challenging the Western model of democracy and its values of open societies, rule of law and human rights. Russia has fomented unrest and disrupted democracies in Europe for the past 15 years through hybrid warfare which includes support to far-right illiberal politicians like Marine le Pen, Viktor Orban, Nigel Farage and others. FNF argues: "The liberal Western model and its optimistic core message must go on the offensive again." Strengthening partnerships, enhancing security resilience and regaining public trust that democracies can deliver, form part of the response to the Russia challenge.

China's ascendance in political, economic, technological and military terms has also added pressures to the cause of liberal democracy as it attempts to promote a new world order distinct from hegemonic Western rules. Its rise is advancing the unpalatable premise that an authoritarian system can succeed in today's world and offer stability, security and cooperation. China's narrative asserts that emerging economies are being held down by a rigged system set up by the old colonial powers and the post-war institutions they created. These theories have been gaining ground among countries in the Global South, especially with the fusion of Russia propaganda around its war in Ukraine.

Nonetheless, smaller states that benefit from the UN Charter and fundamental rules should be reminded that they cast aside universal norms and protections at their own peril. Countries may also question China's inconsistencies on territorial integrity, peaceful dispute resolution and fundamental rights, as it supports Russia's war, buzzes Taiwanese airspace and curtails freedoms at home. The Chinese model has also proved unsuccessful in its response to Covid and climate change and its predatory developmental approach is worrying some recipients of investment. Countries in the Asia Pacific such as Japan and the Philippines are stepping up security cooperation with the US in response to Chinese sabre-rattling.

All this suggests that democratic allies need to exercise strategic patience, hold their nerve and capitalise on the enduring global appeal of their own models and universal values to deliver mutual benefit. Autocratic worldviews, while attracting short term support and gains, may in the end prove unappealing as the true beneficiaries and outcomes of their policies come to light.

Western democracies can also strengthen their hand by holding each other to account, reinforcing checks and balances, raising standards and forging common platforms. Backsliding in Poland and Hungary has harmed joint EU decision-making and solidarity but pressure should continue for the restoration of democratic norms and standards.

Brexit was also a deep blow to Europe's democratic united front. Despite sensitivities around regulatory alignment, the UK and EU could do more to collaborate in protecting the liberal character of the international order, as autocratic forces challenge the system from within and without. The erstwhile partners share a common worldview and citizen demands and should join forces in support of a rules-based world order. Joint actions can stretch from cyber security to information resilience to foreign policy positions to aid, and in economic terms, reducing dependencies and vulnerabilities, championing rules-based trade and management of climate change, energy and resources.

In the security arena, there is also scope for more UK-EU cooperation on intelligence-sharing and measures to resist hostile interference, as well as even more challenging portfolios such as arms control architecture, defence procurement and transnational threats such as migration. On the multilateral stage, there is room for discussion on reform of the UN Security Council (UNSC), where the IR2023 calls for it to be widened to include Germany, Brazil and South Africa. Building on the UK-EU TCA will depend on political will from both sides and prioritisation of the response to existential geopolitical challenges over short-term politicking.

CRAFTING A NEW DEMOCRATIC STORY

As we swing between the two trapezes of old and new paradigms, we need to craft a credible new story of national and global governance. Many of the problems of the next decade will be global and collective in nature – climate change, migration, pandemics, organised crime, natural disasters, energy security and so on. Addressing these will need international cooperation, open knowledge-share, functional global institutions and rights protection, in a system bound by updated rules and international law.

Liaising only with 'like-minded' countries will not be enough. A new global narrative will also need to bridge to countries that are less wedded to the liberal foundations of Western democracy. There are some grounds for optimism. The shrinking space of political liberalism in the last decades does not equate to a lack of social liberal values. According to the World Values Survey, Europeans increasingly believe in individual freedoms and human rights, even with some geographic discrepancies. Furthermore, society at large is becoming tolerant around the world providing a broader basis for consensus.

Our vision for future political systems must also take into account the disruptions of a rapidly changing world economy, the effects of technology and the changing information space and the rise of newly empowered actors. Centrist democratic forces will need to agree new criteria for responsible governance in the 21st Century that encompass these changes. Securing societal cohesion and consent will require effective decentralisation and localisation that fulfils people's aspirations for a voice in how they are governed beyond multi-year election cycles. New forms of managing public debate on thorny issues of identity and nationalism will have to be found. Media literacy campaigns will need to be integrated into school curricula, and public awareness campaigns launched to expose tactics designed to radicalise society, sow division and spread conspiracy theories. This will all require committed liberal democracies to acknowledge the democratic threat in their midst and fight harder together for the collective health of the liberal international order.

The battle for hearts and minds through ever evolving modes of communication and disruptive technology must therefore continue in earnest. Reinvigorated efforts to sell democracy's achievements and prospects to a sceptical population will require new initiatives, such as those proposed at the US Summit for Democracy. A new story will also need to capture the imagination and confidence of those feeling insecure at the advance of globalisation, as their way of life is threatened by greater openness and exposure to global economic pressures. By portraying a future vision in which everyone has a stake, we are more likely to counter disrupters and achieve the broad consensus required to simultaneously drive radical change and endorse a new social contract based on trust in democratic governance.

Focus Three: Europe's Role in the World

EUROPE'S GEOPOLITICAL POSITIONING

Navigating the challenges of a world order in transition will require intensive collaboration and coordination between Europe and the wider world. Neither individual nations, nor Europe as a whole, will be able to insulate themselves by retreating from the ripple effects of conflict, external interference, autocracy, terrorism, climate change and migration. The EU, UK, US and G7 need to agree joint strategies and harness maximum support worldwide for the threatened rules-based world order which protects peace and stability, democratic standards and a functioning global economy.

The UK Government Strategy IR2023 is tellingly subtitled: 'Responding to a more contested and volatile world.' It offers the stark conclusion that unless democracies do more to build resilience and out-cooperate and out-compete those that are driving instability, the global security situation will deteriorate further, to the detriment of all states and peoples. The UK proposes working with both like-minded partners around the world and those who do not necessarily share its values and perspectives.

Europe's place in the world will increasingly depend on how it positions itself with the emerging economies of the Global South including China. Europeans pride themselves on being a model of regional integration, a powerful trading bloc, rule setter and regulator, and a values leader especially on human rights. But this is not always how they are perceived by the outside world. A report by Carnegie Europe, The Southern Mirror: Reflections on Europe From the Global South, reveals that perceptions of the EU in the Global South are complex. They vary widely by region, generation, employment sector, experiences of colonialism, and the breadth and depth of EU engagement.

On the positive side, Europe enjoys a strong reputation within certain sectors of society overseas. Younger generations, civil society organisations and local development actors in some countries recognise the EU as a generous development and humanitarian donor, and advocate of values-based policies. The EU is also seen as a powerful trading bloc. Despite efforts by Russia and China to portray Europe as a weak, divided and decaying society, European resolve over Ukraine has demonstrated strength and unity in the defence of its values.

At the same time, Europe continues to labour under its colonial baggage in the Global South, especially among older generations. Memories of the 2003 Iraq war still resonate badly with many nations. And despite Germany's reception of one million refugees during the Syria crisis, there are perceptions of xenophobia in Europe based on the rise of nationalist agendas and anti-immigration policies, fuelled by media reports and disinformation campaigns.

There is also suspicion around the EU's economic motivations. The introduction of new environmental standards is viewed by some emerging economies as a form of protectionism designed to keep foreign products out of European markets. Inadequate communications and passive public diplomacy have failed to make more of EU leadership in global development assistance. Finally, Brexit has undermined Europe's status as a model for regional integration.

Some argue that overall, the EU suffers from low visibility in the Global South and punches below its weight. Carnegie's research suggests many regions do not regard Europe as a military power nor a leader in technology. Even informed Europe-watchers struggle to comprehend the EU institutions and only those actively involved in European affairs were able to name the European Commission President, High Representative, or President of the Central Bank.

In response to these criticisms, EU foreign policy head Josep Borrell [recently called](#) for faster and more proactive diplomatic efforts by his Ambassadors and the bloc's 140 worldwide offices to reinforce the EU's international image. The EU also launched its Global Gateway programme in 2021, aimed at mobilising $300bn in investment for digitalisation, energy and transport. As Europe's answer to China's Belt and Road Initiative, it is hoped this will offer an alternative open model to countries on the road to climate transition.

The push for European "strategic autonomy," notably by President Macron, is another play for relevance and regional strength. It includes advancing defence and security capabilities to amplify Europe's power and reduce reliance on the US, though some argue these ambitions are unrealistic until nations massively increase their defence budgets.

Finally, in recognition of sharpened global competition, the UK's latest strategy calls for "stronger relationships with our European partners based on values, reciprocity and cooperation across shared interests." While the focus is on strengthening bilateral relationships and new configurations such as the European Political Community, the UK is recognising, once again, the value of the EU as a coordinating bloc.

UKRAINE – THE GREAT DIVIDER

Differences in perception between North and South have been starkly exposed by Russia's invasion of Ukraine, and latterly, by a rise in US-China rivalry. It surprised many Europeans to see some ambiguity in voting patterns on UN General Assembly Resolutions which called for a withdrawal of Russian military forces. Despite remarkable transatlantic and European solidarity, UN votes exposed a North-South schism, exacerbated by Russian and Chinese propaganda.

At the first Resolution in March 2022, 141 countries voted in favour and 5 against, with 35 abstentions from parts of Africa, as well as China and India. Later votes condemning Russia's annexations of Ukrainian regions followed similar patterns. The suspension of Russia from the UN Human Rights Council in April 2022 garnered 93 nations in favour, 24 against including Ethiopia, parts of Africa and the Caribbean, and 58 abstentions including India, Brazil, South Africa and the Gulf states.

Countries refusing to condemn Russia represent 50% of the global population. Many reject the Western premise that the war is a global problem and threat to international peace. In his commentary for the Royal United Services Institute, Dr Greg Mills argues that in contrast to Europe's view of a struggle between democracy and autocracy, African leaders see the conflict as a 'Western war' – an extension of the Cold War and a long-standing geopolitical competition between NATO and Russia. Some countries accuse the West of inconsistency as they feel their own conflicts have been ignored, or of hypocrisy due to the Iraq and Afghan interventions. Others have trade relations with Russia in energy and arms or are still members of the Non-Aligned Movement. A number of countries like Israel and Saudi Arabia say they are preserving their role as neutral mediators.

Europe increasingly views the Global South as the 'middle ground' in this global competition between democratic and autocratic forces. However, many countries do not want to be in the middle of geopolitical rivalries or forced to choose sides, even as they support principles of territorial integrity and international law. Furthermore, despite being the largest beneficiary of Western aid, many African countries compare Europe's colonial legacy unfavourably with Soviet support for independence movements during the Cold War. The irony that Ukraine's independence is being quashed by a larger 'imperial' neighbour is not hitting home with everyone.

Russian and Chinese disinformation campaigns complement each other by exploiting grievances across the world, flooding zones with content which are then amplified by radical conspiracy theorists like QAnon. Russia Today's global coverage provokes anti-Western sentiments with fearmongering about food and energy crises, blaming shortages on Western sanctions rather than the Russian blockade. Other narratives revolve around alleged persecution of Russian speakers in Ukraine by 'Nazis' (which OSCE monitoring reports rule out) and the aggressive encirclement of Russia through NATO enlargement – an interpretation now echoed by China in the South China Sea.

Allegations of racism in the treatment of African refugees from Ukraine also fuelled resentment, prompting an AU statement. Afghan and Syrian refugees complained of double standards as Ukrainians were warmly welcomed by European states. Thus, perceptions of structural racism continue to fuel colonial-era resentments and influence North-South relations and attitudes to geopolitics. This will require more dedicated diplomacy and better strategic communications from Western partners, Ukraine and other countries threatened by Russian aggression.

European leaders are already showing a determination to forge better global partnerships by listening more to regional representatives and actively promoting Europe's leading role in development. At the same time, they need to insist on the implications for international protections of a Russian victory over its smaller neighbour or unchecked Chinese encroachment on Taiwan. A more transactional approach by European leaders may convince swing states that supporting the world rules-based order is in their own interests, as well as the global good.

THE CHINA CHALLENGE

China's assertive efforts to rebalance geopolitical power and reshape the world order has the potential to be even more impactful on Western democracies than Russia. There is increasing consensus among transatlantic allies and regional partners about the nature of the challenge posed by China and its global ambitions, as documented in its Five-Year Plan and 2049 strategy for national rejuvenation. These objectives are to displace US leadership over the world order and reshape it in its own image; establish regional hegemony; reunify with Taiwan; attain self-sufficiency and become a global leader in internet governance, cyber-power and development.

The primary challenge comes from the way China seeks to pursue these ambitions including by advancing new norms to support its model of authoritarianism while undermining liberal values in specific countries through negative influence operations. These mass disinformation campaigns, which mimic and fuse with Russian tactics, are targeting multiple societies and interests across the world and will gain even more reach through AI. Western allies also accuse China of attempting to coerce Asia-Pacific states, control international waterways and shipping lanes and gradually assimilate Taiwan into the mainland, while simultaneously dislodging the US from the region.

While there is broad consensus on the analysis and the need to strengthen resilience, EU, US and UK responses vary according to their specific vulnerabilities and the extent to which they believe engagement can deliver good outcomes. Most Western states take a **three-part approach** to their China relations formulated as partner, competitor and rival, and occasionally, threat. The US is seen as the most hawkish, but European and UK leaders are increasingly pessimistic. There is currently little optimism about constructive cooperation with China over major global issues. The EU complains that its offers of cooperation initiatives have not so far gained traction. Previous negotiations through the World Trade Organisation failed as China failed to comply with its commitments and adapt its mercantilist approach.

In the US, the drumbeat to conflict over Taiwan is currently high, as the trade war with China also escalates. Despite major trade flows between China and both the US and EU, there are complaints of intellectual property theft of sensitive technologies, excessive subsidies and Government control, poor labour and human rights standards, intimidation of Taiwan and military escalation in the Asia Pacific.

The G7 Summit in Hiroshima also singled out China for its mounting military activities and economic coercion. Beijing responded badly to the grouping's 'smears and attacks' and ignored offers to engage. Alongside continuing diplomatic efforts, G7 leaders are therefore now focused on ushering in a new era of economic security and resilience, through stronger industrial policies and support to clean technology, export controls, rewired supply chains and re-sourced critical materials. The lesson from COVID and Russia's invasion is that

over-dependence on authoritarian states is risky. But given China's sheer size and our interconnected economies, this will be hard. De-risking, even if not decoupling, may still require a major overhaul of supply chains and production in key sectors.

Europe needs to agree what level of exposure is both safe and realistic and work robustly to level the playing field, including by demanding Chinese reciprocity. The EU also needs a doctrine for deploying its new toolkit of economic measures, including autonomous defence tools, foreign subsidy controls and anti-coercion instruments. The EU will need to decide whether export controls apply to new technologies such as AI and supercomputing and how far it wishes to follow the US in this area.

On Taiwan, the objective should continue to be to deter war, including by demonstrating how damaging it would be for the entire world including China. At the same time, the US, NATO and EU should guard against coercive grey zone tactics that achieve reunification short of war. There needs to be consistent messaging that the Straits of Taiwan are a global good, and maintaining the status quo is the best approach for now. Deterrence needs to be matched by reassurance that the West recognises the One China/Two Systems principle and does not favour Taiwanese independence.

Balanced military deterrence is also key. Previous NATO strategies identified Chinese coercive policies as a "challenge to Western interests, security and values." In addition to China's military expansion, the Alliance criticised malicious cyber-attacks, disruptive technology and infiltration into key industrial sectors, resources and infrastructure. Chinese support to Russian capabilities was also concerning. The 2023 NATO Summit will outline the extent of the Alliance's involvement in the Indo-Pacific, as it also seeks to reinforce the Alliance's eastern flank to counter the spread of Russian aggression. In future, China is likely to double down on its foreign influence operations, as Russia did successfully for the last 15 years through a range of hybrid attacks, predatory economics and political interference. The West will need a full spectrum of activities against this internal and external interference to create resilience in its democratic institutions, frameworks, alliances, economies, security and information environment.

Countries in the Global South also need to be warned of the risk that principles advocated by China's Global Security, Development and Civilisation Initiatives will be written into bilateral agreements and UN documents, influencing votes in the UN General Assembly and undermining fundamental rights and freedoms. The West should uphold its principles without being seen to lecture countries on human rights or create an ideological battlefield in which countries feel forced to choose between the West versus the Rest. This includes making a convincing case for the role of international law in defending weaker states from stronger ones. The EU should continue to partner with nations on the issues that matter most, such as climate, connectivity and digital. But it needs a more convincing public diplomacy strategy and communications message and to spread awareness of its role as a major global donor.

Coordination within Europe, across the Atlantic and with regional partners is essential. The current basis of a joint approach seems assured for now based on a common threat perception. The cohesive response to Russia's war, including on sanctions, offers an effective model for coordination and sends a powerful message of deterrence to Beijing and others. However, future transatlantic differences could emerge in terms of military action or export controls, or if new leadership in the US and Europe is installed. Constant recalibration of the West's response to China will be required to identify new vulnerabilities, guard against division and respond to events.

Whatever the nuances, most analysts agree that the balancing act in response to the China challenge will endure, as it remains both a strategic rival and indispensable player on common challenges ranging from climate action, to global health, to debt management in developing countries. An immediate priority is for the West to clarify its red lines and continue pressing China to end support for Putin. Full resolution of disagreements on trade, technology, climate change and security seem far off for now, but may one day succeed if the right conditions align. In the meantime, a minimal shared agenda could be pursued. Western diplomats could also aim for a base-line commitment to curtail hostilities with Taiwan, refrain from hybrid attacks on the West and avoid escalation.

Ultimately, finding a way to manage a functional, productive and even transactional relationship with China is in everybody's interests, including its own. Beijing may be more open to cooperation if its own economy weakens or the Chinese Communist Party's grip on power falters, or if more countries align in demanding a less self-serving approach. In this context, the 'partner-competitor-rival' framework, underpinned by transatlantic unity, remains the right strategy in preparing for the worst but hoping for the best. Establishing some form of co-existence, if not cooperation, between these very different systems of power, and between autocracies and democracies in general, will be a key challenge for the next decades.

DEVELOPMENT OPPORTUNITIES IN THE GLOBAL SOUTH

Europe's broad trade relations and regulatory prowess, combined with a leading role in foreign investment, aid and diplomacy offer multiple opportunities to both advance its own interests and amplify its geopolitical reach for the global good.

The EU's 2016 Global Strategy set out its priorities in boosting stability in the neighbourhood and beyond, strengthening security and defence and tackling big challenges. The European External Action Service, established in 2011, now implements a broad international strategy aimed at preventing conflict; supporting democracy, human rights, the rule of law and development; fighting climate change; managing migration; supporting digitalisation and countering disinformation; and contributing to a rules-based global order.

Economically, the Global South contributes to more than half of the world's growth and is replete with assets including natural resources, advantageous geostrategic positioning and investment potential. At least a third of the minerals required for the green transition lie in Africa. However, the continent faces a slew of socio-economic challenges including high unemployment, weak governance and tax bases, low female participation in labour markets, variable education, poor infrastructure and services, trade protectionism and brain drain. Europe ought to be an attractive partner on both trade and reform.

As its near abroad, the Middle East and North Africa (MENA) region is particularly important to Europe's prosperity, security and stability. Support is needed for the region's economic and political development. The [European Council on Foreign Relations](#) has called for stronger EU involvement in its back-yard, noting that despite being the MENA region's most important trading partner, the EU "plays a strong hand very weakly" and should adopt more unified and robust political positions to increase its leverage. Some [contend that EU aid flows](#) in the region have already become more politicised and instrumentalised to further a range of foreign and security policy aims, including border and migration control and counter terrorist capabilities.

Dynamics in the Gulf are shifting rapidly as US dependence on Middle Eastern oil decreases in favour of domestic sources and renewables. The Gulf States are seeking to diversify their economies and partnerships in pursuit of aspirations to become global powers in their own right. They share much of Europe's focus on climate, energy, security, multilateralism and geopolitics. However, like others in the Global South, they will balance their interests and seek to hedge between the West and China, preferring global partnerships on issues such as clean energy and economic development. Increasingly they also have more varied options for engagement, including with South East Asia and India.

South-South trade including with China has soared over the years to hit $5.3 trillion in 2021. The volume of trade *between* developing countries is now higher than between developing and developed countries. In the quest for a more just economic order, the [UN and other bodies have supported south-south cooperation](#) to boost trade and investment, create jobs, protect the environment and build sustainable economies.

China is increasingly making its own offer to support the UN Sustainable Development Goals. Building on its Belt and Road Initiative, the [Global Development Initiative (GDI)](#) claims to offer solutions to poverty, malnutrition, affordable clean energy, inequality, pandemics and climate change. The GDI was launched at the UN General Assembly in 2021. By October 2022, more than 100 countries and international organizations expressed support to the Initiative and 68 countries had joined the Group of GDI Friends at the UN. Nevertheless, some analysts are critical about China's opaque approach to development which, they argue, fuels political corruption, poor labour practises and environmental degradation.

To continue to be attractive to the Global South, Europe will need a convincing and comprehensive partnership offer, especially in areas where China is stepping up. The EU has a solid track record as an active development partner. Its collective ODA represents [0.49% of its Gross National Income](#) or €50 billion a year, constituting an enormous 43% of global ODA. [Top recipients of EU aid](#) in the last 25 years are Turkey, Afghanistan, India, Morocco, Democratic Republic of Congo, Ethiopia, China, Iraq, Syria, and the Palestinian territories.

In Africa, the EU was the leading contributor of Foreign Direct Investment from 2010 to 2019. However, since the departure of the UK, with its close ties to the Commonwealth, it has become harder for the EU to make inroads. The EU-AU Summit in February 2022 testified to the importance of the relationship, though economic crises may impact the scale of investment. On its own, the UK's declining aid budget means Africa constitutes only 3% of its overall FDI so it may need to combine resources to increase its impact.

The most obvious area for cooperation with the Global South is around building clean infrastructure to support the digital and green transitions, climate adaptation and environmental protection. This includes access to green finance for a just energy transition and support to countries to leapfrog the early stages of technological development. The [EU Global Gateway](#) offers a template for coordinated investment by Member States, the private sector and EU institutions including the European Investment Bank and European Bank for Reconstruction and Development. Finally, the EU's substantial humanitarian aid budget has also had an impact. The recent food crisis caused by the war in Ukraine prompted the provision of EU aid to the Sahel region, Horn of Africa, and parts of the Pacific and Caribbean. During COVID, the EU contributed €46 billion to some 130 partner countries. A new [EU–Latin America and Caribbean partnership](#) boosted the local manufacture of vaccines and other health technologies and more partnerships are in the pipeline.

CONCLUSION

As global competition intensifies and challenges proliferate, the EU, US and UK will need to use all their partnerships, leverage, assets and self-belief to face down threats together and prosper. Disagreements between these actors will need to be worked through in order to unite on bigger external challenges. Anticipating trends, risks and opportunities and engaging in long-term planning will also propel the journey to an inclusive, values-driven and ambitious future, which delivers both for its citizens and the global good.

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