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# Rethinking Relations

## Innovative Diplomacy in an Uncertain World

Background Paper

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## Overview

The articles included in this background paper, **Rethinking Relations – Innovative Diplomacy in an Uncertain World,** were originally written in preparation for the 19th Trilogue Salzburg, which had to be postponed due to the corona pandemic.

Diplomacy – as it applies to politics and the arts, as well as to companies – is currently experiencing fundamental changes at an unprecedented rate, affecting the very character of today's relationships. In the wake of the shift of power towards the East, the spreading emphasis on national interests, and the inefficiency of multilateral institutions in acting as platforms for troubleshooting, international relations have undergone a fundamental change. Additionally, new or self-organized actors from civil society are pushing issues to a level that needs to be addressed by politics and business. New entities such as cities are also emerging as a new political power, forming communities of interest or opposing national policies. Not only are the increasing quantity of relationships and multinational players in transition, so are the competence, responsibility and influence of traditional actors, counterparts and contacts. Moreover, new (or unexpected) stakeholders, such as Fridays for Future and Occupy, are taking the stage on a national or international level, sometimes without official representatives. This is also true of militant groups and unrecognized proto-states like ISIS.

The six essays provide suggestions from different perspectives in order to stimulate the discussion on innovative methods of diplomacy. They seek to address new ways and means of building and maintaining robust relations. They also address the questions of what innovative diplomacy should look like in a non-polar and uncertain world and how new actors and new methods can be better deployed in diplomatic efforts.

The first article, **Diplomacy in a Disrupted World – Fostering Trust in Uncertain Times,** provides an overview of the definitions and concepts present in the world of diplomats. The authors discuss new challenges for diplomacy in the 21st century and argue that effective diplomacy in the sense of cooperation and trust is needed more than ever. The article makes a number of recommendations on how to use diplomacy in a non- or multipolar world.

The second article focuses on the learnings from a historical perspective. The author of **Learning from the Past: Avoiding Sleepwalking?** argues that, when faced with decisions, we cannot predict everything in advance and only understand connections and consequences afterwards. The essay considers two alternative responses to the feeling of being overwhelmed by events, before turning to the subject of how we can escape from the trap that human psychology has set for us.

The next article, **The Future of Corporate Diplomacy,** takes a different perspective and focuses on the implications business environments have for the future of diplomacy. The essayist shows that a corporate public policy team can also benefit from the art of diplomacy and that, more than ever, strong corporate diplomatic corps are needed to find new ways to promote and strengthen positive values.

**Exploring the Future of Diplomacy** describes the challenges for international relations today, before the authors advance arguments for why Europe is once again placing soft power at the center of political discourse and considerations of innovative diplomacy. They show why trust is the key within and to good diplomacy.

Trust is also the main focus of the background paper's next article, **The Glue That Holds Relationships Together: Trust.** The essay gives a short overview of the challenges and opportunities international relations face today. The author presents fruitful examples of lasting relationships built on trust. The article concludes with recommendations for fostering innovative diplomacy.

The author of **United We Stand, Divided We Fall – New Economic Conflicts as a Challenge for European Diplomacy** presents the thesis that conflicting economic interests have increased worldwide in the last two decades. This applies both to the relationships between national economies and to conflicting interests within individual countries. The global map of economic conflicts has thus become more complex – which makes it more difficult to strike a balance among national interests using diplomacy.

## Diplomacy in a Disrupted World – Fostering Trust in Uncertain Times

**Jörg Habich | Verena Nowotny**

# I Introduction

The international balance of power has shifted massively in recent years: the economic pole has moved eastwards, the political and military pole is following suit. Whereas diplomacy was once the practice of conducting negotiations between representatives of states or groups, today the representatives, the objective of negotiations or even the possible counterpart can no longer be so clearly defined. Therefore, diplomacy as we have known it for centuries – as it applies to politics and institutions, as well as to companies and the arts – is being challenged.

The world has become non- or multi-polar: changing interests are leading to flexible alliances, while unconventional political approaches and new media are further reducing the predictability of bilateral relations. As if things were not complicated enough, long-term relations have become more volatile and new actors have suddenly appeared in the network of relationships.

These conspicuous phenomena have an impact on relations – whether between states, organizations or individuals. The world seems less certain and less predictable – to use an overused acronym, it is a VUCA world. The VUCA acronym was coined by the military after the Cold War to describe a new emerging type of warfare:

> "[A] world order where the threats are both diffuse and uncertain, where conflict is inherent yet unpredictable, and where our capability to defend and promote our national interests may be restricted by materiel and personnel resource constraints. In short, an environment marked by volatility, uncertainty, complexity, and ambiguity (VUCA)."[1]

This surrounding environment is becoming a cliché. Disruption in a VUCA world is normal. But there are definitely specific tasks that diplomacy faces in a disrupted world. The challenges in a multipolar world include new issues which are less consistent and highly technical, but which are also emerging with increasing speed, requiring sophisticated and sometimes concerted long-term, but sometimes rapid action. Key players are no longer necessarily traditional, and no longer limited to nation states. Global corporations and foundations are playing an increasing role, but opaque forces are also involved. Finally, electronic and social media have radically changed communication.[2] For example, the tweets of US President Donald Trump disturb traditional codes of diplomatic language.[3]

Diplomacy in a traditionalist view is depicted as a highly ritualized form of relation management where the roles and responsibilities of actors in international relations are clearly delineated.[4] Especially, the democratization of access to information has made almost everyone an independent observer and assertive participant in international politics, and so far diplomacy has only increased

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1 Magee II, Roderick R. (ed.). Strategic Leadership Primer, Carlisle Barracks, PA: US Army War College, 1998, p. 1.

2 Stern, Maximillian. 5 Trends for the Future of Diplomacy. https://www.weforum.org/agenda/2015/08/5-trends-for-the-future-of-diplomacy/, [accessed August 7, 2020].

3 Šimunjak, Maja and Alessandro Caliandro. Twiplomacy in the Age of Donald Trump: Is the Diplomatic Code Changing? In: The Information Society, Vol. 35:1, 2019, pp. 13–25.

4 Melissen, Jan. The New Public Diplomacy: Between Theory and Practice, p. 5.

the influence of loosely organized groups of individuals while issues at the grassroots level of civil society have become bread-and-butter business at the highest levels.[5]

There are at least three challenges to diplomacy in the 21st century:[6]

- The increasing number of new partial, pseudo, quasi-state and non-state actors, which are organized and institutionalized to different degrees
- The occasionally highly diverse and fluid networking publics present nationally and internationally, which call for consideration of their concerns and sometimes reflect a distorted view due to content bubbles
- The progress and implications of digitalization

In such a disrupted world, these changes also have an impact on how diplomacy should or could function. It needs to be redefined, geared to these challenges and, in particular, shaped in accordance with the opportunities that arise.

Diplomacy refers to the art of building and maintaining relationships and negotiations between two or more partners. These relationships represent the attitude of partners towards one another. Usually, good relationships are based on trust built through long-term relationships.

Diplomacy is concerned with the management of relations between states, and between states and other actors, and it often refers to international relations like the cultivation of interstate and supranational relations through agreements on matters such as peacekeeping, culture, economics, trade and conflicts. In such cases, diplomats, who act on behalf of their governments and represent their interests, usually negotiate international treaties.[7] In a broader meaning, this term also includes contacts between two or more groups of any kind based on negotiations or meetings. That means diplomacy can be considered the management of relationships in general, whether in a private, professional or business environment.

Any form of exchange is subject to fundamental coordination and motivation problems resulting from incomplete or unequally distributed information (information asymmetries). These situations open up discriminatory behavioral leeway which can be exploited to one's own advantage and to the detriment of the other. This dilemma exists in circumstances where one partner is motivated to act in its own best interests, which might be contrary to those of the other. That leads to a suboptimal outcome that can lower welfare overall because of dissatisfactions and disruptions, such as conflicts of interest between the partners, that arise in the wake of core inefficiencies. As a result, there may be free-riding in steering and monitoring, duplicate steering and monitoring, or conflict between partners, etc.

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[5] Melissen, Jan. The New Public Diplomacy: Between Theory and Practice, p. 24.

[6] Emrich, Rudine and David Schulze. Diplomacy in the 21st Century – What Needs to Change? SWP Working Paper No. 22, Dec. 2017, pp. 3–6.

[7] Barston, Ronald Peter. Modern Diplomacy. New York: Pearson Education, 2006, p. 1.

Information Asymmetries and Governance Solutions

| Problem | Risk | Solutions | |
|---|---|---|---|
| Hidden Characteristics | **Adverse Selection**<br>Knowledge advantage of one partner allows the other partner to assess the exchange relationship's characteristics only to a limited extent in advance. | Reducing Information Asymmetries by | Signalling<br>Screening<br>Self Selection |
| | | Harmonizing Objectives | |
| Hidden Action | **Moral Hazard**<br>The performance of one partner is not observable or cannot be assessed due to information asymmetry and the concequences have to be addressed by the other partner. | Reducing Information Asymmetries by | Monitoring |
| | | Harmonizing Objectives | |
| Hidden Intention | **Hold Up**<br>Partners are bound to each other by a lock-in effect in the risk of ex post opportunistic behavior. | Harmonizing Objectives | |

Source: Own illustration. | BertelsmannStiftung

The problems that arise can be roughly categorized into adverse selection, moral risk and hold-up. While adverse selection describes a situation before an exchange or contract, where the *type* of product is hidden from one party, moral hazard describes a situation where there is a hidden *action* that results from the exchange relationship. The hold-up problem is a situation where two parties may be able to work most efficiently by cooperating but refrain from doing so because of concerns that they may give the other party increased bargaining power and thus reduce their own benefits (see Figure “Information Asymmetries and Governance Solutions”).[8]

A mechanism for avoiding these problems is to align the interests and balance the power between the parties. If neither trust nor alignment of interests achieves this balance, other mechanisms are needed to avoid these deficits.[9]

[8] Picot, Arnold, Helmut Dietl, Egon Franck, Marina Fiedler, Susanne Royer. Organisation - Theorie und Praxis aus ökonomischer Sicht. Stuttgart: Schäffer-Poeschel, 2015.

See also: Eisenhardt, Kathleen, M. Agency Theory: An Assessment and Review. In: Academy of Management Review, Vol. 14: 1, pp. 57–74.

[9] High-trust relationships reduce the problems (see Bevverra, Manuel and Anil K. Gupta. Trust Within the Organization. Integrating the Trust Literature with Agency Theory and Transaction Costs Economics. In: Public Administration Quarterly, 2/23, pp. 177–203) Williamson considers trust to be noise in rational decision-making that should be avoided (see Williamson, Oliver E. Calculativeness, Trust, and Economic Organization. In: Journal of Law and Economics, Vol. 36: 1, pp. 453–486).

# II The World of Diplomats

In a simplified way, diplomacy can be seen as a system of structured communication between two or more parties and it can be defined as a process between actors (representatives) which exist within a system and engage in private and public dialog (diplomacy) to pursue their objectives in a peaceful manner.[10]

The term is derived, via French, from the ancient Greek *diplōma*, composed of *diplo*, meaning "folded in two" and the suffix *-ma*, meaning "an object." The folded document conferred a privilege – often a permit to travel – on the bearer. The term came to denote documents through which princes granted such favors and it describes the established method of influencing the decisions and behavior of foreign governments and peoples through dialogue, negotiation and other measures short of war or violence.[11] Thus, diplomacy always implies the enforcement of one's own objectives or interests and the influencing of the decisions and behavior of another party.

According to the Vienna Convention,[12] the diplomatic tasks include

- the representation at a level beyond the merely social and ceremonial;
- the protection of interests;
- the negotiation and signing of agreements;
- the reporting and gathering of information; and
- the promotion of friendly relations.

In line with the above-mentioned tasks, major functions of diplomacy are communication, negotiation, intelligence gathering, image management and policy implementation.[13] These functions are not merely limited to representing the political and strategic interests of one side. They also include functions relating to ceremony, management, duty of protection, preservation of the international order, international negotiation, and information (reporting) and communication.[14]

The predominant tool of diplomacy was and is communication. Diplomacy refers mainly to a process of interacting and communicating to create an understanding of each other's ideas and ideals, institutions and culture, as well as the other partner's goals and current policies as a basis for

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10 McGlinchey, Stephen. Introduction – Getting Started. In: McGlinchey, Stephen (ed.). International Relations. E-International Relations Publishing, 2016.

11 https://www.britannica.com/topic/diplomacy, [accessed August 7, 2020].

12 United Nations. Vienna Convention on Diplomatic Relations, 1961. https://legal.un.org/ilc/texts/instruments/english/conventions/9_1_1961.pdf, [accessed August 7, 2020].

13 Berridge, Geoff R. Diplomacy – Theory and Practice. Basingstoke; New York: Palgrave-Macmillan, 2015, p. 41. Griffiths, Martin and Terry O'Callaghan. International Relations – The Key Concepts. London; New York: Routledge, 2002, p. 80.

14 Bull, Hedley. Diplomacy and International Order. In: Anarchical Society: A Study of Order in World Politics. Basingstoke: Macmillan Press, London, 1995, pp. 164–165.

negotiating to achieve one's own interests. Information, content and process are of particular importance. That means that speed and the quality of information seem to be of the essence, but information asymmetries necessarily give rise to conflicts.[15]

More than thirty years ago, Nye began to distinguish between soft and hard power, as the ability to affect others to get the outcomes one wants.[16] While, on the one hand, hard power as coercive power is wielded through inducements or threats,[17] is based on military intervention, coercive diplomacy and economic sanctions,[18] and relies on tangible power resources, such as armed forces or economics,[19] to enforce interests,[20] soft power, on the other, is based on attraction and emulation and is associated with intangible power resources, such as culture, ideology and institutions.[21] Traditionally, the United States is often seen as the embodiment of hard power, whereas Europe is seen more as a representative of a soft-power policy.

Diplomacy uses a certain set of techniques, tools, procedures, methods, norms and rules as social practices in order to orchestrate and moderate the dialogue and optimize the content and quality of achieving the objectives. Although providing a final and non-overlapping list of diplomatic strategies and options goes beyond the scope of this article, the most important categories are:

- **Conference diplomacy** can be defined as part of the management of relations that takes place in (international) conferences or summits, and covers not only public meetings, but also private, often informal meetings.[22]

- **Gunboat diplomacy** is the use of conspicuous displays of military power as a means of intimidation to influence others.

- **Intermediate diplomacy** implies the involvement of a third and independent actor to enforce interests.

- **Niche diplomacy concentrates** resources in specific areas best able to generate returns worth having, rather than trying to cover the field.[23]

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15 Stanzel, Volker. Diplomacy in the 21st Century. Working Paper Project "Diplomacy in the 21st Century". October 2016, p. 4.

16 Nye, Joseph S. Soft Power. In: Foreign Policy, Issue 80, 1990, p. 161.

17 Ibid., p. 163.

18 Wilson, Ernest J. III. Hard Power, Soft Power, Smart Power. Annals of the American Academy of Political and Social Sciences. Issue 616, 2008, pp. 114.

19 Gallarotti, Giulio M. Soft Power: What It Is – Its Importance, and the Conditions for Its Effective Use. In: Journal of Political Power, Vol. 4: 1, 2011, p. 29.

20 Wilson, Ernest J. III. Hard Power, Soft Power, Smart Power. Annals of the American Academy of Political and Social Sciences. Issue 616, 2008, pp. 114.

21 Nye, Joseph S. Soft Power. In: Foreign Policy, Issue 80, 1990, p. 163.

22 Kaufmann Johan. Conference Diplomacy Defined and Objectives of Conferences. In: Conference Diplomacy. Palgrave Macmillan, London, 1996, pp. 7–8.
https://doi.org/10.1007/978-1-349-24913-8_2, [accessed August 7, 2020].

23 Evans, Gareh and Bruce Grant. Australia's Foreign Relations in the World of the 1990s. Melbourne: Melbourne University Press, 1991, p. 323.

- **Preventive diplomacy** is action that prevents disputes from arising between parties, prevents existing disputes from escalating into conflicts and limits the spread of the latter when they occur.
- **Quiet diplomacy** is the attempt to influence the behavior of others by secret negotiations or by refraining from taking a specific action.[24]
- **Economic (dollar) diplomacy** is the use of economic aspects or other types of economic policy as a means of achieving a diplomatic agenda.
- **Digital diplomacy** is the use of the Internet, information and communication technologies for solving diplomatic problems.
- **Shuttle diplomacy** takes the form of intensive back-channel diplomacy through constant back-and-forth commuting due to the inherent confidentiality of highly sensitive discussions.[25]
- **Peer-to-peer diplomacy** describes the ability of average citizens, through the use of social media, to bypass official government bodies and conduct “grassroots” diplomacy.
- **Public diplomacy** gives the public a more active role and indirectly exerts influence through unofficial channels.[26]
- **Track Two diplomacy (para diplomacy)**[27] involves unofficial and generally informal interactions between non-state actors such as NGOs, academics, humanitarian organizations and former government officials, or the use of private actors by states and the engagement of stateless nations. Track Two diplomacy can compete with and even undermine official diplomacy.

The above-mentioned forms and variations of diplomacy make it evident that the world of diplomacy is changing:[28]

- The numbers and types of actors, from governments to national private-sector firms, multinational corporations (MNCs), non-governmental organizations (NGOs), and regional and intergovernmental organizations (IGOs), are increasing and coming from new areas.

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[24] Dlamini, Kuseni. Is Quiet Diplomacy an Effective Conflict Resolution Strategy? In: SA Yearbook of International Affairs, 2002/03, pp. 171–178.

[25] Cooper, Andrew F., Jorge Heine and Ramesh Thakur. Introduction: The Challenges of 21st-Century Diplomacy, In: Cooper, Andrew F., Jorge Heine and Ramesh Thakur. The Oxford Handbook of Modern Diplomacy. Oxford: Oxford Handbooks Online, 2013.

https://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199588862.001.0001/oxfordhb-9780199588862-e-1 [accessed, August 13, 2020].

[26] Kersaint, Maïté. Exploring Public Diplomacy 2.0 A Comparison of German and U.S. Digital Public Diplomacy in Theory and Practice. Dissertation, European University Viadrina Frankfurt (Oder), 2013, pp. 15–18.

[27] Cooper, Andrew F., Jorge Heine and Ramesh Thakur. Introduction: The Challenges of 21st-Century Diplomacy, In: Cooper, Andrew F., Jorge Heine and Ramesh Thakur. The Oxford Handbook of Modern Diplomacy. Oxford: Oxford Handbooks Online, 2013.

https://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199588862.001.0001/oxfordhb-9780199588862-e-1 [accessed, August 13, 2020].

[28] Ibid.

- The scope of the subject matter nowadays covers many different sectors of public policy and government activity and transcends traditional “high issue” foreign policy.
- The levels at which diplomatic engagement and activity take place, from the local through the domestic-national to the bilateral, regional, and global, blur the difference between professional diplomats and other actors.
- The apparatus and machinery of foreign relations and diplomacy continue to evolve in light of these changes.

As a consequence, the role of diplomats has changed from the representation and promotion of interests (political, economic, cultural, scientific and others), protection of citizens’ interests, negotiation, and gathering and transmitting information to that of project manager, moderator, multiplier (public diplomacy), analyst, conceptional thinker, crisis manager and influencer.[29]

## III Perception and Merits of Traditional Diplomacy

Diplomatic endeavors have always been under scrutiny – either by the diplomatic corps or by state leaders and politicians. Goals and mandates have also differed according to the respective political will; e.g. US President Woodrow Wilson (1856–1924) came to champion an alternative to a purely US-centered approach after World War I. He pronounced interest-based approaches to be morally bankrupt and instead sought to remake the world in the democratic, capitalist image of the United States.[30] In China, on the other hand, the diplomatic guideline of “non-interference” remained a core principle until recently; however, as of 2019, China surpassed the United States in the size of its diplomatic network, boasting 276 diplomatic posts. This rise took place during the last few years, following a persistent campaign of “checkbook diplomacy” with a strong focus on economic diplomacy, which received a further push with China’s Belt & Road Initiative. But in Europe as well, Brexit has caused some realignments: Ireland boosted its diplomatic network by eight posts; the Netherlands added seven new posts.[31]

Despite these changes triggered by political decisions, the common perception of traditional diplomacy has remained quite constant. Diplomats entrusted with the conduct of foreign affairs belonged to a small international elite who shared the same sort of background, articulating their opinions in a restrained and well-worded manner. As former French Foreign Minister Charles-Maurice de Talleyrand (1754–1838) famously put it, “A diplomat who says ‘yes’ means ‘maybe,’ a diplomat who says ‘maybe’ means ‘no,’ and a diplomat who says ‘no’ is no diplomat.” Of course, this perception does not mirror reality anymore, with diplomatic personnel nowadays consisting of various staff sections, ranging from economics, environment, science and technology, aid matters, and security to public and cultural affairs.

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[29] Wilfried Boleswki. Diplomacy and International Law in Globalized Relations. Berlin/Heidelberg, 2007, pp. 15–23.

[30] Munter, Cameron. Diplomacy Disrupted. Foreign Policy March/April 2016. https://www.foreignaffairs.com/reviews/review-essay/2016-02-15/diplomacy-disrupted, [accessed August 7, 2020].

[31] Bley, Bonnie. The New Geography of Global Diplomacy. Foreign Policy, November 27, 2019. https://www.foreignaffairs.com/articles/china/2019-11-27/new-geography-global-diplomacy, [accessed August 7, 2020].

What diplomats usually have in common are certain positive traits and motives enabling them to be of service both to their home country and to relations with the host country, such as:[32]

- **Understanding:** Commitment to learning, professional development and curiosity about the diplomatic situation, environment, incentives, history and motivations propels policy; effective operational diplomacy also requires a solid understanding of counterparts' goals, beliefs and underlying cultural outlook.

- **Confidence-building:** Success in diplomatic processes is the product of the parties' willingness to take the risk and trust that a consensual agreement will achieve mutually acceptable objectives.

- **Perseverance:** Diplomacy also depends on the perseverance, optimism and imagination of the interlocutors to find an acceptable end point for the dialogue.

In ideal circumstances, diplomats will then be able to bridge cultural differences, build trust and reach compromises and agreements. Clearly, relations will be put to an ultimate test when conflicts arise and violent skirmishes loom. Experienced diplomats will then be able to appraise and predict reactions and future activities, and suggest strategies and potential solutions.

As Henry Kissinger noted, the balance-of-power system did not purport to avoid crisis or even wars, but when it worked properly, it was meant to limit both the ability to dominate others and the scope of conflicts.[33]

## IV Today's Relationship Management (or the Lack Thereof)

Effective diplomacy in the traditional sense rests on the assumption that the diplomat is speaking and acting for those in power in his own country. This principle, known as the precedence of foreign policy (in German-speaking countries "das Primat der Außenpolitik"), was seen as a prerequisite for successful diplomacy.[34]

The rise of "political somnambulists" described by Harold James in his paper "Learning from the Past: Avoiding Sleepwalking" has rendered the traditional precedence of foreign policy null and void. Most strikingly, Donald Trump exemplifies his irrational approach to relations with other countries by conducting foreign policy by Twitter. However, Trump's 11,000 tweets, over half of which have attacked someone or something, are no substitute for a properly functioning diplomatic network. Trump's tenure also highlights the (temporary) end of using traditional means such as tariffs or sanctions in order to change a country's behavior. The magazine *Foreign Policy* coined the phrase "sadistic policy," citing Trump claiming enormous progress on China because "before the pandemic they had the worst year … that they've had in 67 years." It was a puzzling claim about a country that lost tens of millions of people to economic collapse and famine from 1958 to 1962, but it was also an odd definition of success. The goal of a trade war that had cost the US economy

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32 Kreutzer, Paul. Ten Principles of Operational Diplomacy: A Proposed Framework. In: American Diplomacy. June 2014.
https://adst.org/ten-principles-of-operational-diplomacy-a-framework/#.Wbhc5MiGMdU, [accessed August 13, 2020].

33 Kissinger, Henry. Diplomacy. New York: Simon and Schuster, 1994, p. 21.

34 Kennan, George F. Diplomacy Without Diplomats? Foreign Policy. September/October 1997, https://www.foreignaffairs.com/articles/1997-09-01/diplomacy-without-diplomats, [accessed August 7, 2020].

some 300,000 jobs and over $40 billion in tariffs was supposed to be the modification of China's trade practices, not the suffering of the Chinese people.[35]

Secondly, a new decentralized diplomacy has emerged, driven by economic change, and the expanding global reach of institutions as varied as businesses, charities and crime cartels. Officials and policymakers no longer have a monopoly on information. Advocacy organizations, consulting firms, and philanthropic foundations perform many traditional diplomatic functions.[36] Furthermore, countries' individual states and even regions are maintaining mini-foreign offices, making it more difficult to coordinate diplomatic efforts.

Thirdly, mass communications have not necessarily made the world a safer place. Over the past couple of years, social media, and Twitter most of all, have become an increasingly prominent means of political and diplomatic communication. Heads of state and other dignitaries around the world routinely squeeze complex and nuanced policy positions into posts of 280 characters or less. But messages relayed over Twitter, particularly at times of heightened geopolitical tension, entail a new and troubling set of dynamics distinct from 20th-century modes of communication. Unlike finely crafted telegrams or private phone calls, tweets reach a global and diverse audience – a fact that wouldn't necessarily be troubling if Twitter were not increasingly the medium of choice for domestic political communications. A politician's tweet seeking to garner popular support in the run-up to an election might contain an element of jingoistic foreign policy that, in addition to reaching its intended domestic audience, is also received by foreign leaders. How can they disentangle messages that are intended to signal actual foreign policy decisions from those that are not meant for them? The result is an extremely opaque means of communication that is subject to mistranslation and misinterpretation. To make matters even worse, Twitter is also a vector for the intentional and unintentional spread of misinformation and false narratives. In the way that it is increasingly being used by officials and diplomats around the world, Twitter increases the likelihood that international crises will unintentionally escalate.[37]

This poisonous cocktail of developments gives rise to instability, fosters declining trust in governments and international institutions, reduces predictability, allows less room for maneuver for politicians, and erodes trust. However, the need to collaborate has not vanished; on the contrary, a growing number of cross-border or transnational issues need to be addressed, from climate change, migration and international trade to energy supplies, etc.

Effective diplomacy, in the sense of cooperation and trust, is needed more than ever. Therefore, we must find new ways of engaging in it.

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[35] Shapiro, Jeremy and Philip H. Gordon. Trump and the Rise of Sadistic Policy. Foreign Policy, August 17, 2020.
https://foreignpolicy.com/2020/08/17/trump-the-death-of-the-deal/, [accessed August 7, 2020].

[36] Munter, Cameron. Diplomacy Disrupted. Foreign Policy March/April 2016.
https://www.foreignaffairs.com/reviews/review-essay/2016-02-15/diplomacy-disrupted, [accessed August 7, 2020].

[37] Drew, Alexi. The Rise of Twitter Diplomacy Is Making the World More Dangerous. World Politics Review, August 10, 2020,
https://www.worldpoliticsreview.com/articles/28976/the-rise-of-twitter-diplomacy-is-making-the-world-more-dangerous, [accessed August 7, 2020].

## V Recommendations

Given the numerous challenges cited above with regard to relationship management, new approaches need to be explored to tackle current problems and conflicts and establish new spaces where relationships can flourish. In addition to familiar approaches or traditional ways of achieving the desired goals, it can be appropriate for diplomacy to seek new partners or form alliances to assert their own interests. As Verena Ringler argues in her paper "The Glue That Holds Relationships Together: Trust," the creation of trust is no longer the purview of institutions, nor does it ensue top-down from hierarchies, but is now mostly happening at the individual level.

Diplomacy at its core is a European tradition, art and attitude. The authors, therefore, put forward the following recommendations that aim to enhance European diplomacy. There are three main areas for improvement and action:

- **Basic reform of diplomatic services**:
    - Education and training: Nowadays, diplomats have to pass rigorous examinations, focusing on international politics, history, law and protocol. Given the broad range of issues and modern requirements, their education should also include training in strategy, multidisciplinarity, crisis management and communication (including online channels).
    - Openness for career-changers: It is rather difficult for non-diplomats to enter the foreign service, as admission procedures are highly standardized. Opening the diplomatic corps to representatives of businesses, NGOs, cultural institutions, etc., would enlarge the range of talents and competences available.
- **Focusing tasks of European diplomacy**: The European External Action Service (EEAS) has taken some first steps towards an issues-oriented diplomacy, covering topics such as human rights, democracy support, migration, development and crisis response. However, the EEAS as a complementary addition to national diplomatic services should focus on topics that are most important to the EU, such as climate change/green deal, migration and mobility, science, the rule of law and digitalization, thus strengthening and concentrating Europe's impact.
- **Enhancing grassroots diplomacy**: As building trust remains of paramount importance, people-to-people contacts need to be supported and enhanced in order to foster international exchange and understanding. Diplomatic services cannot manage programs of such scope if they lack the necessary staff and budget. Businesses, foundations, universities, cultural institutions, media enterprises and NGOs need to step in, forming private-public partnerships to develop and deepen relations with people from other areas of the world.

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## Learning from the Past: Avoiding Sleepwalking?

**Harold James**

## I Introduction

This essay considers two alternative, and both deeply problematic, responses to the feeling of policy-makers – and ordinary citizens – of being overwhelmed by events, before turning to an examination of the way that we can get out of the trap set for us by human psychology.

The historian Christopher Clark chose the title "Sleepwalkers" to summarize his approach to the complex debate about the origins of the First World War. As he explains it in concluding, the catastrophe ensued because Europe's leaders were "watchful but unseeing, haunted by dreams, yet blind to the reality of the horror they were about to bring into the world."[1] The description is convincing, but any social scientist will respond that all participants in any historical event can only see from a particular angle, and they are thus inevitably "blind to reality." Imperfect knowledge is the basis of every human action. Only a subsequent historian playing at being God could imagine they can see everything. We only ***know*** afterwards, and actually even then we don't know some things that might have been obvious to contemporaries, and we may be in the dark about the precise backdrop to some world-changing decisions.

The difference in being effective lies in how policy-makers should approach their limited knowledge. Defense Secretary Donald Rumsfeld's most famous statement dwelt on the conundrum: "Reports that say that something hasn't happened are always interesting to me, because as we know, there are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns – the ones we don't know we don't know. And if one looks throughout the history of our country and other free countries, it is the latter category that tend to be the difficult ones."[2] Rumsfeld later explained the thinking in his memoir: "I had dictated a note to myself [on July 23, 2001] that I intended to offer when I was next testifying before Congress. 'I do not want to be sitting before this panel in a modern day version of a Pearl Harbor post-mortem as to who didn't do what, when, where and why,' I wrote. 'None of us would want to have to be back here going through that agony.'"[3] But on the other hand, he clearly saw that major concerns had arisen without much anticipation or forethought: "During Bob McNamara's confirmation hearing to become secretary of defense in 1961, not a single US senator asked him a question about Vietnam. In Dick Cheney's confirmation hearing in 1989, not a single US senator asked him about Iraq. In my confirmation hearing in 2001, not a single US senator asked me about Afghanistan." Political bigwigs are not good at anticipating surprises, and they are often trapped in a cognitive bubble, a groupthink cage.[4]

There are long-term trends that "everyone knows." These are inescapably "reality," and it would take a great deal of effort to be blind to them or ignore them. In the years before 1914, there was an arms race between the Great Powers, with increasingly belligerent posturing by political leaders

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1 Clark, Christopher. The Sleepwalkers: How Europe Went to War in 1914. London: Allen Lane, 2012, p. 562.

2 Department of Defense News Briefing – Secretary Rumsfeld and Gen. Myers, February 12, 2002, https://archive.defense.gov/Transcripts/Transcript.aspx?TranscriptID=2636.

3 Rumsfeld, Donald. Known and Unknown: A Memoir. New York: Sentinel/Penguin, 2011, p. 334.

4 See Tett, Gillian. The Silo Effect: The Peril of Expertise and the Promise of Breaking Down Barriers. New York: Simon and Schuster, 2015.

and generals. In the 1930s, Adolf Hitler was trying to revise the European order and make Germany more powerful, and preparing for war. In the twenty-first century China was growing economically at a stunning speed, and the United States became increasingly worried about the threats posed by the rise of China. We know all that; and the participants knew all that.

But there are also surprises. In the first half of 1914, Britain and Germany reached agreements on the key issues that had been at the heart of the Anglo-German rivalry, the division of influence in the Ottoman Empire and in Portugal's African colonies. The world looked uniquely stable, quite peaceful: up to the moment that Archduke Franz Ferdinand and his wife were assassinated in Sarajevo. In September 1938, the British Prime Minister Neville Chamberlain returned from Munich waving a piece of paper on the steps of the aeroplane which he explained held out the promise of "peace in our time." A year later, the world had changed, German troops attacked Poland on September 1, 1939. In late 2019, the world's clever analysts and financial market experts assumed that the US-China trade conflict was shadow boxing rather than reality. In January 2020, we looked at pictures of sick people falling over in the streets of Wuhan and did not see any obvious connection with the strained character of international politics: the threats of a large-scale trade war at that moment seemed more like rhetorical bluster than reality. But today Covid19 is interpreted as the modern equivalent of Gavril Princip's FN Model 1910 pistol. As Donald Trump put it, "We went through the worst attack we've ever had on our country. This is really the worst attack we've ever had. This is worse than Pearl Harbor. This is worse than the World Trade Center. There's never been an attack like this."[5]

There is constant surprise. That is not – should not be – a surprise. We do our best not to be surprised. Political societies have worked out two completely contrasting modes of dealing with the surprises. One is to take the principle of sleepwalking very very seriously.

## II Serious Somnambulists

We think we know that people do quite dangerous actions as they sleepwalk, but also that they never come to harm. They can stand on a narrow ledge that if they were awake would produce terror, paralysis, and a likely fall. In the German language there is even a phrase about "the security of a sleepwalker," *mit schlafwandlerischer Sicherheit*. The notion has been applied to international politics. It appears in an interesting way in the Scottish writer Thomas Carlyle's highly influential history of Frederick the Great. Carlyle – a political romantic – suggested that France in the mid-eighteenth century had a carefully thought-out and rational strategy for how to achieve European domination, but wanted also to suggest that French rationalism was superficial and fallacious. By contrast, Britain had no such rational plan, and its parliamentary leaders mistrusted any involvement of the German (Hanoverian) dynasty in continental European politics. Nevertheless, it was Britain which augmented its power in the mid-eighteenth-century tussles, and France that lost out. Carlyle attempts an explanation that does not depend on the balance of material forces (the French population at that time was over 60 million, that of Britain 8 million, and their economies were more or less equally prosperous). The historian becomes metaphysical: "England undertook them, with its big heart very sorrowful, strange spectralities bewildering it and managed them (as men do sleep-walking) with a gloomy solidity of purpose, with a heavy-laden energy, and, on the whole, with a depth of stupidity, which were very great. Yet look at the respective net-results. France lies

5 US Looks to Step Up Economic Action against China, In: Financial Times, May 6, 2020. https://www.ft.com/content/aa212bb1-0738-4c49-b44b-128c078028cc.

down to rot into grand Spontaneous-Combustion, Apotheosis of Sansculottism, and much else; which still lasts, to her own great peril, and the great affliction of neighbours. Poor England, after such enormous stumbling among the chimney-pots, and somnambulism over all the world for twenty years, finds on a wakening, that she is arrived, after all, where she wished to be, and a good deal farther!"[6]

Carlyle's book was a favorite reading of Hitler's, and the dictator took up with enthusiasm the idea of acting with a security and confidence that was not founded on reason: *mit schlafwandlerischer Sicherheit.* The idea is closely associated with political genius, another concept popularized by Carlyle, and set out in the nineteenth century above all in respect to the example of Napoleon. Jacques Presser gave an alternative view in his monumental study of Napoleon, written in large part in hiding in the Netherlands during the Second World War: the study made very clear the parallels between the chaotic and ad hoc administrative methods of Napoleon and those of the Nazis.[7]

There are modern variants too – most strikingly in Donald Trump's claim to be "a very stable genius." "Actually, throughout my life, my two greatest assets have been mental stability and being, like, really smart. Crooked Hillary Clinton also played these cards very hard and, as everyone knows, went down in flames. I went from VERY successful businessman, to top T.V. Star to President of the United States (on my first try). I think that would qualify as not smart, but genius....and a very stable genius at that!"[8] This self-consciously anti-rational stance helped to produce his chaotic interventions – that cost many American lives – in the corona crisis. "I'm not looking at it one way or another. But we want to get out of this. If it does work, it would be a shame if we didn't do it early. What do I know? I'm not a doctor. But I have common sense."[9] Trumpian genius led to promoting unproven and potentially dangerous medicines, and – in a bizarre overreach – suggesting the injection of household cleaning agents into internal organs. Carlyle's label about the "depth of stupidity" applies in buckets: does that make this a sensible approach, in the way that eighteenth-century British stupidity was rewarded (in Carlyle's view)?

The political somnambulist often benefits from a related phenomenon: the strategy looks so crazy that plans that presume rational and measured responses on the part of the strategic opponent are disrupted. It is better not to provoke a mad politician. Niccolò Machiavelli had argued that it may be "a very wise thing to simulate madness": "It is advantageous, therefore, to play the fool as Brutus did, and one is made to be very foolish by praising, talking, seeing and doing things contrary to your thinking, to please the Prince."[10] Kaiser Wilhelm II was erratic, often belligerently aggressive, and emphasized the need to reach a deal. As the crisis of European diplomacy was escalating in July 1914, he suddenly announced a grand new peace initiative. But it was too late. Did other erratic figures do better? Hitler may have played up his carpet-chewing reputation, but ultimately the craziness did not protect him. Recent applications do not look successful. The gambit was most elaborately theorized in recent history by Richard Nixon, who told chief of staff Haldeman, "I call it the Madman Theory, Bob. I want the North Vietnamese to believe I've reached the point where I

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6 Carlyle, Thomas. Frederick the Great. London: Tauchnitz, 1862, Vol. 7, p. 11.

7 Presser, Jacques. Napoleon: Historie en legend. Amsterdam: Elsevier Publishers, 1946.

8 https://www.cnn.com/2018/01/06/politics/donald-trump-white-house-fitness-very-stable-genius/index.html.

9 https://thehill.com/homenews/administration/491277-trump-promotes-use-of-drug-for-coronavirus-im-not-a-doctor-but-i-have.

10 Machiavelli, Niccolò. Discourses on Livy. Book 3, Chapter 2. Chicago: University of Chicago Press; New Edition, 1998.

might do anything to stop the war. We'll just slip the word to them that, 'for God's sake, you know Nixon is obsessed about communism. We can't restrain him when he's angry—and he has his hand on the nuclear button' and Ho Chi Minh himself will be in Paris in two days begging for peace."[11] The game theorist Yanis Varoufakis tried violent unpredictability and unreliability as a debt-negotiating strategy. Trump allegedly explained the same philosophy as part of getting a trade deal with South Korea: "You tell [the South Koreans] if they don't give the concessions now, this crazy guy will pull out of the deal."[12] On the whole, the record of crazy leaders has not been good, but their actions increase unpredictability, become contagious, and make for a radical uncertainty. Acting the part of madness pushes the political leader on the path to ever more dangerous somnambulism.

## III Serious Expertise

The alternative is to trust the experts to map out probabilities and options in advance. Technocrats have particular skills, or expert knowledge, that set them apart from politicians who are generalists. There is often also an implication in the term technocracy, that politicians will evade unpleasant choices, whereas technocrats are in a better position to depict with clearsightedness what are the long-term developments, and what – often painful – decisions or sacrifices need to be made in the present. Technocrats seem to come into their own in exceptional times, when there are unprecedented (a favorite technocratic term) challenges (another favorite) that demand some new approach. There is always a problem, though, in that technocrats are observing small-scale or micro phenomena, and these need to be aggregated in order to be comprehensible or to provide a plan for action. The weak point always lies in the attempt to draw macro conclusions from a precise observation and analysis of micro phenomena.

Technocracy was inherently linked then with learning lessons from a dramatic military mobilization. The first technocrats were in fact soldiers. Now we are more likely to think of them as economists, perhaps climate scientists, and, since 2020, epidemiologists. The work of the original military technocrats involved organizing the mobility and the provisioning of large numbers of people, but also making projections about the future with an assessment of probabilities, while being aware that there would be continual change and shocks.

The great theorist Carl von Clausewitz thought of war as an extension of politics by other means, but one which required a great deal more coordination: "Military activity in general is served by an enormous amount of expertise and skills, all of which are needed to place a well-equipped force in the field. They coalesce into a few great results before they attain their final purpose in war, like streams combining to form rivers before they flow into the sea."[13] "Everything looks simple; the knowledge required does not look remarkable, the strategic options are so obvious that by comparison the simplest problem of higher mathematics has an impressive scientific dignity. Once war has actually been seen the difficulties become clear; but it is still extremely hard to describe the unseen, all-pervading element that brings about this change of perspective. […] The military machine … is basically very simple and very easy to manage. But we should bear in mind that none of its components is of one piece: each part is composed of individuals, every one of whom retains

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[11] Haldeman, Harry Robbins. The Ends of Power. New York: Times Books, 1978, p. 122.

[12] https://www.theatlantic.com/international/archive/2017/10/madman-theory-trump-north-korea/542055/.

[13] von Clausewitz, Carl. Edited and translated by Michael Howard and Peter Paret. On War. Princeton: Princeton University Press, 1976, p. 144.

his potential of friction."[14] That translation of the overall vision into a reality infused by mess or fog involves overcoming what Clausewitz termed "friction." It involved not just common sense but an application of some sort of scientific or mathematical principle: "Many intelligence reports in war are contradictory; even more are false, and most are uncertain. What one can reasonably ask of an officer is that he should possess a standard of judgment, which he can gain only from knowledge of men and affairs and from common sense. He should be guided by the laws of probability."[15]

The relationship between the technocrat and the overall political authority is a central question – indeed it is ***the*** central question of technocracy. Who controls the technocrats in the army? William H. Smyth, who coined the term technocrat in the middle of the First World War, tried to present technocrats in a humble way as the servants of the people, but they in fact often turn into masters, controlling everything from an ivory tower. The problem of control is illustrated in the case of an influential misreading of Clausewitz. He is often reported as claiming that Napoleon was the God of War. This is a misinterpretation, but an interesting one, of what Clausewitz wrote in *On War*. It was indeed in his account the "Kriegsgott selbst," the "god of war in person," who confronted and defeated the Prussian and Austrian armies in 1806; Clausewitz was contrasting the wars of Frederick the Great in the mid-eighteenth century with the war of the early nineteenth century. "Careful study of history shows where the difference between these cases lies. In the eighteenth century, in the days of the Silesian campaigns, war was still an affair for governments alone, and the people's role was simply that of an instrument. At the onset of the nineteenth century, peoples themselves were in the scale on either side. The generals opposing Frederick the Great were acting on instructions—which implied that caution was one of their distinguishing characteristics. But now the opponent of the Austrians and Prussians was—to put it bluntly—the God of War himself."[16] The context makes it clear that Clausewitz is not thinking so much of the French leader as of the fact of a popular mobilization. Napoleon needed to guide that god of war.[17]

It was clear – and it became even clearer as the industrialization of the nineteenth century brought bigger and better-equipped armies – that the people were not generally in control. The First World War produced a debate about militarism – what happened when generals are in control too much. One popular theory about the origins of the conflict argued that it was specifically German militarism that had produced the war: that civilians like the Chancellor, Theobald von Bethman Hollweg, were sidelined, and that the military had relied too much on their inflexible plans.[18] The mobilization preparations were conducted on the basis of an intuitive scheme for dealing with a two-front war developed by General Schlieffen, who had retired in 1906 and died in January 1913. It required modification very rapidly in August 1914 as the German high command was taken aback by the speed of Russian mobilization on the eastern front, in East Prussia. In 1915, Princeton President John Grier Hibben asked: "What is militarism? It is the madness of a nation. Militarism is not created

[14] von Clausewitz, Carl. Edited and translated by Michael Howard and Peter Paret. On War. Princeton: Princeton University Press, 1976, p. 119-20.

[15] von Clausewitz, Carl. Edited and translated by Michael Howard and Peter Paret. On War. Princeton: Princeton University Press, 1976, p. 117.

[16] von Clausewitz, Carl. Edited and translated by Michael Howard and Peter Paret. On War. Princeton: Princeton University Press, 1976, p. 583.

[17] von Clausewitz, Carl. Vom Kriege, Berlin: Hohenberg, 2016, p. 487.

[18] This interpretation is above all associated with Gerhard Ritter. Staatskunst und Kriegshandwerk: Das Problem des "Militarismus" in Deutschland. Erster Band: Die Altpreussische Tradition (1740–1890), Munich: Verlag R. Oldenbourg, 1954.

by the army, but the nature and scope of the army is determined by the policy of the nation. Militarism is essentially a theory of the state. Where militarism exists, the government is a part of the army, instead of the army being a part of the government. […] Its ethic is the maxim that the end justifies the means."[19] In fact, every country recognized that it needed more than a little military expertise. Thus, for instance, the British Labour Party statesman, driver of the League of Nations disarmament conferences, and eventual recipient of the Nobel Peace Prize, Arthur Henderson, argued: "We mean by 'Prussian Militarism' an organised effort towards world domination by an illegitimate application of immoralised military power. We do not suggest that every form of militarism or use of force is wrong."[20]

In fact, when matters go really wrong, there is in many countries a demand that the military should take control. Military modernization followed from coups against ineffectual traditional leaders. Armies, and in particular their mid-level officers (characteristically colonels), turned "an instrument of repression in its own interests or that of kings into the vanguard of nationalism and social reform."[21] The great model for that sort of movement was Marshall Mustafa Kemal Atatürk's 1919 seizure of power (later legitimated by an election), and Colonel Gamal Abdel Nasser's overthrow of the Egyptian monarchy in 1952, or Colonel Muammar Mohammed Abu Minyar Gaddafi's coup against the Libyan monarchy in 1969.[22] Nasser and Gaddafi remained popularly always known as "Colonel." When the Polish communist leadership ran into a dead end in the face of the Solidarnosc labor movement in February 1981, the Minister of Defense General Wojciech Jaruzelski became Prime Minister and later imposed martial law in a bid both to stem the opposition and to push through a reform. In the corona crisis of 2020, the role of the military increased in Indonesia and the Philippines. General Prayuth Chan-ocha in Thailand declared a state of emergency and created a crisis response with no medical experts, but mostly composed of senior military officers. Even in the United States, at the most chaotic moments of the Trump presidency, there were stories about a plan of the military to take control in the event of some irresponsible action.[23] In rich industrial countries, generally, no one thinks however of military coups, but they do think about rule by "experts" or "grown-ups" when politics become confused.

Currently we are witnessing a backlash against technocrats – particularly in the domains that seem central to every social and political concern: in 2008, when economists thought they had the techniques and knowledge to deal with the financial crisis, and in 2020, when medical scientists and especially epidemiologists presented the best ways of combatting the corona virus.

The consequence of 2008 was a widespread view that mainstream economics had failed, and needed to be reconstructed or reinvented. An iconic moment came in November 2008, soon after the failure of Lehman Brothers, when the Queen of England visited the London School of Economics to open the New Academic Building, and asked "Why did nobody notice it?" Professor Luis

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19 Stevenson, Richard Taylor. Missions versus Militarism. New York: Abingdon Press, 1916, p. 78.

20 MacKinnon Wood, Thomas and Arthur Henderson. British Finance and Prussian Militarism: Two Interviews. London: Hodder and Stoughton, 1917, p. 14.

21 Halpern, Manfred. The Politics of Social Change in the Middle East and North Africa. Princeton: Princeton Legacy Libary, 1963, p. 253.

22 Bill, James A. The Military and Modernization in the Middle East. In: Comparative Politics, Vol. 2: 1 (Oct., 1969), pp. 41-62.

23 For instance, https://twitter.com/RickHertzberg/status/1254509734838841344 (Hendrick Hertzberg, of the New Yorker).

Garicano, director of research at the London School of Economics' management department, replied with a classic exposition of the dangers of groupthink: "At every stage, someone was relying on somebody else and everyone thought they were doing the right thing."[24] Dissident economists of the past, especially Hyman Minsky, who had developed an approach that put financial instability at the center, and Charles Kindleberger, who had applied and popularized the Minsky hypothesis, and also applied it in the context of international economic relations, now received much more recognition.

The 2008 story shook confidence in economists as experts. A key part of the Brexit debate was about the failure of economists, and hence the unreliability and bias of their forecasts (institutionalized through the Treasury, the Bank of England, or the International Monetary Fund) that Brexit, the departure of the UK from the European Union, would cause a severe economic shock.

More generally, in the aftermath of the Global Financial Crisis, economists as talking heads were pitted against each other. If some economists were hostile to Brexit, a few could be found who were sympathetic. There were economists on both sides of debates about the Euro crisis. A few economists thought that parts of Donald Trump's agenda might bring economic growth: tax cuts would promote business investment; the threat and partial implementation of protectionism would bring American jobs back, etc. The majority of economists were skeptical, but until early 2020 the strong growth of the US economy seemed to be proving them wrong. They could only warn about high debt burdens from sustained fiscal deficits that might at some stage in the future be a problem. The obvious politicization of economic debate looked as if it discredited the role of economists.

A similar disenchantment with professional advice characterizes the response to the corona crisis. Again, technical advice often appeared to be contradictory and inconsistent. The issue is especially pronounced in the UK, where Neil Ferguson of Imperial College on March 23, 2020, took over the government's response while relying on modeling based on outdated and inadequate computer programing (using the decades-old and untransparent Fortran language). Critics, and scientific proponents of alternative models, then looked to the past and attributed inappropriate and exaggerated culling in response to the BSE ("mad cow disease") health crisis.

It is easy to see why periodic revolts against technocrats take place. The "experts" make decisions on the basis of prognoses which after the event are shown up as problematic and uncertain. Everyone demands immediate forecasts as a basis for decision-making. Sometimes the flaws emerge very quickly. Putting together micro analyses in a context which also generates a macro vision is an exercise in vulnerability because of the number of simplifying assumptions that are required. The technocrats have deliberately cut themselves off from the complexity of the environment which gave the meaning and the context to the choices that would be made on the basis of their material. Manfred Clynes and Nathan Kline in the scientific journal *Astronautics* in 1960 coined a new term, cyborg; "I thought it would be good to have a new concept, a concept of persons who can free

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[24] Pierce, Andrew. The Queen Asks Why No One Saw the Credit Crunch Coming. In: Daily Telegraph, Nov. 5, 2008.
https://www.telegraph.co.uk/news/uknews/theroyalfamily/3386353/The-Queen-asks-why-no-one-saw-the-credit-crunch-coming.html.

themselves from the constraints of the environment to the extent that they wished." That was a cybernetic organism or cyborg.[25] But it is not human.

The attempts to reassert the human are emotionally appealing. Albert Camus's postwar novel, *La Peste* (The Plague), in part used the plague in the Algerian city of Oran as a way of depicting the evil – and the dilemmas – created by the Nazi occupation of France. But it provides a much more general statement. "Our citizens work hard, but solely with the object of getting rich. Their chief interest is in commerce, and their chief aim in life is, as they call it, 'doing business. […] It will be said, no doubt, that these habits are not peculiar to our town; really all our contemporaries are much the same.'" Dr. Bernard Rieux "was thinking it has no importance whether such things have or have not a meaning; all we need consider is the answer given to men's hope." Dr. Rieux, the narrator of the work, is a doctor who does not believe in any grand ideas, does not offer a general scheme for helping people or changing the world, but just wants to help – and to be human.

The philosopher Alasdair MacIntyre in *After Virtue* sets out a polemic against the world of technocrats applying special knowledge: "Government itself becomes a hierarchy of bureaucratic managers, and the major justification advanced for the intervention of government in society is the contention that government has resources of competence which most citizens do not possess." He then terms that claim to authority a "moral fiction."[26] It may be a moral fiction, but it is a fiction created by a society that believes that techniques or specialized knowledge are important to guiding social organization. The need for techniques generally arises out of a specific challenge – the classic one is military conflict. But technocrats generate discontent when societies no longer muster the sense of overall purpose that gave the abdication of power its original launching pad.

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[25] Hables Gray, Chris, Steven Mentor and Heidi Figueroa-Sarriera. Cyborg Handbook. London: Routledge, 1995, p. 47;
Gerschlager, Caroline (Ed.). Expanding the Economic Concept of Exchange: Deception, Self-Deception and Illusions. Boston/Dordrecht/London: Kluwer Academic Publishers, p. 107.

[26] MacIntyre, Alasdair C. After Virtue – A Study in Moral Theory. 3rd Ed. Notre Dame: Notre Dame Press, 2007, p. 100, p. 90.

## IV Conclusions

The makers of diplomacy, but also of public policy in general, are constantly trying to master a welter of fundamentally incoherent information and to grasp unknowable data. The two historically most frequent strategies – trusting to blind instinct and intuition, as opposed to delegating to experts – have both frequently been the cause of disasters. The first strategy is destabilizing, but the second can lead to blinkered vision and groupthink. Revulsion against the one leads to a premature and over-enthusiastic embrace of the opposite version.

Is it possible for democratic societies to escape the pendulum swing from one failed vision to another? The best outcomes arise if there is more communication and debate between experts with different approaches and methodologies: different statistical models, different assumptions about behavior. Different national traditions may point in separate ways, and it is useful to bring them together, in dialogue.

Effective soft power means harnessing a multiplicity of approaches. It's the polar opposite of the use of authority, or force, to limit and curtail debate.

That multiplicity of approaches is also the key to rebuilding trust: both the somnambulist leader and the self-obsessed and self-referential expert will go through cycles of approval and then of revulsion as their policies are tested and found wanting. In the last years of the First World War, President Woodrow Wilson pressed for "open covenants of peace, openly arrived at." We are perhaps better today in our ability to make public large amounts of information, but the problem of the lack of transparency is certainly not solved. In order to really assess threats – climate change, or indeed the corona virus – we need a great deal of information, much of which may be uncomfortable or dangerous for powerful interest groups, or for governments. That information needs to be both scientifically derived, and generally available. Technocrats can only be credible if they constantly expose themselves to control: public scrutiny and political accountability. The critical issue will be the supply of information, which is scarce not only because of its financial value but because of the role scarcity plays in protecting prestige and privilege. It is where information is hidden – as in the discussion of the origins of the virus in China – that the scope for escalation and conflict is greatest.

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## The Future of Corporate Diplomacy

**Elizabeth Linder**

### I Introduction

Facebook's Politics & Government division for the Europe, Middle East & Africa region began as what could best be described as a relationship-building mission for the diplomatic community. Initially coined the "Public Value Programme" before it was re-branded the "Politics & Government" division, it quickly transformed into the diplomatic corps of the company alongside the public policy team. I had the pleasure of founding the division and serving as essentially Facebook's first "Secretary of State." These eight years – first based in California and then in London working across political leadership in more than 40 countries – shaped my perspectives on the present and future role of corporate diplomacy as defined by the unique role that the 21st-century tech company plays in local, national, and international societal governance.

I was based at the company's headquarters, which in 2009 was still in Palo Alto, California, when an earthquake struck Chile and impacted an entire swath of the Pacific Rim. We held our regular Communications & Public Policy team meeting – at the time so small that the entire "global" team fit inside a single room – and learned that something extraordinary had happened in the wake of the earthquake's tectonic disruption. Facebook usage had gone up in the countries affected. So stark was this uptick, it was noticeable even on a platform that by that time had hundreds of millions of users from around the world.

That Facebook usage would markedly increase during a natural disaster was novel. It caused the team to pause and to reflect. After all, Facebook wasn't designed as a platform where people would go to share and look for information about serious things. In its inception, that really wasn't the point. Facebook was meant to let you connect and have fun with your network of friends. Moreover, the human behavior of an individual turning to a social network as a reaction to a newsworthy event was hardly a "thing" at the time.

We were in new territory. And we knew it. A senior executive on the Communications & Public Policy team – which essentially serves the purpose of the "diplomatic corps" of a tech firm – lamented that we did not have a stronger network within US diplomatic circles, not only to alert them to this changing behavior, but also to ensure they were aware that people were actively looking for official advice and information as to where to go and what to do in the wake of an emergency. At the time, government communications offices and spokespeople were focused on traditional sources of news to get information out to citizens. Aside from a few progressive and forward-thinking outliers, government institutions were not set up to hire and train a team to look after social media communications.

It dawned on me, sitting on the floor during that meeting (there weren't enough chairs for all – Facebook at the time was in a regular cycle of moving offices, outgrowing the space, and then moving again), that if we didn't alert embassies as to how these patterns of communications were changing, no one would. It was our responsibility. Trends that are so crystal-clear in Silicon Valley – surrounded as the region is by data-driven tech companies that capture the zeitgeist of the global citizenry – are often not met with the same level of clarity in government offices half-way around the world. In fact, what seems so obvious to tech-company insiders feels not only distinctly foreign, but often dangerous to policymakers farther afield. And so the responsibility very much seemed to rest upon our shoulders not only to inform diplomatic circles as to how the spread of information on Facebook was getting serious, but also to onboard them to the platform. In fact, globally, in the absence of an official public “page” for a government entity, individual Facebook users would set up their own, which in turn thousands of people would assume was the official voice of the government entity or institution. This behavior would eventually become one of the most chronic issues that my team would later grapple with as we worked with government offices around the world to onboard them to Facebook.

By the time the Politics & Government division for the Europe, Middle East & Africa region was finally codified in January 2011 – the first region globally to have such a division and the division which I founded and led from 2011 to 2016 – it spanned more than the embassy network which had originally inspired the idea in the wake of the Chilean earthquake in 2009. It also included parliaments and parliamentarians; government ministries and ministers; royal households and family members; religious organizations and figures; civil society organizations and leaders; NGOs and journalists; and the occasional individual who had no division to turn to but ours to get help or advice.

## II All Began with Diplomacy

But it all began with diplomacy – and this is important. Indeed, crucial. Because it was when the emphasis on diplomacy was replaced by an emphasis on elections and elected officials that the entire structure broke down, resulting in a low point in the entire tech sector’s reputation and public respect, which is only just now being re-imagined and re-built against the backdrop of the COVID crisis, when reliance on and usage of social media platforms is one of the most valuable assets we have at our fingertips to remain connected, keep abreast of our family, friends and colleagues’ latest news, and stay both informed and entertained.

Taking a step back from the arc of time for a moment, it’s important first to understand how it is that tech companies are structured. First and foremost, of course, come the engineers. The tech company is their empire, initially, and all that matters is exponential user growth based on the products they code.

The better the product, the more people like it, and the more they invite their networked friends to like it, leading to exponential growth. Scale is the goal. With scale come hard-to-replace networks. And with these networks come dependence, reliance, and resilience against competition. Time spent on the platforms increases, and advertising “real estate” is more valuable to companies searching to land their messages with new audiences. It thus follows that after the engineers come the sales team. These teams craft the critical “monetization” strategies which enable tech firms to invest in expensive engineers, perks and benefits, to sustain high growth and to constantly, relentlessly innovate to keep pace with the dynamic and fast-moving environment that is driven by a highly changeable series of lines of code versus highly static lines of physical production.

Around these two core pillars – that of the engineer and that of the sales team to foot the bill for the highly coveted Silicon Valley lifestyle – come the other divisions. One of them, Communications & Public Policy, was a distinct innovation from a Silicon Valley school of thought. Whereas many corporations will route Public Policy with and through a Legal department, the likes of Google and Facebook separated Legal and Public Policy. This meant that the teams responsible for PR – for deflecting negative press and highlighting a positive “message” – were direct business partners of the teams responsible for relationship-building with policymakers and civil society leaders. Both of these functions ultimately route through an executive chain of command that is responsible for sales, monetization strategy, new business, and revenue growth.

Already, it is evident that a number of serious challenges emerge within this model. First, and simultaneously obvious yet subtle, is that good public policy and relationship-building with policymakers is rarely – if ever – quantifiable in the short term. What might begin as a single cup of coffee with a policymaker will take countless more rounds of coffee – and through these conversations ultimately mutual understanding and long-earned trust is yielded. These discussions – this trust – this ability for frank and open dialogue will, at some stage in any relationship, bear fruit when a crisis hits, a tough decision has to be made, or a new course of policies must be debated, hashed out, and codified. But in the meantime, it's coffee and conversation. And perhaps the occasional peanuts and glass of wine. If this is starting to sound an awful lot like the art of traditional state-actor diplomacy, it is. If done well, the role of an effective public policy team for corporations is more akin to an ambassadorial role than it is to a research-based legal role or a wordsmithing communications role. Conversations that build trust for the flow of sound information are the holy grail of a corporate diplomatic corps.

The trouble is, measurements of success at tech firms are not set up to track against the forward progress of a diplomatic unit. Gut feelings based on trusted relationships built off countless conversations over endless rounds of tea do not fit within the framework of how the sales executive at the top structures his or her world-view. Often trained in the MBA school of thought, the business executive at the top is looking for a chart – a graph – numbers – data. This is chronically problematic, to the point that it chronically inhibits a good policy person from doing his or her job and has resulted in some of the deepest blind spots within the governance of tech firms.

As one example, I well remember the day that the MBA-trained executive team out of Facebook's Washington, DC office decided to introduce thirteen categories of color-coded criteria from which to base a certain program we were running on the Politics & Government team. The chart, nicknamed "Stoplight," made visual sense. Red! Green! Yellow! Three easy-to-process illustrations, yet utterly unhelpful to the business at hand. The charts took ages to design, and the business-minded leadership team loved counting the colors. Yet these charts stood in the way of the real breadth and depth of the program, which was based on conversations with politicians – conversations that could be evaluated through description but not through color-coding.

We thus immediately see that a public policy team must mirror the art of diplomacy more than it mirrors the mastery of a data-crunching business unit. The most talented corporate diplomats I've come across in my career are those who can inform a company how a policymaker is likely to react ("he has to give the speech to save face, but in the end he will not do anything drastic beyond the talk"), or who can convey an intuition built on patterns that emerge from decades of conversations ("the rhetoric coming from the fringe Parliamentary groups is changing; we need to watch this very carefully"). Just as good diplomats use conversational aplomb and relationship-building to gather and convey intelligence, so leaders in corporate public policy must be empowered to do the same. The trouble is, they are not. So long as these functions route through a sales organization, which weighs the number as having greater value than the relationship, akin to a stockbroker on a trading floor versus an artist capturing the public imagination, the true ability for the art of diplomacy to flourish within the ranks of the corporation will be severely diminished, in ways that we have already seen have lasting reputational impacts on 21st-century corporations. Secretaries of State report directly to the presidential office. The highest-ranking corporate diplomat ought to report straight to the CEO at a tech firm.

The second equally alarming challenge that wedges itself between effective corporate diplomacy and the C-Suite is this trend of marrying the public policy (i.e. "diplomatic") arm of the business with the PR division. A good PR team will avoid the negative headline at any cost. Best not to say anything in case the journalist picks up on the one negative word in an otherwise positive phrase. Or best to deflect anything sincerely worrying, for fear of the headline it might yield. A privacy breach hits the press, and the well-trained spokesperson will immediately begin to react on auto-pilot: "We take privacy seriously."

The problem, of course, is that many areas of corporate diplomacy must dive into tricky, sensitive, and even societally dangerous issues. Identifying these issues and teasing them out to seed within networks that can potentially help come up with best-in-class solutions should be a key goal of any effective corporate diplomacy team. One leading example that springs to my mind comes from a conversation in Geneva with the International Organization for Migration. Facebook had recently launched its new initiative to connect parts of the world that were entirely off-the-grid in terms of Internet access. Overall, connecting otherwise "dark" regions of the world is very exciting. Contemplating the exchange of ideas, business models and markets, and global perspectives that springs from the well of previously un-heard voices is on the whole immensely powerful.

But there is a counter-narrative on the margin of this otherwise empowering tale, and it is the job of the International Organization for Migration to anticipate these challenges. How does the world prepare for an unprecedented number of not only good actors, but also bad actors, accessing global social media networks, for the first time? How do we start to build resilience to protect our societies from the dangerous and inevitable rise in scams, trolling, and misinformation that will inevitably spike in the wake of such exponential increase? Before these topics would become reputationally damaging for tech companies, they had already emerged in discrete circles. Before they blindsided and alarmed the world at large – from policymakers to individual populations using these platforms – these issues needed to be placed on the table and properly addressed. Corporate diplomats today must navigate the uneasy but necessary business of seeding controversial and seemingly insurmountable challenges to canvass for ideas, garner broad support, and crowdsource solutions created by exponential-growth challenges. "Things are not going so well, and this will be highly problematic" are not words that a well-trained PR team has filed away in their list of "lines to take" when crisis hits. But they are lines that a good intelligence officer will regularly communicate to a diplomat. Corporate diplomats must be de-coupled from their well-meaning but carefully curated PR teams in order to be empowered to engage in tough conversations in a meaningful way. These conversations can be uncomfortable, but they are necessary and failing to address them only causes greater reputational damage in the long term.

We have now established that corporations must do two things differently to enable for an effective diplomatic corps within their ranks: first, teams responsible for corporate diplomacy (the "public policy" team) must dissociate themselves from the sales-driven chain-of-command and route straight to a CEO, as their greatest value is often less quantitative and more qualitative. When a diplomat attempts to quantify her art, she misses the entire point of the greatest value she can provide. Second, corporate diplomats must divorce themselves from their long-term relationship with PR teams. The intelligence on the ground – not the communications narrative – must inform their opinions and their recommendations to executive leadership. Diplomats who couch their recommendations in PR-speak are, by definition, curtailing their own effectiveness in articulating the issues that would be of most benefit for the corporation to understand, anticipate, address, and resolve, before these issues spiral out of control. Sometimes, this may mean that the corporate diplomat is the one tasked with communicating not-so-great news to the general public in the spirit of modern public diplomacy. This can and should be encouraged. If we can encourage such teams to speak more freely about the challenges they are hearing about from their sources – even if no scalable solution is readily available – we have the opportunity to harness the collective imaginations, skillsets, and ideas of millions of well-meaning individuals to help us sort through major societal challenges together.

In large part, this "public diplomacy" arm of a corporate team is the most valuable, most nuanced, but also most revolutionary of all. Today's world is filled with people who have the ability to crowdsource solutions to major challenges. For every issue requiring expert opinion and advice, there are exponentially more individuals who can provide this opinion and advice than we have previously had access to. A classic example comes from the world of healthcare. Despite unease for collecting data on personal health, at a point in time when ultimately we can leverage data at scale for proper analysis, we will shape a brighter future for research, diagnosis, and treatment.

Similarly, corporate public policy challenges now often not only benefit from – but demand – the participation of a broader public. Whether social media takedown policies or ESG (environmental, social, governance) best-practices, the trend towards greater collaboration between a wide variety of stakeholders and corporate boards and decision-makers is clear. On balance, corporate public policy teams have been slow to react to this trend.

An excellent example of the power in interfacing in greater public diplomacy as a policy team comes via civil society leaders and activists. In the world of social media, civil society and activists were much earlier at adopting new technologies for communication than their counterparts in government and policymaking spheres. Part of this has to do with the fact that the activist community has less to lose by taking risks in new spaces, and everything to gain. Decentralized experimentation and out-of-the-box thinking is part of a successful activist strategy and will ultimately disrupt the very information environments that often provoke activists in the first instance. An oppressive political regime, for example, will give rise to a fringe group of civil society leaders pioneering new policies and values. These groups will need to use newer spaces of communication in order to get their messages heard, as traditional methods of communication (print, radio, TV) are state-controlled, monitored, or even just expensive to use. Similarly, global organizations like Radio Free Europe or Reporters Without Borders will use new forms of communication to gather and disseminate information amongst supporters and informants.

While traditional government and policymaking institutions were still navigating their way through the brave new world of social media communications, these activists and civil society organizations were getting very, very good at understanding the opportunities, the limitations, and indeed even the dangers of a globally connected world. Female activists in the Middle East credited social media platforms with giving them the courage they needed to take a stand in their own countries. Without seeing the successes of women in other countries making an impact, many believed they wouldn't have been brave enough to pursue their own activist agendas. This behavior clearly showed the power of an interconnected world to inspire and poke holes in the flow of news, information, and ideas that are often subject to either very careful and restrictive curation, or simply not reported owing to competition amongst thousands of other stories getting headline billing.

Meanwhile, activists were also amongst the first to spot the ability for misinformation to spread online, weaponized fake profiles to confuse public opinion, and the potential for social media platforms to seriously alter the political fabric of their countries. As early as 2011, I was fielding questions about rumors spiraling out of control and influencing huge swaths of the general public from civil society leaders in Morocco, and navigating the relationship between Facebook and democracy from Arab Spring leaders in Egypt. Technically, as a public policy representative at the time, it was not my official “job” to serve as an ambassador of the company to the civil society and activist leadership communities. But thanks to an ecosystem that was quickly assembling around civil society and new technology, from Hillary Clinton’s Public Diplomacy initiatives that gave rise to “TechCamp” programs sponsored by the US State Department, to Yahoo’s “Change the World” conferences in the wake of the Arab Spring, reaching out to and connecting with civil society was not only as relevant as reaching out to and connecting with government: it was also as important. It was these leaders who had their pulse on the future, because they were fearless enough to experiment with emerging technologies.

The problem, of course, is that in a traditional corporate environment, these leaders typically carry less weight than a government minister or member of parliament. And so, while ministers and MPs were looking at terrorism and tax, monopolies and data privacy, civil society leaders were examining the role of misinformation and manipulation, trust and societal disruption. All of these themes needed to be addressed, yet public policy teams born out of a more traditional corporate mold focused on and prioritized the former, related more to classical bilateral/statesman diplomacy, as the voices raising these concerns came from traditional spheres of influence, whether Capitol Hill, Westminster, or the Bundestag.

The latter suite of issues would, in the long-run, become more reputationally damaging both for mainstream users and for policymakers, but they emerged from non-traditional spheres of influence dependent on a strong ecosystem of public diplomacy which didn’t exist at the time, and thus the themes emerging from Rainbow Street, Amman, and Zamalek, Cairo, were perceived as interesting and potentially anecdotally useful, without being mission-critical to the long-term success of the diplomatic corps and ultimately the company.

In fact, it wouldn’t be until large-scale revelations hit closer to home in Silicon Valley that these issues would be taken seriously at last. Cambridge Analytica, Russian intervention in US elections, and the rise of extremist and conspiracy-theory world-views at an exponentially alarming rate would finally jolt tech firms into paying attention to issues that were already clearly articulated and identified as being serious challenges to the social order and the future of connected populations by civil society leaders as early as 2011. A five-year runway is a very long time by tech-startup standards: more than enough time to fix broken chains of command and processes that impeded the flow of information from the diplomatic corps with ears to the ground.

We have thus far established three principles of effective corporate diplomacy: first, that the diplomatic corps of corporations must not report into any function but the office of the CEO. Second, that they must be entirely distinct from a PR team. Third, that they must place an equal emphasis on traditional relationships with policymakers and civil society leaders alike, in order to spot, identify, anticipate, and respond to emerging threats that are spotted more accurately in the margins of society than in the halls of the highest government offices.

There is now a fourth pillar we must analyze, and that is the relationship between the corporate diplomatic corps and the state policymakers in government. In the world of Silicon Valley technology, user growth to produce networks that in turn produce exponential scale are the most effective way of producing investor and shareholder value. This means that users outside the United States of America are critical to a definitive success story. A tech firm that aspires to an IPO or acquisition that exceeds the expectations of its investors, leadership team, and employees – who trade salary and benefit perks for stock that is meaningless until the iconic pressing of the NASDAQ button – must grow its user base as broadly and as internationally as possible. As an example of scale, more than 3 billion people around the world now use Facebook, Instagram, or WhatsApp every single month – all part of the broader Facebook ownership.

## III New Class of a Global Community

What this means is that the corporate diplomatic corps' public diplomacy constituencies represent a new class of a fiercely global community. Within traditional diplomatic circles representing state-to-state diplomacy, there is a palpable tension between two schools of thought: one is that we might get a global community onboard to work towards a collective vision and mission in the spirit of the United Nations. The other is that we must establish a core set of values, and invite countries to join us if they are "with us." At a recent Kinross House Meeting on cyber security, participants from around the world never did agree on which approach was preferred: there were too many stark disagreements between nations. Some – and particularly emerging markets – fervently argued that the future lies in global, or near-global, consensus. Others argued that in the context of cyber security, near-global consensus is a pipe-dream doomed for failure: too many large state actors are at odds to the extent that a set of values must dictate which "side" one is on.

There is, however, another way forward, which emerges from the art of public diplomacy and an unofficial but very robust supranational global population. This essentially turns the traditional model upside down, looking at the trends already emerging from the a-national populace on global platforms, and extrapolating from these trends positive and negative values to produce the policies that are needed to keep these values in check or enable them to flourish. Understanding these trends and building the arc of these values from them is an entirely new skillset for a corporate diplomatic corps, and it is one of the most critical skills our world today needs to master. Tech companies which operate social networks at scale must deploy their diplomatic corps to do a far better job of informing policymakers as to emerging trends in our societies, so as to ensure better, more anticipatory policymaking. We must remember that individual populations are now more connected to each other than at any point in history: a Black Lives Matter protest in the United States will immediately trigger marches half-way around the world. We must do better at networking global circles to help governments better anticipate social trends. Corporate diplomats should be responsible for bringing these conversations together. What currently happens – and is not, in my opinion, helpful – is that a public policy team member ("corporate diplomat") will be invited to participate in one of these round tables. They will be equipped with their talking points as signed-off by the PR team, deliver these carefully crafted lines, and then depart. This level of participation has failed to enter into a new realm of leadership in corporate diplomacy as re-imagined by the tech sector. The corporate diplomatic corps must instead pick up the banner of global leadership, creating new ways to channel societal trends as they emerge from connected platforms into the halls of government decision-makers, so as to create an ecosystem of policymaking that is more relevant to the 21st century – and better harnesses the data and tools to which we now have access.

Equally critical is the role and responsibility for corporate diplomats to guide governments and policymakers as to who ought to serve as the informant or spokesperson from inside the corporation on sensitive topics. Legions of individuals at tech firms will specialize in content policy and guidelines. They are the individuals who see, each and every day, millions of violations of these policies. They understand the challenges and the nuances of writing and enforcing these policies. They understand why they are in place and how they can be manipulated and abused. In today's current dispute between Facebook and Twitter, for example, on how content policy is enforced as it relates to the US President, it is critical for specialists in this area to get into great nuance and detail as to how this content would be reviewed if the voice were not the US President, but a public figure in another geographical theatre against a backdrop of platforms that tout globally enforced policies. Such debate is hard and it is challenging, but every tech company has individuals who specialize in very specific policy scenarios. Typically, these individuals are not those who governments insist on speaking to: a policymaker will want to hear from the CEO or COO. Yet while these leaders are ultimately responsible, they are not the subject area experts. Nuancing the debate requires a less senior, but more well-informed informant.

Corporate diplomats must do better to widen the bench of access policymakers have to engage in more detailed conversation with teams at tech companies who are at the heart of these issues. They must help sign-post government leaders and the public to ensure that they are speaking to the right experts to help inform and nuance policy debates, even if these experts seem less “senior” than a C-Suite executive.

Corporate diplomacy as defined through the lens of the 21st-century tech firm is charting new territory in untested waters. As so much of state diplomacy has been weakened by increasingly volatile or populist-driven agendas, we need a strong corporate diplomatic corps more than ever to find new ways of promoting and strengthening positive values that benefit the collective democratic spirit of our age, re-enshrining these values in our societies for a digital era. This responsibility ought not to be taken lightly. During my years as a Facebook diplomat, there were times when my company and my CEO were given more trust than that of a local population’s government. A specific case arose in Moldova, when a young student asked me whether Facebook could start issuing marriage licenses when Moldovans changed their relationship status from being “in a relationship” to “engaged.” In a very sincere, very rational way, the young man explained how corrupt, expensive, and time consuming this process was in his own country’s governance structure; and how easy, simple, cheap, and straightforward it could be if Mark Zuckerberg could just take over the process from California – half a world away, but a process that garnered more trust than the one in the government office a few buildings down in town hall. In his mind, this made perfect sense and was not even a radical suggestion. His values aligned to those of an efficient corporation, and so his common sense dictated that the corporation could just fix this broken policy process. That this new policy was suggested not through the lens of state-to-state (i.e., from Moldova to the United States of America), but state-to-corporate (i.e., from Moldova to Facebook) communications, is illustrative of a wider point. Whether or not tech firms fully admit and embrace this trend, populations globally frequently ascribe to them the policymaking powers and gravitas of a state. While legally and structurally this is not the case, it must inform a new way of thinking for corporate diplomacy. Corporate diplomacy must be debated much more than it currently is at the boardroom level. It must be given significantly more power to have bolder, more visionary impact, not only because the corporation itself needs these voices for more effective governance, but because our societies need this new strand of global leadership.

## Exploring the Future of Diplomacy

**Joachim Fritz-Vannahme | Stefani Weiss**

## I Challenges for International Relations Today

The Chinese ambassador in Paris, Lu Shaye, was summoned by the French foreign minister in mid-April 2020. The reason was an article by an unnamed author on the Chinese embassy's website discussing France's handling of the corona pandemic. According to the article, the staff in French nursing homes had "abandoned their posts overnight and let the residents die of hunger and disease." The article also claimed that "the WHO [is] the target of a veritable siege by Western countries, with some even carrying out ad hoc attacks against its director-general, Dr. Tedros Adhanom Ghebreyesus." It also maintained that French MPs had written a letter disparaging the director-general as a "negro."[1]

None of that was true. But the undiplomatic provocation had proven successful.

The satirist Ambrose Bierce once defined diplomacy as "the patriotic art of lying for one's country." In the face of the current pandemic, it's an art that is not being practiced by China alone. Diplomacy's importance is indeed being challenged in these turbulent times – not only by China and not only through lies.

"The future does not belong to globalists. The future belongs to patriots," declared US President Donald Trump in September 2019 before the UN General Assembly.[2] From the American perspective, the International Criminal Court has no legitimacy and no authority, Trump said. His country had withdrawn from the UN Human Rights Council. Trump paralyzed the World Trade Organization by not appointing judges and in May 2020 announced that he would no longer support the World Health Organization financially because it was too soft on China.

Is Trump alone in his opposition to international organizations? Far from it. In an interview with *The Economist* in November 2019,[3] French President Emmanuel Macron declared NATO "brain dead." He was referring to the situation in Syria and the "uncoordinated, aggressive" actions of Turkey, a member of NATO, and an uncoordinated advance by the US, also a NATO member. Macron gave a long press conference just before the G7 summit in Biarritz last summer – and announced that there would be no final communiqué. "Let's be honest," he said, "nobody reads these communiqués. No head of state discusses them in advance."[4]

"Traditional diplomacy is becoming archaic" is how Politico quotes an unnamed US diplomat. "It's like the coal industry – should we really rescue it?"[5]

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1 https://www.lefigaro.fr/international/l-ambassadeur-de-chine-en-france-recadre-par-jean-yves-le-drian-20200415.

2 https://www.whitehouse.gov/briefings-statements/remarks-president-trump-74th-session-united-nations-general-assembly/.

3 https://www.economist.com/europe/2019/11/07/emmanuel-macron-in-his-own-words-english.

4 https://www.ft.com/content/3ad32bd4-c447-11e9-a8e9-296ca66511c9.

5 Brown, Stephen. Diplomacy, Disrupted. From Foggy Bottom to King Charles Street and Rond-point Schuman, There's a Chill in the Air. https://www.politico.eu/article/diplomacy-disrupted-foreign-policy-improvised/, accessed July 22, 2020.

At the end of 2019, the American Foreign Service Association, a sort of union for US diplomats, calculated that 45 percent of the 166 diplomats appointed by Trump were political appointees, mostly people who had contributed to Trump's election campaign, and 55 percent career diplomats. Under Barack Obama the ratio was 30 to 70.[6]

Even before the Corona crisis, traditional diplomacy was challenged in many ways. The foreign ministries of Germany, the UK, France and the Netherlands have reacted to this in recent years by conducting "reviews."[7] In sum, the resulting reports always mention the same factors, which are requiring a dramatic rethink of traditional, professional diplomacy.

The aggressive politics of today's multipolar world is rubbing up – or, better, pushing back – against the multilateralism that developed after the Second World War. It's a politics that does not shy away from sabre rattling or hybrid wars, from invasion and subversion.

Russia's invasion of Georgia in 2008 and the Crimea in 2014; China's incursion into the South China Sea and its new security law passed in May 2020 to tighten control over Hong Kong; the cyber-attacks prior to the presidential elections in the US in 2016 and France in 2017 – these events may, all in all, not yet mark a turning point for diplomacy. Similar manipulations occurred during the decades of the Cold War. But that conflict ended in 1990.

Since then, "a rejection of multilateralism has taken place in some areas of international relations. After all, the public – often empowered by social media – turns to diplomats with demands, such as putting an end to whaling or stopping the flow of refugees," as a German report titled *The New Reality of Foreign Policy* describes it.[8] Greta Thunberg's emotional accusation – "How dare you! You have stolen my dreams and my childhood with your empty words!" – at the Climate Summit in New York in 2019 was also a message for and challenge to modern diplomacy.[9]

A great deal has changed for diplomacy. We have already spoken about the new geopolitical framework. The alleged "drivers" – the US, China, Russia, Turkey, Saudi Arabia – are defining new fields

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6 Brown, Stephen. Diplomacy, Disrupted. From Foggy Bottom to King Charles Street and Rond-point Schuman, There's a Chill in the Air. https://www.politico.eu/article/diplomacy-disrupted-foreign-policy-improvised/, accessed July 22, 2020.

7 United Kingdom: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/521916/Future_FCO_Report.pdf.
The "Future FCO" report on the future of the Foreign and Commonwealth Office was released in 2016 by a task force led by former British Ambassador Tom Fletcher. It is essentially an official continuation of his thesis: We will just have to see how the FCO copes with everyone's good intentions after Brexit.

Germany: Auswärtiges Amt. Review 2014. https://www.auswaertiges-amt.de/blob/269656/d26e1e50cd5acb847b4b9eb4a757e438/review2014-abschlussbericht-data.pdf.

France: Ministère de l'Europe et des Affaires étrangères. https://www.diplomatie.gouv.fr/fr/le-ministere-et-son-reseau/le-centre-d-analyse-de-prevision-et-de-strategie/.

Netherlands: Clingendael. https://www.clingendael.org/publication/futures-diplomacy-integrative-diplomacy-21st-century.

8 SWP. Die neue Wirklichkeit der Außenpolitik: Diplomatie im 21.Jahrhundert. https://www.swp-berlin.org/publikation/die-neue-wirklichkeit-der-aussenpolitik-diplomatie-im-21-jahrhundert/.

9 https://www.youtube.com/watch?v=TMrtLsQbaok.

See also: https://www.consilium.europa.eu/en/press/press-releases/2020/06/08/youth-in-external-action-council-adopts-conclusions/.

of action for themselves. In doing so, they have suddenly turned the EU and its member states into the driven ones.

This is precisely what European Commission President Ursula von der Leyen was responding to in 2019 with her vision of the EU as a geopolitical actor.[10] It was a stance that Chancellor Angela Merkel had taken before her in 2017 by saying, “The times in which we could completely depend on others are on the way out. We Europeans must therefore take our destiny into our own hands.”[11]

Being alone, that is exactly what the European Union is struggling with. French political scientist Zaki Laidi sees the reason for this less in internal strife: “The root of the problem is that the EU’s initial project was built against the idea of power politics.”[12]

The Communist Party (CP) of China under President Xi Jinping, and the American president and his Russian counterpart, Vladimir Putin, not only reject the liberal European model of shared sovereignty, they are actively contesting it. All three are working to revive history: China’s CP wants a new Middle Kingdom. For Putin, the collapse of the USSR is the greatest geopolitical catastrophe of the 20th century. And Trump’s “America First” patriotism has nothing but contempt for the idea of an enlightened West.

Thus, the starting point, goals and means of “diplomacy” cannot be viewed or evaluated from a single point of view.

Moreover, similar changes can be identified for the full range of diplomatic mechanisms, which political actors on the international level must deal with.

- New actors are taking the stage or even being asked to speak. International organizations, multinational corporations, powerful non-governmental organizations are “making” foreign policy.
- Social media, but also traditional media (such as Fox News in the US or Russia’s international channel RT), are setting the agenda and the pace. Today’s diplomats cannot just listen, they must be part of the conversation and part of the public engaged in it. This also entails risks.
- Digitalization is leading to an unexpected acceleration in administrative and political activities. “My God, this is the end of diplomacy” is what British Prime Minister Lord Palmerston purportedly exclaimed when he received his first telegram in the 1860s.[13]

Things are of course different today, especially since diplomats must not only react to digital acceleration, but must act using digital means. Diplomats have ever less time to do exactly that, thanks to growing volume and speed of information. This also increases the danger of misjudging the many facts they are confronted with. “Diplomacy must therefore distil information in a highly competent

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[10] https://ec.europa.eu/commission/presscorner/detail/en/speech_19_6408.

[11] https://www.bbc.com/news/world-europe-40078183, https://de.reuters.com/article/deutschland-cdu-csu-merkel-idDEKBN18O0DW.

[12] https://www.cer.eu/publications/archive/essay/2019/can-europe-learn-play-power-politics.

[13] https://global.oup.com/us/companion.websites/9780199764488/student/ch8/.

and useful way, instead of just collecting it."[14] It is still completely unclear how big data will impact international relations and alter diplomacy's daily routine.

## II The European Union's Soft Power

According to Robert Kagan, the neo-conservative thought leader active during the George W. Bush administration, Europeans are from Venus while Americans are from Mars.[15] Many Europeans liked the comparison.

Indeed, the European Union lived well for a long time guided by the image of soft power, renouncing violence and peacefully resolving conflicts in the courts or through diplomatic channels. Yet one could claim, a bit maliciously, that the EU has made a virtue of necessity.

Having failed to bring the European Defence Community into being in 1954, it still does not have any own original competences in the area of foreign and security policy. There is no such thing as a European army; instead, there are armies that, when added together, mathematically exceed the US or Russian army (see Figure "Military Power").

Military Power

Military Spending 2009-2019


Source: SIPRI, Military expenditure by country, in constant (2018), 2020.

BertelsmannStiftung

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14 Stanzel, Volker. Die neue Wirklichkeit der Außenpolitik: Diplomatie im 21.Jahrhundert. In: SWP-Studie 2018/S 23 (November 2018). https://www.swp-berlin.org/publikation/die-neue-wirklichkeit-der-aussenpolitik-diplomatie-im-21-jahrhundert/. See also: https://diplomacyinthe21stcentury.wordpress.com/, accessed July 22, 2020.

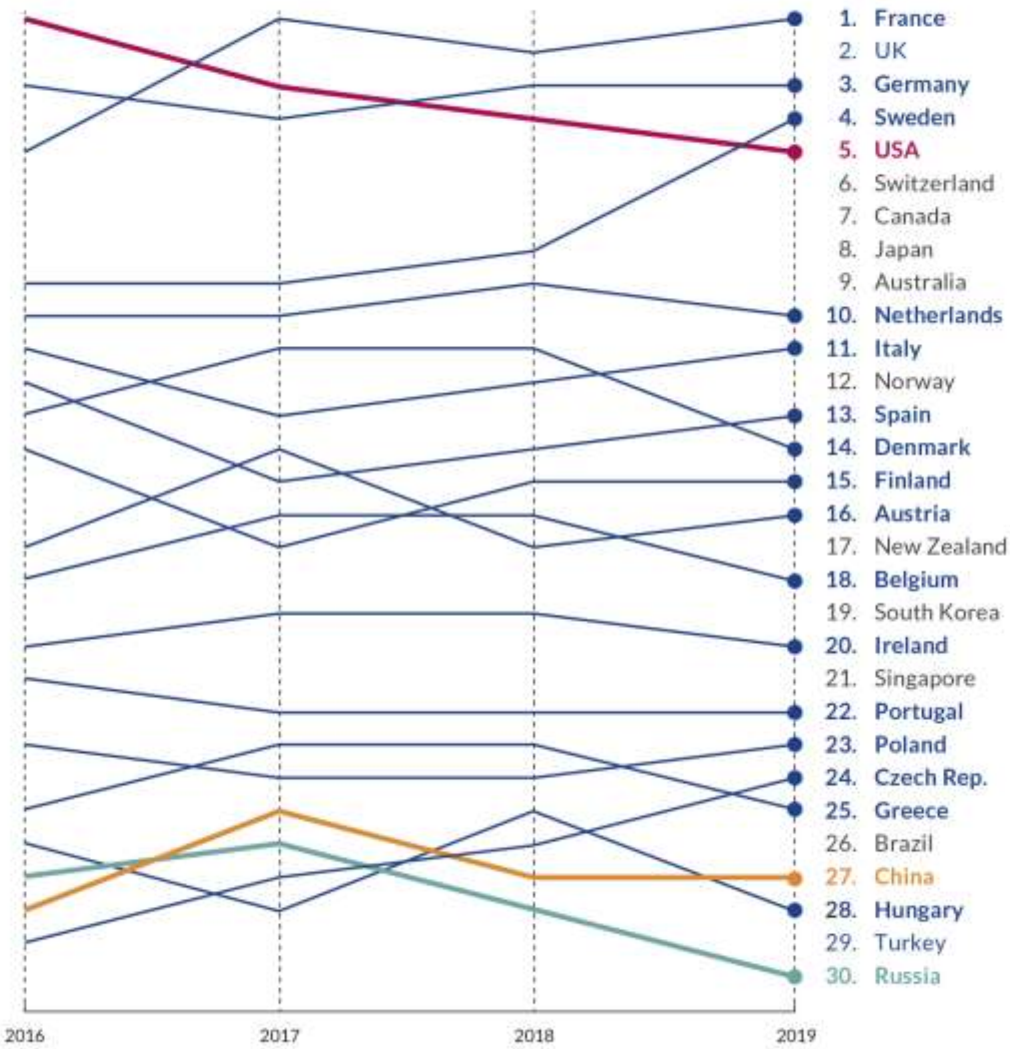
15 Kagan, Robert. Of Paradise and Power: America and Europe in the New World Order. New York: Random House, 2002.

Unfortunately, the size of this "EU army" is merely statistical and its troops only partially ready for combat. The EU was therefore only too happy to embrace the idea that interests could be pursued without coercion or the use of force, solely through a country's political and cultural appeal.

The idea that soft power[16] exists in addition to economic and military power originates with the American Joseph Nye, a professor at Harvard, and it reflects the state of the world immediately following the Cold War: The West had just emerged as the victor – without firing a shot – from the conflict between Soviet communism and democratic liberalism (capitalism).

Soft Power

Softpower 30 Index 2016-2019




Source: Softpower 30 Index, Portland for the USC Center on PublicDiplomacy, 2020. | BertelsmannStiftung

16 https://en.wikipedia.org/wiki/Soft_power.

Never before had the West seemed more attractive under the leadership of the US. More and more people worldwide wanted to live and to be like the West. And to this day, EU member states lead the way in terms of soft power (see Figure "Soft Power").[17]

Where people felt attracted to then and now were not only Western brand products such as blue jeans, German cars or pop culture, but also to enjoy human rights, self-determination, freedom of expression and fair elections, which were partially seen as prerequisites for the existence of Coca-Cola.

In the wake of this development, the EU experienced its own resurgence. After 1990, the date of German reunification, there was a veritable run on EU membership and, by 2007, 16 new countries had been admitted. This did not require experienced diplomats, which the EU did not even have at that time. What was needed were keen-eyed Commission officials who, during the accession negotiations, ensured that the candidate countries incorporated into their legal codes the *acquis communautaire*, the EU's accumulated legislation and court decisions which are binding for all members.

**Economic Power**

GDP Total 2009-2019


Source: International Monetary Fund, World Economic Outlook Database, 2020. | BertelsmannStiftung

Today, 40 years later, the hope has evaporated that the EU can act solely through economic strength (see Figure "Economic Power") and soft power to champion its own model of "peace through cooperation and integration" in international relations. If, in Europe today, we return soft

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17 The Soft Power 30 Index https://softpower30.com/ is compiled by Portland for the USC Center on Public Diplomacy since 2015, where the "inventor" of soft power, Joseph Nye, is also involved. The ranking is based 65 percent on a set of objectifiable data and 35 percent on survey results. The Soft Power Ranking is led by France, another 16 EU member states are among the top 30 and underline Europe's strength in this display of power. As with all such composite rankings, caution is obviously advised.

power to the center of political discourse and considerations of how to make diplomacy innovative, we do so from a defensive position.

The reappearance of power politics and the "right of the strongest" in international relations has already been discussed. A particularly onerous development for the EU is that the Americans, at the latest with the "America First" doctrine advanced by Trump, have finally bid farewell to their role leading and protecting the liberal world order.

The EU member states are thus on their own and are increasingly falling into the role of a power that always wants what is good but only creates what is bad, to invert the famous Mephistopheles quote from *Faust*. Their diplomats can declaim in moral certitude and draft wise resolutions, uphold the UN Charter and denounce the violation of human rights. What they cannot do is act as a deterrent through the threat of force, for which the EU lacks the military capacity.

Thus, despite intensive diplomatic efforts, the EU must currently watch as, after Syria, the next power vacuum emerges in its immediate neighborhood in Libya, a situation that is being exploited militarily by regional powers such as Russia and Turkey, to the detriment of the EU and the local population.

As Brexit shows, the reputation and hence the soft power of the EU has suffered even through the actions of its own members. A weakened EU that no longer trusts itself cannot be put forward as a model suitable for emulation. It has not even been able to use the prospect of membership to keep a country like Turkey on a democratic course, or persuade the Western Balkans to implement legal and economic reforms. Many of these countries – despite their membership prospects – now prefer to orient themselves towards Russia or China, paying homage to these countries' autocratic rule.

If the EU is serious this time about becoming a geopolitical player, the new magic phrase is "strategic autonomy." The dictum Richard Haass has cited as a basic prerequisite for an effective foreign policy also applies to the EU: You first have to put your own country in order.[18]

This is how Macron's proposals for a sovereign Europe are to be understood,[19] proposals the German government, after a long hesitation, now also seems to agree with. Europe's politicians must not only take decisive steps to reform the EU from within, but must also do two things in their relations with the outside world: They must uphold the EU's values and, at the same time, find their way clear to engage for the first time in power politics and to develop the necessary skills for doing so. The EU's fate will be determined by whether this paradigm shift succeeds and whether Europe's citizens can be persuaded to go along with it.

For the EU member states, this means having to go against the downward trend of the past two decades by regaining confidence in each other and again cooperating closely and in solidarity with each other. This applies in particular to joint efforts to avoid becoming completely dependent on the USA and China for future digital technologies by completing the internal market (See Figure "Top 100 Platforms in the World").

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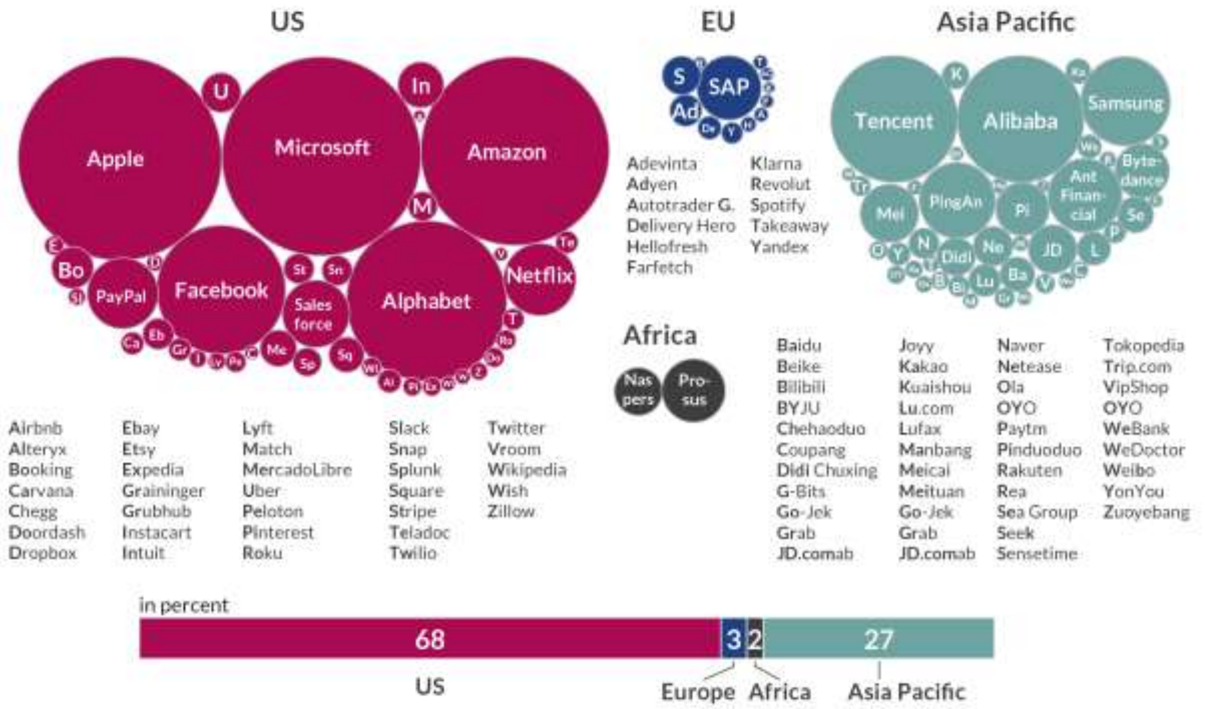
[18] Haass, Richard N. Foreign Policy Begins at Home: The Case for Putting America´s House in Order. New York: Basic Books, 2013.

[19] https://www.elysee.fr/emmanuel-macron/2017/09/26/initiative-pour-l-europe-discours-d-emmanuel-macron-pour-une-europe-souveraine-unie-democratique.

**Top 100 Platforms in the World**

Market value, valuation of the latest known financing, total value 10.8 trillion Dollar (June 2020)




Source: Dr. Holger Schmidt, Hamidreza Hoseini, Netzoekonom.de TU Darmstadt, Ecodynamics.io, Plattform-Index.com | BertelsmannStiftung

At the same time, every effort must be made to make the euro a global currency capable of competing with the dollar and the renminbi.[20]

This is also necessary to protect European companies from American sanctions. INSTEX, the payment platform launched following the conflict with the US over the correct way to respond to Iran's nuclear program, was intended to allow European companies to continue doing business with Iran. It is, however, not up to the task. Yet it heads in the right direction and could also strengthen the EU's position vis-à-vis China, which is also increasingly resorting to economic blackmail.

A strengthening of the euro in this sense will ultimately not be possible without the mutualization of debts and a system of fiscal equalization between the member states. The proposal for a €750-billion Corona Recovery Fund, already celebrated as the EU's "Hamiltonian moment" and supported jointly by France and Germany, is a first step.

It will also be important to know that Europe's citizens are backing these efforts. The EU's current favorable approval ratings must not hide the fact that an ever-widening gap is opening between those regions in Europe that are benefitting from globalization and those that are losing out.

What could prove even more decisive – and this applies above all to today's thoroughly "post-heroic German society"[21] – is whether the European public supports the required paradigm shift from a purely defensive peaceful power to a power-conscious global actor that accepts the use of military might as a political tool.

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20 https://www.ecb.europa.eu/press/key/date/2019/html/ecb.sp190215~15c89d887b.en.html.

21 Münkler, Herfried. Kriegssplitter – Die Evolution der Gewalt im 20. und 21. Jahrhundert. Berlin: Rowohlt, 2015.

The EU cannot develop into a geopolitical actor if responsibility for foreign and security policy is not transferred to the European level; it must also create sufficient military capabilities of its own. If this does not happen, the EU's High Representative for Foreign Affairs (the emphatically modest name alone reveals the lack of trust) and the European External Action Service, which he leads, will remain busy but powerless institutions.

In terms of external relations, although European diplomats are now allowed to sit at the table with the member states almost everywhere, they continue to be perceived as better, well-funded development workers rather than serious political actors representing the interests of over 500 million people and the world's second largest economy. The EU has indeed won the Nobel Peace Prize. But when it came to selecting the leader of the free world, *Time Magazine* chose Germany's Chancellor.

In the area of defense, the EU is availing itself of the Permanent Structured Cooperation (PESCO) to make up for lost time and to create the basis for an independent, efficient European defense industry. But it still has a long way to go. At present, EU member states cannot defend themselves without the forces contributed to NATO by the US, nor can they do so without NATO support for their own missions implemented through the EU.

Even without the bold move described above, which cannot be undertaken without amending the EU's basic treaties, the EU still has a number of possibilities open to it, particularly in the field of diplomacy, to improve its foreign and security policy options. First and foremost is the introduction of qualified majority voting in the Foreign Affairs Council in order to prevent blockades and speed up decision making, especially in crisis situations. This would require only one – albeit unanimous – decision.

Even more important, however, would be the admission by diplomats, both in the member states and at the European level, that they alone could hardly manage external conflicts and without taking a holistic approach made possible by the combined expertise and instruments of other ministries.

On paper, the new era of European diplomacy has long since dawned: Most recently, in its Global Strategy, the EU has stressed the need for an "integrated approach to conflict and crisis management"[22] in order to respond more effectively to the complex security challenges caused by poor governance, social and economic underdevelopment, human rights violations and other forms of discrimination and persecution. This is what fuels many of the conflicts in Africa, the post-Soviet region and the Western Balkans.

In most EU member states, too, strategies have been adopted which recognize the nexus of security and development and which are meant to take a holistic approach by combining the instruments of diplomacy, development policy and defense.

Implementation has been lacking in practice, however. Turf battles between the various EU institutions – and, at the member-state level, the ministries that should ideally be working together in crisis management – play a major role in this. There is one factor that should not be underestimated

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[22] https://eeas.europa.eu/topics/eu-global-strategy_en.

here, namely the different responsibilities and cultures from which diplomacy, development policy and the military have developed, above all in contradistinction to each other.[23]

Today, when the traditional dividing line between internal and external security has long since become blurry, new role models must be developed. This especially applies to diplomacy.

## III Building Trust with Good Diplomacy

Tom Fletcher was the UK's youngest Ambassador, was posted to Lebanon and served all British Prime Ministers from Tony Blair to David Cameron as private secretary at 10 Downing Street. He voluntarily left the diplomatic corps in 2015 and caused quite a stir in the UK with his book *The Naked Diplomat*. "During my time as private secretary I saw technology changing statecraft," he writes. "I worked for the last paper-and-pen prime minister, Tony Blair; the first email prime minister, Gordon Brown; and the first iPad prime minister, David Cameron. When I started, we had to consider how policy would look on the Sky News ticker at the bottom of the screen: 140 words. By the time I left, we were judging how it would look on Twitter: 140 characters. This shift represents wider tectonic shifts in communications, and therefore society. The iGeneration has more opportunity than any generation before it to understand their world, to engage with it and to shape it."[24]

In his book, the ex-diplomat sketches a portrait of Her Majesty's future ambassadors. What is surprising: They should not be career diplomats. Fletcher dreams of a "citizen diplomat" like you and me. Diplomacy, he feels, is just too important to be left to diplomats: "In the digital age, anyone can be a diplomat."[25]

There is plenty for this digital diplomat, the "tweeting Talleyrand" (Fletcher), to do. For even if multipolar power politics is taking hold in the international arena once again, multilateral diplomacy, aimed at striking a balance between competitors and partners, has by no means disappeared.

Immediately after taking office as president, Donald Trump walked away from the Trans Pacific Partnership, above all because it had been important to his predecessor Barack Obama. What happened as a result? At the end of 2019, 16 Asian and Pacific states, including China, formed the Regional Comprehensive Economic Partnership. RCEP is the largest free trade zone, representing over three billion people and 40 percent of world trade.

The EU and Japan concluded a free trade agreement in 2018, which came into force at the beginning of 2019. The EU would like such an agreement with India.

According to Indo-American strategy consultant and author Parag Khanna, "Asia once approached the West, now the West must approach Asia." And he continues: "So will Asia continue to network with itself – and turn away from the rest of the world? Quite clearly: Yes. But that doesn't mean that the whole region revolves around China, as most Western commentators believe."

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23 Bertelsmann Stiftung. Europe's Coherence Gap in External Crisis and Conflict Management. Political Rhetoric and Institutional Practices in the EU and Its Member States. Gütersloh: Verlag Bertelsmann Stiftung, 2020.

24 Fletcher, Tom. The Naked Diplomat: Understanding Power and Politics in the Digital Age. New York: William Collins (Kindle edition), 2016, p. 7.

25 Ibid., p. 266.

Around half of the world's population, according to Khanna, are non-Chinese Asians: Indians, Indonesians, Pakistanis, etc. "Almost all of them have experienced colonialism and were under Western patronage during the Cold War. Almost all of them live in democratic societies with lively (albeit hard-pressed) media. China's aggressiveness puts them on high alert."[26]

Asia, Africa and Latin America are thus the terrain for the European diplomat of the 21st century. Khanna: "In Asia (and in the rest of the world), trust in China waned long before the pandemic." That creates room for what, during the Cold War, would have been called confidence-building measures.

For the reasons described above, the EU cannot guarantee its Asian partners' security against attack by China's navy. This is where the US comes in. "America may not be an Asian power, but it can help the Asians establish a multipolar balance," Khanna says.

This balance must be calculated not only by summing up the number of aircraft carriers and frigates at the ready, but also by including a strong diplomatic presence and wise, i.e. partnership-based, policies on the part of the EU. Trusting in Asia means expecting China to act aggressively – but not acting aggressively in return.

According to Tom Fletcher, internationalism is in the national interest: "Diplomacy needs to reconnect with its sense of optimism, opportunity and idealism. We need diplomats more than ever because the implications of diplomatic failure are more catastrophic than ever. The need is not for something to replace diplomacy, but for better diplomacy."[27]

[26] Khanna, Parag. Bitte nicht streicheln. In: Die Zeit, No. 24 (June 4, 2020), p. 5.

[27] Fletcher, Tom. The Naked Diplomat: Understanding Power and Politics in the Digital Age. New York: William Collins (Kindle edition), 2016, p. 22.

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# The Glue That Holds Relationships Together: Trust

**Verena Ringler**

## I Introduction

"What exactly is soft power and how useful is it in dealing with today's challenges?" asks Joseph S. Nye Jr. in the February 2006 edition of Foreign Policy, 16 years after the magazine had published his first and seminal essay coining the very idea.

> "Power is the ability to alter the behaviour of others to get what you want. There are basically three ways to do that: coercion (sticks), payments (carrots), and attraction (soft power). … A country's soft power can come from three resources: its culture (in places where it is attractive to others), its political values (when it lives up to them at home and abroad), and its foreign policies (when they are seen as legitimate and having moral authority). … Economic power can be either. As Walter Russell Mead has argued, sometimes in real-world situations, it is difficult to distinguish what part of an economic relationship is comprised of hard and soft power."[1]

Fast forward to June 2020: The world is facing a global pandemic that is disrupting millions of lives. Governments and corporations realize that things will never get back to "normal". International Relations as we knew them – even in times of uncertainty -- are now in full shake-up. Former longtime NATO official Nadja El Fertasi urges in a White Paper that,

> "Engaging both your internal and external stakeholders in times of crisis requires a solid foundation of trust and transparency. People's skills within traditional organization hierarchies already proved to be a challenge before the pandemic hit organizations around the globe. … Resilience is defined as how much disturbance systems can absorb before they break down."[2]

Of course, the world entered the COVID-19 crisis with an already deeply shaken picture of global trust, according to Edelman, the global communications firm, in its 2020 Edelman Trust Barometer:[3]

> "We face a world with two different trust realities. The informed public—wealthier, more educated, and frequent consumers of news—remain far more trusting of every institution than the mass population. In a majority of markets, less than half of the mass population trust their institutions to do what is right. There now a record eight markets showing all-time-high gaps between the two audiences—an alarming trust inequality."[4] Five of these markets are also key EU member states: Germany, France, Italy, Spain, and Ireland.[5]

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1 Joseph S. Nye Jr. is a university distinguished service professor at Harvard University and the author of Do Morals Matter? Presidents and Foreign Policy from FDR to Trump.

2 El Fertasi, Nadja. Personal Leadership in the Face of Disruption. White Paper. Brussels: Thrive with EQ Publishing, 2020.

3 "Edelman is a global communications firm that partners with businesses and organizations to evolve, promote and protect their brands and reputations. Our 6,000 people in more than 60 offices deliver communications strategies that give our clients the confidence to lead, act with certainty and earn the lasting trust of their stakeholders. Since our founding in 1952 by Dan Edelman, we have remained an independent, family-run company."

4 2020 Edelman Trust Barometer.

5 According to Edelman, the trust gap amounts to 21 points in France (63 percent of informed public trusts in institutions, but only 42 percent of mass population do), 20 points in Germany (64 percent of informed public trust in institutions, but only 44 percent of mass population do), and Italy (64 percent of informed public trust in institutions, but only 48 percent of mass population do), for instance.

The study reveals that despite a strong global economy and near full employment just before the pandemic, none of the four societal institutions that the annual study measures—government, business, NGOs and media—was trusted. According to Edelman, the cause of this could be found in people's fears about the future and their role in it, "which are a wake-up call for our institutions to embrace a new way of effectively building trust: balancing competence with ethical behaviour."[6]

**Recommendations for decision-makers across the board are thus to:**

- promote contemporary, empirical, and qualitative research and studies, as well as tailor-made communication on the proof of concept of soft power approaches. Practice shows that, if exercised coherently and consistently, soft power approaches render groups of people or countries more successful, resilient, and stable over time.

- initiate, mandate, finance, and elevate mission-oriented, multi-stakeholder, mindful alliances towards trust-building and the generation of soft power

- invest actively and openly in European Union and, equally, transatlantic soft power in order to co-shape the next world order with value-driven, consistent and credible contributions.

## II Trust Shifts: Challenges and Chances for International Relations

Underneath the 2020 COVID-19-induced disruption, three great undercurrents could be discerned in recent years. We can expect these profound shifts continue to intensify in the future. In this chapter, we zoom in on the shift of trust from institutions to individuals, from state systems to non-state players, and from the global West to the East.

### 1. From Institutions to the Individual Level.

What has happened here? According to Edelman, people "did not just stop trusting" in the past months or years. Rather, they shift their trust away from former or traditional holders of trust and towards new agents. While today, religious leaders and government leaders, and the very wealthy are being distrusted, respondents of the Edelman survey in 28 countries in late 2019 say they trust in scientists (80 percent), people in the local community (69 percent), and citizens of the country (65 percent). CEOs and journalists are in between, with 51 and 50 percent of trust given, respectively.[7]

This means the creation of trust is no longer sitting with institutions or deriving top-down from hierarchies, but rather, it's now mostly happening at individual level.Individuals and society have silently claimed new roles and responsibilities. A seminal piece by the New York Times's Opinion Writer Roger Cohen in 2018 underscores this hypothesis. In "Airbnb is the New NATO", Cohen writes up his thoughts after a lengthy conversation with Brian Chesky, the co-founder and chief executive of Airbnb,[8]

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6 2020 Edelman Trust Barometer.

7 2020 Edelman Trust Barometer.

8 Cohen, Roger. Airbnb Is the New NATO. In The New York Times, 3 August 2018, retrieved https://www.nytimes.com/2018/08/03/opinion/airbnb-is-the-new-nato.html.

> "(Chesky) told me about trying to raise USD 150,000 in 2008 for his idea of a peer-to-peer home and room rental company. Everyone called him crazy. They scoffed at the notion that people would trust one another enough to allow strangers into their homes. They derided the idea that those strangers would be nice enough, or honest enough, to respect properties."[9]

A decade later and until the COVID-19 crisis, Airbnb was in more than 190 countries. It has had more than 300 million guest arrivals until 2018. It was valued in the tens of billions of dollars. Interestingly, from all the data the company has accumulated, no major country anomalies, in terms of patterns of behaviour, have emerged. Chesky told Cohen that "People from Japan, Brazil, Nigeria, Russia, the United States, Mexico and France are equally respectful and honest. There are no national outliers on the goodness or trustworthiness scale. There are no enemies."[10]

Cohen concluded that "we might be looking in the wrong places to assess the state of the world. Community and sharing, often across national borders, through digital platforms like Airbnb, BlaBlaCar and Facebook, expand. This is the world's undercurrent. It shifts the perceptions of billions. … The digital undercurrent, meanwhile, is steady. It leads people to make daily leaps of trust, like getting into a stranger's car. It prizes efficient use of resources. It opens the world." Also, Arun Sundararajan, a professor at New York University's Stern School of Business and author of "The Sharing Economy," echoes that such platforms were now an integral part of the geopolitical landscape. "More and more people actually have a sense of understanding of others' cultures and the feeling someone I don't know can be trusted."[11] Cohen summarized that "perhaps Airbnb is the new NATO." While Viktor Orban, Hungary's prime minister, promoted an illiberal model based on xenophobic nationalism, "yet just about every Hungarian I met was renting out apartments or rooms to strangers through Airbnb or other platforms. A woman I got to know had just rented her place to a Kazakh. Connected to each other, individuals organize the self-defense that is cross-border community. It is closed systems that kill." Cohen finished his piece with the appeal to "broaden our analysis. Of one thing I am sure: As Peter Drucker, the management consultant and author, put it, "The greatest danger in turbulent times is not the turbulence, but to act with yesterday's logic."[12]

Cohen's anecdotal conclusion seems to be supported by the findings on trust and cohesion among European societies. In April 2019, Almut Möller, a previous Senior Fellow with the European Council on Foreign Relations (ECFR), presented the new ECFR's Cohesion Monitor survey, which charts a decade of upheaval in Europe and reveals that European cohesion has grown rather than diminished in comparison to the last pre-EU crisis year 2007.[13]

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9 Cohen, Roger. Airbnb Is the New NATO. In The New York Times, 3 August 2018. Retrieved https://www.nytimes.com/2018/08/03/opinion/airbnb-is-the-new-nato.html.

10 Cohen, Roger. Airbnb Is the New NATO. In The New York Times, 3 August 2018. Retrieved https://www.nytimes.com/2018/08/03/opinion/airbnb-is-the-new-nato.html.

11 Cohen, Roger. Airbnb Is the New NATO. In The New York Times, 3 August 2018. Retrieved https://www.nytimes.com/2018/08/03/opinion/airbnb-is-the-new-nato.html.

12 Cohen, Roger. Airbnb Is the New NATO. In The New York Times, 3 August 2018. Retrieved https://www.nytimes.com/2018/08/03/opinion/airbnb-is-the-new-nato.html.

13 Möller, Almut: EU Cohesion Monitor 2019 - The untold story of European resilience, ECFR April 2019.

Möller acknowledges that

> "The dominant narrative about the European Union over recent years has been one of fragmentation. Yet there is another story to tell: the story of the breath-taking resilience of the EU even in light of the economic and political crises of the past decade. There is obviously a powerful glue that holds EU countries and societies together. This has prevented the union from falling apart at a time of great stress. With European cohesion bouncing back after several years of crisis, 17 out of 28 countries have a higher cohesion score than in 2007, with nine countries growing both in individual as well as structural cohesion."[14]

There is a key overall finding that suggests losses in individual cohesion are driven by the 'Engagement' indicator. This indicator reflects the performance of Eurosceptic and anti-EU parties as well as the turnout in national and European elections. The new Cohesion Monitor confirms the finding from previous editions that, while structural factors of cohesion have proven to be fairly stable in crises, individual factors show much greater volatility. Möller concludes,

> "This in turn means that individual factors of cohesion matter greatly to (re)strengthening cohesion. Attitudes and experiences, as well as the overall well-being of European citizens, should be the main focus of all those interested in working for a more cohesive EU. Ahead of the European election in May 2019, the cohesion trajectories of all 28 member states help identify some key lessons about which policies can help strengthen cohesion in the EU at large."[15]

## 2. From State to Non-state Actors

In domestic and also in multilateral settings, trust is shifting at accelerated pace from state to non-state actors.

Consider the summer of 2020 in the US: in the wake of the Black Lives Matter protests, previously unthinkable questions are asked regarding the police's role in American society, its legitimacy, and its future. "Calls to defund — or even abolish — the police are moving into the mainstream. It deserves serious consideration," writes Max Strasser, the International Editor on the New York Times Opinion team on 11 June 2020. He goes on,"What will American police departments look like a year from now? Will fewer officers carry guns? Will social workers respond to 911 calls and community defenders oversee safety at city events? I have no idea — but we are suddenly talking about things that never before seemed possible," wrote Strasser.[16]

While surprising to the layman, this plunge of trust in a sovereign institution was already indicated by the 2020 Edelman Trust Barometer.[17] "The new global surge of distrust stands out particularly towards government. More than any institution, is seen as least fair; 57 percent of the general population say government serves the interest of only a few, while 30 percent say government serves the interests of everyone."[18]

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[14] Möller, Almut: EU Cohesion Monitor 2019—The untold story of European resilience, ECFR April 2019.

[15] Möller, Almut: EU Cohesion Monitor 2019—The untold story of European resilience, ECFR April 2019.

[16] Strasser, Max. What's the future of policing? In New York Times Direct, 11 June 2020.

[17] 2020 Edelman Trust Barometer.

[18] 2020 Edelman Trust Barometer.

Another signal has been US tax revenue developments:

> "In the U.S., total tax revenues paid to all levels of government shrank by close to four percent of national income over the last two decades, from about 32 percent in 1999 to approximately 28 percent today, a decline unique in modern history among wealthy nations. The direct consequences of this shift are clear: crumbling infrastructure, a slowing pace of innovation, a diminishing rate of growth, booming inequality, shorter life expectancy, and a sense of despair among large parts of the population. These consequences add up to something much larger: a threat to the sustainability of democracy and the global market economy."[19]

The surge in mistrust affects not only national government, but equally, the multilateral global architecture that has been erected over the past century. Battles of distrust are now fought, among others, over the World Health Organization and the World Trade Organization (WTO). Both are institutions devised with a specific thematic purpose—and both have been losing legitimacy to serve exactly that purpose recently. Consider the WTO. "Even if Trump loses re-election in 2020, global trade will never be same," write Chad P. Bown and Douglas A. Irwin in 2019.[20] Susan Lund, James Manyika and Michael Spence observe that "The countries that once led the world toward economic openness are retreating into protectionism. .. the rich world is turning inward."[21]

This new narrative of distrust and disengagement from existing fora and institutions is emblematic for an age where an old order comes to an end, while a new one is yet to be discerned and devised. Jennifer Lind and William C. Wohlforth note in 2019 that

> "Seventy-five years after the United States helped found it, this global system of alliances, institutions, and norms is under attack live never before. From within, the order is contending with growing populism, nationalism, and authoritarianism. Externally, it faces mounting pressure from a pugnacious Russia and a rising China."[22]

The chorus of a looming ending is joined by foreign policy heavyweight Richard Haass:

> "A stable world order… requires a stable distribution of power and broad acceptance of the rules that govern the conduct of international relations. It also needs skilful statecraft, since and order is made, not born. And no matter how ripe the starting conditions or strong the initial desire, maintaining it demands creative diplomacy, functioning institutions, and effective actions. … But if the end of every order is inevitable, the timing and the manner of its ending are not. Nor is what comes in its wake. … As with any ending, acceptance must come before one can move on."[23]

## 3. From West to East

In Bertelsmann circles, there is of course wide and deep expertise on the plethora of dynamics in this profound and long-term shift from West to East, hence let's just mention it here for the sake of completing the picture.

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19 Stiglitz, Joseph E., Tucker, Todd N., Zucman, Gabriel. The Starving State. In Foreign Affairs, January/February 2020.

20 Bown, Chad P., Irwin, Douglas A. Trump's Assault on the Global Trading System. In Foreign Affairs, September/October 2019.

21 Lund, Susan. Manyika, James. Spence, Michael. The Global Economy's Next Winners. In Foreign Affairs, July/August 2019.

22 Lind, Jennifer and Wohlforth, William C. The Future of the Liberal Order is Conservative. In Foreign Affairs, March/April 2019.

23 Haas, Richard. How a World Order Ends. In Foreign Affairs, January/February 2019.

“Westlessness” is the iconic (and also disputed) title of the 2020 Munich Security Report, published in February 2020. The report sheds light on

> “a widespread feeling of uneasiness and restlessness in the face of increasing uncertainty about the enduring purpose of the West. A multitude of security challenges seem to have become inseparable from what some describe as the decay of the Western project. What is more, Western societies and governments appear to have lost a common understanding of what it even means to be part of the West. Although perhaps the most important strategic challenge for the transatlantic partners, it appears uncertain whether the West can come up with a joint strategy for a new era of great-power competition.”

A sense of “Westlessness” is also shared by Chinese observers, such as political scientist and Tsinghua University’s Dean of International Relations Yan Xuetong. He writes, “The post-Cold War interregnum of US hegemony is over, and bipolarity is set to return, with China playing the role of the junior superpower. The transition will be a tumultuous, perhaps even violent, affair.”[24]

According to German former foreign minister and author Joschka Fischer, international relations insiders have seen this coming for many years:

> “We're in a new era. The Anglo-American West is plunging into a crisis without need and at the same time we are witnessing the rise of East Asia. This is a turning point for us Germans. Especially since America as our most important partner is questioning free trade and our prosperity depends on free trade. For the first time we are alone as Germans and Europeans.”[25]

It's time for decision-makers and observers to come to terms with this West-to-East shift rather than deny or resist it, concludes author Parag Khanna in a Q&A with a German-language business magazine in late spring 2020. He argues that,

> “Asia has become a system. This is a concept from political science. The states of a system entertain closer and deeper relationships with each other than with non-members of the system. We have measured this looking at treaties, alliances, organizations, infrastructure, trade, investment, and culture. While we face a temporary surge of mistrust towards China due to COVID-19, overall, it’s no longer on Asia to prove its value to the rest of the world. It’s on the rest of the world to show what it can bring to Asia.”[26]

# III What are Fruitful Examples of Building Lasting Relationships of Trust?

## 1. Case Study 1: The Mercator European Dialogue – a Safe Space for MPs across Borders

In 2013, all seemed to be lost in a conflict between Germany and Greece, on how to deal with Greece’s economy in the wake of the European financial and public debt crisis. Headlines in German newspapers pointed to reckless Greeks, whereas headlines in Greek newspapers pointed to relentless Germans. In this moment of tension, the author of this paper worked with Germany’s Mercator foundation, aiming to identify the most important and promising arena of engagement in this detrimental and shockingly deep North-South EU divide. Research showed that national parliaments in the EU—with some 10.000 national MPs—could be the most promising yet most

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[24] Xuetong: Yan. The Age of Uneasy Peace. In: Foreign Affairs, January/February 2019:

[25] Koch, Moritz, Torsten Riecke and Joschka Fischer – Wir Europäer werden gehäckselt, wenn wir nicht zusammenstehen. Q&A with Joschka Fischer on his new book, Abstieg des Westens. In Handelsblatt, 28 March 2019.

[26] Khanna, Parag. Jede Region darf mächtig sein. Interview in German language in die wirtschaft, Vienna: Der Wirtschaftsverlag. 03/2020.

overlooked, policy arena for nurturing trust and building a new base towards key European policies.[27]

Asking MPs in Berlin and in Athens directly how they could mitigate long-term deep damage, they offered a simple answer. “We need one or two mobile phone numbers of colleagues on the other side, who we could call up the night before a big debate or decision day in our parliament here.” In the fall of 2013, we thus convened a pilot gathering and in 2014, we invited the German Marshall of the United States (GMFUS) to build and lead a project consortium of half a dozen think tanks and partners from different EU countries. In 2015 in Berlin, the project consortium hosted the first two-day plenary with roughly 30 members of different parliaments, thus kicking off a series of larger and smaller encounters and activities. The aim was to open up a space for building contact behind the scenes, for listening and learning from each other, for fostering trust, and ultimately for practicing cross-border cooperation in the European Union’s policy space. The underlying principles and rules of engagement were clear: this was to be a safe space for encounter and exchange, away from media representatives and microphones. This was to be a space for talking with each other rather than about each other.[28] The Mercator European Dialogue (MED) would allow for an entirely new approach to political conversation, far away from the pain points of prejudicing and stereotyping. In these meetings of national MPs, we wanted to harness the gamut of conversation and systems transformation techniques from the fields of management, mindfulness, and mediation, from leadership and innovation studies. Events should work without panels and PowerPoint presentations, without stages and solo star gospels. Listening and learning would not just be the approach and process, but also the attitude and habit to bring into these encounters. Every voice would always be of equal importance, hence inductive process and iterative conversations in small groups would be the road to take towards conclusions.

The programme took off like a rocket. Besides regular, demand-based meetings or videocalls,

- a Greek MP invited colleagues to examine the refugee situation directly on the island of Lesvos
- a Hungarian MP organised an explorative mission to Hungary.
- a Polish MP welcomed a German MP and a group of German entrepreneurs in Warsaw to talk about entrepreneurship in Poland and Germany and to extend political outreach beyond the official program that a Business Association had suggested.
- an MP from the UK and a Spanish MP, who had met in this programme, reconnected later via the MED’s backchannel diplomacy intervention, as it would have been impossible to do so through institutional channels. This allowed keeping open a channel of communication between the UK and Spain at a time of high insecurity post-Brexit vote. They since have reported keeping in close contact, exchanging party positions on the Catalan and Scottish independence.[29]

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27 Ringler, Verena and Mayer, Martin. Leadership and the Future of Democratic Societies. In: Wilkinson, Angela and Flowers, Betty Sue. Realistic Hope – Facing Global Challenges. Amsterdam; Amsterdam University Press, 2018.

28 Ringler, Verena and Rosselli, Chiara (forthcoming). Smarter Together 50 Case Studies on How Collective Intelligence Can Help Government, Boston: MIT Press, 2020.

29 Rosselli, Chiara and Ricci Bitti, Isotta, Europe Program, The German Marshall Fund of the United States and MED project team. Q&A with Verena Ringler, 10 June 2020.

Individual MPs recount their experience of building trust across borders and boundaries:

- "At MED, I ran into a colleague of mine from the Social Democratic Party and I thought to myself, 'I can't believe I need to spend the whole weekend with him'. Throughout the weekend program, we became friendlier - now our working relationship has really improved. I understand where he comes from." Austrian MP (ÖVP).

- Three Polish MPs met at MED5 and discussed across party lines. The pointed out that they don't get this chance in Poland. (Polish MPs)

- Three Hungarian MPs belonging to different opposition parties in Hungary, had the chance to discuss responses to a recent government scandal, which they did not have the time and space for in Hungary.

- Through the MP-led initiative on digital taxation, two German MPs (SPD and Greens) who are members of the finance committee in the German Parliament and had never spoken to each other in person in their committee meetings, got to know each other and keep exchanging their views on the topic frequently.

In the context of the MED, the establishment of trust is especially important as it enhances communication, allows for closer cooperation, reduces conflict, and increases commitment. When trust binds network members, they benefit from the ability to adapt together to changing environments, spare the effort of finding new partners, and enables them to achieve openness and competitiveness.[30]

## 2. Case Study 2: Startnet – Regional Multi-stakeholder Alliances for Youth Employment

StartNet is a hands-on and new multi-stakeholder-alliance that brings leaders of industry and business, schools and parents, administrators and local government together in order to make lasting improvement to young people's entry in the job market, particularly in struggling regions of the EU. Devised and initiated by the author of this paper while an International Affairs Director at Stiftung Mercator, StartNet was launched in 2017 in Bari, Italy. This "collective impact" project is built on trust-building in and between regional multistakeholder-alliances.

Startnet has two parallel arenas of engagement:

- In its key regions Puglia and Basilicata in Italy, it was started to create the conditions for young people to enter the labour market in line with their potential and ambitions. The network on site convenes representatives of schools, governmental institutions, businesses, youth groups, and the third sector who plan and implement concrete projects on the ground.

- Concurrently, StartNet was built as a pan-European network in order to connect different multi-stakeholder-initiatives across regions in the EU, and to inspire peer learning and cross-fertilization among regional initiatives and in particular with institutional Brussels.

[30] Rosselli, Chiara and Ricci Bitti, Isotta, Europe Program, The German Marshall Fund of the United States and MED project team. Q&A with Verena Ringler, 10 June 2020.

In Puglia, teachers are now encouraged to engage in on-site entrepreneurial problem-solving while teenagers are still attending school.[31] According to Cesare DePalma, of Puglia's regional arm of the employer organisation Confindustria, the laborious efforts of building contact, exchange, and trust directly in the region have been worthwhile. He says, „In the past 30 years, we had been neglecting the exchange between our youth here in Puglia and our business community. Our own young people did not know, for instance, that our region is strong in robotics, and the chemical industry."[32]

When asked how positive change has been achieved, a practitioner from a Central European region says,

> "A key component was to build relationships and trust with all network partners – institutions, companies, schools and numerous other organisations. We have been doing awareness-building in companies, offering the chance to address and break the prejudices related to young people who need special support."[33]

An interim report on StartNet in Italy and across European regions, concludes:

> "Bringing all stakeholders to cooperate on young people's transition to work is easier said than done. Interests, organisational cultures and perspectives are often very different, sometimes even conflicting. A lot of trust and relationship-building is required for all to overcome differences and to join forces around the common goal of providing opportunities for young people." [34]

### 3. Case Study 3: Work Tank Africa- Europe – a Top-flight, Intersectoral Net of Connectors

The Work Tank Africa - Europe emerged in 2020, initiated by 30 core owners, shapers, and enablers, as a platform and network for synergies and opportunities towards social and economic development across the two continents. The Work Tank is multi-sectoral, working with academia, governments, the private sector and civil society to examine entrenched sustainability challenges, identify new opportunities and initiate innovative solutions.[35]

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[31] Kilimann, Susanne. Gehen oder bleiben? Quotes by school director Silvia Madara Metrangolo, of the DePace High School in Lecce, Puglia, in Aufruhr Magazin: Stiftung Mercator, January 2020.

[32] Kilimann, Susanne. Gehen oder bleiben? Quotes by school director Silvia Madara Metrangolo, of the DePace High School in Lecce, Puglia, in Aufruhr Magazin: Stiftung Mercator, January 2020.

[33] Startnet – Inspiring practices on young people's #TransitionToWork, a compilation published by Goethe Institute Brussels – StartNet network transition education to work, Brussels, June 2019. The aims are to not just fight youth unemployment and foster youth employability by meeting employment needs in Apulia and Basilicata, but also, to close the gap between education, training and work by promoting local resources and opportunities. It's key in this project to enhance cooperation between strategic partners through collective impact, and to strengthen the exchange with other European projects on education, training and access to the labour market.

[34] Startnet.
https://www.start-net.org/de.

[35] https://www.worktank.africa/.

The Website reads,

> "We facilitate discussions on how Africa and Europe can shape a common future – secure, sustainable, transformative, unbiased and as a win-win situation for all involved. Our member companies and individual members are "T-shaped". We come from a variety of backgrounds and have a broad generalist knowledge about African and European countries, their economies and their societies. Additionally, we are specialists in different fields – engineering, management, communication, PR, sales, marketing, media, IT, ... – and each of us has his or her own special access to the African continent, to different regions. Many of us spent years living in African countries and have been successfully networking between the continents. Diversity is our strength. We act as intermediaries between cultures and regions. And between us, the members. We exchange knowledge from our different fields, information about different regions and projects, and contacts to access and act. We contribute to establish a new ecosystem of African-European collaboration, with purpose-driven organizations and agile-minded people ready for real co-creation." [36]

## 4. Case Study 4: Two EU Green Recovery Alliances: European Parliament and WEF

Two business-led Green recovery alliances (European Parliament[37] and WEF[38]) emerged to spur the EU's climate-friendly economic recovery after the pandemic disruption in spring 2020.

### The Green Recovery Alliance

In May 2020, more than 50 CEOs from the banking and insurance sector – including household names such as BNP Paribas, AXA, Allianz, and Santander – have joined the "green recovery alliance" in the European Parliament.[39] The alliance had been launched in April 2020 at the initiative of Pascal Canfin, a French centrist MEP who chairs the European Parliament's committee on environment and public health. At the time, it included 12 environment ministers, 79 MEPs, 37 CEOs and business associations, as well as environmental groups, trade unions and think tanks. A statement from the alliance said that,

> "The alliance can now also boast more than 50 signatories from the world of finance, including AXA, Allianz, BBVA, BNP Paribas Asset Management, Groupama Asset Management, Nordea Life & Pension, PensionDanmakr, and Santander. All of these players, including the two largest European insurance companies, three of the largest Spanish and French banks, and European investment funds from 10 European countries, recognise the importance of aligning economic recovery after the coronavirus crisis with the ecological transition in order to save our economy and transform it."

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36 https://www.worktank.africa/.

37 For further information about this initiative, contact Martina Larkin, or Pim Valdre, World Economic Forum.https://www.weforum.org/press/2020/05/ceo-action-group-will-support-european-commission-on-advancing-european-green-deal.

38 Simon, Frédéric. Financiers join EU 'green recovery alliance'. Euractiv, 5 May 2020. https://www.euractiv.com/section/energy-environment/news/financiers-join-eu-green-recovery-alliance/ Story building on inception of this alliance by Pascal Canfin in April 2020. https://www.euractiv.com/section/energy-environment/news/green-recovery-alliance-launched-in-european-parliament/

39 Simon, Frédéric. Financiers join EU 'green recovery alliance'. Euractiv, 5 May 2020.

"Unlike the 2008 crisis, investors and banks now have a horizon to reinvest in the economy, in line with carbon neutrality by 2050: the Green Deal," the alliance's statement added in May.[40]

### The WEF's CEO Action Group

In May 2020, the World Economic Forum announced a new initiative by business and industry leaders to "shape a sustainable recovery from the COVID-19 pandemic and to accelerate key deliverables of the European Green Deal agenda."[41] The WEF had brought together leaders from the European Commission with chief executives and top-level representatives from the private sector to discuss the path to a green and sustainable post-COVID-19 recovery.

The Forum's new CEO Action Group for the European Green Deal, chaired by Thomas Buberl, CEO of AXA, agreed to advance the dialogue on the critical challenges facing Europe's post-pandemic recovery and to work together to build a plan of action for mobilizing business to contribute in advancing the European Green Deal agenda. Frans Timmermans, Executive Vice-President for the European Green Deal, European Commission, is quoted saying that, "We must focus on spending stimulus money wisely and on preparing Europe for a competitive and inclusive 21st-century, climate-neutral future."[42]

### 5. Case Study 5: European Youth Coalition to "Lead the Change" towards the year 2044

It is also worth mentioning a new European youth initiative for public and political inclusion also in global governance and diplomatic spaces. On 6 June 2020, "Young European Leadership - YEL",[43] a Brussels-based project that promotes the voice of young leaders in international politics and settings such as the G7 or the G20, and the "MoHo" think tank, a multi-stakeholder led collaborative space and community in Caen, France, launched a new future-shaping initiative aiming at a positive and peaceful state of the world in 2044, a hundred years after D-Day. The launch of "2044 - the

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[40] An informal alliance has been launched in the European Parliament on the back of calls from 12 EU environment ministers who have signed an appeal for a green recovery from the COVID-19 pandemic. Signatories of the alliance say they are committed to supporting post-pandemic "stimulus transformation plans" that put the fight against climate change and biodiversity loss at the centre of Europe's economic policy. "Today, it is all the more important to work with the actors of the financial sector, because the transition to climate neutrality implies major investments," said Canfin. "We cannot limit global warming well below 2 degrees without banks and asset managers aligning their portfolios with this objective," he said. Jean-Laurent Bonnafé, the CEO of BNP Paribas, has led a coalition of 92 French business leaders urging for a green recovery from the crisis. In a joint letter, the coalition calls for recovery efforts to focus in three sectors: energy retrofits of dwellings, buildings and offices in the public and private sectors; development of decarbonised mobility, electric vehicles, soft mobility infrastructure and public transport; expansion and storage of renewable and decarbonised electrical energies or heat. "The benefits of these green investments include improved air quality, population health and quality of life in cities. Successfully implementing this emergency plan will also give us greater legitimacy as active participants in the European Green Deal," says a statement by the French coalition.

[41] https://www.weforum.org/agenda/2020/05/the-european-green-deal-must-be-at-the-heart-of-the-covid-19-recovery/.

"We have a unique opportunity to build a greener and more resilient Europe through investment and innovation. Today, the private sector and the public sector made a clear statement in support of a European Green Deal. As chair of this CEO Action Group, I am looking forward to working with my colleagues towards concrete proposals to make the Green Deal actionable, effective, and, ultimately, successful" said Thomas Buberl, Chief Executive Officer of AXA."

[42] https://www.weforum.org/agenda/2020/05/the-european-green-deal-must-be-at-the-heart-of-the-covid-19-recovery/.

"The European Green Deal must become the cornerstone of Europe's pandemic recovery. Rather than rebuilding the 20th-century economy, we must focus on spending stimulus money wisely and on preparing Europe for a competitive and inclusive 21st century, climate-neutral future." Frans Timmermans, Executive Vice-President for the European Green Deal, European Commission.

[43] http://www.younglead.eu/.

first European Youth Coalition determined to Lead the Change" 44 happened at the MoHo D-Day Summit, an annual international forum launched in June 2019, in celebration of the anniversary of D-Day. The forum is based on the firm conviction that change, innovation and disruption must be addressed collectively, across generations, disciplines, economic sectors and borders. Regarding the "European Youth Coalition" towards a vision of the world in 2044, MoHo communicates on its Website that

> "Changing the world and solving the biggest challenges of our time won't happen overnight and without a massive radical collaborative approach. We have decided to start our mobilization of coalitions of entrepreneurs, students, researchers, corporates, NGOs, artists, and citizens on two main areas. All our resources, connections and experiences will be focus on digital disruption and inclusion, and on climate transformation and inclusion."[45]

# IV Findings and Recommendations

## 1. Who? Business Leaders and NGOs to Step Forward

Major hopes for renewed trust-building and rallying vast constituencies behind a common agenda rest on business leaders and NGOs, according to the 2020 Edelman Trust Barometer: In this large survey, three quarters of respondents say "CEOs should take the lead on change rather than waiting for government to impose it."[46] In general, "business must take the lead on solving the trust paradox because it has the greatest freedom to act. Its immediate mandates are clear."

Business and CEOs are also the only group seen as "competent" in the 2020 Edelman Trust Barometer. (NGOs in turn are the only players seen as ethical, and neither media nor government are seen as competent or ethical.)[47] Also here, investing in partnerships and alliances seem key. Respondents say that "collaboration is a major opportunity for our institutions to advance society—and build trust."[48]

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44 More on the 2044 coalition and MoHo here:
https://2044.ai/.
MoHo describes itself as "an inclusive and international nation of changemakers launching the D-DAY of Positive Impact. Our mission is to create disruptive solutions to solve world challenges."

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46 2020 Edelman Trust Barometer, slide 27.

47 2020 Edelman Trust Barometer, slide 20 and 21.

48 2020 Edelman Trust Barometer slide 53.
This is Edelman's 20th annual trust and credibility survey. The research is conducted by Edelman Intelligence, a global insight and analytics consultancy. Online survey in 28 markets, 34.000+ respondenst total; fieldwork between 19 October and 18 November 2019. Recommendations for "building trust of the future" are: pay fair wages, focus on edu and retraining, embrace an all-stakeholder model, partner across institutions." The two institutions that respondents around the world put most hopes on are NGOS and business: 49 percent and 44 percent see them as purpose-driven, respectively. 45 percent and 41 percent say they "have a vision for the future that I believe in", respectively. Only 41 percent and 34 percent say media and government are purpose-driven (respectively); and considerable majorities say government (50 percent) and media (43 percent) have NOT a vision for the future that I believe in.

International relations leadership by CEOs – or, put differently – investing in trust-building as a key ingredient of contemporary leadership—is also underlined by Klaus Schwab, the President of the World Economic Forum, who writes in 2020 and 2015, respectively, that:

> "By serving as a responsible and responsive stakeholder in the global community, global business has a unique role to play in safeguarding our collective future. … The concept of corporate social responsibility (CSR) is not sufficient to help optimize corporate behavior and decision-making, and should be supplemented with five other pillars of a company's engagement with its stakeholders: corporate governance, corporate philanthropy, corporate social entrepreneurship, global corporate citizenship, and professional accountability. … Companies today face an existential choice. Either they wholeheartedly embrace a stakeholder capitalism and subscribe to the responsibilities that come with it. Or, they stick to an outdated "shareholder capitalism" that prioritizes short-term profits over everything else- and wait for employees, clients, and voters to force change on them from the outside."[49]

### 2. With Whom? Encouraging Multi-stakeholder Diplomacy

The case studies in this paper show remarkable results and outcomes stemming from the joint actions of diverse people or groups. While high-level leadership will always be needed to offer perspectives on the bigger picture, new solutions today are usually coming from mix of state and non-state actors, including cities, NGOs, and other groups.50 This is the case because no single sector or institution can shoulder and solve current-day global problems alone. But it's also increasingly practised because multi-stakeholder conversations, while demanding considerable time and attention, render more effective and more widely accepted outcomes than traditional strategy groups, which tend to be too homogenous.

The author of this paper has turned the multi stakeholder quest, or "long list of voices", into one of three core principles of her methodology, "Impact by Design": "When developing endeavours with governments or the private sector, it helps to populate the project with the whole spectrum of both today's and tomorrow's voices and stakeholders."[51]

Daniela Schwarzer, Director of the German Council on Foreign Relations, practises multi-stakeholder diplomacy more and more often by default, saying: "In issue areas of international relations like technology or defense, it's important to include stakeholders in the process of thinking and crafting recommendations early on,"[52]

### 3. What? Realizing Mission-oriented Diplomacy

Mission-oriented foreign policy and diplomacy seems to wield more trust and thus stronger commitment from different groups of people than do abstract proclamations or goals. The Swedish

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[49] Schwab, Klaus. Capitalism Must Reform to Survive. In: Foreign Affairs, January-February 2020 and Schwab, Klaus: Business in a Changing World. In: Foreign Affairs, 6 January 2015. Schwab hits a point: According to the 2020 Edelman Trust Barometer, 87 percent of respondents say "stakeholders, not shareholders, are most important to long-term company success." 92 percent say "it is important that my employer's CEO speak out on issues such as training for jobs of the future, automation's impact on jobs, ethical use of tech, income inequality, diversity, climate change, immigration."

[50] Wilkinson, Angela. Five Principles of Realistic Hope. In: Wilkinson, Angela and Flowers, Betty Sue. Realistic Hope – Facing global challenges. Amsterdam: Amsterdam University Press, 2018.

[51] Ringler, Verena. European Commons - Impact by Design. www.europeancommons.eu.

[52] Schwarzer, Daniela. Advancing Foreign Policy – Die neue DGAP stellt sich vor. In: DGAP Brief, December 2019.

government, for instance, practices and promotes feminist foreign policy across the board.53 The Danish government has pioneered “Techplomacy”.[54] Many governments are part of a transparent initiative called the “Open Government Partnership (OGP)”. Started in 2011, seventy-eight countries and a growing number of local governments—representing more than two billion people—along with thousands of civil society organizations are members of the OGP today.[55] Furthermore, overarching thematic initiatives such as the UN’s Sustainable Development Goals are tangible, specific common goals for a whole range of different actors and thus invite many different constituencies and actors to participate in one way or another.[56]

One academic and practitioner that has successfully promoted mission-orientation also in the EU’s “Horizon 2020” programming is Mariana Mazzucato. In early 2017, Carlos Moedas, the European Commissioner for Research, Science and Innovation, asked her to reframe the European research and innovation programme “Horizon Europe”, a €100bn mission-oriented initiative due to start in 2020.[57] In February 2018, Mazzucato published a report, “Mission-Oriented Research & Innovation in the European Union.”[58] In the report, she illustrated what missions could look like with three hypothetical examples: a plastic-free ocean, 100 carbon-neutral cities by 2030, and cutting dementia by 50 per cent. She defined five criteria missions should obey: they must be bold and inspire citizens; be ambitious and risky; have a clear target and deadline; be cross-disciplinary and cross-sectorial (eradicating cancer, for example, would require innovation in healthcare, nutrition, artificial intelligence and pharmaceuticals); and allow for experimentation and multiple attempts at a solution, rather than be micromanaged top-down by a government. [59]

## 4. How? Daring Mindful Diplomacy

Emotional and social intelligence are receiving increased attention in the diplomacy and international relations field. Mindfulness exercises and approaches render positive results, as our case

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53 https://www.government.se/government-policy/feminist-foreign-policy/.
Equality between women and men is a fundamental aim of Swedish foreign policy. Ensuring that women and girls can enjoy their fundamental human rights is both an obligation within the framework of our international commitments, and a prerequisite for reaching Sweden’s broader foreign policy goals on peace, and security and sustainable development.

54 https://techamb.um.dk/en/techplomacy/.
“We’ve been too naïve for too long about the tech revolution. We need to make sure that democratic governments set the boundaries for the tech industry - and not the other way around. That’s where the Danish TechPlomacy initiative comes in.” - Denmark’s Foreign Minister Jeppe Kofod:

55 https://www.opengovpartnership.org/mission-and-strategy/.

56 https://sustainabledevelopment.un.org.
The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

57 Medeiros, João . This economist has a plan to fix capitalism. It’s time we all listened. In: Wired: 8 October 2019.
Retrieved https://www.wired.co.uk/article/mariana-mazzucato.

58 Mazzucato, Mariana. Mission-oriented Research and Innovation in the European Union. A problem-solving approach to fuel innovation-led growth. Brussels: European Commission 2018 https://ec.europa.eu/info/sites/info/files/mazzucato_report_2018.pdf.

59 Medeiros, João . This economist has a plan to fix capitalism. It’s time we all listened. In: Wired: 8 October 2019.
Retrieved https://www.wired.co.uk/article/mariana-mazzucato.

studies demonstrate. Mindfulness has to do with reflection and respect, with empathy and presence, and all relate to diplomacy's original purpose of building trust and maintaining relationship on eye's level—even if it's a conflictual one. One of the method's pioneers, Jon Kabat-Zinn, describes mindfulness as "paying attention, on purpose, in the present moment, and non-judgmentally."[60] If we listen to German Chancellor Angela Merkel presenting the priorities of the German EU Council Presidency in June 2020, we can in fact discern a plea for mindfulness in the EU:

> "We must help each other wherever possible. Europe can emerge from the crisis stronger than it entered it. In order for us to be able to live up to this claim, there is one leitmotif for me: European cohesion and European solidarity - especially in this pandemic. It is this leitmotif of joint and future-oriented crisis management that will characterise the German EU Presidency.[61]

Opening the 2020 Munich Security Conference, German Federal President Frank-Walter Steinmeier spoke in a similar vein and appealed to empathy in international relations, saying: "We Germans must answer the question of how we can talk seriously and confidently with our closest partner about the issues of European security. But that also means putting ourselves in France's perspective and asking what contribution Germany can make."[62]

Steinmeier has in fact played a crucial role in opening up the previously rather hermetic German Federal Foreign Office towards non-state actors groups and new levels of ideation and interaction. In the conclusions of the Review Year 2014, the Federal Foreign Office noted that, "Greater diplomatic responsibility brings a growing need to explain our actions, to foster understanding and solicit support. Germany's foreign policy is built on trust and home and abroad. We now face a huge challenge to get our message across, both in Germany and internationally.[63]

In June 2020, Arnold Schwarzenegger, the Austrian-born former body-builder, film star, and 38th Governor of California, calls for mindfulness in America in the context of social and civic unrest:

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60 Somma, Abigail. Mindful Diplomacy: A Pathway to Peace. In: Ethics and International Affairs. Boston: Carnegie Council / Cambridge University Press. January 2018, retrieved https://www.ethicsandinternationalaffairs.org/2018/mindful-diplomacy-pathway-peace/.

61 Merkel, Angela. Rede Konrad Adenauer Stiftung Juni 2020.

62 Steinmeier, Frank-Walter. In der Mitte Europas darf kein ängstliches Herz schlagen. Opening Speech of the Munich Security Conference, 14 February 2020, quoted in: Die Welt, 15 February 2020, p. 4

63 Federal Foreign Office Project Team: Review 2014 – A Fresh Look at Foreign Policy. Berlin: 2015, p.46 – 47. "Many of the measures relate to structures, instruments and processes within the federal foreign office. But the aspirations of "Review 2014" are broader. The Review has instigated a change in the federal foreign office's corporate culture. Herein lies its greatest potential, as well as a challenge to each and every member of staff. Modern diplomacy must exhibit greater flexibility and agility, and become more open and transparent. This is how the federal foreign office wants to meet the challenges and expectations that the experts, the public and its own staff have detailed for German foreign policy: to ensure Germany's place as a leading European national that is willing to shoulder responsibility worldwide for a peaceful and free international order- and which constantly sets out anew to seek and find innovative and effective methods to do just that."

> "The past few days have brought another brutal reminder that America isn't perfect. I still believe that we are the greatest country in the world, but we are at our best when we look in the mirror, face our demons, and cast them away to become a little bit better every day…The protesters we see in the streets don't hate America. They are asking us to be better. … You can be a fan of something and still see the wrong within it. And it is clear that something is very wrong. … We can do better. We have to be willing to listen, to learn, to look in the mirror and see that none of us is perfect. We have to be willing to see one another as Americans, and not as enemies. We have to be willing to sit down and do the hard work of reform without worrying about stupid party lines…I'm ready to listen and work to make America better every day. Are you?"[64]

Finally, let's recall the mindfulness principle built into the project governance and idea of the Mercator European Dialogue. In this safe space encounter and dialogue programme for European national MPs, it was important to communicate the sponsoring partners' process, purpose and principles clearly and from the start. They key word was "ownership". The main funding and realization partners were ready to offer a new, safe and transformative space of encounter and cooperation. As long as MPs would act as agents for change themselves, they would find full funding and support to intensify exchanges across the borders and boundaries of countries, caucuses, and committees. As long as MPs were the initiators, owners, and shapers of this effort, all sorts of cross-border activities would be enabled.

## V Investing in Soft Power via Trust-building Endeavours

To sum up, decision-makers across the board- in the public and private sectors alike—are recommended to

- promote contemporary, empirical and qualitative research and studies, as well as tailor-made communication on the proof of concept of soft power approaches. Practice shows that, if exercised coherently and consistently, soft power approaches render groups of people or countries more successful, resilient, and stable over time.
- initiate, mandate, finance, and elevate mission-oriented, multi-stakeholder, mindful alliances towards trust-building and the generation of soft power
- invest actively and openly in European Union and, equally, transatlantic soft power in order to co-shape the next world order with value-driven, consistent and credible contributions.

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[64] Schwarzenegger, Arnold, formerly the 38th governor of California. In: The America I love needs to do better. The Atlantic, May 31, 2020.

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# United We Stand, Divided We Fall – New Economic Conflicts as a Challenge for European Diplomacy

**Thieß Petersen**

## I Introduction

One of diplomacy's hallmarks is representing and asserting the interests of one's own country vis-à-vis other nations. This usually involves resolving conflicts and balancing them on the national and regional levels. Economic interests play a central role here.

The core thesis of this paper is that conflicting economic interests have increased worldwide in the last two decades. This applies to both the relationships between national economies and conflicting interests within individual countries. The global map of economic conflicts has thus become more complex – which makes it more difficult to strike a balance among national interests using diplomacy.

## II Changed Economic Conflicts between National Economies

The period after the Second World War was marked by an increase in the international division of labor, which followed a relatively clear pattern: Industrialized countries specialized in producing capital- and technology-intensive products, while populous emerging countries, such as China and India, specialized in labor-intensive products. This international division of labor and the cross-border trade in goods and services which resulted were beneficial for all countries involved for a long time, in that the participating countries were able to increase their gross domestic product (GDP). Employment and real wages rose in the industrialized countries. This improved living conditions in general. For a long time, competition with low-wage countries did not cause any noticeable disadvantages for workers in industrialized countries: Even if individual sectors lost competitiveness and jobs were cut, the people affected by this usually found new jobs in export-oriented sectors. The emerging countries also benefited from economic globalization: For them, globalization was and is a way out of the poverty trap.

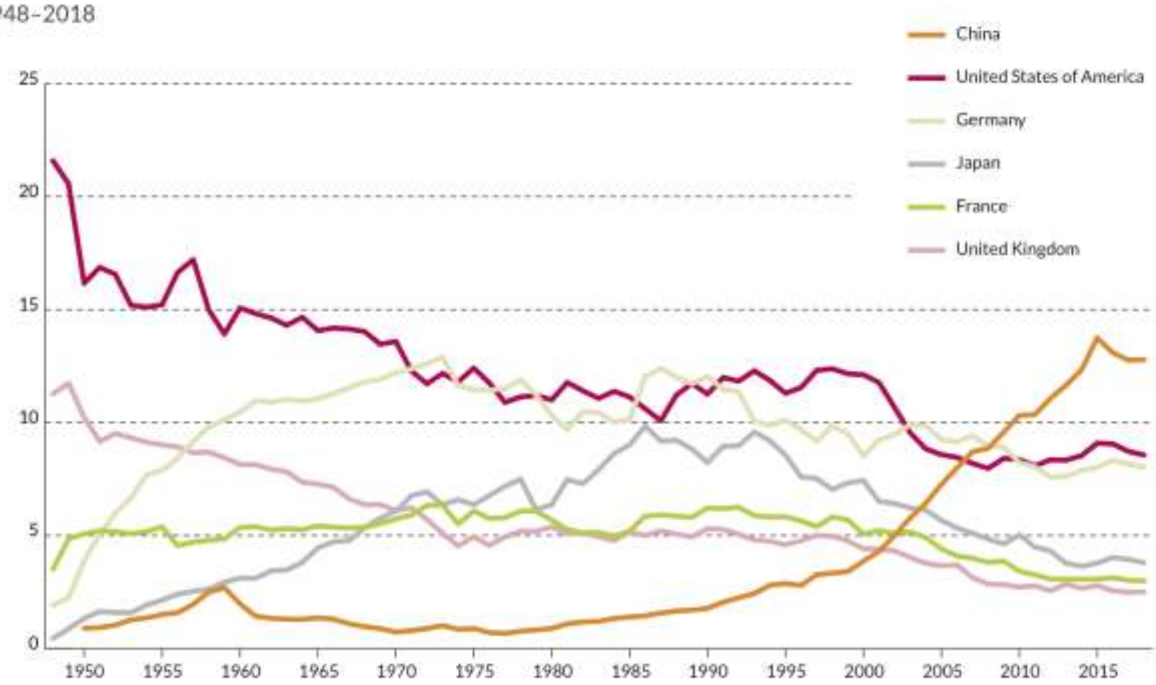
Consequently, after the end of the Second World War, customs duties were reduced worldwide because there was no serious doubt about the prosperity-enhancing effects of free trade. At the same time, it must be noted that the rules governing world trade were and still are very much oriented towards the interests of the industrialized countries:

- As a result, there are now only minor restrictions on cross-border trade in industrial products for which the capital- and technology-rich industrialized nations have a competitive advantage. Controls on capital flows have been greatly reduced, which also serves the interests of the industrialized countries. They have large amounts of capital, which investors want to channel to high-yield locations worldwide. If this capital could be invested solely in industrialized nations, there would be an excess supply on the capital markets, which would cause interest rates and, as a result, yields to fall.

- In contrast, cross-border economic activities, which could negatively impact industrialized countries, face much higher barriers. In the international trade of agricultural products, where densely populated industrialized countries have a competitive disadvantage compared with many emerging and developing countries, the EU, for example, protects itself by imposing relatively high tariffs. It also provides subsidies to its farmers, which distorts competition to the detriment of emerging and developing countries. The cross-border migration of labor, i.e. international migration, is also considerably restricted by the industrialized countries. One of the main reasons for this is the fear that a high level of labor migration could diminish the local population's employment and income opportunities.

However, the economic effects of the international division of labor and its legal framework have changed in recent years, in some cases dramatically. Since China joined the World Trade Organization (WTO) in 2001, the Chinese share of global exports of goods has risen rapidly. The country has been the world's leading exporter since 2009 (see Figure "China's Path to Becoming the World Champion of Exports").

**China's Path to Becoming the World Champion of Exports**
Ratio of Selected Countries Worldwide Export of Goods, in Percent
1948–2018




Source: United Nations, UNCTAD statistics (accessed 03.02.2020).
| BertelsmannStiftung

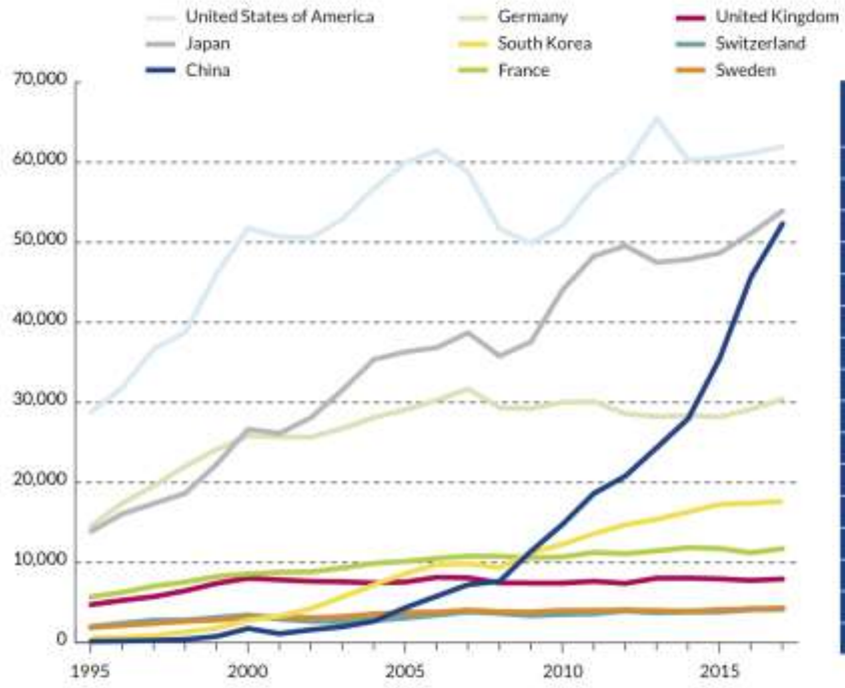
Increasing Chinese exports have led to more pressure on employment and thus on wages in rich Western industrialized nations (see Autor, Dorn and Hanson 2013). This applies above all to low-skilled workers in the industrialized countries, who are in direct competition with their counterparts in low-wage countries in Asia and Eastern Europe. Increasingly, however, the middle class in rich industrialized nations is also coming under pressure. In response to these negative employment and income effects, more and more developed industrialized nations are resorting to protectionist measures – and not only in the US, where this trend was evident long before Donald Trump became president.

The extreme competitiveness of Asia's emerging markets, which can be ascribed largely to low labor costs, has meant that some of these countries have been able to generate high export surpluses for many years. As a result, these economies have capital with which to acquire shares in companies in industrialized countries. The traditional direction of international capital flows is thus being reversed, at least in part: Capital no longer moves from the capital-rich industrialized countries to the capital-poor emerging markets, but vice versa. In the process, investors from emerging countries are acquiring shares in high-tech companies in industrialized nations, which the latter view as a threat. As a reaction to this unusual development, some industrialized countries are advocating restrictions on international capital movements (i.e. investment controls).

The international division of labor is also changing as emerging countries increasingly catch up in capital- and technology-intensive sectors. They are thus becoming serious competitors for industrialized countries in an area previously dominated by the industrialized countries. One example is the sharp rise in patent applications from China and South Korea. China in particular advanced significantly between 1995 and 2017 in terms of the number of transnational patent applications it filed (i.e. patents registered with the World Intellectual Property Organization and/or the European Patent Office; see EFI 2020, p. 102). While China had applied for only 138 such patents in 1995, the figure had risen to over 52,000 by 2017 (see Figure "China is One of the Three Leading Nations in Transnational Paten Applications"). Compared to its peers, China thus ranks third after the US and Japan. The number of Chinese patents increased sevenfold between 2007 and 2017 alone. In Germany, conversely, the number of patent applications declined slightly during the same period (see Figure "China is One of the Three Leading Nations in Transnational Paten Applications").

**China is One of the Three Leading Nations in Transnational Patent Applications**

Number of Transnational Patent Applications




| | Absolut in 2016 | Growth (2007 = 100) |
|---|---|---|
| EU-28 | 79,355 | 103 |
| USA | 61,960 | 105 |
| Japan | 53,949 | 139 |
| China | 52,320 | 723 |
| | | |
| Germany | 30,409 | 96 |
| South Korea | 17,627 | 178 |
| France | 11,729 | 109 |
| | | |
| United Kingdom | 7,942 | 98 |
| Italy | 5,735 | 92 |
| Netherlands | 4,903 | 114 |
| Switzerland | 4,331 | 107 |
| Sweden | 4,231 | 108 |
| Canada | 3,374 | 85 |
| Finland | 1,962 | 101 |

Source: EFI 2020, S. 102

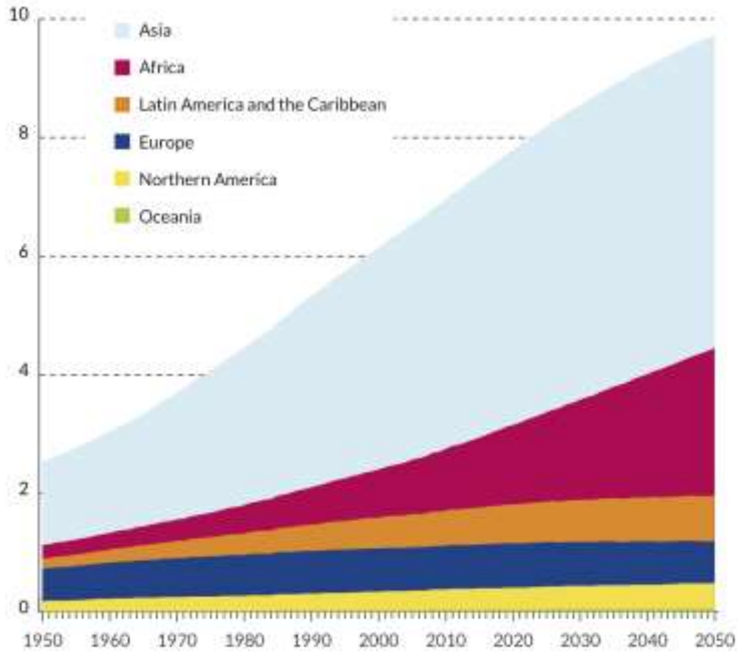
| BertelsmannStiftung

It is crucial to note here that not only the quantity, but also the quality of patents is of great importance. To this end, the Bertelsmann Stiftung has published a study that examines so-called world class patents in cutting-edge technologies. It identifies the best ten percent patents in 58 cutting-edge technologies such as artificial intelligence, autonomous driving, big data and 5G by considering market coverage and citation by official examiners of the active patent portfolio. Taking such an approach gives a more realistic picture of the innovatory strengths from different world regions than possible by only looking at patent applications (for detailed information, see Bertelsmann Stiftung 2020). The numbers show that East Asia – above all China, but also South Korea – has done an outstanding job in achieving crucial innovations over the past 20 years. In many cutting-edge technologies, East Asia's innovative strength has increased so markedly that the region has outpaced not only Europe, but in some cases also the US. Although North America still holds the overall lead in the most important innovations, it is far less dynamic than the competition from East Asia. Europe and Germany can only improve their positions in a few fields; for many technologies they are stagnating or even falling behind (see Bertelsmann Stiftung 2020, p. 15). The current competition in innovation is thus mainly taking place between the US and China. In this competition, two very different models have collided. Technological development in the US, which is driven primarily by the private sector, is facing off against China's mostly government-sponsored efforts to develop technology. Some observers are already speaking of a "technological Cold War" (see e.g. Bremmer 2018).

With regard to global demographic development, the predicted increase in the world's population from around 7.8 billion people in 2020 to 9.7 billion by 2050 is expected to take place almost exclusively in Africa and Asia. Europe is the only global region whose population will be smaller than in 2020 (see Figure "Europe and North America's Ration of the World Population Declines Significantly").

**Europe and North America's Ratio of the World Population Declines Significantly**

World Population by Region, in Billions




| | 1950 | 2000 | 2050 |
|---|---|---|---|
| Oceania | 0.01 | 0.03 | 0.06 |
| Northern America | 0.17 | 0.31 | 0.43 |
| Europe | 0.55 | 0.73 | 0.71 |
| Latin America and the Caribbean | 0.17 | 0.52 | 0.76 |
| Africa | 0.23 | 0.81 | 2.49 |
| Asia | 1.40 | 3.74 | 5.29 |
| | | | |
| World Population | 2.53 | 6.14 | 9.74 |
| | | | |
| there of: Northern America + Europe | 0.72 | 1.04 | 1.14 |
| | | | |
| Ratrio Northern America + Europa | 28 % | 17 % | 12 % |

Source: United Nations, World Population Prospects 2019 (accessed 03.02.2020) and own calculation.

| BertelsmannStiftung

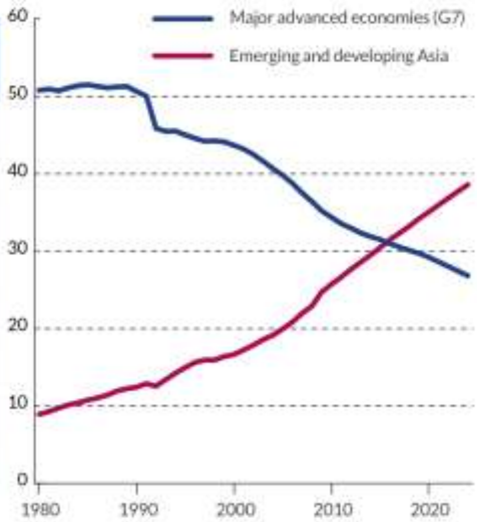
Global demographic developments, combined with the strong technological gains made by emerging countries, are leading to a massive shift in the percentage of global GDP generated by industrialized and emerging countries. Looking at the economic output of individual countries and regions as expressed in US-dollar purchasing power parity, Asia's share grows considerably between 1980 and 2024 (the latter is the last year available in the forecasts used; see Figure "Massive

Shift in Economy from G7 Countries to Asia"). This shift in economic power is particularly pronounced when looking at the US and China: While the US's share of global GDP was almost 10 times China's in 1980, China replaced the US as the world's largest economic power in 2014 (at least when GDP is expressed in US-dollar purchasing power parity, thus taking into account the dollar's very different purchasing power in various regions). The International Monetary Fund forecasts that China will account for more than 21 percent of global economic output in 2024, while the share produced by the US will be just under 14 percent (see Figure "Massive Shift in Economy from G7 Countries to Asia").

**Massive Shift in Economic from G7 Countries to Asia**

GDP based on purchasing-power-parity share of world total, in percent

| | 1980 | 1990 | 2000 | 2010 | 2020 | 2024 | Difference in percentage points |
|---|---|---|---|---|---|---|---|
| China | 2.3 | 4.1 | 7.4 | 13.9 | 19.7 | 21.4 | 19.1 |
| USA | 21.5 | 21.8 | 20.4 | 16.7 | 14.9 | 13.9 | -7.7 |
| Japan | 7.9 | 9.0 | 6.8 | 5.0 | 3.9 | 3.5 | -4.5 |
| Germany | 6.5 | 6.0 | 4.9 | 3.6 | 3.1 | 2.8 | -3.7 |
| United Kingdom | 3.8 | 3.7 | 3.1 | 2.5 | 2.2 | 2.0 | -1.8 |
| France | 4.3 | 4.0 | 3.3 | 2.6 | 2.1 | 1.9 | -2.4 |
| Italy | 4.6 | 4.2 | 3.3 | 2.3 | 1.7 | 1.5 | -3.1 |
| Canada | 2.2 | 2.1 | 1.8 | 1.5 | 1.3 | 1.2 | -0.9 |




Source: International Monetary Fund, World Economic Outlook Database, October 2019 (Estimates start after 2018). | BertelsmannStiftung

Since economic power also usually means political power, global relations are shifting in terms of political power as well. Western industrialized countries are becoming weaker politically and, consequently, they have less influence on how international standards and agreements are set within multinational organizations, such as the World Trade Organization (WTO), the International Monetary Fund (IMF) and others. Moreover, the main international institutions currently reinforce the West's position of power. For example, the US has 16.52 percent of the voting rights in the IMF, Japan has 6.15 percent and, taken together, the EU-27 countries have almost 25 percent. At 6.01 percent, China is the most influential emerging economy in terms of voting rights (see IMF 2020). If emerging countries were to be given a greater say in these institutions – something that is necessary if only because of their growing economic power – it would most likely be met with resistance from the developed industrialized nations, creating additional conflicts.

As a result of the developments described above, Europe's share of the global population is declining, as is its share of worldwide economic output. This means Europe's political influence, including its international negotiating power, is also dwindling. This applies even more to the options individual European states have for shaping political developments. If European states want to strengthen their negotiating position, they can only succeed within the framework of a united Europe that acts as one. My fear, however, is that this joint action will become even more difficult in the future than it already is, since the growing economic conflicts within individual European states is leading to the "renationalization" of politics.

# III Changed Economic Conflicts within Developed Economies

With regard to economic conflicts within developed economies, I expect such tensions will also increase in the future.

The traditional distribution conflict within an economy is between two factors of production: labor and capital. I believe this conflict will increase in the future, because, in the long term, digitalization will replace labor with capital, data and technology. This will put pressure on wages.

In the future, conflicts between consumers and producers will also become more significant, further complicating the landscape of distribution conflicts within individual industrialized countries. Here is just one example: Part of the ongoing process of digitalization is that private individuals are now offering services on digital platforms that compete with those of commercial providers. This gives rise to conflicts. Understandably, taxi drivers are protesting Uber's attempts to enter their market. Owners of hotels and guesthouses, and their employees, are unhappy about the accommodations being provided by Airbnb. Consumers, on the other hand, want more of these services, which result in greater choice at lower prices. Disputes are therefore inevitable about whether such private products and services should be allowed and/or regulated.

Up to now, these economic conflicts have largely been resolved with the help of government transfer payments, which have been used to compensate those disadvantaged by structural change. However, this strategy will become increasingly difficult for most industrialized countries in the future. Reasons for this include ageing populations (since government revenues will increasingly be needed to cover pensions and nursing and health care, and will no longer be available for transfer payments), and growing international tax competition, which will put additional pressure on government revenues.

Increasing conflicts within and between countries have a negative impact on the countries' ability and willingness to compromise:

- When economic conflicts, such as distribution conflicts, increase in an industrialized country, it limits the number of policy solutions that are available. For example, in an era of globalization, the state's income redistribution measures must take into account that owners of capital will send their money abroad if taxes and fees become too high. A certain level of redistribution, as desired by society at large, may not be financeable at all. In such a scenario, it is not possible to resolve distribution conflicts. If, as I expect will be the case, economic conflicts of this sort in developed economies increase and cannot be resolved, social tensions could grow. This can lead to political polarization, which further limits the state's ability to act. If, moreover, a country's policy options shrink, then its ability to compromise during international negotiations decreases – making diplomatic solutions less likely.

- This development has far-reaching consequences: As they become less willing to compromise, industrialized nations are confronted with challenging geopolitical developments such as the rise of emerging economies, above all China. As history shows: When established countries are threatened with a loss of supremacy, international and supranational cooperation is replaced by a renationalization of politics (see Vöpel 2018, p. 7). A vacuum thus looms for global rules, institutions and cooperation. Finding diplomatic solutions becomes increasingly difficult.

## IV Europe's Options for Taking Action

If the individual European states lose economic power (and thus political power), they should make every effort to pool their influence and reduce economic conflicts within Europe. This requires a European strategy for inclusive growth, i.e. economic growth that increases income while ensuring all regions and people benefit from the increase. Yet the two phenomena do not automatically coincide:

- The international division of labor is a key driver of economic growth. As described above, it increases GDP in the participating economies. At the same time, however, individual regions, sectors and groups of people lose out in terms of their market incomes.

- Ongoing digitalization results in productivity increases and thus economic growth. The ensuing structural change reduces the competitiveness of individual regions and sectors. Technologically induced structural change could therefore cause the market incomes of individual groups of people to fall, while employees in sectors in which value added is growing rapidly receive higher wages.

Strengthening inclusive growth in Europe therefore requires flanking policy measures that strengthen growth factors and ensure a broader distribution of the gains in income. Five measures lend themselves particularly well to achieving this goal:

- A useful instrument for strengthening growth is the expansion of the EU's internal market, especially in the areas of services, digital trade, cross-border labor mobility and public procurement.

- Strengthening the EU's internal market should not lead to economic isolationism. On the contrary, concluding additional trade agreements between the EU and other global regions can also increase economic growth. From the perspective of overall prosperity, regional free trade is only the second-best solution compared to multilateral free trade within the framework of the WTO, because closer trade relations between the countries that have signed regional agreements result in diverted trade flows and, thus, the loss of income and employment in countries not covered by the agreement. Nevertheless, regional agreements are still better than forgoing an increase in international trade. Such agreements must maintain the high standards and protections that the EU has already achieved.

- A European economic and industrial policy that strengthens economic growth, for example through public investment, is also conceivable. Possible measures include the creation of research and educational institutions and state support for selected technologies. Not only should the framework conditions for competition and innovation be improved, promising future technologies should be identified and then strategically promoted through economic policy measures. In the past, however, Germany has chosen not to adopt an industrial policy of this sort. However, in February 2019, Germany's Minister of Economics Peter Altmaier published a draft of the "National Industrial Strategy 2030: Strategic guidelines for a German and European industrial policy" (see Federal Ministry for Economic Affairs and Energy 2019), which represents a paradigm shift in economic policy, at least for Germany. What is important here is to focus on forward-looking industries and technologies and not keep older sectors alive that are unlikely to remain competitive. As part of such economic development, it would also make sense to pay more attention to Europe's economically disadvantaged regions and thus reduce intra-European economic conflicts. This includes strengthening cross-border regional areas. In other words, it requires countries to adopt economic policies that do not stop at their national borders. These measures could be financed by the dividends from globalization that ensue from regional free-trade agreements and from a strengthening of the EU's internal market.

- A reduction in international conflicts could be achieved if the EU promoted economically weak regions outside Europe, above all in Africa, but also in neighboring countries to the east (see Bertelsmann Stiftung 2018). This would reduce the pressure to migrate, reduce the social and political conflicts associated with large immigration inflows – and create additional allies on the world stage. This path is already being taken by policies that provide assistance to the European Neighbourhood (see European Parliament, 2020). Increasing funding for these efforts would also be appropriate.

- Another consideration, finally, is whether countries that are particularly strong economically should make transfer payments to economically weaker ones as a way of strengthening European cohesion. This would also be in the donor countries' own interests: If large segments of the population in economically weaker regions feel that their own economies are not receiving a fair share of the growth dividends resulting from European integration, separatist movements could arise that might lead to an exit from the EU – something that would be detrimental to all countries. Preventing this is in the best interests of the countries that would have to pay the transfers in question. These payments would be the price for economic stability at the European level (see Petersen 2012), from which the transfer payers would also benefit. One limiting factor, however, is that these transfer payments could generate new conflicts in the donor countries. Populist politicians, for example, could criticize the fact that these funds would no longer be available for needy pensioners in their own country, thus launching a new distribution conflict between domestic and foreign recipients of the transfer payments.

If, because of these measures, Europe's economic development were to move towards more inclusive growth, intra-European conflicts should decline. It would also, I hope, make Europe more amenable to compromise. And if the economic causes that limit Europe's willingness to compromise were to become less pronounced, its diplomatic capacity should increase as a result.

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