

TRIOLOGU  
ARTS-ECONOM

## United in a Fragile World

Defining the Fine Line  
between Progress and Improvement

Background Paper





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## Overview

The articles in this background paper, **United in a Fragile World – Defining the Fine Line between Progress and Improvement**, have been written in preparation for the 20<sup>th</sup> Trilogue Salzburg, which will address how to overcome the world's fragmentation, particularly in terms of progress and improvement.

The quest for progress, development and improvement is as old as human history. Disruptive technologies, creative ideas, but also consistency shape changes in business and society. Disruptive technologies are innovations that replace an existing technology, product or service which has proven successful. They create new markets and value networks and eventually disrupt existing markets and value networks, displacing established market-leading firms, products and alliances.

Progress and development are not only characterized by disruption. They encompass fundamental improvements through significant changes to existing conditions or processes in human societies. This idea emerged as one of the decisive guiding categories of modernity during the Enlightenment in the 18<sup>th</sup> century and became established within the scientific worldview of industrial societies, which presupposed humanity's constant social and cultural development. Today, progress and development are regarded as the decisive driving force behind sociocultural change.

While in nature any change must inevitably lead to the functional interrelationships of the overarching ecosystems so as not to endanger their preservation, any development of human cultures is subject to the limited, incomplete and fallible judgment of women and men.

In theory, however, progress and development are often made dependent on the desired goals. Improvement is then seen as ethically justifiable development, where the concept of progress is linked to the choice of means. Therefore, progress does not automatically have to lead to a (socially) desired improvement. But can progress and improvement be decoupled from each other? Is progress without improvement or improvement without progress even thinkable?

And what impact does this question have in a fragile world? Is unification without an improvement even helpful or wanted – even if it leads to progress? The development of a vaccine against COVID-19 has shown that global co-operation is possible, but how “united” is the world in creating future progress and improvement? How can we together find a way to overcome the world's fragility?

The Trilogue Salzburg 2021 is therefore dedicated to the question of how to seize the opportunity to overcome the world's fragmentation. Thus, the following questions are up for debate:

- Can we define what progress we seek so we can overcome current challenges and build a better future?
- How can the world overcome the fragmentation that exists in many places?
- Can progress and development succeed better together in the future?
- In a VUCA world, is it foolhardy to aspire to long-term planning and progress, even though some challenges will unfold over decades (e.g. climate change)?

The seven essays provide suggestions from different perspectives and are meant to stimulate discussion of how to define the fine line between progress and improvement in a fragile world. The authors propose possibilities for promoting unity even in a fragmented environment, for guaranteeing progress that includes improvement, and for overcoming the world's fragmentation.

The first article, **United in a Fragile World**, illustrates what fragility means and discusses whether the world is becoming more and more fragile. The authors explain what "being united" can mean in a fragmented environment and describe the consequences for progress and improvement. This article provides an overview of recommendations on how to foster high-quality progress and overcome the world's fragmentation.

The second article examines the role and power of art within societies. The author of **Can Culture Unite a Fragile World and Trigger Progress?** focuses on the (fine) arts as a form of culture and differentiates art from craft by their effects on viewers, listeners and readers. The essay questions the role of art as a powerful instrument of peaceful and universal communication in light of its potential instrumentalization and use as propaganda.

The author of **How Can Europe Protect Growth and Prosperity in a Fragmented World?** analyzes the effects of the international division of labor, which has mainly led to Europe's economic progress and can generally be a precondition for improving people's living conditions. Even though technological advances have reduced costs and triggered globalization, past and recent crises have given rise to a growing trend toward protectionism. By providing several examples, the author shows the implications of a fragmented global economy, mainly through the trade conflict between the US and China.

The article **Progress as a Trait of a Nation's Identity – The US Perspective** provides an overview of how the US views progress and crises from a historical perspective. Although the US has been optimistic and forward-looking for several centuries, since the late 1960s there has been both growing pessimism regarding the future and skepticism towards technocrats. Past and present crises continue to weigh on the central role played by the US, which derives primarily from the country's language and currency. Another important debate that will take place in the 21st century will be over data as a new type of currency.

In **Progress and Improvement in a Fragile World – The Chinese Perspective**, the past and present challenges between Western actors like the US or the European Union and the People's Republic of China are discussed against the background of economic growth, human rights and the fear of China's rise. The author examines China's economic and political development and makes several proposals on how to engage with China in the future.

The sixth article, **Progress and Improvement in a Fragile World – The Russian Perspective**, offers various stakeholders' views on Russia's development towards progress and change. Even though Russia has been influenced culturally by Western European in multiple ways in the past, a "Fortress Russia" strategy has developed in recent years. The authors give differentiated views on the diversity of the country's population, its foreign and domestic political situation and its economic development, and discuss possibilities for integrating Russia into the geopolitical environment.

The author of the last article, **Progress and Improvement in a Fragile World – the African Perspective**, describes the challenges that have emerged from globalization and have affected countries all around the globe by putting the rules-based international order to the test. A detailed focus lies here on the situation in Sub-Saharan Africa, including its size, differentiated economic situation and demographic development. The article gives an overview of the many challenges that African governments face in order to provide “equity,” “security” and “sustainability” to their citizens, and the paths that have to be taken to reinforce global policies.



## United in a Fragile World

Jörg Habich | Verena Nowotny | Philip Remete

### I Introduction

Unpredictability is on the rise. We live in a global village with international exchange and relationships in which misinformation spreads faster than true facts.<sup>1</sup> Governments, organizations and individuals must be flexible in order to adapt to ongoing changes in their environment and plan ahead. The acronym that has been used to describe this state of affairs in the last two decades is VUCA. It stands for a world marked by volatility, uncertainty, complexity and ambiguity, one in which not only knowledge but also communication is essential due to more and more networks and interest groups.<sup>2</sup>

The many problems we face every day vary in their size and importance, depending on how VUCA the environment is. Some are relatively small and local, for example whether a speed limit will be established on the German Autobahn. But if anyone still doubted that our current world is volatile, uncertain, complex and ambiguous, we have received indisputable confirmation at the latest with the outbreak of the COVID-19 pandemic, the drought in Canada and the flooding in Western Europe and China. There are many problems and challenges that require urgent action – our world, nature and environment, our coexistence and our solidarity seem increasingly fragile. Some challenges affect the whole planet, such as the current pandemic and climate change. But in the end, VUCA is just a description of how things are and nothing more – because humanity will always be confronted with new challenges or problems. As we can see, these challenges continuously put our social system to the test; in the past, moreover, exogenous and endogenous shocks have caused existing systems to collapse.

There are certain factors that characterize our fragile world right now. A **multitude** of global challenges exist that need to be solved immediately: environmental pollution, population growth, poverty, resource consumption, climate change, desertification, unemployment, hunger, terror, (trade) wars, migration, epidemics, biodiversity – the list could be extended through the addition of many more aspects.

Some of these problems are singular, others are directly interrelated. In addition to the number of problems, the **simultaneity** of global crises is also increasing – ranging from wars, military conflicts and terrorist threats to economic and financial crises, epidemics, earthquakes, floods, volcanic eruptions, and other natural catastrophes. One crisis **reinforces** another. Challenges can no longer be solved one by one. Consequently, societies are increasingly required to deal with the broad spectrum of emerging challenges.

In some cases, the challenges can be seen by just looking out the window or by reading a newspaper. By changing the focus to a bird's eye view and analyzing the macro-level, the dimensions of the challenges become visible. For example, fragility – at least for the European Union – can be seen simply by looking at a map (see Figure “Europe's Ring of Fire 2021”). The European Union is

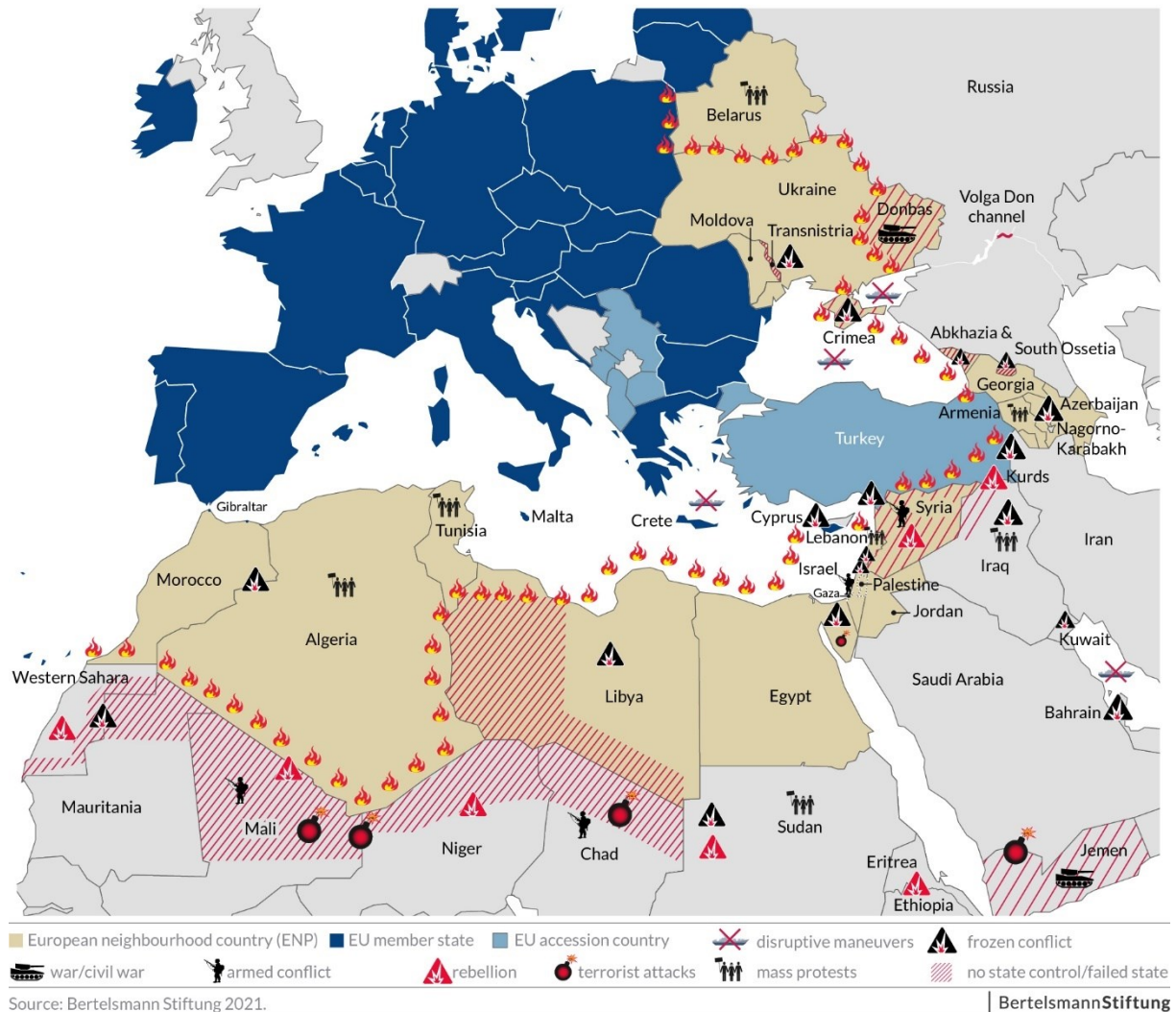
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1 Vosoughi, Soroush, Deb Roy and Sinan Aral. The Spread of True and False News Online. In: Science, Vol. 359, Issue 6380, pp. 1146-1151.

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

surrounded by a ring of fire, where only a few decades ago, Europe was encircled by a ring of friends.

### Europe's Ring of Fire 2021



But more and more often, it is no longer just a region, a society or a country that is affected. The challenge is not local anymore and therefore needs **global action**. Corona, of course, is not a regionally limited virus, but just one problem confronting the world as a whole.

However, these are all just the known challenges in an **unpredictable journey** into the future. Additionally, there are aspects that we are not aware of today and that we will have to deal with in the future or, to put it in Donald Rumsfeld's words:

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 tends to be the difficult ones.<sup>3</sup>

In view of the unknown, increasing, international, “untemporal,” amplifying challenges, it seems appropriate to call it a truly fragile world. Perhaps this fragility is the only constant when it comes to the future of our planet.

## II Increasingly Fragile?

Planet earth is spinning faster than ever before. Billions of news items and bits of information are being sent out into the physical and digital world on a daily basis. The Internet – an innovation that came to life not much more than 30 years ago – has sustainably shaped how we live today. Every second, decisions are being made that can have massive impacts on a macro and on a micro level, be it the president of a country who might decide whether or not to impose punitive tariffs against another country; the CEO who is thinking about taking over a competing company; or even the judge who decides whether a person might go to jail or not.

The butterfly effect in chaos theory illustrates the sensitive dependence on initial conditions, where a small change in one state of a deterministic nonlinear system can lead to large differences in a later state.<sup>4</sup> The details of a tornado (the exact time of formation, the exact path taken, etc.), are affected by small disturbances, such as a distant butterfly flapping its wings a few weeks earlier. Accordingly, decisions by individuals or societies, but also non-action by people or entire societies, sometimes have major impacts. This action or inaction always affects a system – whether it is a planet, a society, an organization or an institution.

The factor that determines how many shocks a system can withstand before it collapses can be called fragility. The term “fragile” is borrowed from Middle French and Latin “fragilis” from “frag-“ ,variant stem of “frangere” “to break, shatter” and “-ilis” “subject to, susceptible to (the action of the verb).”<sup>5</sup> Antonyms include firmness, robustness, stability, rigidity, trauma, paralysis.

In recent years, fragility as a word has been used more frequently.<sup>6</sup> It describes “the quality or state of being easily broken or destroyed.”<sup>7</sup> The range of this state can vary widely: On a micro level the amount of red blood cells in a body can determine how healthy or fragile the living being is and whether it is closer to life than death. On a macro level, fragility can apply when weak governments are not able to fulfill their responsibilities (provision of public safety, education, healthcare and law

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<sup>3</sup> Rumsfeld, Donald. News Briefing. February 12, 2002, <https://archive.ph/20180320091111/http://archive.defense.gov/Transcripts/Transcript.aspx?TranscriptID=2636>[retrieved July 20, 2021].

<sup>4</sup> Lorenz, Edward N. Predictability – Does the Flap of a Butterfly's Wings in Brazil Set off a Tornado in Texas? Speech at American Association for the Advancement of Science. See: Science, Vol. 320, No. 5879, 2008, p. 1025.

<sup>5</sup> <https://www.merriam-webster.com/dictionary/fragile#synonyms>, [retrieved Aug. 2, 2021].

<sup>6</sup> <https://www.dwds.de/r/plot/?view=1&corpus=zeitungen&norm=date%2Bclass&smooth=spline&genres=0&grand=1&slice=1&prune=0&window=3&wbase=0&logavg=0&logscale=0&xrange=1946%3A2021&q1=Frangilit%C3%A4t>, [retrieved July 21, 2021].

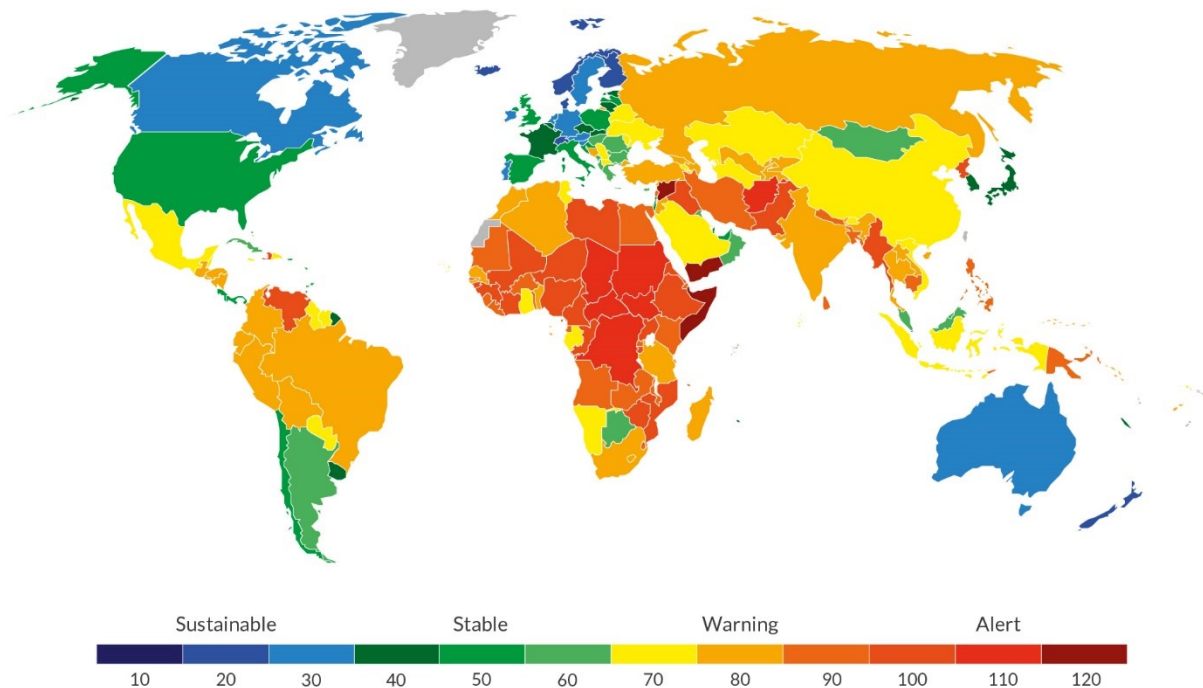
<sup>7</sup> <https://www.merriam-webster.com/medical/fragility>, [retrieved July 21, 2021].

enforcement) and whole countries begin to fall apart because of internal conflicts, corruption, violence or terrorism.<sup>8</sup>

The confrontation between fragility and stability makes it easy to illustrate the vulnerability of systems such as states (see for example Figure “Fragile States Index Heat Map”).

#### Fragile States Index Heat Map

The World in 2021



Source: The Fund for Peace. Fragile States Index 2021. <https://fragilestatesindex.org/analytcs/fsi-heat-map/>.

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But “fragility” can also have different meanings regarding its complexity: When we see the words “Caution! Fragile!” on a box, we simply know that it should not be tossed around or dropped. Whereas nowadays whole systems – such as a computer, smartphone or the production and transportation of goods – are becoming more and more fragile due to the interconnectedness of their components.

Fragility and stability – two poles – have always characterized systems. But the globalization that has taken place in the past decades has stretched the meaning of these poles to cover nearly everything on this planet. The main reason why we care about fragility is because we want to prevent things from falling apart or being destroyed – the preservation of the status quo.

On the one hand, we know from the past that interconnected, complex and often untransparent systems can pose a risk, as they did to the financial sector. In 2008, the real estate bubble in the

<sup>8</sup> Lambach, Daniel. Fragile Staatlichkeit als Konfliktursache und Möglichkeiten der Bearbeitung. May 2, 2016. See also <https://fragilestatesindex.org/>, [retrieved July 21, 2021].

United States burst, causing a global financial crisis and demonstrating that transparency and comprehensibility of information are essential when decisions are to be made in such systems.<sup>9</sup> On the other hand, we nowadays see that the interconnectedness of systems (like agriculture and information technology or healthcare and technology) has also brought much progress and improved our lives.

In the past decades, mathematicians and other experts tried to become fortune tellers and develop crystal balls – to get a view of what the future will look like, to plan, formulate strategies and align actions based on statistically sophisticated models. But as Makridakis and Taleb point out, “History never repeats itself in exactly the same way.”<sup>10</sup> It is not possible (anymore) to use data from the past to accurately predict the future, because:

- events are not independent – the world has become a global village and what happens in one corner of the world can (thanks to the globalization) now easily affect international systems;
- experts do not seem to forecast more accurately than knowledgeable individuals;
- there are always new and unforeseen events that cannot be predicted beforehand and that lead to cataclysmic events (like Black Mondays and Tuesdays) and further increase future uncertainty; and
- humans, driven by over-optimism and wishful thinking, often underestimate uncertainty even more than statistical models.

But even if we can analyze the past and derive implications for the present, this does not mean that they will still be valid in the future. It is, therefore, necessary to “avoid the illusion of control” and to develop methods and strategies for being prepared to act under uncertainty.

The question, therefore, cannot be whether our world has become more fragile. Fragility does, however, enable an exact comparison to be made at a given point in time. Rather, with fragility we have an indicator that describes the quality of a system being easily damaged or broken. This fragility also has an impact on how we deal with progress or improvement and the kind of world we want to live in tomorrow. The quality of progress is determined directly by fragility.

### III Being United?

The crucial factor regarding existing and arising challenges is how a society, country or world can face them. We will have to deal with uncertainties and – at least in some cases – we will not be able to solve all problems alone. It requires cooperation or, in short: Global problems can be solved more easily and effectively if we are united. Among the most important global problems that can only be solved if we work together are the issues of war and terrorism, climate change and the inequality between rich and poor countries.

The different meanings of “united” show its binding but also goal-oriented aspects:

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<sup>9</sup> Barth, Mary E. and Wayne R. Landsman. How Did Financial Reporting Contribute to the Financial Crisis? In: European Accounting Review, Vol. 19, No. 3, 399-423.

<sup>10</sup> Makridakis, Spyros and Nassim Taleb. Living in a World of Low Levels of Predictability. In: International Journal of Forecasting, Vol. 25 (2009), pp. 840-844.



- to come together to form a single unit
- to bring (something) to a central point or under a single control
- to form or enter into an association that furthers the interests of its members
- to participate or assist in a joint effort to accomplish an end

By contrast, its antonyms illustrate states of separation.<sup>11</sup>

Since the beginning of the 20th century, a multitude of international organizations, such as the United Nations and the International Red Cross, and economic organizations, such as the World Bank and the World Trade Organization (WTO), have been working to solve global problems or at least contribute to their solution. These institutions emphasize the unifying factor in addressing challenges. The idea of being “united” is expressed, for example, in the Preamble of the United Nation Charta of October 24, 1945:

WE THE PEOPLES OF THE UNITED NATIONS DETERMINED to save succeeding generations from the scourge of war, which twice in our lifetime has brought untold sorrow to mankind, and to reaffirm faith in fundamental human rights, in the dignity and worth of the human person, in the equal rights of men and women and of nations large and small, and to establish conditions under which justice and respect for the obligations arising from treaties and other sources of international law can be maintained, and to promote social progress and better standards of life in larger freedom, AND FOR THESE ENDS to practice tolerance and live together in peace with one another as good neighbours, and to unite our strength to maintain international peace and security, and to ensure, by the acceptance of principles and the institution of methods, that armed force shall not be used, save in the common interest, and to employ international machinery for the promotion of the economic and social advancement of all peoples, HAVE RESOLVED TO COMBINE OUR EFFORTS TO ACCOMPLISH THESE AIMS. Accordingly, our respective Governments, through representatives assembled in the city of San Francisco, who have exhibited their full powers found to be in good and due form, have agreed to the present Charter of the United Nations and do hereby establish an international organization to be known as the United Nations.<sup>12</sup>

This begs the following question, however: How well does unity work when it comes to solving problems?

The starting point is that, by cooperating with others, everyone can (better) pursue their personal goals. For the benefit of these individual objectives, we join a group or found a new one. The “union with others” or working together should “bring us something” and we assume that together we can reach our goals easier than if we work alone. On a higher level, united means the combining, joining or grouping together of nations, states, political groups, etc. for some specific purpose.

Accordingly, the findings from the research on the subject “group” can be transferred. A group can be seen as two or more people or entities that interact with each other, share similar characteristics, and have a common sense of unity. Carron and Eys analyzed the many definitions of groups and identified the following common characteristics:<sup>13</sup>

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<sup>11</sup> <https://www.merriam-webster.com/thesaurus/united>, [retrieved Aug. 2, 2021].

<sup>12</sup> <https://www.un.org/en/about-us/un-charter/full-text>, [retrieved Aug. 2, 2021].

<sup>13</sup> Carron, Albert V. and Mark A. Eys. *Group Dynamics in Sport*. 4<sup>th</sup> ed. Morgantown: Fitness Information Technology 2012.

- common fate: sharing a common outcome with other members; common goals or shared interests
- mutual benefit: an enjoyable, rewarding experience associated with group membership
- social structure: a stable organization of relationships among members
- dependence: interaction and communication among members, interdependence in relationship
- unity or self-categorization: perceiving oneself as a member of the group

Therefore, groups exist through **one's interest** based on formal rules of togetherness and the unification of **common interests**. Membership therefore also presupposes the willingness to submit to formal rules. These findings can then also be applied to the unification of states, societies or (international) institutions. Being united means that it is necessary to share goals or interests – at least for a certain period of time – to achieve an advantage for oneself, to ensure an exchange and to see oneself as part of a larger entity.

Consequently, this implies that not every challenge or problem can or should be solved exclusively by collaboration. Rather, the question of “being united” is about dealing with challenges or problems that cannot be solved individually. However, the deficits arising from information asymmetries, such as adverse selection, moral hazard, and hold up, make it difficult for such unions to operate efficiently.<sup>14</sup> These three problems also determine the conditions under which cooperation makes sense:

**Adverse selection** results in the selection of a partner ex ante with whom it is impossible to solve the challenge. Therefore, “being united” in such cases means not being any closer to solving the problem. **Moral hazard** results from information asymmetry in a relationship, where one can observe the behavior but is unable to evaluate the partner's actions. “Being united” might then lead to not knowing whether the collaboration has really contributed to solving the problem or what the partner's contribution is. Last but not least, the opportunism of the counterparty cannot be avoided due to a dependent relationship (**hold up**) because, for example, specific investments have been made. If this is the case, “being united” would then even be counterproductive. Harmonizing objectives can prevent all three problems. Accordingly, a prerequisite for successful cooperation or “being united” is that these objectives are actually the same or aligned in advance. “Being united” is (only) useful if there is a consensus (to at least a large degree) on the goals and the way to achieve these goals.

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<sup>14</sup> Picot, Arnold, Helmut Dietl, Egon Franck, Marina Fiedler and 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.

Information Asymmetries and Governance Solutions

Problem	Risk	Solutions				
Hidden Characteristics	<p><b>Adverse Selection</b></p> <p>Knowledge advantage of one partner that allows to assess the characteristics of the exchange relationship only to a limited extent by the other partner in advance.</p>	<table border="1"> <tr> <td>Reducing Information Asymmetries by</td> <td>Signalling Screening Self Selection</td> </tr> <tr> <td colspan="2">Harmonizing Objectives</td> </tr> </table>	Reducing Information Asymmetries by	Signalling Screening Self Selection	Harmonizing Objectives	
Reducing Information Asymmetries by	Signalling Screening Self Selection					
Harmonizing Objectives						
Hidden Action	<p><b>Moral Hazard</b></p> <p>The performance of one partner is not observable or cannot be assessed due to information asymmetry and the consequences have to be adopted by the other partners.</p>	<table border="1"> <tr> <td>Reducing Information Asymmetries by</td> <td>Monitoring</td> </tr> <tr> <td colspan="2">Harmonizing Objectives</td> </tr> </table>	Reducing Information Asymmetries by	Monitoring	Harmonizing Objectives	
Reducing Information Asymmetries by	Monitoring					
Harmonizing Objectives						
Hidden Intention	<p><b>Hold Up</b></p> <p>Partners are bound to each other by a lock-in effect in the risk of ex post opportunistic behavior.</p>	<p>Harmonizing Objectives</p>				

Source: Own illustration.

| BertelsmannStiftung

This means that the question of whether and when it makes sense to “be united” must focus on the similarity or nearly similarity of the objectives. In this context, it will be crucial to consider the different perspectives, attitudes and, if necessary, path dependencies of partners. From an American or African perspective, a supposedly similar goal regarding climate change does not necessarily have to be identical to a European perspective. Once more, a common understanding of truth is necessary.<sup>15</sup>

Conversely, only if the real or true objectives between countries, governments, institutions, etc. are the same, is a common approach appropriate – even if the whole world is targeted by the problem that must be solved. In this case, however, everyone must be prepared to work together – across all existing differences and boundaries. For upcoming challenges or problems, it may even be useful to establish or enter constantly changing alliances or unions in order to successfully overcome the problems. “Being united” might then become just being temporarily united.

<sup>15</sup> See: Habich, Jörg and Verena Nowotny. *Fragmented Realities – Searching for a Common Understanding of Truth*. In: Bertelsmann Stiftung (ed.). *Fragmented Realities Regaining a Common Understanding of Truth – Background Paper Trilogue Salzburg 2019*. Gütersloh 2019, pp. 6-24.



## IV Progress and Improvement

The quest for progress and improvement is as old as humankind. Disruptive technologies, creative ideas, but also continuity shape changes in business and society. These disruptive technologies are innovations that replace an existing technology, product or service which has proven successful. They create new – and eventually disrupt – existing markets and value networks, displacing established market-leading firms, products and alliances.

A disruptive idea ensures that existing structures, procedures, technologies and organizations are broken up and, if successful, destroyed. An old, established solution is then replaced by one that is significantly simpler, faster or more convenient. Disruption is more than a simple further development. Instead, it produces a completely new status with entirely new approaches: printing, penicillin, freedom of trade, democracy, nuclear power. Every single idea, product or achievement implies social impacts. Revolution instead of evolution is the motto.

At the same time, consistency and constancy are a guarantee that every new idea does not immediately lead to changes in strategies or planning, changes in direction and the associated restructuring. Everything new and unknown also contains the risk of failure, loss or possible negative interactions or consequences – catastrophic for the individual, devastating for a society.

At the same time, this process itself increases fragility. No (technical) solutions can protect us from the emerging opportunities or dangers without at the same time creating new or other opportunities or threats. Besides the risk of failure and loss, there is also the possibility and even likelihood of success through trial and error. Therefore, fragility is also the guarantor of change and thus newness or (in the end) progress and improvement. Otherwise, everything would be causal and predictable – the aforementioned preservation of the status quo. Competition, creativity, entrepreneurship, etc. are prerequisites for further development. If everything were predetermined, neither change, advancement, enhancement, growth nor any other improvement in human life and coexistence would be possible. The world would remain as it is here and now. We need change to meet present and future challenges – but not every step implies qualitative gains, which leads to the question of how to distinguish progress and improvement in a disrupted world.

### 1. A Clarification of Terms

“Progress” originates from the Latin “pro”- and “gradi” for “forward” and “go,”<sup>16</sup> which implies actively and consciously improving or getting nearer to achieving or completing something (Way-To-Go Idea). The opposite terminology is regression or standstill. Any progress requires deliberate and targeted changes, which are called innovations. Progress in general implies more and new options in the future, which leads to the question of which option to choose next. Therefore, progress represents the totality of woman/man-made achievements. Any development trends that are commonly referred to as progress have an impact on socio-cultural and economic change. In economics, progress can be understood as either reaching a given target with minimum input or providing an input to reach a maximum output. But there are also other areas where progress has

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<sup>16</sup> <https://www.merriam-webster.com/dictionary/progress>, [retrieved Aug. 2, 2021].

a special meaning, like in biology (higher life expectancy, fewer diseases), technology (more produced goods), politics or culture (here the meanings are rather qualitative).<sup>17</sup> Schumpeter distinguishes the following innovations:<sup>18</sup>

- introduction of a new product
- introduction of a new production process
- development of a new market
- development of a new source of supply of raw materials or semi-finished products
- introduction of new forms of industrial organization

In contrast, the term “improvement” includes the qualitative aspect. Progress does not necessarily lead to improvement. “Improvement” in general means “gradual, piecemeal, but cumulative betterment,” which can refer to both individuals and societies as a whole.<sup>19</sup> Improvement is the act or process of making something better or the quality of being better than before, including an addition or change that makes something better or more valuable.<sup>20</sup> Therefore, improvement is the process of a thing moving from one state to a state considered to be better, usually through some intended action. The antibiotic penicillin attacks bacteria, but it can also cause allergies. An advantage of nuclear power is a lower consumption of fossil resources such as oil and coal, but implies the disadvantage of the high danger of radioactive radiation for humans and the environment.

## 2. Progressive Improvement

Progress will only lead to improvement if it also leads to the desired goal. While in nature any change must inevitably lead to the functional interrelationships of the overarching ecosystems so as not to endanger their preservation, any development of human cultures is subject to the limited, incomplete and fallible judgment of women and men.

Most people agree that life is better than death. Health is better than sickness. Sustenance is better than hunger. Abundance is better than poverty. Peace is better than war. Safety is better than danger. Freedom is better than tyranny. Equal rights are better than bigotry and discrimination. Literacy is better than illiteracy. Knowledge is better than ignorance. Intelligence is better than dull-wittedness. Happiness is better than misery. Opportunities to enjoy family, friends, culture, and nature are better than drudgery and monotony.<sup>21</sup>

It becomes more difficult, however, when it can no longer be determined clearly and objectively or by majority vote to what extent progress represents an improvement, when it comes to the decision

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<sup>17</sup> Guitton, H. and A. Panzera. Die Beziehung zwischen dem Fortschritt der wirtschaftlichen Wohlfahrt und dem menschlichen Fortschritt. In: Zeitschrift für Nationalökonomie / Journal of Economics, Vol. 15, No. 1/2 (1955), pp. 32-41.

<sup>18</sup> Schumpeter, Joseph. Theorie der wirtschaftlichen Entwicklung. 2nd. Ed. Berlin: Duncker & Humboldt, 1926.

<sup>19</sup> Slack, Paul. The Invention of Improvement: Information and Material Progress in Seventeenth-Century England. Oxford: Oxford University Press, 2015, p. 1.

<sup>20</sup> Improvement – Definition for English-Language Learners from Merriam-Webster’s Learner’s Dictionary (learnersdictionary.com).

<sup>21</sup> Pinker, Steven. Enlightenment Now: The Case for Reason, Science, Humanism, and Progress. New York: Penguin Books 2018, Chapter 4.

whether economic growth should be achieved at the expense of social and ecological sustainability, or vice versa, because not all goals can be achieved at the same time.

Targets are an idea about desired results in the future that are to be achieved through appropriate (“goal-oriented”) intelligent behavior by a person or a group of people.<sup>22</sup> But these goals can be contradictory, competing, or neutral or indifferent.<sup>23</sup>

Improvement is then seen as ethically justifiable development, where the concept of progress is linked to the choice of means. Therefore, progress does not automatically have to lead to a (socially) desired improvement. The crucial factor for improvement is the question of how and by whom and at which time the underlying progress is evaluated. This also illustrates the problem of “being united” as soon as there are different or at least not identical objectives that are to be achieved by the process of progress. What may be seen as an improvement from one perspective, may be assessed as a standstill or a step backward by others. As we live in a globalized and strongly connected world, actions in one region can have effects in another. Therefore, efforts to achieve a goal through progress and improvement in one country or by one group can be seen differently by another. For example, the development of the COVID-vaccine brought major progress in fighting the virus and protecting vulnerable groups. But the disproportionate distribution, with Western countries having vaccinated nearly half their populations while African countries still struggle to get access to the remedy, shows that we are far from having achieved an improvement in the overall situation.

We therefore see that the final decision, whether progress leads to improvement and vice versa, depends on multiple factors like time, location and level of observation. States, institutions, governments, groups or individuals can decide to what extent any form of progress represents an improvement. As a result, conflicts are possible due to different points of view. These can exist on a regional, national or even global level. The main factor here is still the desired goal that needs to be achieved. Can we reach a consensus on what we believe to be “a better world”?

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<sup>22</sup> Locke, Edwin A. and Gary P. Latham. *A Theory of Goal Setting & Task Performance*. Englewood Cliffs, NJ: Prentice Hall, 1990.

<sup>23</sup> Heinen, Edmund. *Das Zielsystem der Unternehmung: Grundlagen betriebswirtschaftlicher Entscheidungen. Die Betriebswirtschaft in Forschung und Praxis*. Bd. 1. Wiesbaden: Gabler Verlag, 1966.

## V Recommendations

Referencing the phrase used by the managing director of the IMF, Kristalina Georgieva, “to build forward better – toward a fairer post-pandemic world,” the following recommendations aim to address the challenges described above.

**Revising the SDGs:** Revision and, if necessary, expansion of the 17 Sustainable Development Goals (SDGs) of the United Nations. The SDGs were set up in 2015 and are intended to be achieved by 2030. Given the severe impact of the COVID-19 pandemic, a rigorous assessment of progress and improvements that have been achieved so far and of the validity of the goals defined is justified and even necessary.

**Rethinking international organizations:** Apart from the never-ending discussion about a necessary reform of the WTO, it could be useful to think about new or different fora for specific common goals, such as international mobility (transport, logistics, tourism, commuting, etc.). Such coordination on the European level would be an important first step, including developing bold common goals such as connecting all European capitals with high-speed railways by 2030.

**Being honest/transparent about costs:** Sustainability comes at a price. Comprehensive social security comes at a price. Mobility comes at a price. The list could be continued endlessly. People and citizens deserve some guidance on what will change if, for example, we terminate the use of fossil energy resources and what needs to be done to avoid social injustice. Determining the true costs of goals is extremely complex and challenging, given the existing interdependencies. Nevertheless, hidden costs or unintended consequences need to be detected early on in a political decision-making process.

**Fostering a debate culture:** Nowadays, so-called discussions are merely an exchange of points of view with the explicit demand of absolute allegiance. Social media have exacerbated this development. Practicing debates, the respectful exchange of opinions as well as consensus building need to become part of the secondary-school syllabus.

**Embracing VUCA:** The German philosopher Natalie Knapp recommends embracing insecurity as a time of utmost creativity and inventiveness. She correctly states that we need to learn that we not only exist as individuals but as a part of a greater unity. Therefore, it is not only important to enhance one’s own well-being but the well-being of the greater community. She thus reminds us of the old-fashioned “greater good,” which needs to be redefined and agreed upon.

**Using COVID-19 as a learning tool:** So far, the pandemic has turned out to be a didactic case for international cooperation (e.g. development of the vaccines), unequal access to remedies around the world (e.g. lack of vaccines in Africa), differing national strategies to curb the spread of the virus, and ongoing adaption of strategies due to mutations of the virus and scientific developments, etc. A thorough analysis of the international reaction, best practices and failures might offer a toolbox for VUCA times still to come.

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## Can Culture Unite a Fragile World and Trigger Progress?

Marc Elsberg

### I Introduction

To essay an answer to that question, we must first define a few terms. Let's begin with:

“progress.”

The other papers contain various approaches to this. I use one that views progress as a long-term improvement in people's lives. At the same time, I am aware that the term “improvement” sparks entirely new discussions. (When is something “improved”? Who defines that?) Closely related to the term “progress” is that of “innovation.”

To me, the connection between the two seems clear: Innovation can be a precondition for progress, but not every innovation necessarily promotes or facilitates progress.

For example, I do not discern any progress in the humanity-obliterating potential of the innovation that was the atom bomb.

Nor is innovation necessarily a precondition for progress. In many cases, to achieve progress, it would be sufficient to use or implement things that have long been known to humankind.

Let's turn now to the term “culture.”

It has been the subject of myriad definitions through the years, and it remains so today. Some are broad and include the behavior, values, social orders, etc. of entire societies – usually, roughly speaking, in contrast to “nature.”

Others consider either only subcultures and elements belonging to or expressions of a society's overall culture. In the context of cultural policy, for example, one often hears “art and culture” used synonymously, essentially referring to the fine arts (visual arts, literature, music, dance, theatre, etc.), or, today, to all those formats that disrupt or combine traditional definitions of “art” (installations, artistic interventions of all sorts, activist art, etc.).

Since I was asked to contribute my thoughts in my role as a writer, I will use this definition of culture in the text that follows: culture / fine arts.

Colloquially, one usually hears “the arts” shortened to “art,” which I will also do here for simplicity's sake.

Let us then rephrase the title thus:

### I Can Art Unite a Fragile World and Trigger Progress?

This focus on “art and culture” as “the arts,” or “art” for short, necessitates a further definition, namely that of “the arts” or “art.”

As with “culture,” these terms have been and still are subject to persistently changing definitions and meanings.

For a long while, all that was (well) done was called art. Phrases such as “the art of loving” are vestiges of those times.

It was not until the European Renaissance that a distinction was made between artists and craftsmen and, with that, a separate position given to “the work of art.” And it was not until the Enlightenment that art as such was accorded its own role in society, and only then did it develop into a subsystem, with the “fine arts” essentially establishing themselves as its protagonists.

Which is what makes the subject of this paper possible in the first place.

Art’s essence and its aim have been hotly debated ever since.

The definition of what should be viewed as a work of art and what should not has engendered ongoing discussion, even within certain eras, societies and milieus.

The expectation society had of art in the age of Goethe and Schiller – that it should be “edifying” – has long been superseded by more recent discussions, interpretations and expectations, even if this 200-year-old attitude continues to prevail in certain circles.

Likewise, the assessment of quality – whether a given artwork is “good” or “bad” – remains the subject of debate.

## II The Power of Art

The enormous power that art has within societies can be illustrated by a few simple examples:

After coming to power in 1933, the National Socialists banned from public view all art in Germany that did not align with their ideology – essentially, what was and is referred to as modern art. The Nazis deemed it “degenerate art.” Certain books were burned, certain music banned, their creators forced into obscurity, exiled, murdered.

Another well-known example is the fatwa issued in 1989 by Iran’s revolutionary leader, the Ayatollah Khomeini, against the author of the novel “The Satanic Verses”, Salman Rushdie.

If one looks at human history as a whole, one thing is clear: Since time immemorial, social movements and actors have tried either to deploy artistic means of expression to their own ends, meaning for propaganda purposes, or to limit, defame or even destroy those that did not fit into their world view or refused to be instrumentalized.

Any attempt to reserve the right to set definitions usually has to do with the desire to make distinctions and exert power. If one describes something as non-art or bad art, one attempts to elevate oneself above other groups and deny them their abilities, identities and standards.

Incidentally, this is not an exclusive hallmark of despotic or illiberal systems, but has manifested time and again in democracies: One recalls, for example, former US President Donald Trump’s executive order of December 2020 on “Promoting Beautiful Federal Civic Architecture,” in which he states his preferred style for public buildings, namely a classical Greco-Roman or other traditional design. Modern architecture is denigrated as “ugly and inconsistent.”



What these movements and actors have in common is that they were and are aware of the enormous social power that artistic expression has.

What they also have in common, however, is a fundamental inability to comprehend one of art's basic traits: It creates new, unfamiliar and different experiences in – and perspectives on – the world of its viewers.

Art alters its own context.

Digression: Some people are glad to have new experiences and gain new perspectives, to develop; many, however, are unsettled by the new or unfamiliar, which is why they reject it, at least at first. A person can even be pleased about something new or unfamiliar in one situation or context and shy away from or reject it in others. This is what separates art from craft. The latter might be brilliantly executed, but it generally appeals to the accustomed attitudes of the viewer/listener/reader without offering any noteworthy new experience, conveying the desired security through this continuation of the habitual – even if the boundaries are fluid here, too.

Looking back, art has always done this, even if artworks that, today, we not only do not describe as disturbing, but even as beautiful, once forswore the habitual. In his own lifetime, Vincent van Gogh famously did not sell a single painting, and the pieces painted by the Impressionists, beloved by so many today, were mocked and rejected by the vast majority of their contemporaries, as was later true of many other new movements in the visual arts (Cubism, Abstract Art, Arte Povera, Conceptual Art, etc.). One thinks of countless theatre, musical theatre and opera scandals, from Gerhart Hauptmann's "Before Sunrise" and "The Weavers", which not only revolutionized the theatre of the late 19th century, but, with the introduction of naturalism into the world of theatre frequented by the bourgeoisie, created among the latter an awareness of social situations and classes, an awareness that was also arising in other areas of society, from Igor Stravinsky's "The Rite of Spring" or Arthur Schnitzler's "La Ronde" – the biggest theatre scandal of the early 20th century – to Thomas Bernhard's "Heldenplatz", to name but a few now at home in the recognized canon.

These examples provide an answer to the second part of the titular question "Can art trigger progress?" – namely, an unequivocal "Yes!"

Further examples can be found among scientists whose discoveries were inspired by science fiction. Or politicians who were inspired by literature – and later became literary figures themselves (e.g. Winston Churchill receiving the 1953 Nobel Prize in Literature).

At the same time, art itself has been enriched and inspired by new realizations from other areas of society (e.g. science, politics, etc.).

It is somewhat paradoxical that the uniqueness and novelty inherent to artworks necessarily atrophy over time. Are older pieces therefore no longer artworks? Here, too, opinions differ.

Is it only "true art" if a play or musical composition that has existed for decades or centuries is performed exactly the way its creator once intended (or the way some people today think the creator once intended)? Or, since its newness has now atrophied, is it no longer a work of art and does it only deserve this appellation once it has been given an innovative interpretation? Or are both definitions permissible, or even necessary?



Is “the work of art in the age of mechanical reproduction” (Walter Benjamin) and in other ages everything from artwork to artisanry to crafts, to even kitsch – depending on whether the Mona Lisa / La Gioconda was painted by Leonardo da Vinci himself, or by one of his pupils (Mona Lisa del Prado) or other copyists, or is of unresolved provenance (Isleworth Mona Lisa, etc.) – to simple prints on t-shirts and coffee cups?

And even if we can come to agreement on what art is: Can art unite a fragile society, or which obstacles can it help overcome to create a better future?

Prosperous societies thrive first and foremost by having the greatest possible diversity of individuals and ideas, allowing them to develop innovations and react to new challenges and external shocks more flexibly and resiliently than closed societies and monocultures. The greatest possible diversity arises from the greatest possible freedom and opportunities for experimentation, actual improvement ensues from discussion of the potential offered by the many ideas, i.e.: communication.

Currently, this seems to be one of the greatest challenges facing global society (and individual societies): Despite – or because of? – having better means of communication than at any other time in human history, meaningful exchange seems increasingly difficult or even unwanted almost everywhere and by almost everyone.

### III The Impact of Art

This is precisely where art has its impact.

Hardly any other system in our societies has the combined ability to express innovation, diversity, controversy, ambivalence and paradox – to call attention to them, to communicate them – as does art. And all this in a peaceful way.

Again and again, this ability art has to mobilize tempts (and has always tempted) all manner of individuals, including artists themselves, to another limiting gesture (in addition to the prohibitions and destructive acts mentioned above), namely the attempt to instrumentalize art for specific purposes – in short: propaganda.

(Here again, we are confronted with the question of definition and its power: Can propaganda also be art? Or: Can art become (or be used or misused as) propaganda – and, if so, is it still art?)

Yet given its inherently innovative and surprising quality, art – the social subsystem, not the individual artist or the individual artwork – inevitably eludes these attempts or is unsuitable for them.

What results is the paradox that art can indeed unite a fragile world – but only if we do not try to instrumentalize it for that purpose!

On the other hand, we also have the perfect feedback loop: The more we do for art in all its diversity, the more it does for society.

Thus, if – and the emphasis here is on “if” – we want a progressive society, which, to be progressive, must necessarily be as diverse and open as possible, and which must be able to communicate in the best possible manner about the definitions and possibilities of progress, there is only one recommendation I feel can be made:

Artists should make art – of every variety, of every facet, taking it beyond existing boundaries!

And:

Society, promote this best of all playgrounds for peacefully innovating, experimenting and communicating with and about ideas on all levels, in all its facets, with as many resources as possible!

## How can Europe Protect Growth and Prosperity in a Fragmented World?

Thieß Petersen

### I Introduction

Economic progress is a central precondition for improving people's living conditions. Furnishing citizens with wide-ranging goods and services is the basis for high levels of health, life expectancy and education, as well as for comprehensive opportunities to participate in political, social and cultural life. To date, economic progress for Europe has been tied to Europe's integration in the international division of labor. The key element of this integration is multilateral free trade with a rule-based organization of the world trading system under the World Trade Organization (WTO). This key element is increasingly coming under pressure – and with it, the prosperity of the citizens of Europe.

The following text describes the drawbacks that growing fragmentation of the economy may hold for the prosperity of the citizens of Europe and what measures the EU could take to maintain Europe's prosperity and social progress despite the increasing trend toward disintegration in the world economy.

### II Growth and Prosperity through International Division of Labor

The international division of labor contributes to increasing the material prosperity of all participating national economies. Within the scope of this division of labor, each country is able to focus on manufacturing the products where it holds the greatest cost advantages. For the world as a whole, this results in availability of a greater volume of consumer goods at lower prices for consumers. This improves the supply of goods and services to the general public. In developing countries, the improved supply situation manifests itself in a decline in absolute poverty. In addition, the import of goods and services increases product diversity for consumers. Plus, for countries poor in raw materials such as Germany, international trade is the central precondition for obtaining these raw materials in the first place.

Moreover, domestic companies are able to obtain some of the intermediate inputs they require for their own production at lower prices from abroad. This reduces their production costs and the price. Domestic consumers, in turn, benefit from the declining prices. The reduction of production costs also improves the international competitiveness of a nation's companies. These companies can increase their exports to the rest of the world. The associated increase in production can in turn have a positive effect on domestic employment and income levels.

The outlined developments improve the average material living conditions of the citizens of the participating nations. Higher material prosperity also has a positive effect on non-material living conditions: Healthcare and the health status of the people improve, child mortality rates fall, and life expectancy increases. There is a reduced economic necessity for children to be involved in the economic production process as laborers in order to secure the livelihoods of their families. With this, the opportunity cost for education drops and the level of education rises. Specialization in products with cost advantages ultimately ensures that the hours required for work become lower for the society and the people have more time for doing things they want to do. The time prosperity of the people grows.

This positive correlation between material prosperity as expressed by per capita gross domestic product (GDP) and non-material living conditions can be demonstrated using countries selected as examples (see Table “Correlation between Material Prosperity and Selected Indicators for Non-material Living Conditions in Countries with Differing Economic Development Status”).

#### Correlation between Material Prosperity and Selected Indicators for Non-material Living Conditions in Countries with Differing Economic Development Status

Data for 2019

	USA	Germany	Bulgaria	China	Burundi
<b>GDP per capita</b> (purchasing power parity, international dollars)	65,254	56,226	24,333	16,659	783
<b>Under-five mortality</b> (deaths under age five years per 1,000 live births)	7	4	7	12	63
<b>Life expectancy at birth</b> (years)	78.9	81.3	75.1	76.9	61.6
<b>Mean years of schooling</b> (average number of years of education received by people ages 25 and older)	13.4	14.2	11.4	8.1	3.3
<b>Expected years of schooling</b> (number of years of schooling that a child of school entrance age can expect to receive)	16.3	17.0	14.4	14.0	11.1

Source: Based on data from IMF 2021, UN 2019: pp. 14-23 and UNDP 2020: pp. 343-346.

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### III Protectionism Gaining Ground

The integration of Eastern European and post-Soviet societies into the world economy after the end of the Cold War and China’s admission to the WTO in 2001 noticeably increased the volume of global trade. The dismantling of trade restrictions combined with technological advances that significantly reduced communication and transportation costs triggered an additional surge in globalization.

This faltered with the outbreak of the global financial and economic crisis in 2008/09. The reason for this – in addition to the global economic slump, which also had a negative impact on the cross-border exchange of goods and services – was the increase in protectionist measures. These include not only tariffs, which make it more expensive to import products from abroad, but also non-tariff trade barriers such as bureaucratic requirements, technical quality requirements, quantity restrictions and even subsidies for domestic companies because they give them a competitive advantage over foreign competitors. A growing trend toward trade restrictions has been observed worldwide since 2009.<sup>1</sup> Highly developed industrialized nations like the United States in particular are seeking to protect themselves in this way from competition with low-wage countries.

The coronavirus pandemic further accelerated global protectionism. Many countries adopted measures during the pandemic to protect domestic companies and their employees. International trade was further strained as governments imposed export restrictions on essential medicines, respirators, personal protective equipment, and food to prevent supply shortages at home.<sup>2</sup> The disruptions to global supply chains during the pandemic and the associated temporary loss of important products and intermediate inputs are also likely to lead to a reassessment in many companies of previous supply relationships. As a result, there are increasing calls in the sociopolitical debate to reduce dependence on imports of especially important products – such as

<sup>1</sup> See Rupprecht, Manuel. *Strafzölle, Handelskriege und die (ungeahnten) Folgen für die Welt.*, 2021, p. 53 ff.

<sup>2</sup> Draper, Peter. *Globale Handelskooperation nach COVID-19 und die Zukunft der WTO.* Stiftung Entwicklung und Frieden (ed). Bonn, 2020, p. 14.

medicines, medical devices, and other vital products.<sup>3</sup> There are various measures for this, including the relocation of production from low-wage countries back to Germany or Europe. Such a relocation results in a reduction in the international division of labor.

Another central cause of reduction in the international division of labor is economic, technological and political competition between the United States and China. China's economic rise and exports have significantly accelerated structural change in developed economies. In Western industrialized nations, traditional industrial sectors and the people employed in them have come under considerable pressure. This is particularly true for America's Rust Belt – the nation's largest industrial region that stretches from Chicago along the Great Lakes to the East Coast.<sup>4</sup> To reduce further job losses and the associated social upheaval, the United States is responding with trade barriers primarily directed against China. Aside from this economic dimension, the Sino-American conflict also has a technological dimension – and this aspect is even more important than the economic one: Technological leadership means global economic competitive advantages, and these in turn are the material basis for military superiority.<sup>5</sup> China's growing share of global GDP in recent decades (see Figure "Gross Domestic Product Based on Purchasing-Power-Parity") strengthens its position as a geopolitical power – and with that, the potential for conflict between the United States and China. This conflict is being further fueled by the "Made in China 2025" industrial policy strategy, which China aims to follow to achieve global market leadership in ten promising industrial sectors.

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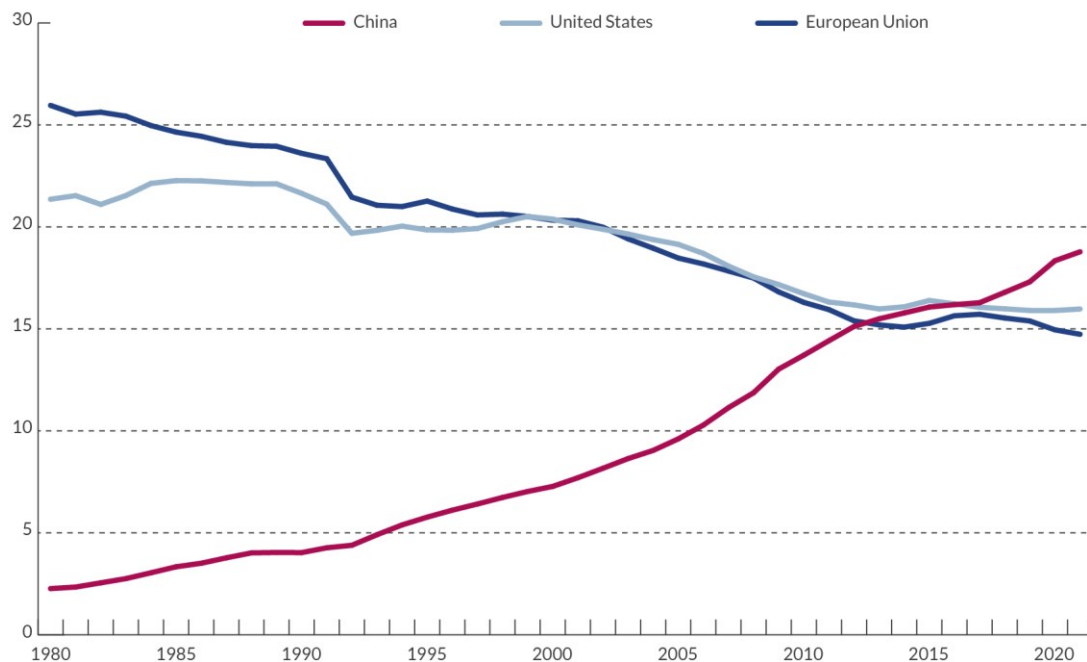
<sup>3</sup> See Flach, Lisandra and Marina Steininger. Globalisierung nach COVID-19: Die Folgen der Pandemie für die deutsche Wirtschaft. In: ifo Schnelldienst, 2020, Vol. 73, No. 7, p. 17.

<sup>4</sup> Hilpert, Hanns Günther. Handel, Wirtschaft, Finanzen: Rivalitäten, Konflikte, Eskalationsrisiken. p. 27.

<sup>5</sup> Rudolf, Peter (2020). „Der sino-amerikanische Weltkonflikt“, p. 11.

## Gross Domestic Product Based on Purchasing-Power-Parity (PPP)

Share of World Total Percent



Figures are Percentages. Values for 2021: Forecast.  
Source: IMF 2021.

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Added to this is a political-conflict dimension being fed by the economic and technological competition described above as well as by the ideological contradictions between the two states. As a result of China's rise the United States finds itself confronted for the first time since the end of the Cold War with a power-political challenger that calls into question American hegemony and the international world order based on it. Alongside multilateralism based on liberal norms with Western-dominated institutions like the WTO, the International Monetary Fund (IMF) and the World Bank, China is growing increasingly assertive in positioning complementary or even rival regional institutions such as the Asian Infrastructure Investment Bank (AIIB) as well as its own supraregional initiatives like the Belt and Road Initiative in particular, to expand its trade partnerships. China has been able to expand its own interests and values through these interdependencies, especially in Asian and African countries, at the expense of the United States. This rivalry is all the more serious due to the competition between the two countries' internal political systems. While the United States under President Biden is increasingly returning to making liberal and democratic norms the benchmark for its foreign policy actions, the autocratic regime in Beijing is insisting on the principle of non-interference at home and is strengthening many political forces that stand in the way of democratic or constitutional transformation in other countries.

One of the ways the conflict between the two geopolitical rivals, the United States and China, manifests itself is in punitive tariffs and sanctions, which will continue under Joe Biden. Both parties are failing to settle these disputes within the rules and regulatory framework of the WTO – on the contrary, core principles such as non-discrimination and foregoing punitive tariffs not approved by the WTO are weakening the trade framework of the WTO. The possibility that this conflict will develop into trade blocs cannot be ruled out.<sup>6</sup> “The result could be a world divided into Chinese

<sup>6</sup> Rudolf, Peter (2020). „Der sino-amerikanische Weltkonflikt“, p. 12.

and American standards and systems. That would be the end of the international economic order and globalization as we still know it today”.<sup>7</sup>

The result of the economic disintegration processes described above – including the United Kingdom’s withdrawal from the EU, Russia’s increasingly aggressive pursuit of national interests, intensifying political disputes between China and its East Asian neighbors, and Turkey’s growing distance from the EU – is a fragmented global economy. This has negative consequences for all economies, and thus for the material basis of social progress.

#### **IV Consequences of the Fragmented World Economy for Europe**

If progressing international division of labor as described above means an increase in material prosperity, a decrease of this division of labor leads to a decline in material prosperity – with negative consequences for the non-material living conditions closely linked to it. This involves both declining exports and lower imports: If domestic companies can sell fewer products abroad – meaning that exports decline – this means losses of jobs and income. Declining imports mean that consumers are forced to switch to the more expensive products of domestic companies. This reduces consumer purchasing power.

Rising protectionism therefore harms the prosperity of European citizens not only through declining exports but also due to lower imports. With regard to imports, the greater Europe’s dependence on imported products, the greater the resulting decline in welfare. The degree of dependence in turn depends on whether there are substitutes for these imports and what prices have to be paid for them. Here are just three examples.

A first example of European dependence is the market for generic medicines. Production of generic medicines has come to an almost complete standstill in Germany and Europe. The reason is low production costs in Asia, especially in China. In China, low labor costs, low environmental and safety requirements, and government subsidies provide enormous cost advantages and therefore price advantages. Even the Indian pharmaceutical industry now sources about 80 percent of its input materials from China.<sup>8</sup> As a result, Asian suppliers are currently able to offer generic prices of around 0.06 euro cents for a daily dose.<sup>9</sup> Production of these medicines in Germany is not competitive at this price. Depending on the medicine, a price from a German producer that would cover the cost would have to be around 0.50 euro cents.<sup>10</sup> Although switching to European products would reduce supply risks and environmental damage, it is only possible in this area at considerably higher economic costs.

A second example involves technology dependency. Patents play an important role here because they regulate the right to use inventions. Attention must also be paid here to the quality of the patents. Bertelsmann Stiftung published a study in 2020 that examined world-class patents in

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<sup>7</sup> Braml, Josef. Biden’s Geo-Economics Forces De-Globalization. Blog Post auf Future of Globalisation. <https://blogs.die-gdi.de/2021/05/06/bidens-geo-economics-forces-de-globalization/>, [retrieved July 17, 2021].

<sup>8</sup> See Hosseini, Morris and Michael Baur. Marktversagen bei der Arzneimittelversorgung am Beispiel von Antibiotika – COVID-19 wirft Schlaglicht auf das Problem – ist aber nicht dessen Ursache. In: ifo Schnelldienst, 2020, Vol. 73, No. 5, pp. 27ff.

<sup>9</sup> See Joachimsen, Kai (2020). Worauf es jetzt ankommt. In: ifo Schnelldienst, 2020, Vol. 73, No. 5., p. 29.

<sup>10</sup> See Hosseini, Morris and Michael Baur. Marktversagen bei der Arzneimittelversorgung am Beispiel von Antibiotika – COVID-19 wirft Schlaglicht auf das Problem – ist aber nicht dessen Ursache. In: ifo Schnelldienst, 2020, Vol. 73, No. 5, pp. 28.



cutting-edge technologies. These are patents that, first, are located in industries with high long-term economic growth prospects, and second, are cited particularly often in other patent applications and have thus been registered in many markets. These patents are particularly strong indicators of the innovative strength of countries and regions (see Bertelsmann Stiftung 2020: 9). Looking at 58 key future technologies and the period from 2000 to 2019, the following developments become apparent:<sup>11</sup> The United States was still the world's undisputed "patent superpower" in 2019. It holds the most world-class patents in 50 of the 58 cutting edge technologies studied. China has caught up quickly since 2000: The country ranked among the top three countries in 2019 with the most top patents in 42 of the 58 technologies studied. For comparison, China did not have a single ranking in the top three in 2010, and in 2000, it did not have a single ranking in the top five. Viewed in isolation, European countries fare poorly: No single European country had the most world-class patents in any of the 58 technologies. The EU-27 together achieved two top positions. If these trends continue, Europe risks losing its international competitiveness in the markets of the future – with negative consequences for employment, income and prosperity.

The dependence of resource-poor countries on imported raw materials is highly problematic. This is illustrated by the third example of rare earths, essential for use in many key technologies including wind turbines and electric motors: In 2018 the global production volume of rare earths, which include a total of 17 elements, was around 170,000 tons. 70 percent of this came from China, followed by Australia (12 percent) and the United States (nine percent). Europe cannot turn to substitutes here. The only option left is therefore to reduce the content of rare earths in products through technological advancement, which has already been achieved in part, for example in the case of heavy rare earths in magnets.<sup>12</sup> But because such innovations are time-consuming as well as not possible everywhere, this results in a high dependence on China. And indeed, during the conflict with the United States, the Chinese government considered imposing an export embargo on rare earths.<sup>13</sup>

A fragmented global economy would thus significantly impair the material and non-material prosperity of the people of Europe. Progress – in the sense of a better life with higher life expectancy and improved opportunities for societal participation – would then become increasingly difficult. Even the status quo that has been achieved will come under pressure.

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<sup>11</sup> See Bertelsmann Stiftung (ed.). *Weltklassepatente in Zukunftstechnologien – Die Innovationskraft Ostasiens, Nordamerikas und Europas*. Gütersloh: Bertelsmann Stiftung 2020, pp. 6–7.

<sup>12</sup> See Prognos AG and Öko-Institut. *Rohstoffbedarf im Bereich der erneuerbaren Energien*. Without Location, 2019, p. 14.

<sup>13</sup> See Hilpert, Hanns Günther. *Handel, Wirtschaft, Finanzen: Rivalitäten, Konflikte, Eskalationsrisiken*, p. 30.



## V Five Proposals for Europe

To maintain prosperity and social progress in Europe despite increasing global economic disintegration tendencies, five key measures appear prudent.

First: Strengthen and support international and multilateral organizations. With regard to the international division of labor, this primarily concerns the World Trade Organization (WTO) and an adherence to multilateral principles of international trade such as non-discrimination and a rule-based trading system.<sup>14</sup> Where multilateral ideas cannot be implemented, closer cooperation between Europe and countries that share European or Western values (guarantee of civil and human rights, rule of law, democracy and separation of powers, individual liberties, freedom of the press and religion to name but a few) would be conducive. In addition to the United States, these include Japan, Australia, New Zealand, and a number of Asian states including Japan, India, and the ASEAN states<sup>15</sup>. With an intensification of trade relations with these countries, the economic dependence on China and the United States – with regard to both European exports and the import of intermediate inputs and raw materials – is declining.

Second: Intensify cooperation with Europe's neighboring countries, including those in Africa. This will open up new sales opportunities for Europe's companies. In addition, fair cooperation in the extraction of some raw materials that are mined in Africa should be considered. For example, in 2018, around 64 percent of global cobalt production came from Congo.<sup>16</sup> This raw material is needed for battery production for smartphones, tablets and electric cars. Cooperation between Europe and Africa also lends itself to the area of climate protection. For example, the Clean Development Mechanism should be considered here:<sup>17</sup> This mechanism was established in December 1997 in the Kyoto Protocol, which entered into force in February 2005. Industrialized countries can finance projects in developing countries to reduce greenhouse gas emissions and receive credit for the resulting emission reductions. For example, if Germany invests in the construction of a solar plant in Algeria, which generates electricity that without this investment would be provided by a coal-fired power plant, this investment reduces greenhouse gas emissions in Algeria. Certificates are issued for the emission reductions achieved in Algeria. These emission credits are transferred to the investor in Germany and can be used by them as emission rights or sold. Private capital can be mobilized in this way for efficient global climate protection. This instrument makes good business sense for companies if emission avoidance costs in their own country are higher than in a developing country. At the same time, this mechanism contributes to sustainable development in developing countries that consequently obtain access to highly advanced and climate-friendly technologies and expertise. Greater use of this instrument by

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<sup>14</sup> See Hilpert, Hanns Günther. *Handel, Wirtschaft, Finanzen: Rivalitäten, Konflikte, Eskalationsrisiken*, p. 31.

<sup>15</sup> ASEAN stands for the Association of Southeast Asian Nations. This organization, founded in 1967, currently comprises ten countries, including Indonesia, Thailand, the Philippines, and Singapore.

See Winkler, Heinrich August. *Was heißt westliche Wertegemeinschaft?*. In: *Internationale Politik*, Vol. 62, No. 4, pp. 66.

See also: Graf Lambsdorff, Alexander. *Liberaler Leitlinien für eine deutsche Außen-, Sicherheits- und Entwicklungspolitik aus einem Guss*. In: *Zeitschrift für Außen- und Sicherheitspolitik*.

<sup>16</sup> See Prognos AG and Öko-Institut. *Rohstoffbedarf im Bereich der erneuerbaren Energien*. Without Location, 2019, p. 13.

<sup>17</sup> See for the following remarks: *Deutscher Bundestag. Clean Development Mechanism als Instrument der Entwicklungspolitik. Ausarbeitung der Wissenschaftlichen Dienste des Deutschen Bundestages*. Berlin 2006. pp. 3–8.

European emitters can thus increase prosperity in Europe and the participating developing countries while also mitigating climate change.

Third: Reduce Europe's dependence on imported fossil fuels by promoting renewable energy. Deglobalization is problematic for European economies not only due to diminished export opportunities. Because most European regions lack raw materials, they are dependent on imported raw materials – first and foremost being energy imports. If these fail due to trade disputes, sanctions or export restrictions on the part of the energy-producing countries, there is a threat of impaired production and mobility. Funding renewable energies on a pan-European level, e.g., by expanding financing instruments through the European Investment Bank (EIB), is one way to reduce this dependence while advancing climate protection.

Fourth: Reduce import dependence on intermediate inputs. Helpful in this context is a European industrial policy that provides production capacities for critical intermediate inputs and promotes future-relevant technologies. This enables production in Europe. It must be noted, however, that a shift of production back to Europe is associated with higher production costs. These will have to be paid by consumers. Whether they are prepared to do so or will prefer to switch to inexpensive foreign products is open to question. If higher prices cannot be implemented on the market and production is nevertheless to take place in Europe, this will require government support. Various measures can be considered for this. For example, the state could pay suppliers of products manufactured in Europe a subsidy corresponding to the competitive price advantage of the foreign suppliers. It could offer intermediate inputs at competitive prices through a state-owned company and assume the losses incurred at this price. However, these types of measures must then be financed by taxpayers – reduced import dependence comes at a price.<sup>18</sup>

Fifth: With a view to climate change, which poses the greatest long-term threat to the global prosperity, Europe should try to promote the formation of a Climate Club. This idea originated from Nobel Prize-winning economist William Nordhaus:<sup>19</sup> A group of countries that have a similar position on the pricing of greenhouse gas emissions form a “coalition of the willing.” These countries agree on a common emissions price, forming a Climate Club. Other countries could join this club, provided they are willing to abide by the agreed price. To make club membership more attractive, the Climate Club would offer its members an incentive that non-members do not receive: Club members can freely exchange goods and services among themselves. Countries that don't join the club can trade with the Climate Club only if they pay a tariff. The import tariff increases the cost to non-members of their decision not to apply an emissions price. The Climate Club would thus penalize non-cooperative behavior by reducing the benefits of the international division of labor for a non-member. The described Climate Club could reduce global greenhouse gas emissions, but this solution requires a certain critical mass of countries. To achieve an effective minimum size, the EU and the United States could establish such a Climate Club as a first step.<sup>20</sup>

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<sup>18</sup> See Haucap, Justus, Thieß Petersen and Torben Stühmeier. Resilienz internationaler Lieferketten. Policy Brief Zukunft Soziale Marktwirtschaft # 2020/05, Bertelsmann Stiftung. Gütersloh.

<sup>19</sup> See Nordhaus, William. Climate Clubs: Overcoming Free-riding in International Climate Policy. In: American Economic Review, 2015, Vol. 105, pp. 1339–1370.

<sup>20</sup> See Wolff, Guntram B. Europe should promote a Climate Club after the US election.

## VI Conclusion

The last example in particular underscores how important international cooperation is for improving living conditions. Aside from climate change, many of the world's other major problems, such as dealing with global migration, combating international terrorism, containing pandemics and controlling weapons of mass destruction, can ultimately only be resolved within a framework of multilateral cooperation. Progress in terms of improving people's living conditions therefore requires strengthening multilateralism. Where this fails, Europe should promote coalitions with other countries and regions that share European values in the economic, social and political spheres.

It will not be possible to manage the global problems described above without strengthening international cooperation, which is under pressure. Added to this is another danger: Economic growth, even beyond the associated improvements in material and non-material living conditions, is a central precondition for social innovation and structural change. Many structural changes, such as those brought about by globalization and technological progress, mean a loss of income for some groups of people within a country. For example, imports from low-wage countries into industrialized countries lead to diminishment of employment and income opportunities for low-skilled people. Compensation payments are usually required to keep these population groups from adopting an attitude of political obstructionism – the losers in the structural change receive money, which reduces their resistance to structural change. These payments are financed from growing GDP, but without GDP growth it is difficult to make the payments that make structural change possible in the first place. Europe is thus threatened by a vicious circle: Declining competitiveness in comparison to economies with young and growing populations diminishes economic growth. Pushing technological progress therefore becomes increasingly important as a means to increase competitiveness. This necessary progress cannot be achieved, however, because those who fear income disadvantages from the associated structural change resist technological progress. As a result, the prosperity that has been achieved – not to mention social progress – comes under increasing pressure.

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## Progress as a Trait of a Nation's Identity – The US Perspective

Harold James

### I America's Political DNA

Historically, the US has been optimistic and forward-looking. Today, after the four years' descent into "American carnage" there is hope – and an attempt to recover some of the old historical outlook. But fundamentally, the venture will be doomed if it is treated as an American venture alone. The world will need to look elsewhere. The sun is setting, as it always does, in the west.

The idea of progress is at the core of America's political DNA. Alexander Hamilton's Federalist No. 9, when contemplating the possibility of establishing Confederate Republics, argues that his compatriots had reinvented politics. Previous regimes had been destined to instability and failure. But modern innovations could succeed where ancient republics had succumbed to anarchy or tyranny: "The science of politics, however, like most other sciences, has received great improvement." Walt Whitman, the national poet, the equivalent of Shakespeare or Goethe, explained: "America demands a poetry that is bold, modern, and all-surrounding and kosmical, as she is herself. It must in no respect ignore science or the modern, but inspire itself with science and the modern." The greatest twentieth-century American journalist, Walter Lippmann, in 1961 could still write: "The bond of American union has not been piety and reverence for the past but a conviction of purpose and of the destiny it would bring for posterity. America has always been not only a country but a dream. There has always been a general and unquestioned belief that here on this soil there would be demonstrated to mankind the blessings of freedom: as the shackles and servitudes of the past were put away, there would arise a great and glorious society."<sup>1</sup> Lippmann, writing at the beginning of the Kennedy administration, was facing a paradox, of which he was already well aware. As the country moved to global preeminence in the mid-twentieth century, the confidence would endure a generation, until the 1960s: and then a widespread skepticism or revulsion against progress set in.

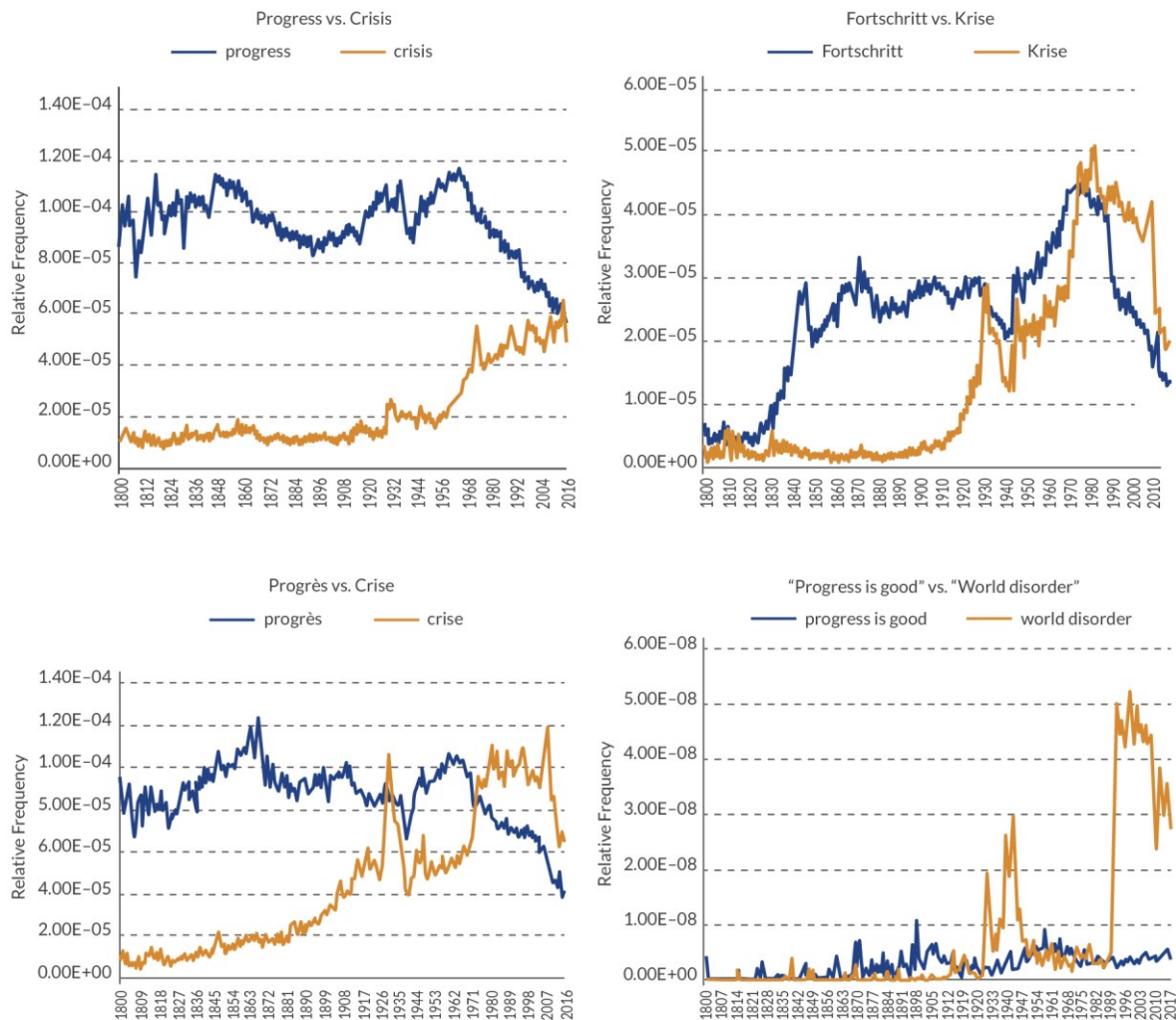
I grew up (in Britain) with an impression of America shaped by pictures of wide blue skies, space rockets, the Boeing 707, large dams, interstate highways, and convertible cars with cool tail fins. But in my teens the images were completely different: race riots in Newark, napalmed children in Vietnam, gasoline shortages, and the uncanny visage of Richard Nixon at Disney World saying "Well, I am not a crook."

There's no need to be subjective about this though. We can see the move of sentiment in the shifts of the simple vocabulary Americans have used to describe their view of the world. Compare the appearance of the words "progress" and "crisis" in books of different languages (Figs 1-4). Americans have always used the word "progress" more frequently than "crisis," unlike twentieth-century Germans. But from 1967, the use of "progress" fell off swiftly, while "crisis" rose (and "progress" in French or German also indicate increasing disapprobation after 1967, though the French decline started earlier). After 1966, Americans in print started to use the phrase "progress is good" much less frequently.

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<sup>1</sup> Walter Lippmann. National Purpose. In: American Principles and Issues: The National Purpose. Oscar Handlin (ed.). New York: Holt, Rinehart and Winston, 1961, p.471.

## Google N-Gram Word Frequency in Printed Books 1800-2018



Source: Google Books Ngram Viewer.

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In the 1970s, the situation grew much worse. Vietnam, the gasoline shortages, Watergate, stagflation amounted to a national loss of faith. In a moment of profound introspection, President Jimmy Carter cancelled his Independence Day speech in 1979, and spent ten days in Camp David listening to the American people. He then gave a gloomy speech, known for ever as “crisis of confidence” or “malaise” (Carter did not actually use that word). The crisis was striking “at the very heart and soul and spirit of our national will. We can see this crisis in the growing doubt about the meaning of our own lives and in the loss of a unity of purpose for our nation. The erosion of our confidence in the future is threatening to destroy the social and the political fabric of America.”<sup>2</sup> America lost its innocence, its belief in progress.

There was a pincer movement against optimism in the late twentieth century, born of much deeper trends than the chances of particular personalities and politics. On one side, concern with the limits of growth, revulsion against materialism and consumerism, a rejection of capitalist prosperity. And on the other side, a newly dynamized Christian evangelical stream with a bleak millenarian content

<sup>2</sup> Carter, Jimmy. Crisis of Confidence. Televised speech, July 15, 1979.



and a catastrophist obsession with the end of times – or as they frequently styled it, the rapture. Catastrophism thus had diverse roots, and it was the interplay of dismal visions that generated the new national mood. The individualism which once projected American optimism has now turned into a self-obsession and selfishness, in which a substantial minority of Americans (around a third) for instance reject the idea of getting vaccinated because they think that they – as individuals – don't need that protection: they don't appear to think of their fellow citizens.

## II The Eyes of All People Are upon Us

It is worth tracing the responses to the new American malaise through presidential speeches. Ronald Reagan tried to reimagine or reinvent American purpose, and consistently and systematically used two phrases from John Winthrop's "lay sermon" of 1630, "we shall be as a city upon a hill; the eyes of all people are upon us." These words of early America offered a way of building a new national sentiment – a vision of progress through the eyes of nostalgia. Winthrop, a prosperous Puritan lawyer and merchant, drew the document up as he prepared to lead the victims of English religious persecution to a new life in Massachusetts on the rather fragile ship "Arabella." His words eventually became the foundation stone for a new version of American exceptionalism.

Winthrop had titled his tract "A Model of Charity": the fundamental message was that the rule of Christian love and religiously driven mutual obligation should take precedence above economic considerations when the public wellbeing was at risk. Otherwise the risk was the collapse of hope and public humiliation. "So that if we shall deal falsely with our God in this work we have undertaken and so cause him to withdraw his present help from us, we shall be made a story and a byword through the world." And finally, "if our hearts shall turn away so that we will not obey, but shall be seduced and worship other Gods, our pleasures, and profits, and serve them, it is propounded unto us this day, we shall surely perish out of the good land whither we pass over this vast sea to possess it."<sup>3</sup> Reagan had originally emphasized the grim warning inherent in the "story and byword," the consequence of dealing falsely with our God, but after 1981 largely dropped that part of the Winthrop message.<sup>4</sup> In fact, as used by Reagan, and countless other political speakers at festive and commemorative events since the 1980s, the warnings were ignored, and only the triumphalist part of the "city on the hill" (and often with the perhaps inappropriate addition of "shining") was deployed in the rhetoric of America's civil religion.

## III Experts and Technocrats

One of the features of the traditional or old American belief in progress was a willingness to trust government to technocrats. The California engineer William H. Smyth coined the word "technocracy" in 1919 to describe "the rule of the people made effective through the agency of their servants, the scientists and engineers." The concern with technocracy as a solution to organizational problems was pushed further during the Second World War. The main focus of that new development was the United States, and the new approach to science and scientific knowledge underpinned the spectacular strength and international dominance of the US economy in the postwar period. The Manhattan Project – which developed the atomic bomb – had a research budget that was larger in

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<sup>3</sup> Rodgers, Daniel T. *As a City on a Hill: The Story of America's Most Famous Lay Sermon*. Princeton University Press, 2018, pp. 307-308.

<sup>4</sup> Rodgers (p. 243) carefully calculates that in more than 30 references after 1981, Reagan only used the "byword" part twice.



1944 and 1945 than that of the entire Department of Defense. It introduced a new vision of “big science.” The Office of Scientific Research and Development of Vannevar Bush laid a basis for public-private cooperation. Bush’s 1945 report, “Science, the Endless Frontier,” set out a bold vision: “Without scientific progress no amount of achievement in other directions can insure our health, prosperity, and security as a nation in the modern world.” The report laid out in a stunning way – that later generated some pushback from practitioners – how “basic research is the pace-maker of technological progress.”<sup>5</sup> Inventiveness will produce solutions.

But then Vietnam destroyed confidence in military or strategic technocrats, the Global Financial Crisis destroyed faith in economic technocrats, and COVID produced a backlash against science. Epidemiologists, vaccine scientists, public health experts: could they be trusted. The diversity of epidemiological models and their conflicting results prompted popular confusion and uncertainty. One review of the major models concluded: “the language of these papers suggests a degree of certainty that is simply not justified. Even if the parameter values are representative of a wide range of cases within the context of the given model, none of these authors attempts to quantify uncertainty about the validity of their broader modeling choices.”<sup>6</sup> Uncertainty and complexity – which might be thought to produce a greater demand for science and expertise – instead produced a loss of hope and purpose, and a pervasive skepticism.

It is easy to see why periodic revolts against technocrats and experts take place. These people are making decisions on the basis of prognoses that are problematic and uncertain: those prognoses often are revealed after the passage of time – sometimes even quickly – to be flawed. 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. In addition, the technocrats have deliberately cut themselves off from the social environment which gave them meaning. 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 themselves from the constraints of the environment to the extent that they wished.” That was a cybernetic organism or cyborg.<sup>7</sup> But it is not human.

The need for techniques to manage complexity generally arises out of a specific challenge – the classic one is military conflict, and it is indeed the great and transformative conflicts of the Civil War that pushed the idea of progress in America most dramatically (see Figures “Google N-Gram Word Frequency in Printed Books 1800-2018”). But technocrats become cyborgs and 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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<sup>5</sup> <https://www.nsf.gov/od/lpa/nsf50/vbush1945.htm#ch1.3>, [retrieved July 20, 2021]; for the pushback see Stokes, Donald E. *Pasteur’s Quadrant: Basic Science and Technological Innovation*. Washington: Brookings, 1997.

<sup>6</sup> Avery, Christopher et. al. *Policy Implications of Models of the Spread of Coronavirus: Perspectives and Opportunities for Economists*. In: NBER Working Paper No. 27007, April 2020.

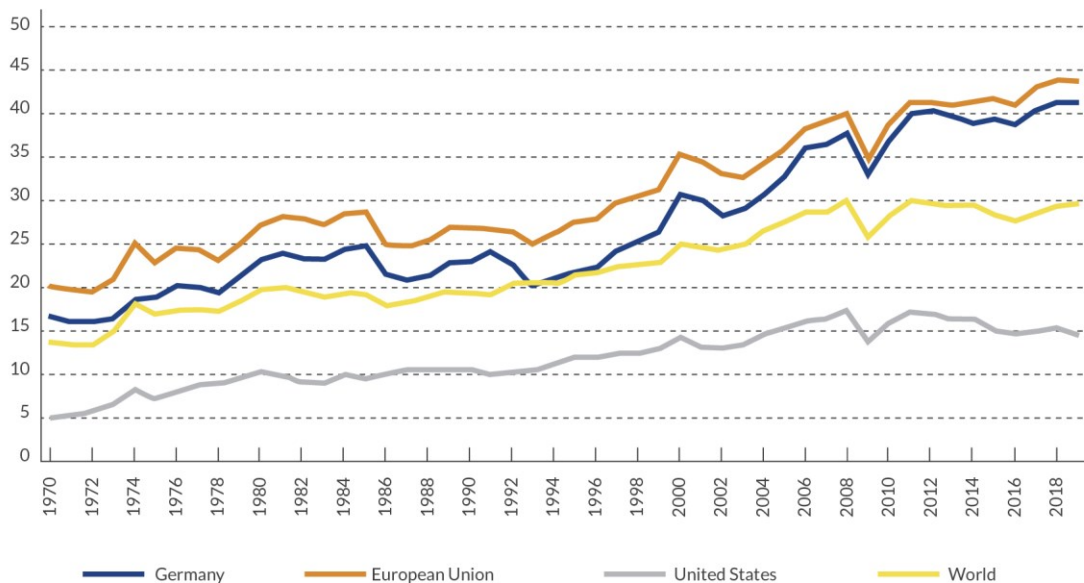
<sup>7</sup> Gray, Chris Hables (ed.), Steven Mentor and Heidi Figueroa-Sarriera. *The Cyborg Handbook*. London: Routledge, 1995, p. 47; Gerschlager, Caroline (ed.). *Expanding the Economic Concept of Exchange: Deception, Self-Deception and Illusions*. New York: Springer Science + Business Media, 2001, p. 107.

## IV Engagement with the World

It would be wrong to believe, as some influential thinkers in China do, that the US is in a terminal decline. It is still a highly innovative and inventive society. But American engagement with the world has been consistently on the retreat for some time, since the 2008 financial crisis. The process of disengagement is visible in politics (since 2000) as well as in economics (largely since 2008). Victoria Nuland, likely to be Under Secretary of State for Political Affairs in the Biden administration, complained how “Washington and its allies had forgotten the statecraft that won the Cold War.” Resignation set in, and “Americans have lost confidence in their own ability to change the game.”<sup>8</sup>

The economic phenomenon of disengagement is most obvious in trade, where since 2008 US trade has been exporting. But going back to the 1970s, the world’s share of trade relative to that of the US was consistently rising (see Figure “Imports of Goods and Services as Share of GDP”).

Imports of Goods and Services as Share of GDP



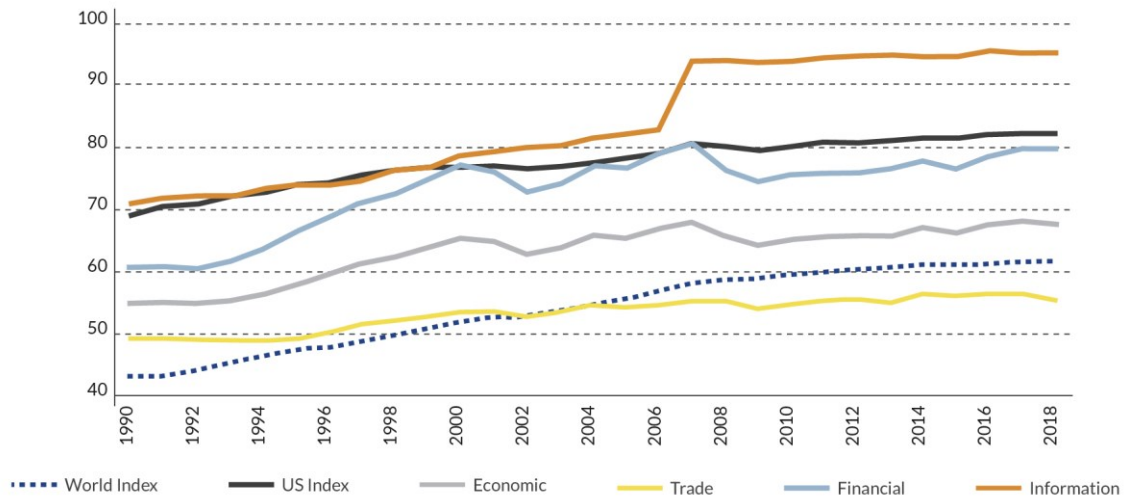
Source: World Bank data.

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We can see the same result in other measures of globalization, including the most wide-ranging of the measures available, the KOF index. Only in information openness has the US substantially globalized in the past twelve years (see Figure “US Globalization”).

<sup>8</sup> Nuland, Victoria. Pinning down Putin: How a Confident America Should Deal with Russia. In: Foreign Affairs, July/August 2020, p. 93.

US Globalization (KOF Index)



Source: KOF Index  
<https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html>

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In the past, the dynamism of the US relied on immigration: that was the great nineteenth-century model. But the rate of growth of the immigrant population has been falling for several decades (see Figure “Average Annual Growth in US Immigrant Population”).

Average Annual Growth in US Immigrant Population  
 In Percent



Source: US Census Bureau.

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The US is becoming less dynamic and open, and also more introspective, obsessed with culture wars, and more concerned with the historic injustices (mostly racial and connected with the legacy of slavery) that always marred the exceptionalist American promise of progress.

Can there be a turning back to the world? One of the perennial American themes is the search for a (secular) redeemer, a hero who will reinterpret, remake and refound the American vision. In 1961, Lippmann explained, “We are now waiting to be shown the way into the future. We are waiting for another innovator in the line of the two Roosevelts and Wilson.”<sup>9</sup> We are still waiting, and the re-ception of Biden – the enormous relief after the bleak Trump years – reinvigorates the hope.

The new US administration has indeed announced a firm commitment to revive the principles of multilateralism. On January 25, 2021, five days after his inauguration, President Joseph Biden tweeted, “I spoke today with German Chancellor Merkel, conveying my commitment to multilateralism, the transatlantic alliance, and close coordination with allies on the range of global challenges from COVID-19 and climate change to China and Russia.”<sup>10</sup> The most spectacular U-turn has been on climate policy, and reengagement with the Paris climate agreement.

However, much of the rhetoric, and the apparent policy stance, on China remains unchanged from the Trump era, and some analysts even think of it as a “copy and paste exercise.” For the moment, Biden just says that he needs to have time to rebuild the US economy before he can turn to the trade concerns. Naturally, rebuilding the US economy is not something that can be achieved overnight. Katherine Tai, the US Trade Representative, explained to the National Foreign Trade Council that Biden intended to “implement a worker-centered trade policy. What it means in practice is that US trade policy must benefit regular Americans, communities and workers. And that starts with recognizing that people are not just consumers. They are also workers and wage earners.”<sup>11</sup>

The trade stance is likely to spill over into climate negotiations, where engagement with China is especially vital. Biden opened the climate summit in April by emphasizing the priority of jobs: “We are here at this summit to discuss how each of us, each country, can set higher climate ambitions that will in turn create good-paying jobs.”<sup>12</sup>

Special envoy John Kerry announced – in an apparent return to American optimism - that “We are the country that went to the moon. We didn’t know how we were going to get there when President Kennedy announced the goal, but we did it.”<sup>13</sup> The statement indicates the contours of the American approach – to rely on green technologies, hydrogen fuels, batteries, carbon capture – but without much attention to the creation of incentives that will modify behavior. A carbon tax is a political impossibility in the US, because of the way its effects would fall disproportionately on middle America, while sparing the urban coastal elites who do not depend so much on automobiles. The alternative, carbon pricing through ETS – the well-developed system in the EU – has been applied in California, but elsewhere holds little appeal. There is thus still a central mystery on how the US will actually implement very ambitious targets. The central promise on clean energy R&D is to invest \$35 billion over seven years “in the full range of solutions needed to achieve technology

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<sup>9</sup> Lippmann, p. 472.

<sup>10</sup> <https://twitter.com/potus/status/1353879328203943936?lang=en>, [retrieved July 20, 2021].

<sup>11</sup> Hayashi, Yuka. Biden Trade Policy to Center on Workers, USTR Nominee Says: Katherine Tai Expects New Administration to Confront China and Enforce U.S.-Mexico-Canada Pact. In: Wall Street Journal, Jan. 12, 2021.

<sup>12</sup> Hook, Leslie, Camilla Hodgson and Christian Shepherd. US Aims to Lead by Example as Countries Pledge Climate Action: Summit Day 1: Biden Says Cutting Emissions Will Boost Jobs and China’s Xi Promises to ‘Phase Down’ Coal. In: Financial Times, April 22, 2021.

<sup>13</sup> Khan, Mehreen, Leslie Hook, Victor Mallet and Katrina Manson. New US Climate Strategy Opens up Old Faultlines with Europe: Biden’s Environmental Comeback Only Masks Divergent Approaches Between the Two Economic Powerhouses. In: Financial Times, April 23, 2021.

breakthroughs that address the climate crisis and position America as the global leader in clean energy technology and clean energy jobs.” \$5 billion a year: that’s really small change. It can’t meet the messianic expectation.

The centrality of the US to everyone else’s discussions of global governance may look to some optimists in Washington as if it will inevitably persist, because the US provides two common goods that everyone still, for the moment, needs: the English language as a common medium of expression, and the American dollar as a common medium of exchange. Will they endure even after the relative decline of America’s share in the world economy, the rise of big new economic powers, the fragility of the international order, and the increased push (even with the new administration) to disengage from the world?

Both language and dollar are now under threat. The past years have seen enormous advances in automatic translation. For a long time, the world was dependent on just a few mechanisms in which computer learning helps to produce better translations. The preeminence of Google, and Google translate, in this domain ensured that for instance the EU needed to develop its own automatic translation service for its internal and external documents. The rapidity of development of AI means that these monopolies are breaking down, and that much superior products to those of Google or Microsoft are now available at low prices. Peoples across the world will be able to communicate without the necessary intermediation of the language of Shakespeare.

And money as a translator of wants and needs? The long preeminence of the dollar is under challenge, but not primarily from other currencies – though both the euro and the renminbi are sometimes presented as claimants to the throne of the dollar. The national era in money was drawing to a close at the same time as a technological revolution gave rise to radically new methods of addressing the problem of a cross-border language or memory. This insight offers a key to understanding financial evolution after the crisis of 2007-8. One consequence is the unbundling of the apparently solid historical link between money and monetary stability and government fiscal management. Experiments to tackle the economic fallout from COVID through large central bank stimulus programs, promised for long time periods, risk a new vulnerability and an oscillation between deflationary and inflationary dangers. It is likely that the world will demand a new monetary revolution.

As money is unbundled into different functions, with new platforms of exchange, where is innovation most likely to occur? One prediction would be that the innovation would occur where states are weak and not trusted, and consequently state promises are not seen as highly credible. In those cases, it is much more attractive, and much more urgent, to unbundle fiscal and monetary action. By such criteria, the revolution is likely to occur fastest in quite poor countries – in Africa, or in former Soviet Republics. The new technical developments offer a new possibility of grasping the opportunity of leapfrogging history, moving from poverty and institutional underdevelopment to institutional complexity and the chance of innovation and prosperity.

Another future scenario looks at already well-developed industrial societies. It is in that environment where society is most divided into communities of interest who do not need to exchange much across groups, and perhaps do not want to associate with groups that have different social or cultural values. In highly modernized and individualized societies, where the promise of social cohesion means less, being able to separate peacefully into different groups may become a way of avoiding clashes and conflict. Currencies will establish communities, bound together by exchanges of information. We will unbundle different aspects of our lives: thus Starbucks cards might

be used as an international currency for luxury food products, or Apple music or Spotify plans/memberships for buying or selling sounds. But the new digital eco-systems might be rebundled in new ways: excessive consumption of coffee or of sugars, for example, might be linked to alerts to medical service providers. And the willingness to use smart currencies might be linked to reduced health and life insurance premia (while correspondingly, an unwillingness would be penalized through higher prices).

The circumstances that led to the long period of dollar hegemony are now changing. COVID is accelerating that development – as in many other areas of life. It is making for more digital globalization, and less actual globalization, less movement of people and of goods. There is more information flowing – this is the ultimate weightless economy or weightless globalization.

The dollar's centrality was prompted by the demand for a deep and liquid safe asset; and that centrality will only disappear when alternative safe assets emerge, backed in some cases by non-state providers. In the past, alternative safe assets dominated – when precious metals were the basis for currency issue. Even in the late twentieth century, nostalgic commentators looked back to that era. The alternative is to think of currency as having a real collateral – in this particular case, information generated by the participants in a wide variety of overlapping communities.

## **V The Way Forward: The Eyes of All People**

In the end, there won't be one language or one currency on the throne. The world will have to solve its problems without the United States, and reinvent multilateralism substantially on its own. There is thus a premium on thinking about the way the world can be coordinated. What sort of institutions will hold this new world together? "Globalists" (a phrase originally popularized by Walter Lippmann) were attacked for trying to institute world government: but that was always a vain and foolish dream. It would fail very quickly in any attempt at social or cultural translation. Instead, there is a need – and the technical possibility – of connecting all kinds of local communities.

There won't be central planning on any world scale. The best hope for getting coordinated action is to think of incentives – and the most powerful incentives are consistently delivered through price mechanisms. Prices create signals, to which behavior responds. If carbon products are to be used less, they need to become more expensive.

People will want to be sure that they are not unfairly being pushed into novel patterns of behavior. This is where price transparency – and information transparency, more generally – is vital.

There were three distinct ways in which multilateral governance institutions had operated in the long era of postwar stability. The first, and probably initially most attractive, but also most uncertain in terms of its legal status, is a judicial or quasi-judicial role in arbitrating disputes between countries. There are always cases that look as if they require arbitration: trade disputes, or – often associated with trade disputes – debates about whether currencies are unfairly valued so as to produce a subsidy for exporters. The new emphasis on sovereignty in the US, the UK, and elsewhere in Europe where "sovereignists" confront "globalists," pushes back against this type of arbitration.

The second style of multilateralism involves institutions acting as sources of private advice to governments on policy consistency and on the interplay between policy in one country and those in



the rest of the world: explaining and analyzing feedbacks and spillovers and offering policy alternatives. The essence of this kind of advice is that it is private. It is like speaking with a priest in the confessional. The outcome may be that behavior or policy changes, but the outside world will not really understand the reason or the logic that compels better behavior.

The third is as a public persuader with a public mission. British Prime Minister Gordon Brown liked to use the phrase “ruthless truth-telling” or “speaking truth to power” with regard to the advice of multilateral institutions. There is an increasing recognition of the limits of secret diplomacy and behind-the-scenes advice. Societies cannot be moved unless there is a genuine consensus that they are moving in the right direction. The backlash against globalization is fed by a climate of suspicion: experts, economists, international institutions are not trusted.

The post-crisis world is one in which ever larger and more frequently updated amounts of data are available. In the past, we needed to wait for months or years before we could conclude accurate assessments of the volume of economic activity or of trade. Now real-time data on a much broader set of measurable outcomes is available, and a great deal of effort is devoted to coordinating the prompt release of data. Some of this data is managed by international institutions, but much is held elsewhere, by universities (Johns Hopkins in the case of COVID health data), individuals (as in Raj Chetty’s compilation of consumer data), companies (who keep it as a commercial secret), or governments (who try to suppress it when it is uncomfortable for them). The COVID crisis has shone a harsh light on the way in which health data, and health outcomes, are linked to many aspects of social and economic life. Its aftermath has also led to a politicization of other data – on the incidence of crime, and links between crime and other socio-economic data (income and ethnic identity). IT showed how data could tell us whether remedies or vaccines were effective – or quackeries (remdesivir versus hydroxychloroquine).

Information and its effective dissemination can assure that governments and communities, corporations and individuals, are held accountable: that they see the consequences of their actions, and that others see and react to them. The availability of data assures people that their actions have consequences; or as Winthrop put it in 1630, that the eyes of all people are upon us. This may be the only way we can return to the ideals of the original progressivist vision. Data and the translation of data into prices can provide Whitman’s “bold, modern, and all-surrounding and kosmical” vision: a poetry of observability.

The nineteenth- and twentieth-century struggles over socialism and capitalism were cast as fights over ownership of the means of production. We can now be much more specific about what that production involves, as we know more. The wider dissemination of data will be inherently controversial. Not least because it offers the public, the citizens, an element of control. They can ask: are governments doing well in promoting public goods? Are specific companies with substantial market power hurting and harming, or protecting and promoting the general welfare?

The old conflicts were cast as fights over ownership of the means of production. We can now be much more specific about what means of production means. We need a movement now for the ownership of data – analogous to early nineteenth-century workers’ demands to own their labor. Managing the supply of reliable and real-time information today opens up new possibilities for effective macro-economic global coordination, but also for increased democratic legitimacy. Information is a way of meeting the demand for the real engagement of citizens. More data, more freely available, would offer a basis for more informed political choice and for a new political economy of stability. The struggle of the twenty-first century will be over a new type of property: who



controls your data, and how it is combined with that of others. How can data be shared for your benefit without compromising your interests, your individuality, and your concern for privacy? The American dream consisted of an unknown land; the world dream depends on knowing the land of data.

## **VI Summary**

The US has historically been optimistic and forward looking.

The historic vision relied on visibility and transparency: “the eyes of all people are upon us.” The sense of acting in public generated accountability and responsibility.

From the late 1960s and the 1970s, American views of the future became bleaker, indeed frequently catastrophist, and Americans have become skeptical about technocrats: in military affairs, in economics, in health and environmental issues.

Since 2000, the US has disengaged from the world.

The centrality of the US is eroded because of technological challenges to what remains of the American special status: the role of the English language and the American dollar.

The debate about the future and how to manage uncertainty now relates above all to global public goods.

## **VII Recommendation**

American optimism can only be resurrected on a global level, through radical improvements in data management, accessibility and accountability.

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## Progress and Improvement in a Fragile World – The Chinese Perspective

Kerry Brown

### I Introduction

The era of Xi Jinping has been called the “age of ambition”<sup>1</sup> by non-Chinese commentators. But within the country, in the language at least of Xi himself, it is seen as a time of “rejuvenation,” “renaissance,” one in which, as he said at the start of his epic address to the 19<sup>th</sup> Party Congress in October 2017, the country and the party ruling over it must “remain true to our original aspiration and keep our mission firmly in mind, hold high the banner of socialism with Chinese characteristics, secure a decisive victory in building a moderately prosperous society in all respects, strive for the great success of socialism with Chinese characteristics for a new era, and work tirelessly to realize the Chinese Dream of national rejuvenation.”<sup>2</sup> After this heady, stirring language, however, Xi almost immediately used a different tone: “Both China and the world are in the midst of profound and complex changes. China is still in an important period of strategic opportunity for development; the prospects are bright but the challenges are severe.” In 2021, we are in the midst of this period. This article will ask how it is that China has come to be in this place of huge strategic opportunity, where it understands the importance of working with the wider world, and why this is throwing up significant challenges, but offering important opportunities.

### II The PRC: A Story of Big Statistics

If there is one point of data that captures the essence of why China is where it is today, then that would be the rise of its wealth. The chart below shows that clearly. From a miniscule figure in the early era of the foundation of the People’s Republic of China (PRC), since the turn of the millennium the country has experienced an historically significant explosion of growth. The most dramatic happened under Xi’s predecessor Hu Jintao. While many criticize Hu as presiding over “the lost decade” when “nothing ever got done,”<sup>3</sup> one thing was achieved – an explosion of GDP growth which saw the country quadruple the size of its economy in a decade. Xi Jinping is a strong leader because of this legacy of raw wealth and its potential for power that Hu gave him.

The other important fact to remember in this context is that this extraordinary growth was mostly triggered by China’s entry to the World Trade Organization (WTO) in late 2001. That introduced significant pressure from multinational corporations (MNCs) coming into China and competing with domestic state-owned enterprises (SOEs). This more than anything made them more efficient, and allowed a liberalization of the labor market and Chinese finance. Those processes are ongoing. But it would be false to claim China’s economic achievements were ones it alone achieved. They were a collaborative act, in which the outside world (and in particular the US and the European Union (EU), as China’s largest trade and technology partners) played a key role. The issue in 2021, however, as the impact of COVID-19, and its origination from China, make clear, is that the West

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<sup>1</sup> Osnos, Evan. *Age of Ambition: Chasing Fortune, Truth, and Faith in the New China*. New York: MacMillan, 2014.

<sup>2</sup> Jinping, Xi. *Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era*. XINHUANET. October 18, 2017.

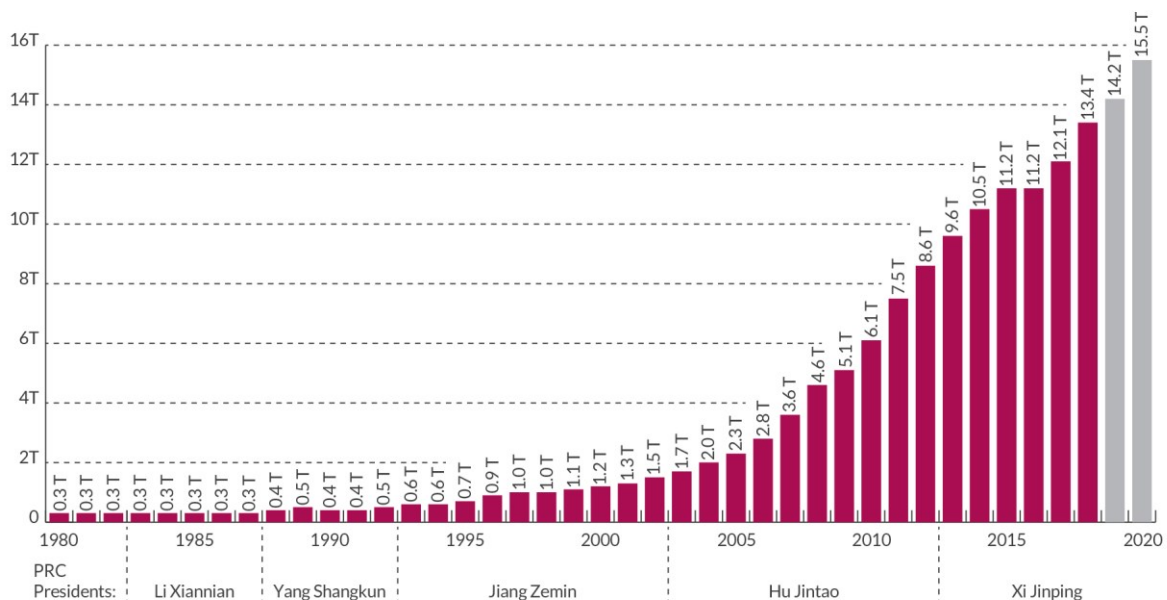
<sup>3</sup> See Brown, Kerry. *Hu Jintao: China’s Silent Ruler*. Singapore: World Scientific, 2011, for a description of the “wu wei” (doing nothing) criticisms made of Hu’s administration.

(here referring mainly to North America and Europe) feel increasingly like the benefits of this partnership have been asymmetrically shared out, with China getting the lion's share. This indeed was behind the core Trump complaints made during his bid for the presidency, and during his time in office. His Vice President Mike Spence, at a speech at the Hudson Institute in 2018, made the clearest articulation of this complaint: "China's actions," he stated, referring to what America saw as its currency manipulation, forced technology transfer, intellectual property theft, and industrial subsidies "have contributed to a trade deficit with the United States that last year ran to \$375 billion – nearly half of our global trade deficit. As President Trump said just this week, 'we rebuilt China' over the last 25 years."<sup>4</sup>

Two years of complex negotiations resulted in a partial trade deal between the US and China in January 2020. That, however, was disrupted by the pandemic that overwhelmed the world thereafter. The most one can conclude from this event, however, is that it made clear China was in the mood to revise its basic trade-and-investment relations with the outside world, and that it still saw that world as playing a key role. Commitment to globalization and partnership figured in the delayed National People's Congress in May 2020, and then in the meeting of China's annual parliament the following year. It also figured in the Common Agreement on Investment (CAI) agreed with the European Union (EU) after seven years of negotiations in late 2020. For the first time, it seemed that this deal, unlike the WTO two decades before, opened up a large amount of China's domestic services economy to foreign investment, something that had been requested for a number of years. It is ironic that the Europeans, rather than the Chinese, resisted ratifying the deal in 2021 for political reasons. For this reason, the CAI currently sits in limbo.

### China GDP

GDP in Current Prices (Trillions of US \$)



Source: <https://mgmresearch.com/china-gdp-data-and-charts-1980-2020/>.

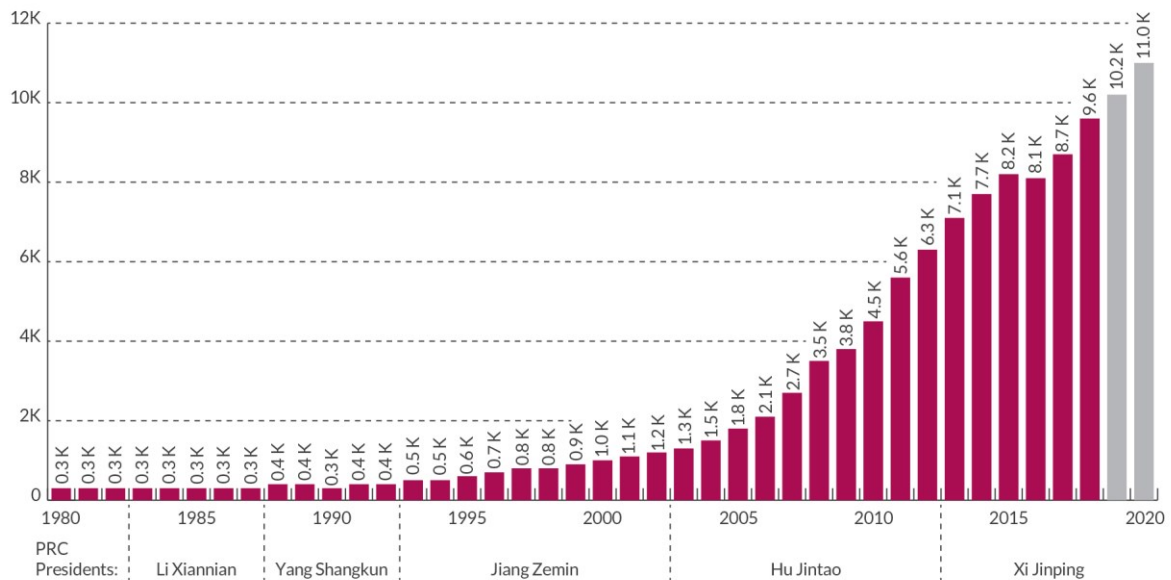
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<sup>4</sup> Pence, Mike. Vice President Mike Pence's Remarks on the Administration's Policy Towards China. Hudson Institute, Washington, DC, Oct. 4, 2018.

China is in the mood to work with international partners not just because there are still benefits economically, but because this era of stellar growth has brought about fast-paced changes that China cannot handle on its own. Per capita GDP shows that, at the level of the individual, China is no longer a poor country, but now in the middle-income bracket. In 2020, it had reached \$11,000.

### China GDP per Capita

GDP in Current Prices (Trillions of US \$)



Source: <https://mgmresearch.com/china-gdp-data-and-charts-1980-2020/>.

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While still far below European or American levels, for a country that had experienced famine in living memory (during the great famines of the early 1960s), this was an extraordinary achievement. In March 2021, China announced that it had eradicated absolute poverty.<sup>5</sup> Against these, however, were set the massive issues of environmental degradation which had come as a result of rapid industrialization since 1978, with the country accounting for a quarter of global carbon emissions by 2019 – leaving the US a distant second at 14.5 percent.<sup>6</sup> Xi himself made commitments to see CO2 emissions peak by 2030, and to have them eradicated by 2060.<sup>7</sup> The country has built more infrastructure than any other in the world, with 37,000 kilometers of high speed rail,<sup>8</sup> and 130,000 kilometers of highways<sup>9</sup> – both the highest figures in the world, and both built in a remarkably short period of time. Set against this, however, is the fact that as China has become wealthier, car usage

<sup>5</sup> <https://www.bbc.co.uk/news/world-asia-china-56194622>, [retrieved July 16, 2021].

<sup>6</sup> <https://www.statista.com/statistics/271748/the-largest-emitters-of-co2-in-the-world/>, [retrieved July 16, 2021].

<sup>7</sup> Xinhua. Xi Focus: Walk the Talk: Xi Leads China in Fight for Carbon-neutral Future. XINHUANET, March 16, 2021.

<sup>8</sup> Jones, Ben. Past, Present and Future: The Evolution of China's Incredible High-speed Rail Network. CNN, May 26, 2021.

<sup>9</sup> [http://english.www.gov.cn/news/top\\_news/2017/08/27/content\\_281475818432406.htm](http://english.www.gov.cn/news/top_news/2017/08/27/content_281475818432406.htm), [retrieved July 16, 2021].

has also exploded. The country now has 281 million cars.<sup>10</sup> Before the pandemic, 156 million trips by Chinese were made abroad in 2019.<sup>11</sup> All of these figures, apart from the last (due to the restrictions from the pandemic) are growing. All of them carry significant implications for pollution, even though the shift to train travel over air and car might in the long term give some benefits. The paradox for Chinese leaders, and the strategic challenge Xi referred to in 2017, is that for the Communist Party to stay securely in power, it needs to deliver better things to a population still aiming to grow wealthier and enjoy a better lifestyle. That means it still has to factor in significant environmental costs, and still has to find ways of working with the outside world in order to address these and explore new areas for growth. China's domestic challenges remain deeply international both in their impact and in possible solutions to them. This shows that in many ways the China challenge for the outside world is one that is shared within China – how to work together with partners you don't agree with, but have no choice about co-operating with for self-interest.

### III China in the Business to Do Deals

In the decade since Xi has been in power, balancing the need to address domestic issues so that social and economic progress can be maintained, while also ensuring that there is a reasonable relationship with the outside world, has proved increasingly important – and increasingly fraught with problems. The first is that the strategy Xi's administration has adopted is clearly to assert as much control and centralization of decision making in China, to ensure that things don't spiral out of control. Very early on, in 2013, there were rumors that a colleague close to Xi, Politburo member Wang Qishan, had advised his officials to read 19<sup>th</sup> century French philosopher Alexis de Tocqueville's "The Old Regime and The Revolution."<sup>12</sup> This focused on the 1789 French Revolution and its aftermath, and argued that it was not desperate nations that experienced revolutions, but rather ones that were developing and where different social groups had things to fight over between each other. For Chinese leaders, it seemed that this reflected their own challenges. Producing raw growth in vast amounts had been achieved in the Jiang and Hu era. Now it was more about making hard decisions between different contesting groups. That would mean alienating some of the people right at the heart of the Party – those exposed to the anti-corruption struggle because they had been confusing business with politics, and gone for personal enrichment rather than public service. In a closed meeting in 2013, Xi said to a group of visiting foreign dignitaries that the immediate future was going to see more tough choices between contesting groups.<sup>13</sup> That was perhaps why, first of all, the Party purged itself and ensured that it looks disciplined and fit to start demanding sacrifices from others.

In a series of complex moves, Xi took up the mantle of Deng Xiaoping reformism, and started to calibrate it to the new situation of a wealthier, stronger China. Rule of law was strengthened in the commercial area in particular in 2013 at the third Plenum that year, and officials made to obey court orders and act in a more reliable way. But at the same time, it was clear that broad rule of law where political rights were going to be expanded to make China more like the West was not an option. The government, and Xi, issued a number of curt rejections of Western universalism. It

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<sup>10</sup> <https://www.statista.com/statistics/285306/number-of-car-owners-in-china/#:~:text=The%20vehicle%20population%20in%20China,of%20the%20end%20of%202019>, [retrieved July 16, 2021].

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<sup>12</sup> Huang, Cary. Tocqueville's Advice on French Revolution Captures Chinese Leaders' Attention. In: South China Morning Post, Jan. 22, 2013.

<sup>13</sup> Personal communication.

passed a foreign Non-Governmental Organizations (NGOs) law in 2016, making it much clearer what sort of foreign cooperation was possible with outsiders. Corporates from abroad in China like GlaxoSmithKline were exposed to fierce corruption investigations, just like Chinese ones. Academics were told not to start preaching foreign ideology in their lectures. The symptoms of this were very visible in the outside world, with dissidents detained, and, in a few cases, foreign researchers prosecuted. What has perhaps been less understood is the political rationale driving this outlined above – the attempt by the Party to ensure that it maintained control over a society with huge divisions in terms of wealth and developmental levels, one where people were increasingly making demands for a better life, and where the government, basing its legitimacy on performance, was under increasing pressure.

Up to 2017-18, at least, it was clear that the Party State wanted to preserve pragmatic relations with the outside world. But it felt it now needed to do this increasingly on its own terms – and that it had enough incentives in terms of its newly developed services sector to placate the more values-focused interests of the West. The Belt and Road Initiative (BRI), Xi's signature foreign policy, a vast network or potential deals spreading across over 130 countries, all linked to China, can be seen as part of this move – China using the language of “win win” and showing that its conquest of its internal challenges was something the outside world could participate in, and gain benefit from, as China became a larger outward investor and producer of technology. But the BRI was also clearly a further acknowledgement that China recognized and valued the role of the wider world in its own development plans, and that, in some ways, it would not be able to achieve its dream of being a “wealthy, strong country” without this sort of linkage.

With the Trump presidency from around this time placing more pressure on China to correct perceived imbalances in terms of trade, and with rising anxiety over the evidence of widespread human rights abuses in the Xinjiang Autonomous Region in the northwest of the country, along with turbulence in Hong Kong, China's global role became more exposed and contested. This is part of the other paradox that Xi is facing: that as and when China succeeds in achieving some of its domestic targets in terms of maintaining good growth, building infrastructure and modernizing its services economy, these also make the country look stronger to the outside world – and therefore, under its one-party system, more worrying.

China fear is now a shared issue across different countries. The evidence of China winning the economic growth game by coming closer and closer to overtaking the US as the world's largest economy, and yet doing this while maintaining a one-party socialist system, disrupts the more orthodox narratives of development and modernity in the West. This has resulted in an array of different kind of fears towards China – something that can be seen in a raft of think tank, media and other reports coming from Washington, London and elsewhere. Some of these fears focus on China as a Communist country being a threat to Western values. Others, like the words of Pence quoted above, are around China being a problem because of unfair practices that make it steal market share and profits. Some feel that China is a military threat because of its outstanding claims against Taiwan and the South China Sea. The lack of consensus outside China on the sort of threat it is, and how to deal with it, is one of the main impediments to working out clearly how best to cooperate with it. Depending on the kind of fear, different partners draw the line at working with China in different places.

For China's own position on this, at least there is more clarity. Under Xi there is a strong acceptance of international cooperation being necessary. Even the “dual circulation” notion, where domestic economic growth is the priority and development of indigenous technology a major objective,



acknowledges the strong role of external partners. In combatting climate change and dealing with public health, and facing some of the rising issues around sustainability, despite the harsh rhetoric levelled at each other over the last few years, China and the US/Europe are being increasingly pulled together.

This predates COVID. Participating in the G20 summit in Osaka in 2019, China put its name to the final leaders' statement that with others "we will further lead efforts to foster development and address other global challenges to pave the way toward an inclusive and sustainable world, as envisioned in the 2030 Agenda for Sustainable Development."<sup>14</sup> As the US was preparing to withdraw from the 2015 Paris Climate Agreement, Xi stated at the 2020 UN General Assembly that his country will scale up its nationally determined contribution (NDC) to tackling climate change by adopting more vigorous policies and measures. "China," he stated,

is the largest developing country in the world, a country that is committed to peaceful, open, cooperative and common development. We will never seek hegemony, expansion, or sphere of influence. We have no intention to fight either a Cold War or a hot war with any country. We will continue to narrow differences and resolve disputes with others through dialogue and negotiation. We do not seek to develop only ourselves or engage in a zero-sum game. We will not pursue development behind closed doors.

He went on:

China will scale up its Intended Nationally Determined Contributions by adopting more vigorous policies and measures. We aim to have CO2 emissions peak before 2030 and achieve carbon neutrality before 2060. We call on all countries to pursue innovative, coordinated, green and open development for all, seize the historic opportunities presented by the new round of scientific and technological revolution and industrial transformation, achieve a green recovery of the world economy in the post-COVID era and thus create a powerful force driving sustainable development.<sup>15</sup>

China is no altruist. It has strong reasons for doing this, as were covered above. Even so, there is a clear alignment at least here between it and the wider world. While the Xi era has seen increasingly centralized and autocratic rule in China, the anomaly for the outside world is that there is little doubt, at the moment at least, that to do a deal with China, then one has to do that deal with Xi Jinping. How long this sort of simplicity prevails is open to question – even though Xi himself removed constitutional limits on the position of country president in 2018. The key political question for the West is whether they can set aside their own domestic antipathy to dealing with China under its current political model in order to achieve longer-term goals. Democracies are often accused of short-termism. This may well be a classic proof of that.

#### IV COVID-19 Upends Everything

The fierce arguments about the origins of the COVID-19 over late 2019 and into 2020 cannot obscure the fact that, whatever the actual truth of when and how the pandemic started, its impact on China, and then the wider world as it spread, was unwelcome, worrying and increasingly negative. COVID-19 has certainly made China's relations with the US, Europe, and its own region challenging. At a time when the PRC was gearing up to celebrate the 100th anniversary of the founding of

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<sup>14</sup> European Council. G20 Osaka Leaders' Declaration. Press release, June 29, 2019.

<sup>15</sup> Ministry of Foreign Affairs of the People's Republic of China. Statement by H.E. Xi Jinping President of the People's Republic of China at the General Debate of the 75th Session of The United Nations General Assembly. Sept. 22, 2020.

the ruling Communist Party, it is most unlikely that it wanted the sort of global atmosphere it now finds itself in, in mid-2021. While China has managed to both contain the pandemic domestically, and ensure that the country's economy has returned to healthy growth after a major downturn in 2020, it has also created deeper political boundaries. These include:

- Rising tensions with the US through the final months of the Trump presidency into the Biden era due to blame about COVID-19, which Trump himself, to China's anger, called the "China virus."
- Raised concern about the situation in Hong Kong as a result of Beijing's passing a National Security Law there in 2020 which had wide application, and has been used to round up democracy party activists, business people, students and journalists.
- Global anger at the situation in Xinjiang, and the continuing evidence of human rights abuses there. This has prompted some national legislatures, such as the Canadian, to label this "genocide."
- Tightening of restrictions on areas of technology cooperation between China and the outside world, with the telecoms operator Huawei becoming a target for sanctions and controls by the US, Europe and others.

China's response to this over 2020 into 2021 has been increasing frustration – as shown by the Wolf Warrior phenomenon where Chinese officials, diplomats and others claiming a formal status from China took to social media in English, frequently unleashing harsh attacks on those seen to have been attacking them. Xi had stated in 2013 that he wanted his colleagues to "tell the China story" so that it was better understood abroad. There would be no more diffidence, and "keeping a low profile," as the famous phrase reportedly from the Deng era 30 years before put it. China was now a confident, world-class power and one that could face the world on equal terms. By 2020, it stood accused of being bullying, harboring designs to manipulate and exploit the outside world, with some naming it a "hidden hand" that was reaching further and further into cyberspace and other areas to get its own way and assert control. The mismatch between what China said it was doing, and what it stood accused of, was stark. This situation was made more complicated by the issue referred to above – the different kinds of fears felt towards China, meaning that as the geopolitics became more agitated when the pandemic spread, the anger levelled at China often mixed up different kinds of issues with it. Everyone seemed to be concerned about China – but for different reasons and with different levels of intensity.

There have been two responses to this new, more confrontational situation. From China's side, it has deployed the idea of "dual circulation" referred to above. Defined by Xinhua, the official state news agency, as taking "the domestic market as the mainstay while letting internal and external markets boost each other,"<sup>16</sup> this boils down to the notion of a decoupling with Chinese characteristics – with China focusing on the ongoing challenge to modernize and build its economy to address the issues referred to at the start of this article, while also allowing space for outside influence to come in, albeit strictly on its own terms. One area in which one can see how this works is that of finance – with companies like Goldman Sachs and JP Morgan reportedly enjoying better

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<sup>16</sup> Xinhua. China Focus: Understanding "Dual Circulation" and What It Means for World. XINHUANET, Beijing: Xinhua, Sept. 5, 2020.

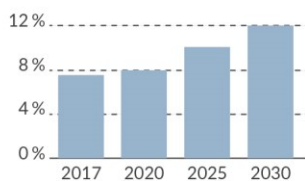
access to the developing financial services sector in China, even as the political environment becomes more difficult.<sup>17</sup> There was good reason for this: nowhere else in the world offered the same kind of potential as China for this, as the charts below with predictions for growth in a number of key areas over the next decade show.

### China's Promise

Bloomberg Economics Projects Lucrative Gains in Market Share for Foreign Firms

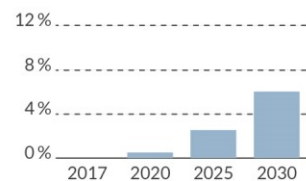
#### Life Insurers' Premiums

Estimated 2030 value: **\$217B**



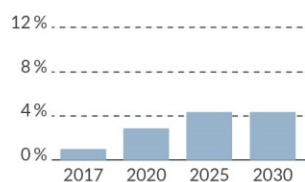
#### Fund Assets Under Management

Estimated 2030 value: **\$1.8T**



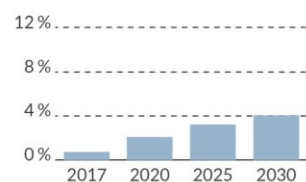
#### Securities Industry

Estimated 2030 value: **\$3.3B**



#### Banking

Estimated 2030 value: **\$29B**



Source: <https://marketingtochina.com/marketing-for-financial-services-in-china/>

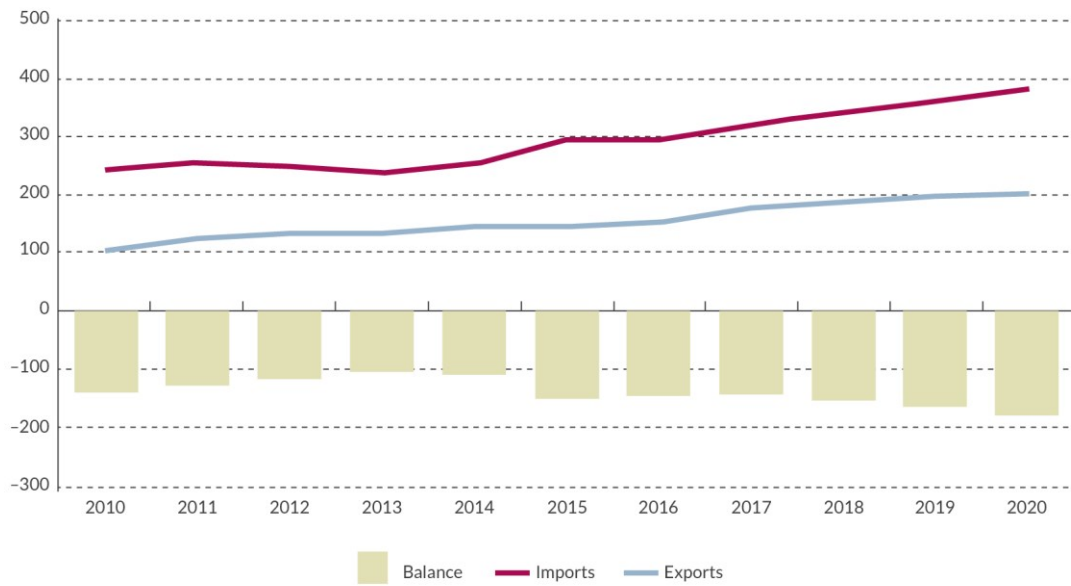
| BertelsmannStiftung

For the outside world, the main strategy was also to aim for decoupling, but with Western characteristics. Supply chains have been diversified, with India, Vietnam, Indonesia and other partners receiving attention. In sensitive technology areas, like semi-conductors, while some manufacturing of more basic components continues in China, the most advanced material is now being made elsewhere. The aforementioned Huawei was blocked from a number of markets, and tariffs imposed by the US on sectors which were regarded as being detrimental to US jobs and economic interests. The EU, UK and Australia have introduced stricter investment screening processes. Despite this, for the US and EU, trade continued to rise through 2019 to 2020, for the EU reaching record levels, and for the US bouncing back after a drop in 2019. Talk about decoupling has to be held against the reality that in many areas this has not happened, and perhaps might not be able to happen.

<sup>17</sup> See, for instance, Bloomberg. Goldman Forms Wealth Venture with China's Largest Bank. Bloomberg, May 25, 2021; and Hale, Thomas. JPMorgan Applies to Take Full Control of China Securities Venture. Financial Times, June 3, 2021.

**EU Trade in Goods with China, 2010-2020**

(€ billion)

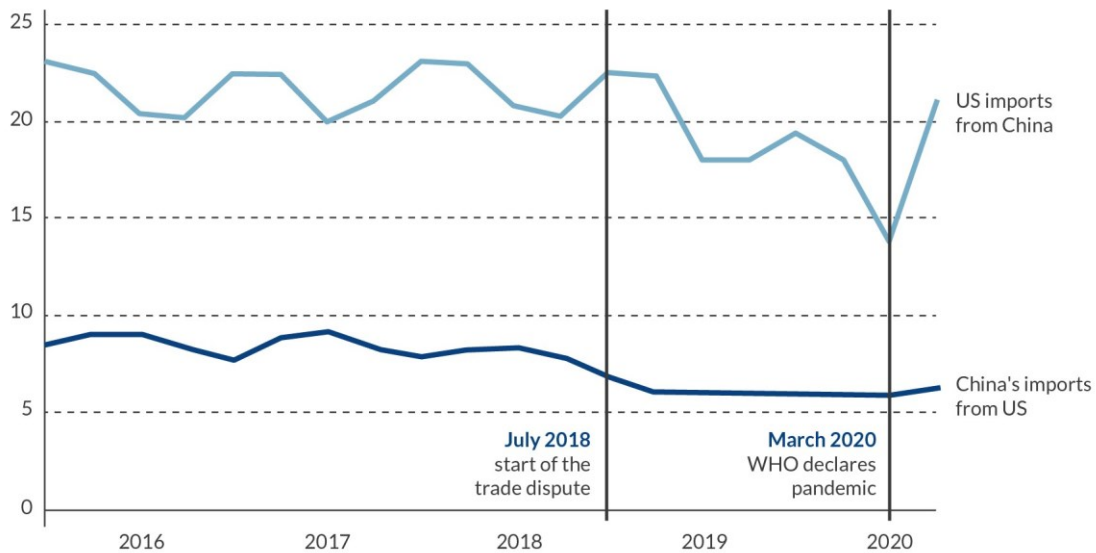


Source: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU\\_-\\_international\\_trade\\_in\\_goods\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU_-_international_trade_in_goods_statistics).

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**US Imports from China Pick up Again During Pandemic**

Percent of all Imports



Source: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU\\_-\\_international\\_trade\\_in\\_goods\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU_-_international_trade_in_goods_statistics).

| BertelsmannStiftung

**V Conclusion: Shared Commitment Despite Everything**

The complex situation outlined in this paper shows that if the world is witnessing the emergence of a new Cold War, this is one where the depth of interlinkages and co-dependences between China and the outside world, and the need for cooperation on far vaster issues like combatting climate

change, means that the notion of decoupling to any major extent is likely to prove impossible. Realistic acceptance of this, on both the Chinese and non-Chinese side, needs to form the basis of all action moving forward. A more accurate and helpful picture of what we are witnessing over 2021 is a process of renegotiation, and realignment, where China sets out its new model of engagement, and where the outside world balances its political antipathy to the political system in the world's second largest economy while also acknowledging the strong self-interest in needing to work with China, for economic and other reasons.

The 2020-2021 era was a strange one because of the mismatch between the rhetoric used by political figures, and their actual actions. In the twilight of the Trump era, his Secretary of State Mike Pompeo used strong, categorical language about the China threat. Biden since January 2021 has been engaged through G7, NATO and other forums in creating an alliance of democracies. Despite this, in the 25-plus pages of the communique issued at the end of the June 2021 G7 meeting in Britain, China merited only one sentence. The rest was on the issues of restoring growth, and ensuring that the global issues of sustainability and environment were effectively addressed. To underline this, the actions and words exchanged between the US and China when they met in Alaska in mid-March where both sides lambasted each other, the Chinese in particular expressing extreme frustration in public, have to be held against the absolutely different, more cooperative tone of the John Kerry visit to China to discuss climate change a month later.

With COVID-19 gradually withdrawing, the main focus will be on economic issues from this point forward. On this, more prudent politicians in Europe and the US like Angela Merkel of Germany have made sure that their language about China over 2020 into 2021 has not created such a level of antipathy in Beijing that it precludes cooperation that might become necessary in the post-COVID world. The stark reality is that on current data, China looks more likely to emerge from COVID strengthened economically, even as other major economies endure a period of perhaps prolonged uncertainty. This, more than anything else, will dictate where the political relationship with China may be heading, and is the prism through which China most easily relates to and understands the outside world.

## VI Policy Proposals

- There is a deficit of trust between China and the West, built up over many years, and due to many factors. Combatting climate change is one of a handful of issues where self-interest between China and the rest of the world aligns. Ensuring strong, demonstrable and successful environmental protection and carbon emission mitigation measures, beyond their intrinsic use, will be a very rare opportunity for the US, EU, China and others to create at least some level of trust between each other. This is an area where there needs to be intensified and sustained work with each other. It is one of the few areas where China speaks broadly the same language as other developed economies.
- Western politicians need to take the lead in creating a clearer consensus on the kind of challenge they feel China presents and what sort of fears they are really responding to. At the moment, there is division between those who feel that China presents an existential threat to Western values, and one that is seeking to subvert and eradicate them, and those who instead see China as a self-interested player, seeking to work within the international system when it suits it, but unwilling to present a new set of values that others might embrace because of its own exceptionalist self-identity. The latter view is the more pragmatic, and has more evidence backing it up. Seeing China as a problem in this context is very different to seeing it as a threat

in the former viewpoint outlined above. There may be short-term benefits that politicians can gain by painting China strongly as an existential threat. But in the long term, the real existential issues for humans of climate, pandemics, nuclear proliferation and artificial intelligence, are ones where China will be needed as our partner.

- The whole geopolitical framework going forward needs to be one based on realism and pragmatism. This involves, more than anything, a psychological decoupling, rather than a physical one. China needs to accept that the outside world will not, despite the efforts of its propagandists, come to like its political system. The West needs to accept that, despite huge work since 1978 when China opened up, the dream of a China politically transforming to become more like democracies, is not going to happen. The basis of cooperation should be on an acceptance of pluralistic values, where both sides at the very least accept each other's difference, and simply move beyond that. China may well change politically. So may the West. But the starting point for co-operation needs to be in specific tasks, and processes, not grand, ultimate outcomes. That means finding ways on working together to address human development, caring for the natural world and making a sustainable future.
- Multilateralism as a means to work against China, or restrain and deal with China, is unlikely to offer a long-term solution to the brute fact that China will be a major part of the global order, and that it will not be going away. Engagement with China is no longer an option but a necessity. This is not just for economic reasons, but also for security ones – the closer the contact with China, the better the understanding of its intentions, and the likelier it will be that misunderstanding and clashes will occur. Engagement is not a friendly optional add on – it is now an absolute necessity. All multilateralism has to acknowledge that different parties have very different concerns about China, and very different benefits they may be seeking from it. Some (Greece) will prioritize economic links. Some (the US) have larger geopolitical aims. In dealing with a uniform actor like China, which clearly does have a reason to seek dominance in some areas, all of these outside parties, for their own self-interest, need to come to a consensus very quickly on how they frame their fundamental posture towards China. Excluding it is not possible. Trying to change it is also unlikely. But it is clear that there are solid areas where working with it is reasonable, and necessary. The G7 communique with its focus on issues rather than places shows the direction of future travel.

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## Progress and Improvement in a Fragile World – the Russian Perspective

Miriam Kosmehl | Gunter Deuber

### I Introduction

“The thing that especially mystifies and saddens us Russians is the realization that, after so many major and wide-ranging reforms, we’ve hardly changed at all. How the thoughts and habits have remained the same in the government and in the people, in the rulers and in their subjects.”<sup>1</sup>

The Russian word for progress – “прогресс” – is equivalent to the French “progrès” – in Cyrillic script. This term, imported from France, reminds us that innovations and reforms have long been initiated from outside; the Russian aristocracy already found the conditions in the West desirable some 300 years ago.

Anyone who traveled to countries in Western Europe was under no illusions on the disparity in development. But while some would have welcomed European living standards in Russia and therefore strove for the Western path of development, others interpreted the lack of development as an advantage and the primitiveness of Russian rural life as a symbol of civilizational superiority.

Either viewing Europe as a symbol of progress or perceiving the West as alien to Russia’s essence and distancing oneself from it is an antagonism between modern and eternal Russia that has been pervading Russian society at least since Peter the Great relocated the capital to St. Petersburg in the 18<sup>th</sup> century.

The question contained therein – whether or not Russia is now part of Europe – has never been answered unambiguously or conclusively. This is also the reason for Russia’s eternal search for its own identity. “Who are we and what do we want to be – Westerners or Slavophiles?” is the question that has dogged Russia’s elite for centuries.

For Russian-German journalist Sonja Margolina, the divide over the issue of modernization boiled down to this: “These two ideologically shaped ideas expressed a hidden truth with contrasting images: Russia – or more precisely, the Russian Empire – was a developing country that didn’t have its own engine for modernization.”<sup>2</sup> There have been multiple attempts to escape this impasse over the past 300 years, “[y]et all of these attempts failed. Why?”<sup>3</sup>

Rather than deal with breaking the “vicious circle”<sup>4</sup> and setting out “into modernity,”<sup>5</sup> Russian leaders in the 21<sup>st</sup> century have been focused on mysticism instead of reform. Vladislav Surkov, a long-time adviser to Vladimir Putin in various capacities and a former PR man, called Putin an “emissary

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<sup>1</sup> A Russian in Anatole Leroy-Beaulieu’s *L’Empire des tsars et les Russes* (The Empire of the Tsars and the Russians), 1881-1889. See Donath, Klaus-Helge. *Das Kreml-Syndikat*. Berlin: Rotbuch Verlag, 2009, p. 9.

<sup>2</sup> Margolina, Sonja. *Die ungeborene Zivilisation*. In: *Kursbuch*, Issue 103, March 1991, p. 1.

<sup>3</sup> The attempts at modernization refer to “the Petrine reforms and the activities of the early days of Catherine II, the Decembrist revolts (to abolish the tsarist empire and establish a constitution) and the reforms of Alexander II, the revolutions of 1905 and 1917, and, finally, Perestroika.” *Ibid*.

<sup>4</sup> Margolina, Sonja. *Die ungeborene Zivilisation*. In: *Kursbuch*, Issue 103, March 1991, p. 4.

<sup>5</sup> Why the Soviet planned economy was unable to compete with the system of the West has hardly been addressed in Russia. The political class has also never admitted its failures, according to the critique of former Acting Prime Minister and economist Yegor Gaidar, who died in 2009. Gaidar, Jegor and Karl-Heinz Paqué (eds.). *Der Untergang eines Imperiums*. Berlin: Springer, 2015.

of God”<sup>6</sup> and invented the play on words “sovereign democracy.”<sup>7</sup> It camouflages authoritarianism and relabels any weaknesses Russian citizens might perceive in comparison to Western state models as advantages.

In 2015, Moscow political scientist and publicist Andrei Kolesnikov ended a description of Russian state ideology with the prediction:

“Modernization starts when the lower echelons of society start to see stagnation and underdevelopment as burdensome, and the upper segments see them as dangerous.”<sup>8</sup>

This article looks at developments in Russia that reveal the perspectives of various stakeholders on progress and change. A foray through the history of ideas serves to better understand the Russian view of modernization and progress. It summarizes the history behind change and reform and shows the framework in which the future alignment of the vast country will occur – in the interplay of opposing social aspirations for and against authoritarianism or freedom at home and isolation or multilateralism in a global world.

The observers from Russia referred to in this article are some of the best in their country. Their empirically based analyses are internationally recognized. This is emphasized because the unique character traits of Russia are not infrequently used as a blanket argument for the fact that “the majority of Russians value the country’s independence and sovereignty and, despite critical views on mismanagement in their own country, meet attempts to impose Western models of development on the country with suspicion.”<sup>9</sup> At the same time, possible consequences of goals imposed from “the outside” are by no means denied in the following text, but addressed instead.

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<sup>6</sup> Der Spiegel. Kreml-Berater Surkov versetzt auf neuen Posten. Dec. 27, 2011.

<sup>7</sup> Donath, Klaus-Helge. Das Kreml-Syndikat. Berlin: Rotbuch Verlag, 2009, p. 86; Guseynov, Abdusalam. Democracy for Russia, Russia for Democracy. In: Russian Studies in Philosophy. Vol. 47, No. 4 (Spring 2009), pp. 74-84.

The anthology contains the remarks from a meeting of the Scientific Council of the Institute of Philosophy of the Russian Academy of Sciences, which centered around Surkov’s June 2007 article “Nationalization of the Future. Paragraphs About Sovereign Democracy,” which is likewise published in the anthology. “Paragraphs” refers here to the thematically differing passages, such as “Russians” and “Europe” or “Modesty” and “Greatness.” The entire volume can be accessed on the Internet.

<sup>8</sup> In full: “It is almost impossible for a researcher to predict at what point the regime will shift from mythological thinking to a pragmatically formulated, strategic vision of the future. However, state repression cannot eliminate the demand for change (...) Sooner or later both those on top and those at the bottom will create the demand for a pragmatically formulated, liberal economic ideology. Historical and political logic suggest that a signal from the top will inevitably meet demand from the bottom at some point.” Kolesnikov, Andrei. Russian Ideology After Crimea. Carnegie Moscow Center, Sept. 2015.

<sup>9</sup> See Spieler, Alfred. Russlands Modernisierung im Wechsel von Berg- und Talfahrten. Institut für sozial-ökologische Wirtschaftsforschung e.V., March 31, 2021.

## II Consequences of “Imitation Poisoning”?

“We are all born originals – why is it so many of us die copies?”<sup>10</sup>

The “age of imitation,”<sup>11</sup> as Ivan Krastev and Stephen Holmes have dubbed it, began in Russia long before 1989. Imitation, along with the search for one's own identity, has a long tradition in Russia. Looking back therefore helps provide a better understanding of the Russian perspective on progress.

Imitation rarely satisfies, even if it might be good enough to be mistaken for the original. This is all the more true when it is under (self-induced) pressure to be better and more progressive than the original. Pressure plays a role in times of systemic competition, when parts of a society are struggling with their own system, striving for recognition, or struggling with a perceived or actual defeat. That is why the phenomenon of “imitation” took on a special significance after the collapse of the Soviet Union and communism.

At the time, Francis Fukuyama predicted there would be a unipolar era. Different “models of imitation poisoning”<sup>12</sup> nevertheless continue to present challenges today. Krastev and Holmes describe the underlying phenomenon as a “kind of political makeover, implemented not on the orders of the West but under the watchful eyes of the West” – which at the very least aroused “feelings of shame and bitterness,” and sometimes even “fear of cultural extinction.”

One key point distinguishes Russia from Central and Eastern European countries: Because Russians could not perceive communism as foreign domination, they also could not see the post-1989 imitation as a restoration of their own, newly revealed national identity.

Making matters more difficult, the unprecedented upheaval of the 1990s not only reshaped the Russian economy<sup>13</sup> but also (not for the first time) shook up society.<sup>14</sup>

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<sup>10</sup> Edward Young, English poet (1683-1765). *Conjectures on Original Composition*. London: Millar and Dodsley, 1759.

<sup>11</sup> Krastev, Ivan and Stephen Holmes. *The Light that Failed*. Penguin Books Ltd., 2019.

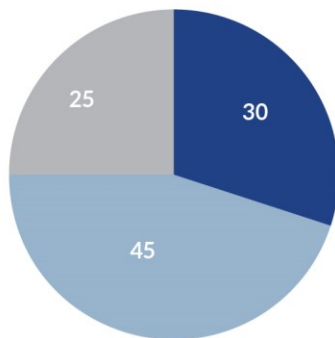
<sup>12</sup> *Ibid.*

<sup>13</sup> Gaidar, *loc. cit.*

<sup>14</sup> Freeland, Chrystia. *Sale of the Century: Russia's Wild Ride from Communism to Capitalism*. Crown Business, 2000.

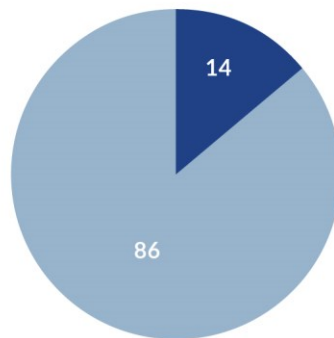
## View of and Experience with “the West”

Overall, How Do You Feel about the “Western Lifestyle”: Positively or Negatively? In Percent



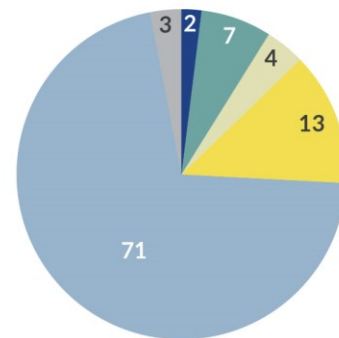
■ Positively  
■ Negatively  
■ It is difficult to say

Are You More or Less Fluent in at Least One Foreign Language?



■ Yes  
■ No

Do You Vacation Abroad, and, if so, How Often?



■ Twice a year or more  
■ Once a year  
■ Once every two years  
■ Rarely  
■ Never  
■ I don't know

Source: Levada Analytical Center (Levada-Center) (16.10.2015): Western Lifestyle, <https://www.levada.ru/en/2015/10/16/western-lifestyle/>.

For many Russians, western lifestyle is still a great unknown. A lack of foreign language skills and mobility contribute to this.

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### III The Russian Idea – Russia as Antipode to Western Progressive Thinking

“Russia's past is admirable, its present is more than magnificent and as for its future — it is beyond anything that the boldest mind can imagine.”<sup>15</sup>

In different eras, Russian society found it difficult to develop a national idea and identity for the largest country in the world, which, moreover, consists of diverse parts.<sup>16</sup>

In the mid-19<sup>th</sup> century, the focus was on reconciling a wide spectrum, from the Europeanized upper class just becoming aware of its Russian origins to peasants with a way of life that had remained unchanged for centuries.

A decisive role was played by Count Sergey Uvarov,<sup>17</sup> Minister of Popular Enlightenment under Tsar Nicholas I, who sought Russia's future in isolation from Europe. The state doctrine he drafted,

<sup>15</sup> Count Benckendorff (1781-1844), chief of the tsarist secret police. Quoted from Donath, op. cit., p. 80, which refers to: Heller, Leonid and Michel Niqueux. *Geschichte der Utopie in Russland*. Bietigheim-Bissingen: Edition Tertium, 2003, p. 163.

<sup>16</sup> At a minimum, there is the Slavic, European Russia; the Caucasian Russia between the Black and Caspian Seas; the Urals and Siberian Russia that serves as the gateway to Central Asia; and the Far Eastern Russia, stretching to the Pacific Ocean and bordering Mongolia and China.

<sup>17</sup> Donath, op. cit., p. 79 ff. The journalist and publicist has lived and worked in Russia for decades.

with its three elements – autocracy, orthodoxy, and nationalism – is considered an example of political reactionism and of nationalism in equal measure.

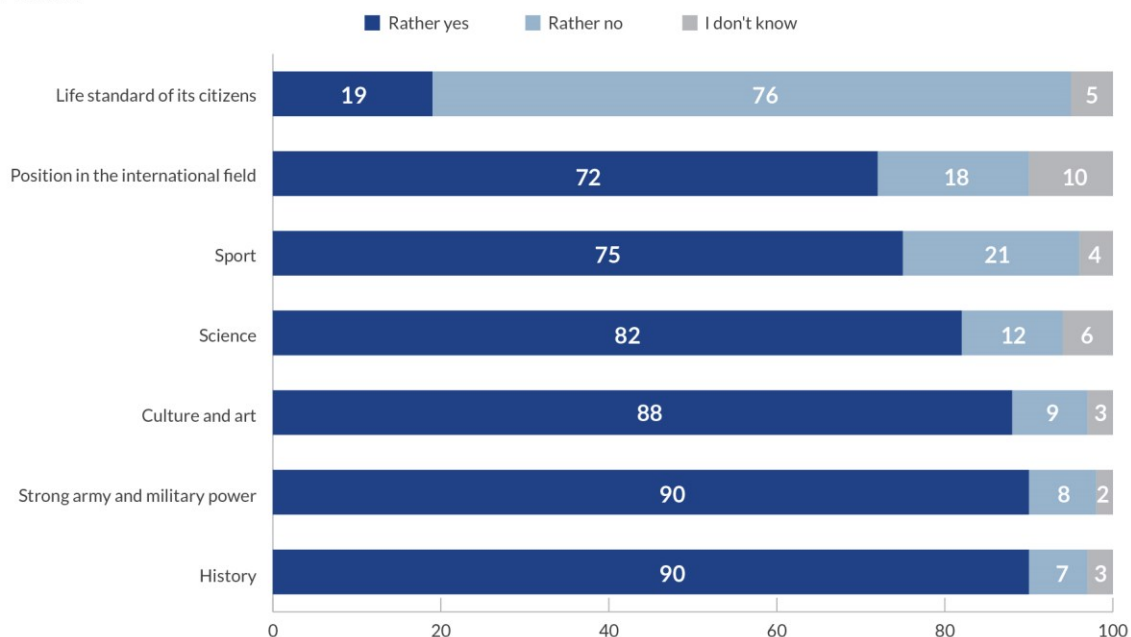
It was formulated in French, however, because for the Russian elite Russian was a foreign language. The reversion of the “Slavophile” Russians to the nativeness of rural life was the “attempt at self-discovery and thus the birth of the Russian Idea.”<sup>18</sup>

Deriving a “Russian Idea” from the “independence and uniqueness of Russian culture” is now also the goal of the scientific discipline “culturology,” which has replaced the subject of Marxism-Leninism at Russian schools and universities.<sup>19</sup> It combines Uvarov’s three elements – and adds geopolitics as a fourth. First and foremost, it relies on Russian religious thought instead of the discredited materialism used to reproach the West.

Researchers of Russian cultural studies dedicate special attention to supposedly specifically Russian values like a holistic nature, spirituality and communality. In contrast, “rational, cool, calculating and individualistic traits” are ascribed to the West. With its “irrationality,” Russia represents “an antipode, is harmony-oriented, symphonic, not calculating, acts with emotion, tends to generosity and immoderateness, and prefers to live in the moment. The ‘understanding of progress and modernity’ does not correspond with the Western one.”

#### Would You Say that You Are Proud of Russia’s ...

In Percent



Source: Federal Agency for Civic Education (16.9.2016): Survey: National Identity / Patriotism / World Values Survey, last survey phase 2010-2014 / Law on "Foreign Agents". <https://www.bpb.de/internationales/europa/russland/analysen/242792/umfrage-nationale-identitaet-patriotismus-world-values-survey-letzte-erhebungsphase-20102014-gesetz-ueber-auslaendische-agenten>.

Noticeably few respondents are proud of their standard of living.

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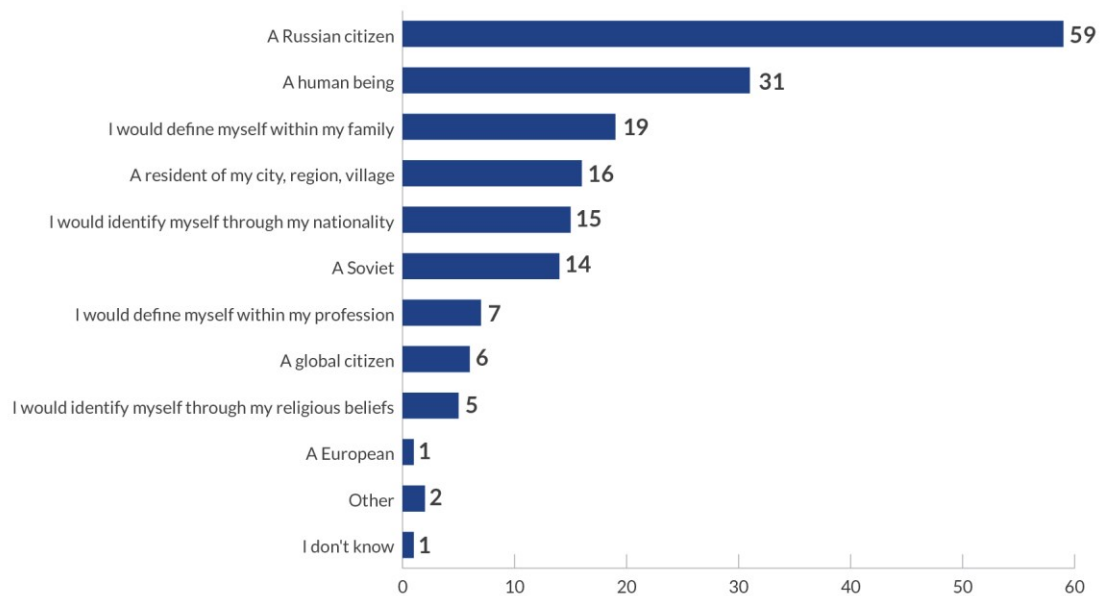
<sup>18</sup> Ibid.

<sup>19</sup> Ibid., p. 81 f., referring to Scherrer, Jutta. Kulturologie: Russland auf der Suche nach einer zivilisatorischen Identität. Wallstein Verlag, 2003.

The parallels to German conservative thinking are remarkable, such as how Thomas Mann anticipates anti-modernism as a “life-obsessed otherness or otherness-seeking” in his “Betrachtungen eines Unpolitischen” (Reflections of a Non-political Man). This is what advocates of the Russian Idea invoke today. The influential Kremlin ideologue Vladislav Surkov drew his own conclusions for political practice from this: “striving for uniformity through centralization of power,” “idealization of goals in political struggle” and the “personification of political institutions.”<sup>20</sup> For his part, Thomas Mann had distanced himself from his “Betrachtungen” (written from 1916 to 1918) early on by the 1920s.

#### How Would You Answer the Question "Who am I?"

In Percent



Source: Federal Agency for Civic Education (16.9.2016): Survey: National Identity / Patriotism / World Values Survey, last survey phase 2010-2014 / Law on "Foreign Agents".  
<https://www.bpb.de/internationales/europa/russland/analysen/242792/umfrage-nationale-identitaet-patriotismus-world-values-survey-letzte-erhebungsphase-20102014-gesetz-ueber-auslaendische-agenten>.

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## IV The New Conservative State Ideology: Modernization and Geopolitics

“If anything has become different, it is the erosion of stereotypes of communist ideology rather than the emergence of new ideas and views. The corresponding change is nothing more than a partial replacement of the missionary elements of communist ideology with backward-looking great power images and nationalist myths.”<sup>21</sup>

Some see in the new Russian conservatism since 2003 a new version of the orthodoxy/autocracy/nationalism triad formulated in 1833 by “Minister of Education” Uvarov,<sup>22</sup> while others assert that the constitutive theme of the new ideology is the “linking of modernization and geopolitics” and

<sup>20</sup> Ibid., p. 87. Translation from the original from Surkov, Vladislav. Русская политическая культура. Взгляд из утопии (Russian Political Culture. The View from Utopia). Lecture at the Russian Academy of Sciences, June 8, 2007.

<sup>21</sup> Gudkov, Lev. Sozialkapital und Werteorientierung. In: Osteuropa, Vol. 62, No. 6/8 (August 2012), p. 75.

<sup>22</sup> See British historian and journalist Lesley Chamberlain.

believe the timing is no coincidence: In 2003, Russia became debt-free to the IMF, oil prices rose and Goldman Sachs predicted Russia would become the world's fifth economic power.<sup>23</sup>

This development was not based on an open "battle for ideas" but on "a competition with increasingly limited, decentralized resources." The involvement of diverse institutes and platforms had served the purpose of "promoting a 'loyal' civil society."<sup>24</sup>

The fact that the Western public perceives primarily the catalogue of traditional Russian values that President Putin presented for his third term in office starting in 2012, and the distancing from the "decadent West," obscures the view of the distancing of "sovereign" Russia from the liberal democratic model. The basic theme in the central manifestos<sup>25</sup> is the link between modernization and geopolitics. The "Russian doctrine" illustrates this with particular clarity: "A geopolitical repositioning of Russia is considered necessary in order to remove the external modernization blockades caused by neoliberal globalization under US hegemony and the imposed liberal economic model."<sup>26</sup>

The sociologist Lev Gudkov explains what now makes international politics a suitable instrument for maintaining power:<sup>27</sup> Putin's popularity had initially been based on the good economic conditions and the contrast with the "chaotic" 1990s. "Putin's poll ratings, on which the legitimacy of the political regime largely depends, had been slowly but steadily declining since 2008. The idea of 'modernization' propagated by Dmitry Medvedev (interim president from 2008-2012) had been ineffective." The "sharp, defensive conservative propaganda" was only influencing "the upper strata of consciousness" among Russians. No sooner would it recede than the corresponding mindset of the general public would swing back to "a long-standing mediocrity." The "power of propaganda," according to Gudkov, lies "in the fact that people begin to repeat (and often actually believe) what they are being bombarded with by television. But this only works in areas where people's own opinions are weakly formed." Gudkov ultimately includes among these areas international politics, which many people living in Russia also see from the "perspective of 'us versus them.'"

Russian journalist Konstantin von Eggert, who describes himself as conservative, asserts that the "New Conservatism" has only a "superficial reference to values" that is opportunistic and serves only to maintain power.<sup>28</sup> He sees no social basis in Russia for true conservatism constituted by "values in the Judeo-Christian tradition of Europe, autonomy of the individual, private property and

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<sup>23</sup> Bluhm, Katharina. Analyse: Zur Genese des neuen russischen Konservatismus. In: Russland-Analysen, Feb. 17, Issue 330, 2017.

<sup>24</sup> Ibid.

<sup>25</sup> "Memorandum: From the politics of fear to the politics of growth," 2003; "Russian manifesto," 2007; and "Russian doctrine", 2006.

<sup>26</sup> Bluhm, loc. cit. Although the fact that conservatism emphasizes religion is not a specifically Russian phenomenon, the conclusions of an "orthodox economic ethic" and the rejection of the Western separation of church and state are notable. The "geopolitical mission of Russia" is ultimately linked to the Orthodox Church, which is the only Russian institution present throughout the post-Soviet space and thus is in a position to help consolidate Russia's influence there.

<sup>27</sup> Journalist Jens Siegert (former executive director of the Heinrich Böll Foundation and co-head of an EU-funded Public Diplomacy project), who has his permanent residence in Russia, quotes from a lecture given by Lev Gudkov in February 2014 in his Russia Blog. Siegert, Jens. Ist Russland Konservativ? Russland-Blog. Feb. 16, 2017.

<sup>28</sup> Quoted from Siegert, loc. cit. Eggert also states in an e-mail to the authors on June 21, 2021: "Christian Orthodox revival, so much trumpeted by the Russian Church and the Kremlin, in reality turned into a near-pagan worship of liturgical formalities, combined with the celebration of Soviet-style imperialism as patriotism. Catechization levels 30 years since the collapse of the USSR are still dismal. Barely 10 percent of Russian Orthodox (if not less) regularly attend church services and partake in communion."



market economy as well as social responsibility and patronage,” because there are “neither sufficient small and medium-sized enterprises nor an urban middle class worth mentioning, but first and foremost, there is de facto no private property and thus no independence from the state.”

Eggert adds: “Private property rights in Russia are, if not non-existent, then at least conditional on the goodwill of the authorities and subject to arbitrary state interference. All large Russian fortunes totally depend on the Kremlin’s whim – exemplified by but not limited to the case of Mikhail Khodorkovsky’s arrest and imprisonment.”<sup>29</sup>

## V Deliberately Isolated – Geopolitics in Place of Modernization

“The modern model of the Russian state starts with and is based on trust. This is a fundamental difference from the Western model, which cultivates mistrust and criticism. (...) Our new state will have a long and glorious history in the new century. It will not break. It will act in its own way and will receive and hold onto the biggest prizes in the top league of geopolitical struggle.”<sup>30</sup>

At the center of the “New Conservatism” is the rejection of the “neoliberal economic model” and “liberal competitive democracy.” Both are rejected as “a path to ‘dependent (liberal) capitalism’ (as it emerged in East-Central Europe) and to geopolitical irrelevance.” In this context, the “vehemence of the modernization problem” distinguishes the new Russian conservatives from the so-called “new Eurasians” of the 1990s. With “continued radicalization,” geopolitics has moved into the foreground and internal challenges have receded.<sup>31</sup>

In terms of foreign policy, the similarities between Russia’s “new conservatives” and Western opponents of globalization are interesting. Because the “new conservatives” defy a “left or right” classification, alliances depend on the geopolitical alignment of the partners.<sup>32</sup>

The geopolitical component is also underscored by Andrei Yakovlev of the prestigious HSE University.<sup>33</sup> He argues for two decisive points having additionally shaped Russian conservatism from the outside: The global financial crisis of 2008, which exposed the weaknesses of Russian state capitalism,<sup>34</sup> and the “Arab Spring,” which occurred at the same time as mass protests against electoral fraud in Moscow. Both, he said, had ultimately turned Russia into a “belligerent” country on the international stage.

Even before the developments of 2013-14 in Ukraine, these events had strengthened the position of the security structures within the power elite and led President Putin to assess that the course of “conservative modernization” alone was insufficient.<sup>35</sup>

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<sup>29</sup> E-mail from Konstantin von Eggert to the authors, June 21, 2021.

<sup>30</sup> Surkov, Vladislav. Владислав Сурков: Долгое государство Путина (Putin’s Long State; own translation). In: *Nezavisimaya Gazeta*, Feb. 11, 2019. Surkov distinguishes the Russian from the discredited “deep state” such as that in the United States.

<sup>31</sup> Bluhm, loc. cit.

<sup>32</sup> Bluhm points out that while Marine Le Pen gladly allows herself to be supported financially and accepts Russia’s geopolitical ambitions in the process, for the Polish national and social conservatives around Jaroslaw Kaczynski, the ideological similarities were not enough.

<sup>33</sup> Yakovlev, Andrei. Kommentar: Was ist es, das Russland zu verteidigen sucht? In: *Russland-Analysen*, Feb. 17, Issue 330, 2017.

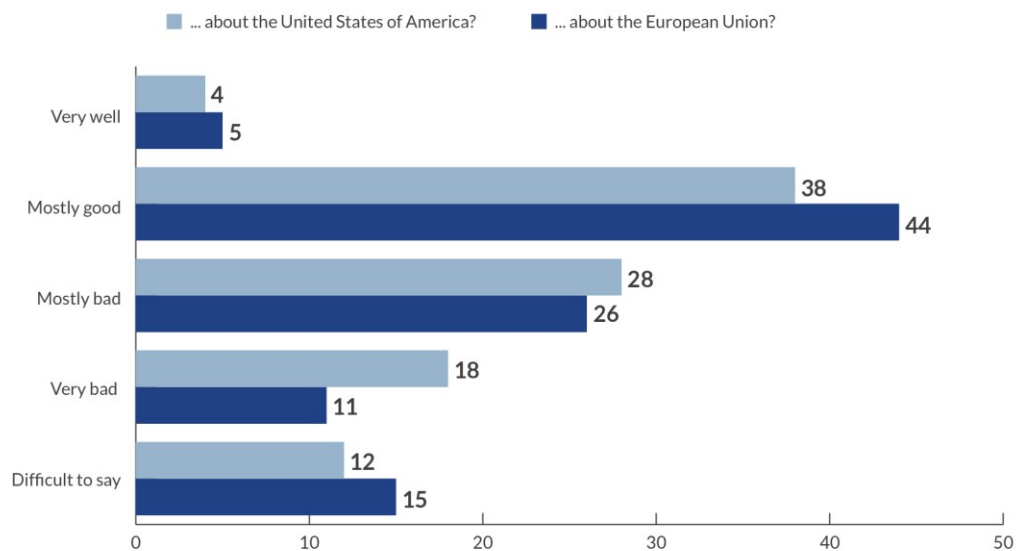
<sup>34</sup> Large state corporations and a federally aligned bureaucracy are seen as weaknesses of Russian state capitalism. Both factors proved to be a disadvantage during the global financial crisis of 2008.

<sup>35</sup> Yakovlev, loc. cit.

The 2008 modernization partnership between Germany and Russia<sup>36</sup> has in any case “achieved only limited results.”<sup>37</sup>

Overall, How Do You Feel about ... the United States of America? / ... the European Union?

In Percent



Source: Levada Analytical Center (Levada-Center) (18.2.2020): Relations with other countries. <https://www.levada.ru/2020/02/18/otnoshenie-k-stranam-6/>.

Slightly more respondents have a positive attitude towards the EU than the US.

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And Yakovlev's questions remain: “What is Russia defending with its militant politics? In the name of what ideas and values is the state calling on elites and society to practice self-restraint and to sacrifice?”<sup>38</sup> The answers are important because the isolation that results from militancy is not without consequences.

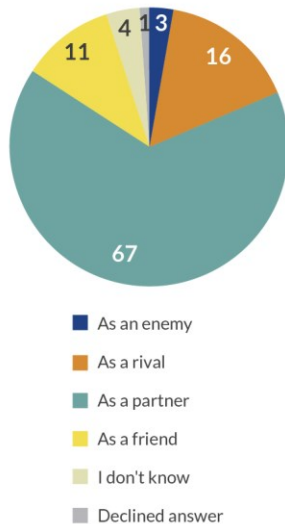
<sup>36</sup> Speech given (in German) by German Foreign Minister Frank-Walter Steinmeier at the Institute for International Relations at Ural Federal University in Yekaterinburg; German Federal Foreign Office, 2008.

<sup>37</sup> See Meister, Stefan. Entfremdete Partner. In: Osteuropa, Vol. 62, No. 6/8/ (Aug. 2012), pp. 475-484. While Germany had focused on economic and political modernization, Russia had only been interested in technology transfer.

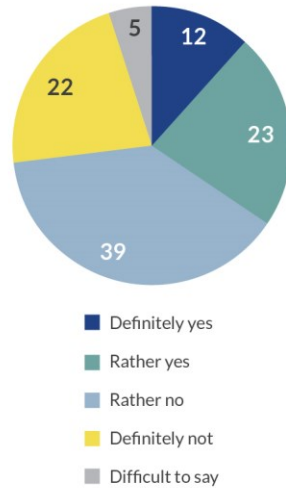
<sup>38</sup> Yakovlev, loc. cit.

Relations with Other Countries

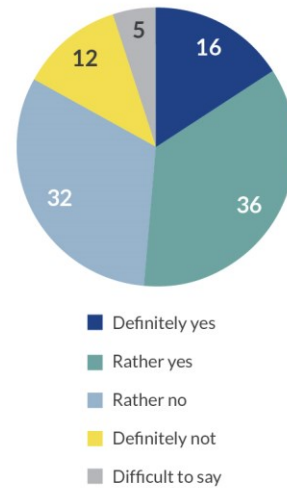
There Are Various Opinions on How Relations between Russia and the West Should Be. What Do You Think, How Should Russia Feel about the West?  
In Percent



What Do You Think, Do Western Countries that Have Joined NATO Have Any Reason to Fear Russia?



What Do You Think, Does Russia Have Any Reason to Fear Western Countries that Have Joined NATO?



Source: Levada Analytical Center (Levada-Center) (18.2.2020): Relations with other countries. <https://www.levada.ru/2020/02/18/otnoshenie-k-stranam-6/>.

Only a small minority of respondents see the West as an enemy. Nevertheless, more than half of respondents and significantly more than the other way around think that Russia has a reason to fear the West. | BertelsmannStiftung

## VI Defensive Economic Model Dominates, “Paper Tiger” Reforms and State-led Investment Spending as Patchwork Fixes

“The main problems lie in Russia itself, and these main problems are the institutional and structural problems that have accumulated up to today.”<sup>39</sup>

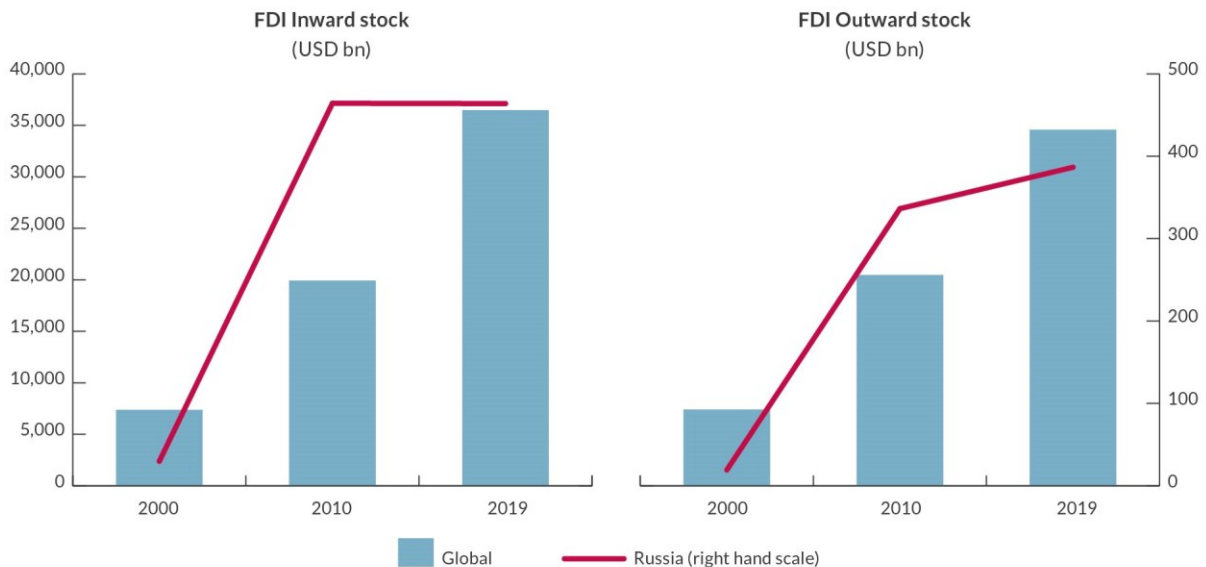
In terms of economic policy, Russia has experienced several U-turns in recent years, with hectic activism on the rise as of late. In the 2000s, stability orientation dominated in light of the 1990s crisis. The cornerstones were a cautious monetary and fiscal policy. To exaggerate, the so-called “Washington Consensus” was followed, i.e. a stability-oriented economic policy as the Western-dominated International Monetary Fund would have possibly recommended (including the establishment of a politically highly independent central bank). Academia, the population and the state leadership supported this orientation. After macroeconomic stabilization successes, economic policy was then shaped by two further impulses. On the one hand, “reform tuning” was pursued, on the other hand, efforts were made to promote internationalization. “Reform tuning” involved focusing on “paper tiger” reforms that made it possible to advance in international benchmarkings (most

<sup>39</sup> Alexej Kudrin, Finance Minister 2000-2011. See Freytag-Loringhoven von, Julius. Modernisierungswille ohne Strukturreformen – russische Regierung im Widerspruch. Friedrich-Naumann-Stiftung für die Freiheit, Jan. 23, 2019.

prominently the World Bank Doing Business Index)<sup>40</sup>. Such fictional successes also served as a means to attract foreign direct investment (FDI). At the same time, Russian companies made international acquisitions, and direct investments from Russia increased. There was even the ambition of establishing Moscow as an international financial center on the back of macroeconomic stabilization successes and financial market liberalization determinations.<sup>41</sup>

#### Russian In- & Outward FDI vs. Global Trends

(Inward FDI = FDI into Russia, Outward FDI = Outgoing Russian FDI abroad)



Source: UNCTAD, World Investment Reports.

Compared to global trends (including China), Russian-related FDI (outbound or inbound) is stagnating, reflecting inward-looking economic policies and limited foreign interest (incl. Western interest and interest from other Emerging Markets, e.g. China) in engaging in the Russian economy due to limited growth prospects and reputational/sanction risks, while investors being on the ground are consolidating.

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In the background, however, the state always secured considerable influence on the economy, especially in strategic sectors. Apart from stabilization and “reform tuning,” there has been no profound microeconomic and institutional transformation since the mid of the 2000s.<sup>42</sup> At the beginning of the 2010s, the state-centered economic model reached its limits in terms of growth and innovation.<sup>43</sup> The “social contract” of more prosperity in exchange for less individual freedom was broken. Since 2013/2014, the state has bought legitimacy through geopolitical “successes” based on increasing military spending. In terms of economic policy, the focus was on securing living standards and geopolitical leeway. Since then a “Fortress Russia” strategy has been pursued in the context of comprehensive Western economic and financial market sanctions, attended by the risk that they

<sup>40</sup> Russia was ranked 120th (2011) and 111th (2012) respectively in the annual Ease of Doing Business rankings, then ranked 36th (2015) and 28th (2020), a trend development reflecting so-called “reform tuning,” i.e. policymaking was focussed on changing exactly the laws and regulations of importance for such measurements (without focussing on real changes).

<sup>41</sup> Abramow, Dmitry, Stanislav Polezhaev and Mikhail Sherstnev. Moscow as International Financial Center: Ideas, Plans and Perspectives. In: Journal of Eurasian Studies, Vol. 2, Issue 2 (July 2011), pp. 144-152.

<sup>42</sup> Solanko, Laura. From Reforms to Stagnation – 20 Years of Economic Policies in Putin’s Russia. In: BOFIT Policy Brief No. 1, Jan. 9, 2020.

<sup>43</sup> Matthews, Owen. The End of Putinomics. In: Newsweek, Dec. 30, 2012.

could be tightened at any time.<sup>44</sup> The strategy stands for an ultra-stability-oriented fiscal and monetary policy meant to secure geopolitical leeway, and it represents a defensive, inward-looking economic model in the real economy (e.g. import substitution) and when it comes to international financing (e.g. limited use of the US dollar). In some areas, the strategic goal is autarky, an economic policy objective that often characterizes dictatorships. Tactically, the main aim is to be prepared for any economic shock (incl. oil price shocks) or possible tightening of Western sanctions, especially with regard to potential fresh US sanctions.<sup>45</sup>

At first, successes were recorded, the country was able to stand its ground in a challenging (sanction) environment, and, according to the political narrative, external sanctions were to blame for weak growth. Those in power were able to engage in so-called “stagnation marketing” for a limited period of time.<sup>46</sup> However, rising social inequality and falling real incomes have increasingly challenged the defensive economic model since 2018/2019. Criticism in the domestic discourse has increased, and calls have been heard – partly populist – for a growth-oriented economic policy, such as an activist monetary and/or fiscal policy – especially as it is becoming apparent that the Western sanctions could remain in place for many years to come.

The multi-layered pressure to mobilize national resources and to find a new “growth and modernization narrative” led to the launch of the “National Projects” in 2018. Substantial sums were announced for large-scale state investment and modernization programs running until 2024. Investment and reform priorities were announced in the areas of demography, health, education, living conditions, ecology, roads, labor productivity, science, digital economy, culture, small business and international cooperation. The military-industrial complex was not directly included, a concession after it received high investments before. From 2018 to 2024, approximately 250-350 billion euros were to be made available for national investment programs. On the surface, the willingness to invest has increased. In 2012, 35-45 billion euros were allocated for the years 2012-2018 with a similar target. Calculated on a year-by-year basis, the amount of investment should increase from 0.2-0.4 percent of GDP (2012-2018) to about 3 percent (2018-2024). Arithmetically, this implies investments of 4-6 percent of GDP. In the light of practical experience in Russia or its “oligarch economy,” which is also being used by the political system, it can be expected that only 40-50 percent of the funds will arrive in the real economy. In view of empirical experience with state infrastructure and investment initiatives, this could generate growth effects of 0.4-0.8 percent, which would allow for a maximum GDP growth of just over 2 percent.<sup>47</sup> However, since modernization goals have been linked to staying in power from the beginning, the target date of 2024 speaks volumes.

At the beginning, there were signs of euphoria – including among domestic market observers – in light of this new economic policy orientation, especially since excessive (foreign exchange) reserve accumulation is inefficient. The accompanying (safe) financial investments bring neither financial

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<sup>44</sup> Deuber, Gunter. Fortress Russia Effective in the Corona and Sanctions Environment: Short-Term, More Stagnation and Sanctions Ahead. In: Russian Analytical Digest, No. 268, May 6, 2021, pp. 3-5; and Melka, Johanna. Russia: In a Better Position to Deal with an Oil Price Shock than It Was Five Years Ago. In: Eco Conjoncture No. 3, June 2, 2020.

<sup>45</sup> Melka, Johanna, loc. cit.

<sup>46</sup> Deuber, Gunter, Andreas Schwabe. Zwei Jahre Wirtschaftskrise: Zögerliche Erholung, alte Rezepte und „Stagnationsmarketing“. In: Russland-Analysen, Issue 325, Nov. 18, 2016.

<sup>47</sup> Deuber, Gunter. „Weiter so“ in Russlands Wirtschaft – bei anschwellenden US-Sanktionsrisiken. In: Russland-Analysen, Issue 359, Sept. 21, 2018.

gains nor real economic impulses. However, in terms of their implementation and growth-promoting effects, the successes of the National Projects were modest in 2019 and until the beginning of 2020 and the Corona crisis.<sup>48</sup> It became clear that buzzwords were being thrown around without any far-reaching and deeper implementation and reform planning underneath. Although the cornerstones of the National Projects well reflect Russia's domestic challenges, observers view the government's implementation plans (presented at the start of 2019) to be contradictory because they call for "both more freedom and more planning of the economy."<sup>49</sup>

In this respect, the Corona crisis was used opportunistically to prioritize the fight against the crisis in terms of economic policy and to stretch out the timetable of the National Projects or to make modernization less ambitious. The target date of 2024 became 2030, and in addition to the focus on macroeconomic impulses, some microeconomic liberalizations were also introduced. Moreover, investments are to be financed to a greater degree through reserves, such as the National Wealth Fund. For the first time, a clear ramping up of government spending in a crisis was discernible; a pure austerity and stabilization policy was apparently no longer enforceable. At the same time, however, the government is trying to avoid a complete escalation of sanctions, which would imply an even more adverse economic scenario.

All in all, the economic policy of recent years makes a hectic and eclectic impression. There is an obsessive attempt to produce state-induced impulses for growth and modernization, which evaporate given the rigidities of institutional conditions; comprehensive internationalization is no longer a goal. Structural reforms in sensitive areas, such as an overhaul of the judicial system or a comprehensive fight against corruption, are not discernible.

Russia's leadership did not learn from the recent past,<sup>50</sup> but instead continues to focus even after 2008 on modernization through centralization, and with limited private sector investment.<sup>51</sup> Using the example of the civil aviation sector, economist Nicole Krome shows why consolidating entire industries into "state corporations" is doomed to failure:<sup>52</sup> "Catalysts for modernization (...) are stifled, technological innovation and an increase in value creation do not take place." In addition, personal networks skim off pensions in state contracts, state supervisory authorities are deactivated, and modernization projects are not implemented. Work processes suffer from high bureaucratization, increasing de-economizing and politicization as well as contradictory political requirements. As a result, losses and debts grew – despite millions (in US dollars) in government

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<sup>48</sup> Aris, Ben. The Russian Economy Is Stagnating. In: Moscow Times, May 27, 2019.

<sup>49</sup> Freytag-Loringhoven, loc. cit.

<sup>50</sup> Large state corporations and a federally aligned bureaucracy were a disadvantage during the global financial crisis in 2008.

<sup>51</sup> Weafer, Christopher. Russia's Economy: Outlook. In: Russian Analytical Digest, No. 268, May 6, 2021, pp. 11-12.

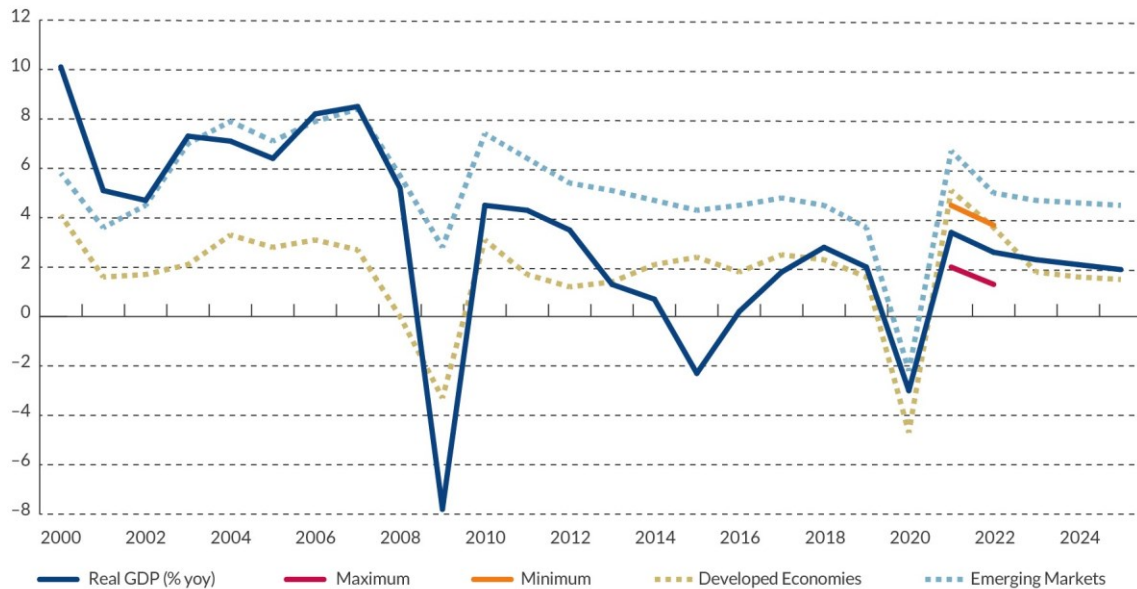
<sup>52</sup> Krome, Nicole. Modernisierung durch Staatslenkung? Russlands High-Tech-Industrie in der Sackgasse (Modernization Through State Control? Russia's High-tech Industry Reaches a Dead End). In: Osteuropa, Vol. 70, No. 1/2 (2020), pp. 85-120.



financial aid.<sup>53</sup> In general, the proximity of an industry to political interests co-determines its development. Examples include not only the armaments sector but also IT.<sup>54</sup> At the same time, distance from the state also offers no guarantee of undisturbed activity.<sup>55</sup>

Superficially, the top priority is to transform the economy through National Projects or the development plan for 2030, to bring back prosperity gains reminiscent of 2011 and to limit rising social discontent; but this only under the restrictions of the “Fortress Russia” strategy. Ultimately, this calculus dominates economic policymaking, while comprehensive institutional economic reforms are not congruent with the increasingly radical-repressive orientation in other areas of life

#### Long-term Economic Growth Perspectives



Source: Rosstat, International Monetary Fund (Developed Markets and Emerging Markets), Forecasts Russian GDP growth 2021-2025 (f) FocusEconomics (Consensus), incl. maximum and minimum projected growth rates for 2021 and 2022.

In the perspective of long-term economic growth (measured as Real GDP growth) in Russia, all signs point to stagnation or no catch-up growth compared to leading global economies or in relation to other emerging economies.

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All in all, the growth prospects for Russia's economy are limited, despite certain economic policy growth impulses.<sup>56</sup> It is therefore very unlikely that the political system will be able to (re)achieve some legitimacy through economic progress in the foreseeable future. Given the limited possibilities of achieving GDP growth rates of more than 1.5-2.0 percent on a sustained basis (following a one-off rebound recovery in 2021/2022), the economic and political risk of prolonged stagnation and further sanctions thus increases.<sup>57</sup> At least liberal-oriented actors are trying to maintain a minimum of international embeddedness in the economic sphere (e.g. the Ministry of Finance

<sup>53</sup> Krome, op. cit., pp. 116, 120.

<sup>54</sup> Epifanova, Alena. Zukunftstechnologien ohne Zukunft? Russlands Gesetzgebung und Importsubstitution im IT-Bereich. In: Russland-Analysen, Issue 388, June 15, 2020.

<sup>55</sup> Higgins, Andrew. Russia Wants Innovation, but It's Arresting Its Innovators. In: New York Times, Aug. 9, 2017; Soric, Miodrag. Russia's Problems with Innovation. In: DW, Nov. 9, 2018.

<sup>56</sup> Korhonen, Iikka. Russia's Growth Potential Post-COVID-19. In: BOFIT Policy Brief 2021, No. 9 (July 2021).

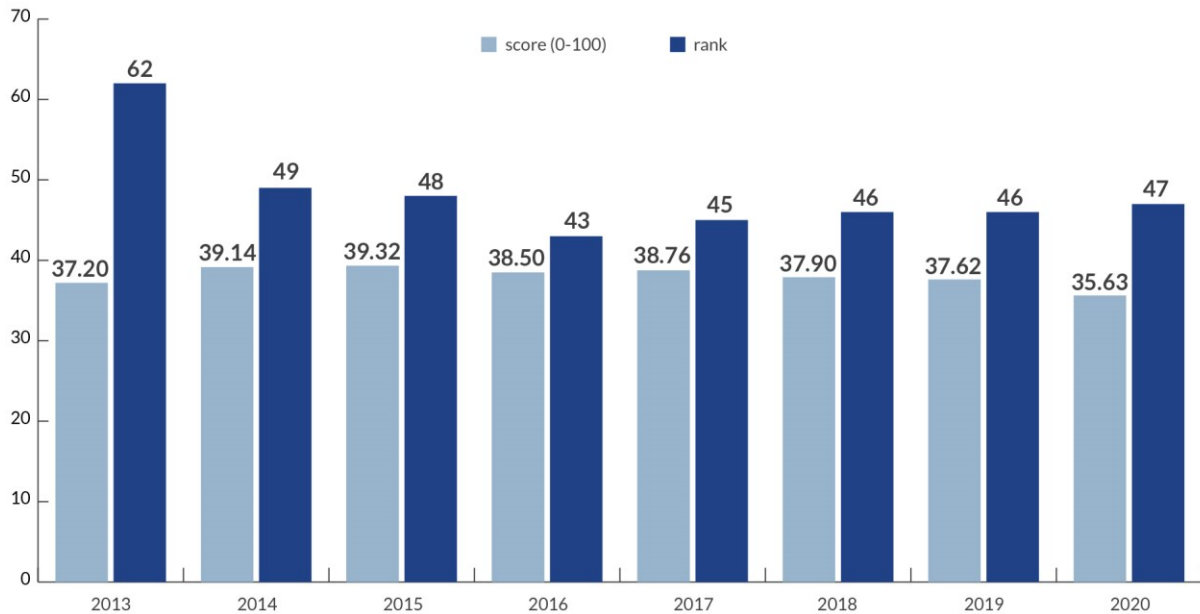
<sup>57</sup> Astrov, Vasily. RUSSIA: Self-inflicted Stagnation. In: Braced for Fallout from Global Slowdown, Vienna Institute for International Economics (wiiw) Forecast Report, November 2019, pp. 105-109.



continues to be present on international markets with external bond issuance in euros or as indicated by the bumper IPO of Ozon in 2020 on the US tech stock exchange NASDAQ).<sup>58</sup>

#### Assessment of Innovative Capacity by the Global Innovation Index from 2013 to 2020

GII (0 = none to 100 = highest possible capacity of innovation / ranking among 129 states)



Source: Statista Research Department (4.9.2021). Russia's assessment according to the Global Innovation Index (GII) until 2020. <https://de.statista.com/statistik/daten/studie/1103182/umfrage/bewertung-russland-nach-dem-global-innovation-index/>.

While Russia improved its position in the Global Innovation Index in the 2000s, it has now been stagnating at rank 45 for several years.

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## VII The Social Divisions – Fresh Start or Regression?

“The most dramatic events will occur (...) not in Moscow or in comparable urban milieus but in the anti-modernist milieu. This is where the intensifying social conflicts will play out. It remains to be seen whether these social conflicts will be regulated by individual adaptation, new structures in business and civil society, or by the spread of criminal practices like corruption and mafia-style methods.”<sup>59</sup>

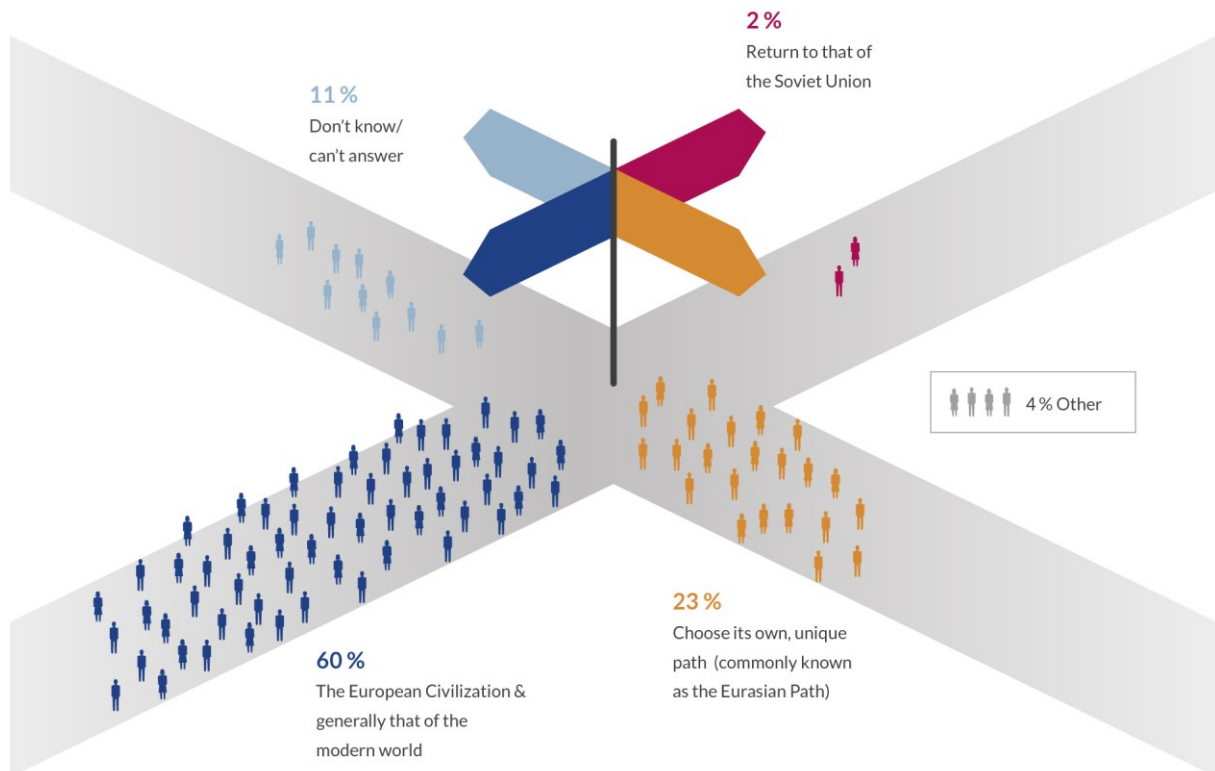
Factors that decide the starting point for the change described in the introduction and recalled by Andrei Kolesnikov include whether Russia’s “citizenry” want progress and modernization along Western lines.

During the protests in Moscow in 2011-2012, it became clear that urbanites are demanding political participation. But the social currents vary; Russia is a highly heterogeneous socio-economic space.

<sup>58</sup> Deuber, Gunter. Five Years of Financial Market and Banking Sector Sanctions – A “New Equilibrium” Locally and Internationally. In: Russian Analytical Digest, No. 236, June 6, 2019, pp. 2-8.

<sup>59</sup> Lev Gudkov, director of the Levada Center. See Gudkov, Lev. Sozialkapital und Werteorientierung. In: Osteuropa, Vol. 62, No. 6/8 (Aug. 2012), p. 83.

## Which Historic Direction Should Russia Choose? General Attitudes towards Russian Politics



Source: Atlantic Council Eurasia Center (2019). The Putin Exodus: The New Russian Brain-Drain. <https://www.atlanticcouncil.org/wp-content/uploads/2019/09/The-Putin-Exodus.pdf>.

The clear majority among respondents living abroad for the direction “European Civilization and generally that of the modern world” is not surprising.

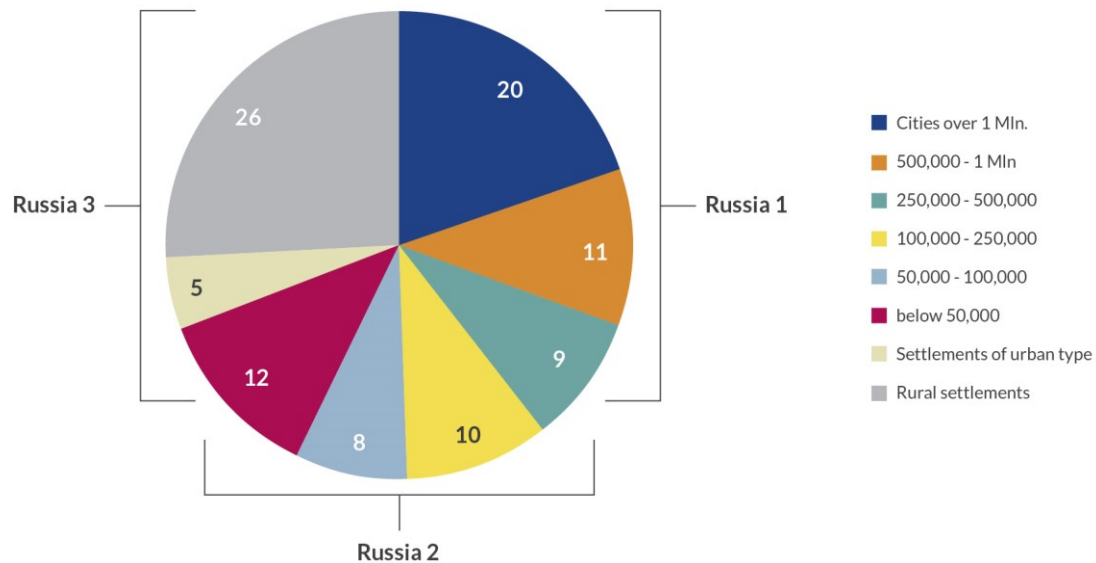
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Economic geographer Natalya Zubarevich classifies people living in Russia into types by residential area: Russia 1: urban Russia, including people living in megacities and cities with more than 500,000 inhabitants; Russia 2: industrial Russia, including people living in medium-sized industrial cities; and Russia 3: peripheral Russia, which includes people living in villages and small towns.<sup>60</sup>

<sup>60</sup> Zubarevich, Natalia. Russlands Parallelwelten. Dynamische Zentren, stagnierende Peripherie. In: Osteuropa, Vol. 62, No. 6/8 (Aug. 2012), pp. 263-278. The data in her text are from 2011 and refer to the last census, which was conducted in Russia in 2010. There has not been a census since then.

## Population Distribution in Russia by Settlement Type in 2010

In Percent



Source: Osteuropa (6-8/2012): Open Your Eye. Awakening and Regression in Russia, p. 264.

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Sociologist Gudkov divides Russia into modern, pre-modern and anti-modernist.<sup>61</sup>

People living in Moscow, St. Petersburg and the other cities with millions of inhabitants have a significantly higher-than-average standard of living, have better education and qualifications, are capable, self-reliant and mobile. As in Western Europe, there is an individualization and pluralization of lifestyles. And even in the megacities, “classes of people live with an almost archaic, traditionalist culture and a corresponding behavior.”<sup>62</sup>

Life in the pre-modern Russia of the rural areas is defined by apathy, decline and the sheer struggle for existence.

Finally, the anti-modernist Russia of the small and industrial cities is characterized to this day by Soviet industrialization, by technological backwardness and stagnation. “This Russia is like a depot where the ideas of the bygone era are warehoused. The education and professional qualifications of the citizens, their standard of living and mobility are low, but frustration and resentment are high. This class of anti-modernist Soviet citizens is joined by opponents of modernization of other stripes: Russian nationalists and Orthodox fundamentalists. They all form the social basis for Putin’s rule, which appeared to guarantee stability thanks to high revenues from the sale of raw materials as well as ‘managed democracy.’”<sup>63</sup>

How future-oriented Russia will actually become – and who will help shape the foundation for modernization or traditional anti-modernity – depends on how these groups develop: “Simulating

<sup>61</sup> Gudkov, Lev, op. cit., pp. 55-83, explanation of his typology on p. 60.

<sup>62</sup> Gudkov, Lev, op. cit., pp. 59 f.

<sup>63</sup> Gerhardt, Wolfgang, Manfred Sapper and Volker Weichsel. Spaltungen. In: Osteuropa, Vol. 62, No. 6/8 (Aug. 2012), pp. 7-8.

modernization is not enough. Whether and how the divide between anti-modernist Russia and modernist Russia is overcome will be crucial to determining the country's future."<sup>64</sup>

Digitization also plays a prominent role and contributes to the transformation of society as well as to its division.<sup>65</sup> The current leadership's challenge will be to continue to "freeze society" without undermining the leadership's own capabilities.

## VIII Influence Beyond Its Own Borders – Onward into the Past

"It is necessary to understand Putin's system of power and (...) the totality of ideas and dimensions of Putinism as an ideology of the future. Precisely and especially for the future (...). [The ideologization of Putinism] should be done for all who are not Putin and want to be like him. For the possibility of adopting his methods and approaches in future times (...) since the made-in-Russia political system is suitable not only for the future of the homeland but clearly has considerable export potential – the demand for it (...) already exists (...), it is already being imitated by both the rulers and opposition groups of many countries."<sup>66</sup>

Stagnation also characterizes the de facto states that are supported by Moscow but unrecognized internationally, such as Transnistria in the Republic of Moldova or South Ossetia in Georgia, which are located within the territories of sovereign countries that (in part re-) emerged following the collapse of the Soviet Union. Backwardness – and dependence on patriarchal de facto government structures – is intentional.<sup>67</sup>

In its "near abroad,"<sup>68</sup> Russia is pursuing a policy that long-time observers classify as "promoting 'managed instability.'"<sup>69</sup>

In more distant countries, Russia foments conflict instead of contributing to its resolution.<sup>70</sup> The 2009 prediction of Parag Khanna regarding Russia's minimal importance in external political affairs<sup>71</sup> underestimated Russia's potential for disruption or overestimated the EU's potential to act. Since then, Moscow has (again) been a factor in important international negotiations and it would improve their results if Europe and the United States or transatlantic cooperation succeeded in involving Moscow constructively in conflict solutions.

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<sup>64</sup> Ibid., p. 8.

<sup>65</sup> Treisman, Daniel. *The New Autocracy: Information Politics and Policy in Putin's Russia*. Washington, DC: Brookings Institution Press, 2018, pp. 1-28.

<sup>66</sup> Surkov, Vladislav. Владислав Сурков: Долгое государство Путина (Putin's Long State; own translation). In: *Nezavisimaya Gazeta*, Feb. 11, 2019.

<sup>67</sup> The same applies to the "people's republics" of Donetsk and Luhansk in Ukrainian state territory.

<sup>68</sup> Term invented for the post-Soviet space, where the formula "sovereign but not independent" applies and where Russia asserts its "vital interests." See Inozemtsev, Vladislav. Wenn alte Reiche kollidieren. In: *Internationale Politik*, No. 2, 2021, pp. 77-82, p. 78.

<sup>69</sup> Ibid., p. 79. Uwe Halbach, SWP, talks about "controllable instability."

<sup>70</sup> Bertelsmann Stiftung (ed.). *Antagonismen in der Nachbarschaft der Europäischen Union #2: Strategische Ohnmacht in Syrien überwinden - wie die EU Flagge zeigen und den Interessen der Regionalmächte begegnen kann*. Gütersloh: Bertelsmann Stiftung, 2019.

<sup>71</sup> Khanna, Parag. *Der Kampf um die Zweite Welt. Imperien und Einfluss in der neuen Weltordnung*. Berlin: Berlin Verlag, 2009, p. 49. Khanna wrote at the time: "Russia's foreign policy position is a pale reflection of times past: If the country were not at the table for important international negotiations like the Arab-Israeli conflict and the North Korean and Iranian nuclear programs, the outcome would be the same, because the United States, Europe, and China are much more influential as international conflict mediators."

The hope that Russia would pursue an intelligent development policy – a promising “concept for participating (...) in supporting international development” has been in place since 2007 – has not yet been fulfilled.<sup>72</sup>

On the contrary, geostrategic considerations generally dominate Russian foreign policy – above and beyond the normal level of state interest policy.<sup>73</sup>

## IX New System Competition? A Battle for Innovation Autonomy with New Tools

“Everyone wants to be first.”<sup>74</sup>

The Sputnik euphoria surrounding the first space flight of the Soviet satellite lies in the distant past. But it's no coincidence, of course, that the Russian COVID vaccine – touted by the Russians as the “greatest vaccine in the world” – is named Sputnik V.<sup>75</sup> “Beating the West”<sup>76</sup> plays a major role, after all.

Moreover, instead of using the pandemic, which endangers everyone in equal measure, for an alliance and win-win situation, Sputnik V is at the center of new Russian disinformation strategies of unanticipated scale.<sup>77</sup> As a Special Report by the European External Action Service states:

The so-called “vaccine diplomacy” follows a zero-sum game logic and is combined with disinformation and manipulation efforts to undermine trust in Western-made vaccines, EU institutions and Western/European vaccination strategies.

[T]he Russian campaign to promote the Sputnik V vaccine has accelerated and developed into a “whole-of-government” approach including state authorities, state companies and state mass media in almost daily interventions. Russian officials not only promote the Sputnik V vaccine but also engage in antagonistic messaging, using disinformation to accuse the West and the EU of sabotaging the Russian vaccine.

[P]ro-Kremlin media outlets (...) have sought to undermine public trust in the European Medicines Agency and cast doubt on its procedures and political impartiality. By sowing distrust in the European Medicines Agency, pro-Kremlin disinformation actors aim to undermine and fragment the common European approach of securing vaccine supplies.<sup>78</sup>

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<sup>72</sup> Bakalova, Evgenija and Hans-Joachim Spanger. Mühsame Rückkehr. Russlands Engagement in der Entwicklungspolitik. In: Osteuropa, Vol. 62, No. 6/8 (Aug. 2012), pp. 459-474.

<sup>73</sup> Bertelsmann Stiftung (ed.). Antagonismen in der Nachbarschaft der Europäischen Union #3: Geopolitische Ambitionen in der Schwarzmeer-/Kaspischen Region. Gütersloh: Bertelsmann Stiftung, 2020.

<sup>74</sup> Konstantin Chumakov, virologist. See Yaffa, Joshua. The Sputnik V Vaccine and Russia's Race to Immunity. In: The New Yorker, Feb. 1, 2021.

<sup>75</sup> Bota, Alice, Martin Machowecz and Michael Thumann. Sputnik V: Der großartigste Impfstoff der Welt. In: Die Zeit, No. 19/2021, May 5, 2021.

<sup>76</sup> Yaffa, loc. cit.

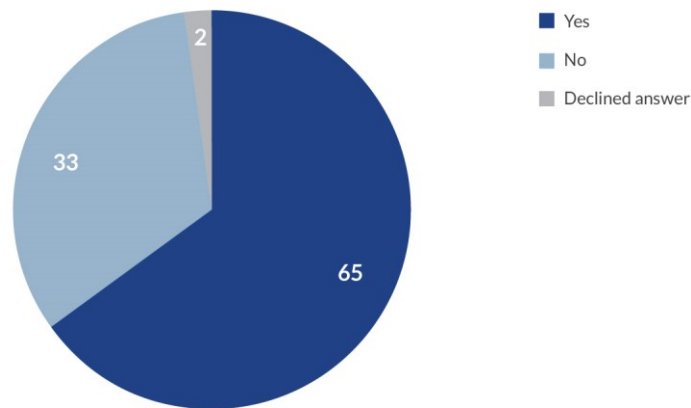
<sup>77</sup> European External Action Service. EEAS Special Report Update: Short Assessment of Narratives and Disinformation Around the COVID-19 Pandemic (Update December 2020 – April 2021). EU vs Disinformation. April 28, 2021.

<sup>78</sup> Ibid. The report includes source citations that support the quoted statements.

These forces are poorly deployed not only from a Western perspective. Vaccination rates in Russia remain low, precisely because the general public does not trust the state. In June 2021, Moscow reported a peak in new infections.<sup>79</sup>

Overall, Do You or Don't You Approve of Vladimir Putin's Actions as President of Russia (April 2021)?

In Percent



Source: Levada Analytical Center (Levada-Center) (27.5.2021): Confidence in politicians, approval of institutions and state of affairs in the country. <https://www.levada.ru/2021/05/27/doverie-politikam-odobrenie-institutov-i-polozhenie-del-v-strane-2/>.

The president's poll numbers rebounded after the second wave of the pandemic in the fall/winter of 2020/21. This is also due to the official narrative of victory over the pandemic and the rejection of far-reaching Covid-restrictions.

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Serious economic losses in Russia from the spread of the virus are to be expected.<sup>80</sup> Given that Russian science has developed a good vaccine, this development should actually not be without alternatives.

## X Paths to Escape the Modernization Illusion

“God forbid that we should fall into blindly worshiping all that is Russian merely because it is Russian: God save us from parochial and, to be honest, fruitless attacks against the West (...)  
The surest sign of strength is to know your own weaknesses and shortcomings.”<sup>81</sup>

Even Timothy Snyder, a Russia critic who teaches Eastern European history at Yale University, suspects: “Russia will eventually reconsider its irrational acts. It makes no sense to wage covert war against the United States and Europe when Russia’s real problem is China. Most Russians know this. They are using the conflict with the West as a distraction.”<sup>82</sup>

Joschka Fischer thinks similarly: The “impending junior partnership under China” is likely to be problematic for the Russian self-image in the long term, the former German Foreign Minister said. Fischer sees Moscow’s final alignment as “not yet decided,” however. And precisely therein lies

<sup>79</sup> Bilger, Oliver. Drogen: Delta-Variante jetzt ernst nehmen. In: Der Tagesspiegel, June 20, 2021, p. 1.

<sup>80</sup> Deuber, Gunter. Zwei Wirtschaftskrisen zugleich – auch für Russland eine zu viel. In: Russland-Analysen, Issue 386, Apr. 27, 2020.

<sup>81</sup> Iwan Turgenjew (1818-1883). See Heer, Friedrich. Europa – Mutter der Revolutionen. Leinen: W. Kohlhammer Verlag, 1964, p. 759.

<sup>82</sup> Knipper, Til, Christoph von Marschall and Anna Sauerbrey. Moskau hat den Präsidenten der USA ausgewählt. Interview with historian Timothy Snyder. In: Der Tagesspiegel, Oct. 28, 2018, p. 3.

Europe's "opportunity to keep the door open for a Western alignment [of Russia] with diplomacy that is patient while also being principled."<sup>83</sup>

Inozemtsev cites three reasons there have so far been "no signs [emphasis added by authors] of escalating geopolitical rivalry" between Russia and China: First, China has never engaged in lengthy wars with the Russian Empire and has never been in direct geopolitical competition with Moscow. Second, Russia's conquest of Central Asia never led to a real colonial presence in the region. And third, China shares a long border with Russia and is therefore seen primarily as a neighbor rather than a competitor for "intermediate states."<sup>84</sup>

Indeed, Russia and China are cooperating in areas of future importance: in research, such as on space missions,<sup>85</sup> as well as in the area of technology in general.<sup>86</sup>

In any case, it is unlikely that Russia will be able to solve its problems demographically,<sup>87</sup> economically and technologically – that is, in all the sectors of special importance in the 21<sup>st</sup> century if the aim is to achieve world power status – on its own, irrespective of all political aspirations or statements about "sovereignty."

From a Western perspective, there is the question of an approach to modernization based on interdependence that could benefit both sides and actually lead to improvements.

The more concrete the initiatives and conditions in and on which Russia and Europe could cooperate, including within the framework of multilateral organizations, the more successful the collaboration within the framework of the described challenges would be.

One possibility could be "combating climate change" with a joint innovation strategy. Pro-Russia political consultant Alexander Rahr argues that environmental and climate policy is the "new détente policy" for the 21<sup>st</sup> century.<sup>88</sup>

The need for an environmental and climate policy exists in Russia, in any case. Energy loss, for example, is a systemic problem, and some see energy efficiency as a "litmus test for modernization."<sup>89</sup>

And the more social pressure Russia's governing leaders face, the more climate policy could offer an attractive area for cooperation with the West, even from the perspective of elites.

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<sup>83</sup> Fischer, Joschka. *Willkommen im 21. Jahrhundert: Europas Aufbruch und die deutsche Verantwortung*. Cologne: Kiepenheuer und Witsch, 2020, p. 158.

<sup>84</sup> Inozemtsev, Vladislav, op. cit., p. 82.

<sup>85</sup> Kramer, Andrew E. and Steven Lee Myers. *Russia, Once a Space Superpower, Turns to China for Missions*. In: *New York Times*, June 15, 2021.

<sup>86</sup> Bertelsmann Stiftung/MERICS/DGO. Panel: Outlook: Sino-Russian collaboration in the area of finance and technology. Annual DGO Conference – Interdependencies and Dependencies: China – Eastern Europe – European Union, March 28, 2021.

<sup>87</sup> Adler, Sabine. *Arbeitsmigranten in Russland – Dringend gebraucht, nicht willkommen*. In: *Deutschlandfunk*, June 13, 2021.

<sup>88</sup> Rahr, Alexander. *Ökologie eint EU und Russland*. In: *Russlandkontrovers*, Sept. 23, 2019.

<sup>89</sup> Mahler, Christian and Gianguido Piani. *Energieeffizienz in Russland. Lackmusstest der Modernisierung*. In: *Osteuropa*, Vol. 62, No. 6/8 (Aug. 2012), pp. 363-369. Gas lost in the building sector due to heat losses is equivalent to the total annual gas consumption in Germany (as of 2012).



## Assessment of the Current State of Affairs in Your Country



Source: Levada Analytical Center (Levada-Center) (27.5.2021): Confidence in politicians, approval of institutions and state of affairs in the country. <https://www.levada.ru/2021/05/27/doverie-politikam-odobrenie-institutov-i-polozhenie-del-v-strane-2/>.

Opposing views in Russian society.

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## XI Internal Change?

“Life in Russia rocks.”<sup>90</sup>

Pollster Gudkov wrote in 2012 that radical changes were unlikely in Russia in the foreseeable future: “Neither revolutionary change nor a split among the elites. Neither the seizure of power by a faction of power nor the launch of radical democratic reforms. The forces capable of offering society a new form of organization have not yet emerged in society.”<sup>91</sup>

It is not possible to say whether the people inspired by Alexei Nawalny could be these new forces. The fact that protests erupted again after 2011/12 is in any case largely due to his Foundation for Fighting Corruption, as well as to the fact that activists and political candidates are also present in the Russian regions.

Currently, the intensified repressions ensure that these regional forms of organization will at best face difficulty in their efforts to consolidate – i.e. at considerable personal risk and the threat of bureaucratic obstacles possibly including criminalization.<sup>92</sup>

Margolina<sup>93</sup> had already concluded that Russia is too big for a centralized approach, referring to the “necessity of federalization, the creation of strong local self-governments capable of action.” She thus dismisses both the theses of Kremlin ideologue Surkov and the practices of President Putin, who from the beginning of his presidencies has weakened local self-government in his own country.

<sup>90</sup> Yuri Dud, YouTube star. See Saprykin. Jury. Decoder: Die gesellschaftliche Wandlung nach 20 Jahren Putin. In: Russland-Analysen, No. 380, Jan. 28, 2020.

<sup>91</sup> Gudkov, Lev, op. cit., p. 83.

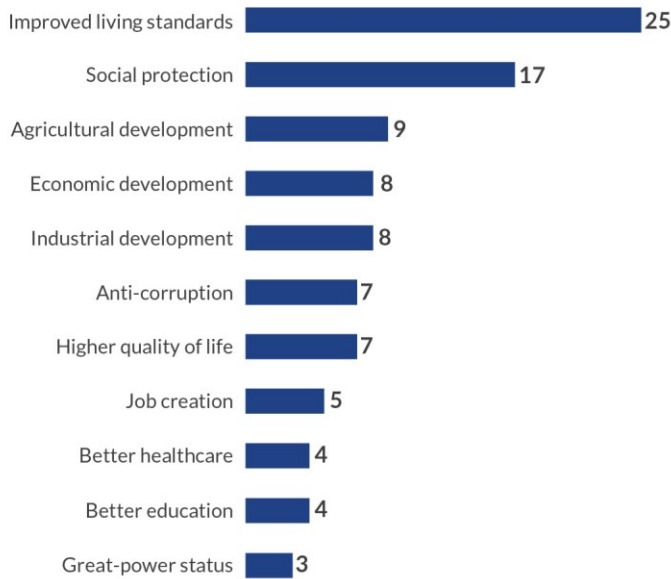
<sup>92</sup> Regarding the intervention of the Russian judiciary on June 6, 2021, see, for example, Isachenkov, Vladimir. Russian Court Outlaws Opposition Leader Navalny’s Groups. In: AP News, June 10, 2021.

<sup>93</sup> Margolina, op. cit., p. 4.

Yury Saprykin, who originally came from lifestyle journalism, also views subsidiarity, not the central power vertical, as the future. In his personal attempt to formulate a national idea, he refers to what are now numerous “forms of patriotism and national identity that are emerging today from below, independent of the state, and that could unify society in the future.”<sup>94</sup>

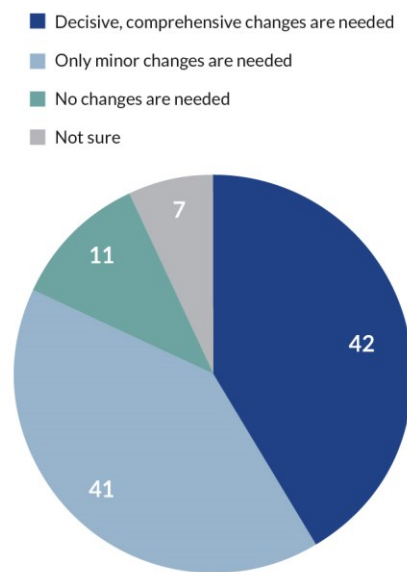
**Russian Views on the Objectives of National Change**

In Percent



**Russian Views on the Need for Change**

In Percent



Source: Levada-Center for Carnegie Moscow Center (2018): The perils of change: Russians' mixed attitudes toward reform. [https://carnegieendowment.org/files/VolkovKolesnikov\\_RussianReform\\_article.pdf](https://carnegieendowment.org/files/VolkovKolesnikov_RussianReform_article.pdf).

Whatever results economic and industrial development may have had, the majority of respondents do not feel satisfied.

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This “local patriotism” is spreading on the Internet and among scene artists, at least outside the propaganda bubble of State Television. This involves “a sense of belonging not to a state abstraction, but to a concrete place that must be treated with care, respect, and attention.” Indicators include the “strengthening of local history and the reassessment of regional historical heritage” as well as “booming domestic tourism” and “the trend toward farming and regional products.”<sup>95</sup>

This also includes “the gradually acquired ability to cooperate, to take communal, socially relevant action, to join forces with neighbors, work colleagues and like-minded people for a common goal.”<sup>96</sup>

And finally, “the new way of dealing with the tragedies of the past, a new kind of memory culture in which war heroes are not the only ones worthy of collective remembrance and honor but also the victims of a criminal regime, or ordinary citizens who had to pay for leaders’ incompetence with

<sup>94</sup> Saprykin, loc. cit.

<sup>95</sup> Ibid.

<sup>96</sup> Ibid.

their lives. There is, not least, the overcoming of the national inferiority complex (...) to a sober, serene feeling that ‘Russians are okay’ and that life in Russia ‘rocks,’ despite it all.”<sup>97</sup>

Russian elites, with their traditional strategies of anti-modernist isolation and power verticals that impact the economy and society, are not on the path to the future from a pan-Russian perspective.

Russians like Dud or Saprykin recall the recommendation of Stefan Meister from 2012 that Germany’s Russia policy should be more strongly focused on civil society.<sup>98</sup> Another observer states it even more bluntly: “The failure of the modernization partnership [between Germany/the EU and Russia in 2008] underscores (...) that social freedom is a basic prerequisite for economic creativity and progress – and not the other way around.”<sup>99</sup> Whether this applies without restriction is debatable, however, especially in view of China as an “authoritarian and modern” system serving as an alternative to the West.

At any rate, in light of the massive repression, supporting civil society cannot be the only line of action for German policy. Because of its long-standing relations, Germany is especially capable of helping Russia break the vicious circle, i.e. to work through its own weaknesses instead of accusing others of wanting to “keep Russia down” – so it can expand military power as a supposed countermove.<sup>100</sup> That the weaknesses are due to Russian leaders’ own decisions – particularly the lack of resolve to shift to a path of reform – is being openly admitted even by some members of the Moscow elite.<sup>101</sup>

Russia’s multilateral integration – along with firm demands that Russia’s behavior conform with international rules – is ultimately a task that concerns Europe as a whole in light of the dilemma that some people (in Russia) consider democracy and modernization incompatible.<sup>102</sup>

In the words of Yuri Dud: “Liberation is accomplished through knowledge of the past and respect – for oneself and for others. This is the only way we can make our country fit for the future.”<sup>103</sup>

In stark contrast to this is Vladislav Surkov’s current assessment: “An overdose of freedom is lethal to a state.”<sup>104</sup>

These opposing poles set the framework within which regression, stagnation and “нporеcc” (progress) will develop, both within Russia and in the Russian Federation’s foreign relations.

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<sup>97</sup> Ibid. “Russians are okay” refers to a video project by Yelizaveta Ossetinskaya.

<sup>98</sup> Meister, op. cit., p. 484.

<sup>99</sup> Richter, Stephan. Russland ungeschminkt. In: Handelsblatt, No. 103 (June 2018), May 31, 2018.

<sup>100</sup> Ibid.

<sup>101</sup> See remarks of Alexei Kudrin, Freytag-Loringhoven, loc. cit.

<sup>102</sup> Inozemtsev, Vladislav and Piotr Dutkiewicz (eds.). Democracy Versus Modernization: A Dilemma for Russia and for the World. London: Routledge, 2016.

<sup>103</sup> Boutsko, Anastassia. Juri Dud versus Josef Stalin: Ein YouTuber sucht die Quelle russischer Urangst. In: Deutsche Welle, June 18, 2019.

<sup>104</sup> Foy, Henry. Vladislav Surkov: “An overdose of freedom is lethal to a state.” In: Financial Times, June 18, 2021.

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## Progress and Improvement in a Fragile World – the African Perspective

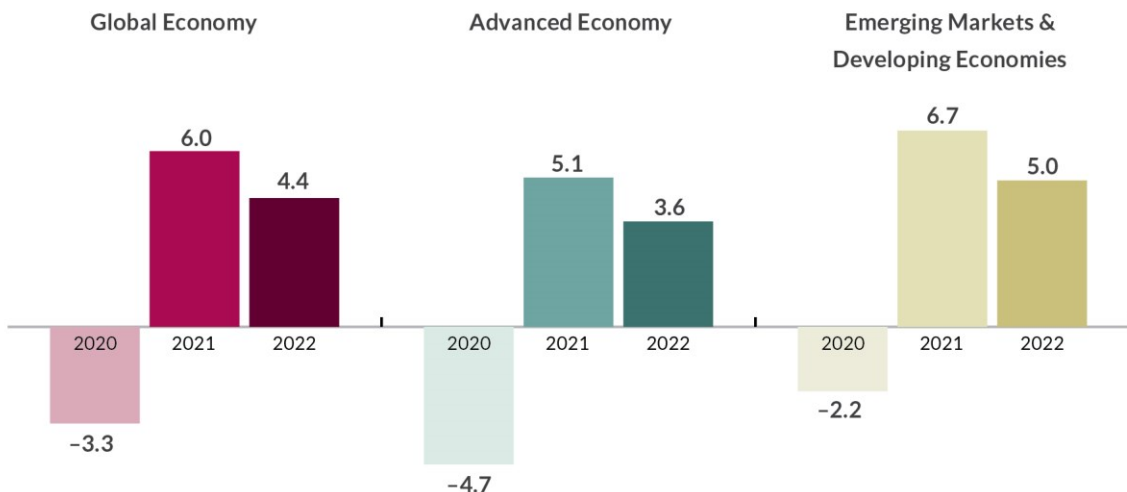
Seán Cleary

### I The Global Challenge

In the “World Economic Outlook,” April 2021, the IMF offered a perspective of the COVID-19 pandemic and its impact on the global economy:

“One year into the COVID-19 pandemic, the accumulating human toll continues to raise concerns, even as growing vaccine coverage lifts sentiment. High uncertainty surrounds the global economic outlook, primarily related to the path of the pandemic. The contraction of activity in 2020 was unprecedented in living memory ... But it could have been a lot worse. ... IMF staff estimates suggest that the contraction could have been three times as large if not for extraordinary policy support. Much remains to be done to beat back the pandemic and avoid divergence in income per capita across economies and persistent increases in inequality within countries.”<sup>1</sup>

World Economic Outlook, April 2021  
Growth Projections



Source: International Monetary Fund.

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Highlighting the divergent impacts on different regions, and types of economies, and workers, the IMF authors continue:

“Output losses have been particularly large for countries that rely on tourism and commodity exports and for those with limited policy space to respond. Many of these countries entered the crisis in a precarious fiscal situation and with less capacity to mount major health care policy responses or support livelihoods. The projected recovery follows a severe contraction that has had particularly

<sup>1</sup> International Monetary Fund. World Economic Outlook: Managing Divergent Recoveries, Executive Summary. Washington, DC, April, 2021.

adverse employment and earnings impacts on certain groups. Youth, women, workers with relatively lower educational attainment, and the informally employed have generally been hit hardest. Income inequality is likely to increase significantly because of the pandemic.

“Close to 95 million more people are estimated to have fallen below the threshold of extreme poverty in 2020 compared with pre-pandemic projections. Moreover, learning losses have been more severe in low-income and developing countries, which have found it harder to cope with school closures, and especially for girls and students from low-income households. Unequal setbacks to schooling could further amplify income inequality.”<sup>2</sup>

The pandemic has exposed underlying structural flaws in our national and international societies, and our collective hubris. To address the consequences, we must “build forward better,” as IMF Managing Director Kristalina Georgieva said on October 15, 2020: “We can do better than build back the pre-pandemic world – we can build forward to a world that is more resilient, sustainable, and inclusive.”<sup>3</sup>

How might we do that? What do we need to do at global, regional, national, and local levels to build that world? Let’s think through the challenge. What do we need to reduce global tensions and the risk of confrontation; and to restore agreement on the rules of an order within which states can compete and cooperate without conflict?

## II A Rules-based International Order

Stable international orders have always been premised on a balance of power between dominant state actors and coalitions, and general acceptance of the legitimacy of the international order within which states pursue their national interests. On a global scale, we enjoyed that circumstance for almost seven decades after 1945, and, notably, albeit in a modified form, for two decades after the implosion of the Soviet Union in 1991, due to acceptance by most state actors of a “rules-based international order” premised on the workings of the United Nations, the World Bank Group, the International Monetary Fund, and the World Trade Organization. Within the framework provided by these institutions, the opening of national economic borders to allow freer flows of goods, financial capital, and people (though travel, tourism, and legal immigration) led to a surge of economic opportunity popularly called “globalization.” Chiefly because of China’s integration into that order after 1978, some 2 billion people were lifted from abject poverty into engagement in the modern (global) economy.

But that order has been under strain since the dawn of the 21st century. “Globalization” of Western mores through advertising and entertainment led to resentment in many communities around the

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<sup>2</sup> International Monetary Fund. *World Economic Outlook: Managing Divergent Recoveries*, Executive Summary. Washington, DC, April, 2021.

<sup>3</sup> Georgieva, Kristalina. *A New Bretton Woods Moment*. Speech. International Monetary Fund, October 15, 2020.

See also: Cleary, Sean. *A Bretton Woods Moment: Crafting the World We Want – and Our Children Deserve*, G20 Insights, May 5, 2020.

world, and was seized on in parts of the Muslim “ummah” to justify what was described as “jihad,” spawning the creation and growth of “Islamist” and “jihadist” movements.

Liberalization of capital flows led to offshore investment in emerging markets, notably China, India, Vietnam, and Mexico, by major companies in the advanced economies – especially the United States – costing jobs for less-skilled US workers, and enabling tax arbitrage by multinational companies seeking to grow shareholder revenues.

Liberalization of financial regulation and the creation of new quantitative hedging and derivative instruments had earlier led to the “financial economy” becoming many times larger than the “real economy” and had widened inequalities of income and wealth in many societies. Decisions by central bankers to provide economic stimulus to offset political and macroeconomic shocks by driving down interest rates encouraged higher leverage, increased corporate and sovereign vulnerabilities, and led to volatile flows of portfolio capital in and out of the capital markets of emerging economies. The Asian and Emerging Markets financial crises of 1997-8; the “dot-com boom and bust” at the turn of the century; and the financial crisis of 2007-8 and the Great Recession were triggered by these policies.

Even the European Union, the greatest experiment in cooperative governance in modern times, fell victim to overambition. Its “enlargement” in 2004 from 15 to 25 member countries – and later progressively to 28 – while imposing limits on fiscal policy flexibility through the Maastricht principles, and eliminating monetary policy discretion in Eurozone member states by creating a European Central Bank, brought exceptional strain to the Union when austerity was forced on southern European states that had over-borrowed before the financial crisis. Germany and its northern European allies refused to pool debt within the Eurozone, and to use expansionary fiscal policies to enable higher exports by hard-pressed southern European economies.

Meanwhile, China’s rise, and Mr. Putin’s resentment at Russia’s humiliation, led to pressures to change the rules of the international order. These pressures have grown progressively over 15 years and flared in the aftermath of the financial crisis as major non-Western states questioned both Washington’s competence to set the rules of the global economy, and the quality and integrity of its geopolitical leadership.<sup>4</sup> Beijing’s decision to invest a significant proportion of its foreign exchange reserves in the Belt and Road initiative, and to create the Asian Infrastructure Investment Bank and the New Development Bank; and Moscow’s rejection of the Obama administration’s policies on Syria, and Mr. Putin’s decision to intervene directly in October 2015, were the final straws, although this was prefigured by Moscow’s assertiveness in its “near-abroad” in Georgia in 2008 and in Ukraine in 2014.<sup>5</sup>

Far from being a “global village,” the world in 2017, when Mr. Trump acceded to the US Presidency, was characterized by profound, multivariate asymmetry between the scale of a highly integrated global economy, the absence of a commensurate sense of global community, and the defective state of the global polity. This had led to weak economic governance, economic and social volatility, normative clashes, and social and geopolitical turbulence.

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<sup>4</sup> See e.g. Nair, Chandran. The World Is Woke to Western Posturing and Global White Privilege. In: South China Morning Post, May 29, 2021.

<sup>5</sup> See Putin, Vladimir. Speech and the Following Discussion at the Munich Conference on Security Policy, February 10, 2007.

Mr. Trump brought an avowedly nationalistic approach to international relations, a naïvely mercantilist perspective on US interests in international trade, and a myopic view of the importance of global public goods like climate and the environment. He abrogated trans-Pacific and trans-Atlantic trade agreements, questioned the utility of NATO, and withdrew from the Paris Agreement on Climate Change and the JCPOA with Iran. All this, because of the centrality of the US in the “rules-based international order” shook the pillars of the system, leaving it exceptionally fragile.

### III Reverting to a Legitimate Equilibrium

We need to rebuild both (a) a global order premised on an international equilibrium that the major political and economic actors see as legitimate, and (b) domestic social contracts between citizens, governments, major economic interests (“business”) and civil society organizations that enjoy equivalent, though local, and culturally distinct, legitimacy. To achieve that, we must clarify the normative principles upon which this legitimacy can be founded.

Reverting to the world we inhabited before the virus struck is neither possible, nor a sensible way to spend the \$15-20 trillion dollars that governments and central banks have provided through fiscal and monetary stimuli, to allow us to recover. The fragility of the international order and the global financial system, the unsustainable ratio of aggregate debt-to-GDP before the pandemic, the quantum of government bonds with negative yields, the enormous inequality of wealth and income in too many national societies, and the lack of trust in political and economic institutions in almost all the advanced economies make it clear that a new paradigm is essential.

In his “Vision Statement” for the next five years, submitted to the Presidents of the UN General Assembly and Security Council on March 23, 2021 in support of his candidacy for a second term as Secretary-General, UNSG António Guterres said graphically: “A business-as-usual approach will produce negative downward cycles of climate chaos, biodiversity loss, mistrust, social upheaval, poverty, conflict, massive migration, and disaster. It will almost certainly ensure that we and the generations that follow will face a dystopian future in which rights and values are further eroded while the likelihood mounts of catastrophic risks.” He continued: “We have therefore reached an important inflection point in history – a genuine moment of truth. ... Simply put, the choices we make now will determine our trajectory for decades to come.”<sup>6</sup>

We need a new world system, with structures that are fit for purpose in a digital age in which 7.8 billion and rising, increasingly urbanized, humans are changing the climate, polluting the oceans and the atmosphere, destroying biodiversity, and pushing up against the planetary boundaries that we cannot transgress without risking the survival of our, and many other, species.

How can we relate that to the need to restore social cohesion, trust in governments, and revitalized social contracts?

The sole purpose of governance – at every scale from the local to the global – is to create and maintain circumstances that promote the security and well-being of the citizenry. This requires governments, and multilateral institutions, to adopt policies, and encourage practices, that enable equity (justice or fairness), permitting all to advance in line with their talents; security, providing

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<sup>6</sup> Guterres, António. Vision Statement: “Restoring Trust and Inspiring Hope.” The Next Five Years for the United Nations. New York, March 23, 2021.

each person with reasonable protection against violence, pestilence, hunger, and deprivation<sup>7</sup>; and sustainability, patterns of behavior consistent with equity and security, and in harmony with the biogeosphere, to avoid threatening the survival or well-being of future generations.

Envisioning a future defined by “equity,” “[human] security” and “sustainability”; defining the pathways to achieving it; and using the funds that we have printed to create an equitable, secure, and sustainable world is our task. It is conceptually simple, albeit that its execution will be challenging.<sup>8</sup>

We need a coherent narrative that defines this vision and the means to achieve it; and that capitalizes on our common humanity and our ability to act collectively, to create a world resilient against threats, not least those wrought by a changing climate, degraded oceans and shrinking biodiversity.

We must show that we can transform our social systems to ensure that the economy advances well-being by encouraging innovation and reward without rent-seeking; and that the instruments we employ for energy, mobility, industry, construction, residence, and agriculture become integrated circular systems that allow us to create a world fit for both our, and future, generations.

We must build effective accountability into our political systems, and strengthen – and where necessary, reform – the institutions that permit effective, constructive international cooperation. This is the only way to contain conflict, rebuild trust, and enable cooperation for the collective good, while retaining the creative merits of market-based competition.

## IV Actualizing the Potential

The risk of miscalculations by major actors – the US, China, Russia, and India among them – in the context of rising tensions risks unintended consequences. The conflation of a pandemic, an economic crisis, social disruption, coarsened political discourse, and trade, technological, political and security contestation between the largest powers would be cause for concern in any circumstance. In the context of debilitated global institutions and a disputed normative framework, the risk of “sleepwalking into disaster” must be taken seriously.

The Italian G20 presidency in 2021 must take this challenge on board with the support of the European Union.<sup>9</sup> One paragraph should be included in the G20 Leaders’ Statement: “We commit to use the stimulus to craft an equitable, secure and sustainable world, fit for purpose in a digital age, in which over 7.8 billion increasingly urbanized humans need personal security and equitable opportunities, and must live within sustainable ecological boundaries.”

The Presidency should task the G20 Ministerial Committees, and the G20 Engagement Groups business (B20) and labor (L20) associations, women (W20) and youth gatherings (Y20); and groups of academics and policy advisors (T20 and S20) to explore how to translate these principles into policies to enable equitable, secure, and sustainable societies at national, regional and global

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<sup>7</sup> See, at a global scale, the recommendations of the Rockefeller Foundation for an immediate response to the pandemic: Rockefeller Foundation. One for All: An Action Plan for Financing Global Vaccination and Sustainable Growth. May, 2021.

<sup>8</sup> United Nations Conference on Trade and Development. Technology and Innovation Report 2021: Catching Technological Waves: Innovation with Equity. New York: United Nations Publications, February 25, 2021.

<sup>9</sup> See by way of a further example: Bradford, Colin I. Strengthening the G-20 in an Era of Great Power Geopolitical Competition. Brookings, April 27, 2021.

scales.<sup>10</sup> Not everything will be settled in 2021, but this work program would permit alignment of purpose from one G20 Presidency to the next and improve the chances that decisions will be implemented.

This approach leaves scope for intellectual creativity and respects cultural variety. The US, Germany, China, Turkey, Saudi Arabia, and South Africa will not craft the same domestic policies, but if all G20 countries accept that their policies must promote “equity,” “security,” and “sustainability” both in their national societies and globally; and if the G20 ministerial program in 2021 and beyond is directed to designing and aligning policies for that purpose, we shall have leapt forward constructively.

Then cities, civil society organizations, thinktanks, women, and especially youth across the world can engage – within the G20 Engagement Groups and outside of them – to shape and influence the policies. This would align diverse efforts within a paradigm of “equity,” “security,” and “sustainability,” very different from the paradigm of today’s dysfunctional world. It would restore scope for optimism and creativity and contain fragmentation and sectarian and interstate conflict. We cannot let the opportunity that the crisis has afforded us slip away.

### **1. How Might We “Build forward Better” in Africa?**

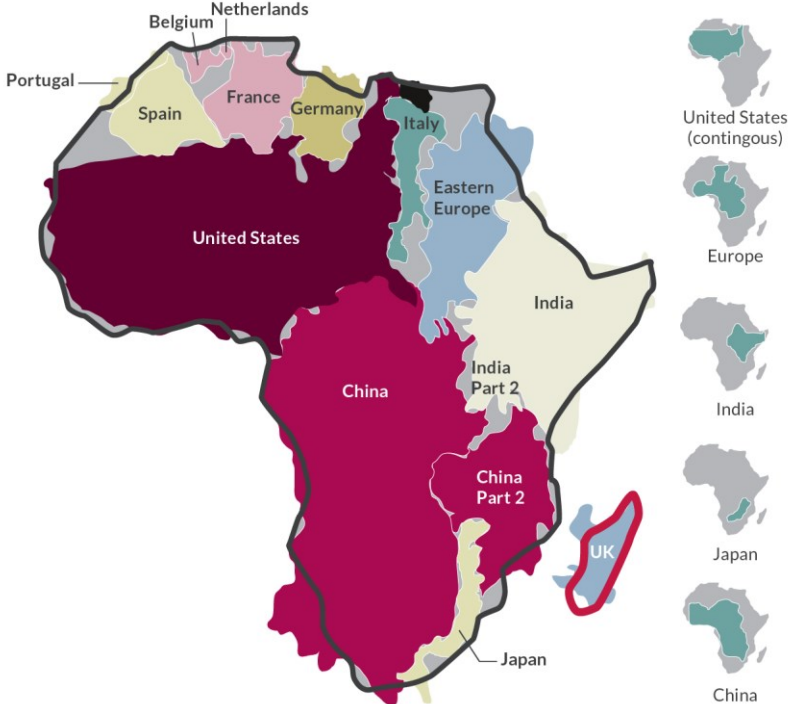
The African continent and the islands in the Atlantic and Indian oceans off its coastline comprise 54 countries. Africa’s land area is 30.37 million km<sup>2</sup> which would encompass the US, China, India, Japan, Mexico, and many European nations, combined.

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<sup>10</sup> Cleary, Seán. Rebuild After the Crisis on Three Pillars: Equity, Security and Sustainability. G20 Insights, May 29, 2020.



The Size of Africa

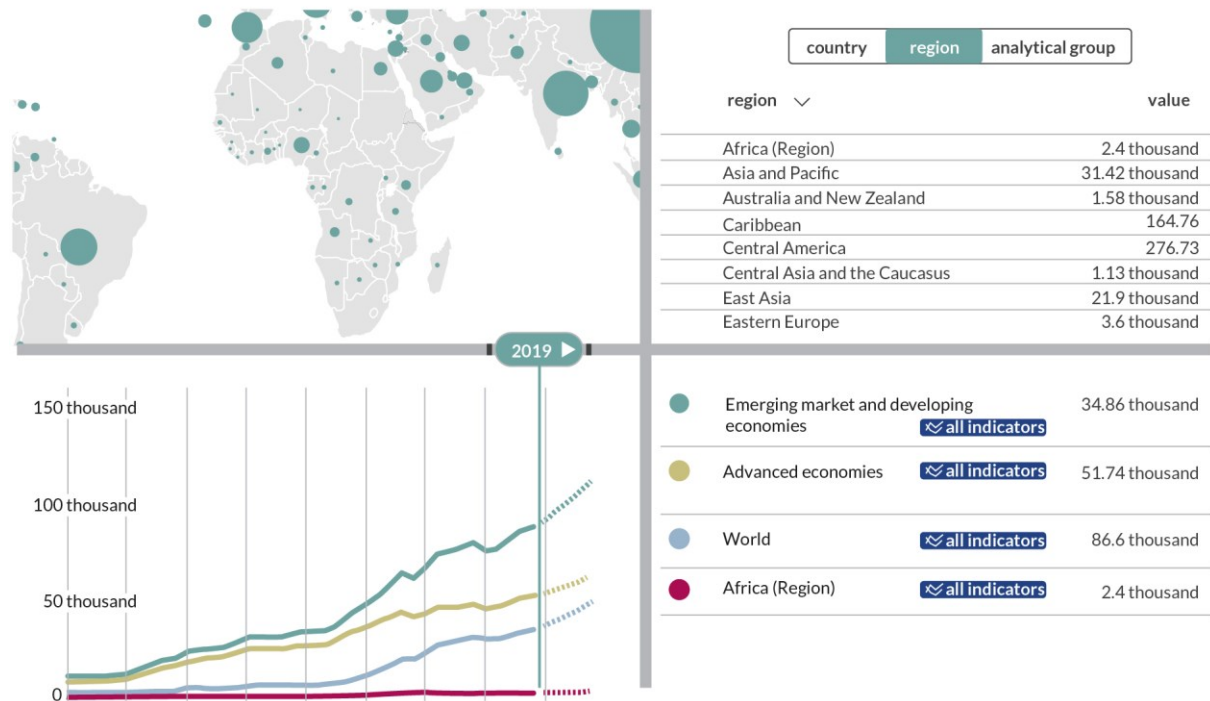


Source: Mapped: Visualizing the True Size of Africa - <https://www.visualcapitalist.com/map-true-size-of-africa/>.

The African continent and the islands in the Atlantic and Indian oceans off its coastline comprise 54 countries. Africa’s land area is 30.37 million km<sup>2</sup> which would encompass the US, China, India, Japan, Mexico, and many European nations, combined.

### GDP Current Prices in 2019

Billions of U.S. Dollars



Source: IMF DataMapper.

BertelsmannStiftung

### GDP Based on PPP, Share of World in 2019

Percent of World

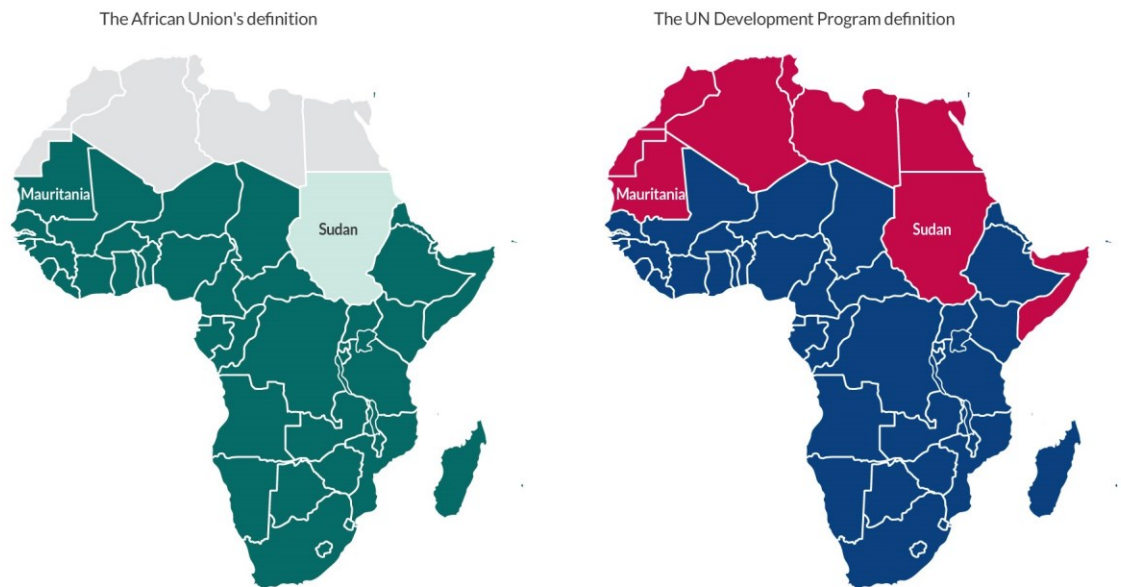


Source: IMF DataMapper.

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Sub-Saharan Africa (SSA), geographically and ethnoculturally, is that part of the continent of Africa south of the Sahara.<sup>11</sup> While the UN excludes Sudan from Sub-Saharan Africa, the African Union's definition includes Sudan, but excludes Mauritania.<sup>12</sup> Sub-Saharan Africa is distinguished from North Africa, encompassed in the Middle East and North Africa region, most of whose states are members of the Arab League. Somalia, Djibouti, Comoros, and Arab-majority Mauritania and Sudan are geographically part of Sub-Saharan Africa, but also members of the Arab League.<sup>13</sup> The UN Development Program lists 46 of Africa's 54 countries as "sub-Saharan," excluding Morocco, Algeria, Tunisia, Libya, Egypt, Djibouti, Somalia, and Sudan.

#### Sub-Saharan Africa (as variously defined)



Source: FutureWorld Foundation

| BertelsmannStiftung

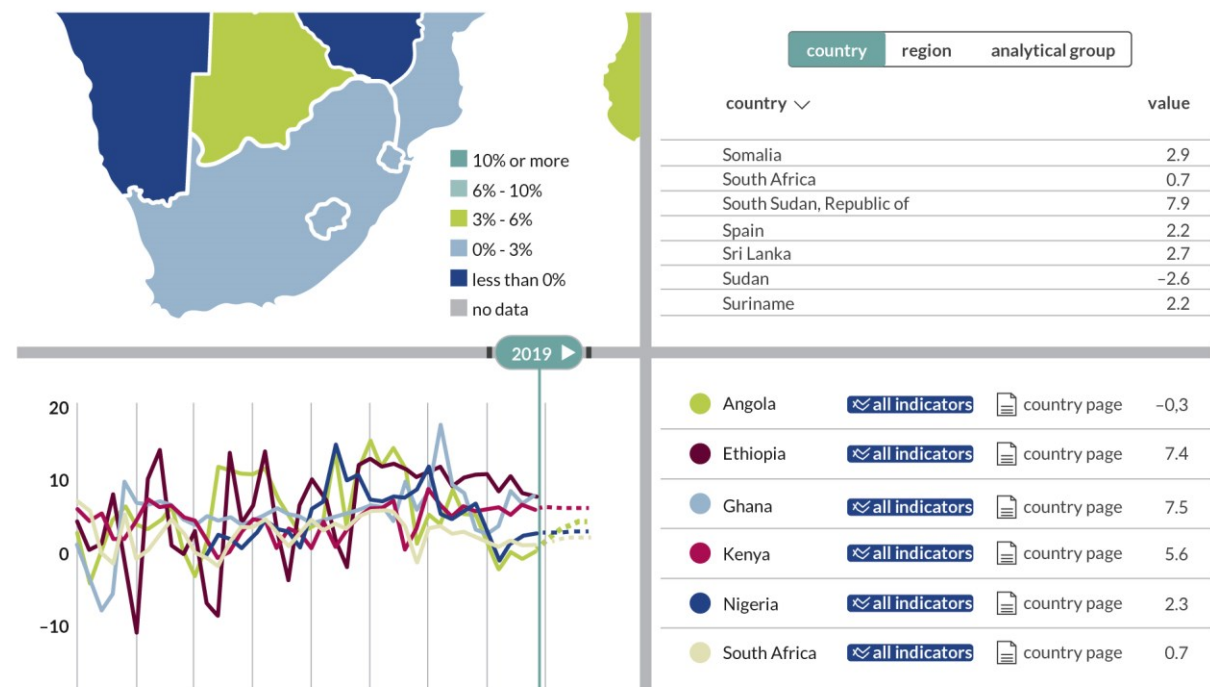
Before the growth distortions introduced by the pandemic, SSA economies were growing at very different rates, distinguished by their resource endowments, infrastructure, human capital, institutions, and governance. In 2019, Ghana led with 7.5 percent GDP growth, followed by Ethiopia at 7.4 percent. Angola's GDP shrank by 0.3 percent, and South Africa grew by only 0.7 percent.

<sup>11</sup> For further information see: <https://web.archive.org/web/20100420040243/http://esa.un.org/unpp/definition.html#Africa>, [retrieved May 16, 2021].

<sup>12</sup> For further information see: [https://au.int/en/member\\_states/countryprofiles2](https://au.int/en/member_states/countryprofiles2), [retrieved May 16, 2021].

<sup>13</sup> For further information see: <https://arab.org/portal/countries/>, [retrieved July 15, 2021].

Variations in GDP Growth Rates 2019, Real GDP Growth Annual Percent Change



Source: IMF DataMapper.

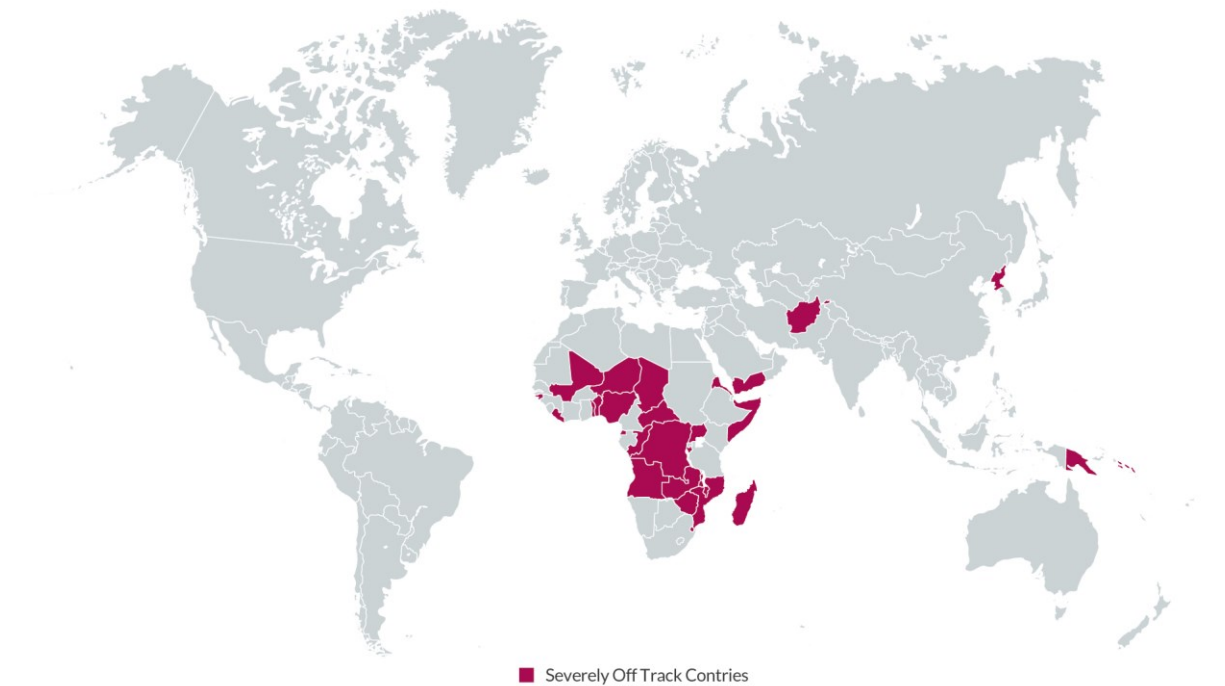
| BertelsmannStiftung

## 2. Poverty is Increasingly Concentrated and Localised

By 2030, 80 percent of people in extreme poverty will likely be in “Afghanistan; Angola; Benin; Burundi; Central African Republic; Chad; Democratic Republic of Congo; Equatorial Guinea; Eritrea; Gambia; Guinea-Bissau; Lesotho; Liberia; Madagascar; Malawi; Mali; Mozambique; Niger; Nigeria; North Korea; Papua New Guinea; Republic of Congo; Solomon Islands; Somalia; South Sudan; Swaziland; Timor-Leste; Togo; Yemen; Zambia; and Zimbabwe.”<sup>14</sup> Twenty-five of the thirty-one states are in SSA.

<sup>14</sup> Gertz, Geoffrey and Homi Kharas. The Road to Ending Poverty Runs Through 31 Severely Off Track Countries. Brookings, February 13, 2018.

## Poverty Concentration



Source: FutureWorld Foundation

| BertelsmannStiftung

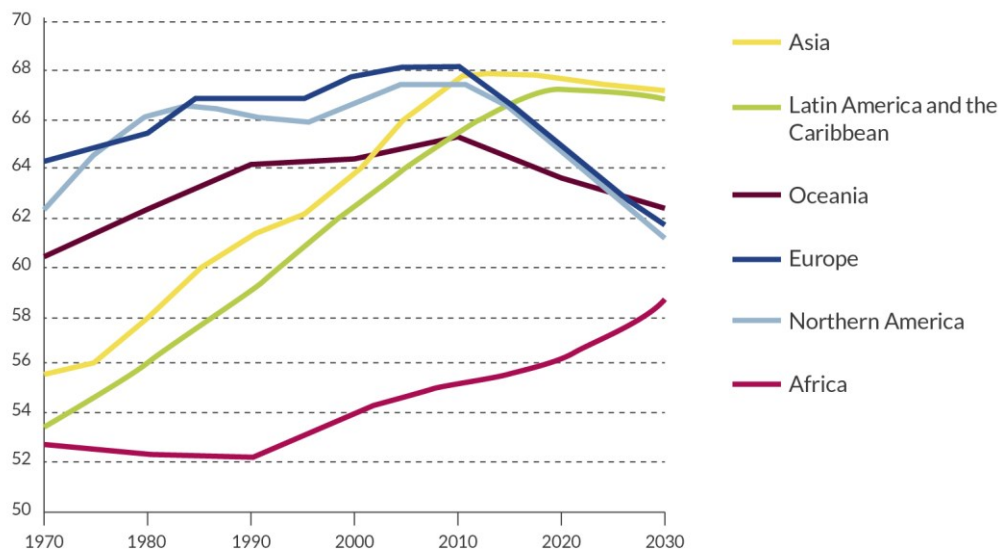
### 3. Recent Growth Path and the Demographic Dividend

In recent years, Africa's average GDP growth has exceeded the global average. Before the pandemic, this was expected to continue to 2023, with six of the ten fastest-growing economies in the world being in Africa. Restoring SSA to that growth path is critically important for several reasons.

Throughout the 21st century, Africa, whose population is the youngest of all regions, will see 15 to 20 million citizens entering the working age group each year, providing high potential for rising production, and savings, to fuel economic growth and poverty reduction. By 2050, if SSA economies can sustain the growth paths on which they were between 2010-2019, the richest 10 percent of the population – some 250 million Africans – will plausibly drive a fivefold increase in demand for consumer goods and services, if the populations have secured the right knowledge, skills, and opportunities.

**Africa's Demographic Structure**

Percentage of population aged 15-64 years

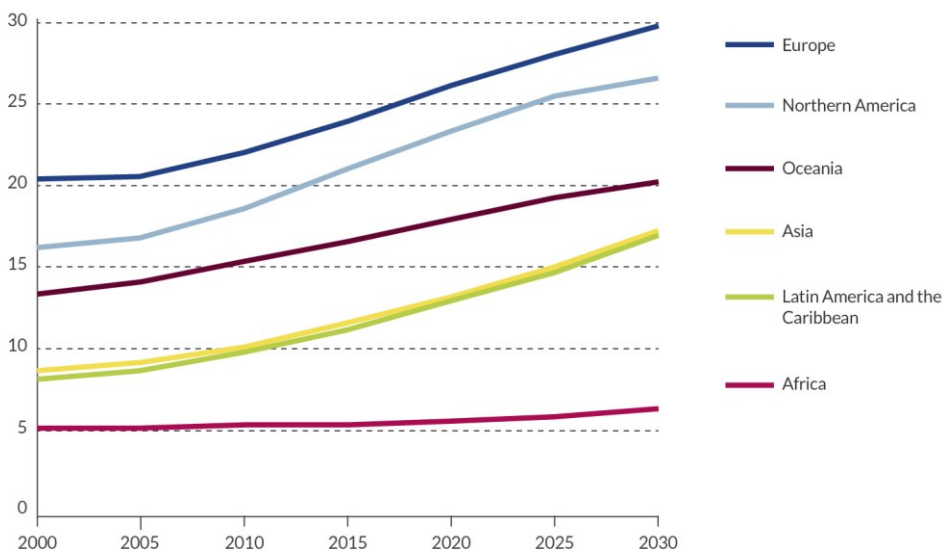


Source: United Nations (2015). World Population Prospects: The 2015 Revision.

| BertelsmannStiftung

**Africa's Demographic Structure**

Percentage of population aged 60 or over



Source: United Nations (2015). World Population Prospects: The 2015 Revision.

| BertelsmannStiftung

**4. Climate change**

Africa is the most modest contributor to climate change, but it is, and will be in future, disproportionately impacted by its effects.<sup>15</sup> Desertification north of the Tropic of Cancer and south of that of Capricorn, and increased floods in the equatorial regions will play havoc with lives and livelihoods.

<sup>15</sup> See e.g., Hulme et. al. African Climate Change: 1900-2100. In: Climate Research, April 12, 2000.



## 5. Meeting the Challenge

If the goal in Africa, as elsewhere, is to build forward better after the pandemic, to enable “equity,” “[human] security” and “sustainability,” African governments must meet five key criteria, with the help of their development partners:

- The provision of safe and secure environments for citizens, residents, and potential investors;
- adequate and reliable physical infrastructure – specifically that for water and sanitation, energy, transportation, and ICT;
- good human capital – through investment in basic housing, and health, education and training services that enable productive economic activity;
- fiscal, monetary, social, and employment policies that encourage investors to put capital at risk in search of reward, and provide investment security; and
- sound, competent, and capable institutions, including ministries, central banks, and courts.<sup>16</sup>

As the UNDP’s Human Development Index data shows, most African countries cannot provide these today. Mauritius ranks highest among the SSA countries in 67<sup>th</sup> place in the global rankings, followed by the Seychelles at 68<sup>th</sup>. Botswana, ranking 100<sup>th</sup>, is the highest ranking continental African state; followed by South Africa in 114<sup>th</sup> position, and Gabon in 119<sup>th</sup>. Namibia ranks 130<sup>th</sup>; São Tomé and Príncipe ranks 135<sup>th</sup>; Eswatini and Ghana tie at 138<sup>th</sup>. All the other SSA states rank lower in the HDI rankings – from Kenya in 143<sup>rd</sup> place to Niger in 189<sup>th</sup>.<sup>17</sup>

## 6. Constraints on Equitable Growth

There is a debilitating deficit in physical infrastructure due to underinvestment and weak project implementation, and twin deficits in education – in children’s access to school, and in the quality of learning in school – which risk a sustained youth unemployment crisis, turning Africa’s democratic dividend into a debilitating millstone. Overcoming these deficits, and partnering to strengthen institutional capacity, is essential for social and economic progress.

Poor infrastructure frustrates SSA from realising its economic growth potential: Only 38 percent of the population has consistent access to electricity; internet connectivity is under 10 percent, although mobile connectivity is impressive; and only 25 percent of the continent’s road network is paved. Studies suggest that poor port, road, and rail facilities add between 30-40 percent to the costs of goods traded between African nations, severely impacting private sector development and welfare.<sup>18</sup>

China has contributed significantly to infrastructure development in SSA since 2000. An estimate by the African Development Bank in 2018 indicated, however, that €56-€89 billion in additional

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<sup>16</sup> Acemoglu, Daron and James A. Robinson. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. New York: Crown, 2012.

<sup>17</sup> See United Nations Development Programme. *Latest Human Development Index Ranking: Human Development Reports*. New York: 2020.

<sup>18</sup> Cape Business News. *Africa’s Growing Infrastructure Needs and Ensuing Business Opportunities*. May 6, 2021. <https://www.cbn.co.za/featured/africas-growing-infrastructure-needs-and-ensuing-business-opportunities/>, [retrieved July 20, 2021].



annual investment is needed to meet current needs.<sup>19</sup> A study by McKinsey has suggested that closing the infrastructure gap will require investment rising to €124 billion in 2025.<sup>20</sup> Rapid population growth and accelerating urbanization will maintain pressures for development throughout the 21<sup>st</sup> century. One debilitating problem is that, at present, only 20 percent of planned projects progress beyond the feasibility stage, and only half of those achieve financial closure.<sup>21</sup>

## 7. Energy Infrastructure and Necessary Transformation

At least 650 million Africans have no access to electricity. Power usage per capita is about 181 kWh/y, as compared with 6500 kWh/y in the European Union, and 13000 kWh/y in the US. In the context of the Paris Climate Accord and Agenda 2030, the advanced economies undertook to support African countries to expand access. Between 2015-2030, the investment need is €63 billion per year: €40 billion for generation capacity; €23 billion for transmission and distribution. Meanwhile, due to population growth and urbanization, Africa's demand for electricity is projected to quadruple from 2010 to 2040.<sup>22</sup>

Strengthening Africa's energy security, enabling equitable inclusion, and sustainable delivery, requires a wider, reliable baseload for electrification, using new technologies to increase efficiencies, reduce wastage, and limit greenhouse gas emissions; better regional energy sharing, and interconnection of regional power pools; and expansion of renewables-based, off-grid, generation facilities to reduce energy poverty for those with no access to modern energy.

## 8. Transportation Infrastructure

Outside of Southern Africa, most of SSA's transport infrastructure was inherited from the colonial period, and constructed to deliver agricultural, forestry and mineral products to port, for shipping to European metropolises. The past decade has brought progress. In 2020, projects in the Programme for Infrastructure Development in Africa (PIDA) comprised an estimated 110,000 km of roads, rail lines and bridges across the continent, representing investments of over €57 billion. An "Integrated Corridor Approach" seeks to ensure that each component of infrastructure links to and complements the others in each corridor and includes social and sustainability targets.<sup>23</sup>

In 2020, only 16.6 percent Africa's total exports were to other African countries.<sup>24</sup> Much recent infrastructure planning has thus been focused on improving interconnectivity to strengthen the potential for continental trade.<sup>25</sup> The African Continental Free Trade Agreement (AfCFTA)<sup>26</sup> aims to

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<sup>19</sup> African Development Bank Group. Africa's Infrastructure: Great Potential but Little Impact on Inclusive Growth. In: African Economic Outlook, January 24, 2018, pp. 63-94.

<sup>20</sup> Lakmeeharan et. al. Solving Africa's Infrastructure Paradox. McKinsey and Company, March 6, 2020.

<sup>21</sup> See Holtz, Leo and Chris Heitzig. Figures of the Week: Africa's Infrastructure Paradox. Brookings, February 24, 2021.

<sup>22</sup> Lakmeeharan et. al. Solving Africa's Infrastructure Paradox. McKinsey and Company, March 6, 2020.

<sup>23</sup> Programme for Infrastructure Development in Africa. PIDA Progress Report 2019/2020. December, 2020.

<sup>24</sup> Mayaki, Assane. Programme for Infrastructure Development in Africa. PIDA Progress Report 2019/2020. December, 2020, pp. 4-5.

<sup>25</sup> Holtz, Leo and Chris Heitzig. Figures of the Week: Africa's Infrastructure Paradox. Brookings, February 24, 2021.

<sup>26</sup> The AfCFTA aims to accelerate intra-African trade and boost Africa's global trade by strengthening Africa's voice in global trade negotiations. As of February 5, 2021, 36 countries had deposited their instruments of ratification. AfCFTA's objectives are to: Create a single market for goods, services, and movement of persons to deepen the economic integration of Africa in accordance with the vision of "an integrated, prosperous and

create a single market for goods and services in Africa, also with free movement of investment capital and businesspersons. The UN Economic Commission for Africa estimates that ACTFA can boost intra-Africa trade by 53 percent from 2019 levels. ACTFA came into legal force on May 30, 2019, when 22 countries ratified the agreement. By 2030, the market should include 1.7 billion people, potentially with €5.5 trillion cumulative consumer and business spending. Unlocking this could trigger a virtuous circle of intra-African trade, and structural transformation from low productivity, labor-intensive activities to higher productivity and skills-intensive industrial and service businesses, enabling better jobs and poverty reduction.

## 9. Educational Constraints

Sub-Saharan Africa also experiences the world's highest rates of exclusion from education. UNESCO estimates that over one-fifth of children between 6-11 years, one-third of youth between the ages of 12-14, and almost 60 percent of adolescents between 15-17 years are not in school. Some 9 million girls between the ages of 6 and 11 will receive no schooling, as well as 6 million boys. Twenty-three percent of girls are not in primary school as are 19 percent of boys. In adolescence, the exclusion rate for girls is 36 percent compared to 32 percent for boys.<sup>27</sup> Without urgent action, the situation will worsen as the region has a growing school-age population.

## V The Impact of COVID-19 on Africa

The IMF's World Economic Outlook April 2021 shows a global GDP contraction of -3.3 percent, a contraction of -2.2 percent for Emerging Markets and Developing Economies, and of -1.9 percent for Sub-Saharan Africa. The projected recoveries in GDP growth in 2021 are 4.4 percent for the global economy, 5.0 percent for Emerging Markets and Developing Economies, and 3.3 percent for Sub-Saharan Africa. These figures reflect a series of underlying challenges.

In SSA, employment fell by 8.5 percent in 2020; more than 32 million people were thrown back into extreme poverty, and disruptions to education jeopardized the prospects of a generation of schoolchildren. Many of Africa's marginalized workers, including women, are concentrated in the sectors hardest hit: wholesale and retail, food and hospitality, tourism, and transport. The pandemic has hit the poor hardest, placing attainment of the sustainable development goals (SDGs) by 2030 out of reach for most countries.<sup>28</sup>

The World Bank estimates that the pandemic has disrupted the education of more than 90 percent of all students. Remote learning is not possible for most children in SSA, and estimates suggest

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peaceful Africa" in Agenda 2063; create a liberalized market for goods and services; contribute to the movement of capital and persons and facilitate investments; lay the foundation for a Continental Customs Union; promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation; enhance the economic competitiveness of participating states within Africa and globally; promote industrial development through diversification and regional value chain development, agricultural development and food security; and resolve the challenges of overlapping memberships of regional organizations, and expedite regional and continental integration.

African Continental Free Trade Area Secretariat. About the African Continental Free Trade Area (AfCFTA).

<sup>27</sup> For further information see: <http://uis.unesco.org/en/topic/education-africa>, [retrieved July 15, 2021].

<sup>28</sup> Benedek, Dora et. al. A Post-Pandemic Assessment of the Sustainable Development Goals. In: Staff Discussion Notes, No. 2021/003, April 29, 2021, p. 7.

that school closures will cost nearly €410 billion in future earnings, or almost €5800 per child.<sup>29</sup> Facing rising dropout rates, some countries have reopened schools despite infection risks.

Physical capital has depreciated faster, especially in capital-intensive industries. If the pandemic persists in SSA, investment will fall further due to delays in public infrastructure projects. The erosion of both human and physical capital will prolong the fall in per capita incomes, widening the divide between SSA and the advanced economies and disrupting the path to convergence.

SSA will be the world's slowest growing region in 2021, as restricted vaccine access constrains recovery. In many countries, per capita incomes will not return to pre-crisis levels until 2025. Governments are forced to balance short-term, supportive fiscal stances, with medium-term consolidation to contain borrowing costs and sustain confidence and accelerate reforms, to promote private sector activity and economic diversification, and to help lift growth and create jobs.<sup>30</sup>

Twenty million new job seekers enter the SSA labor market each year at present. In 2020, SSA accounted for 14 percent of the world's working-age population, but within two decades, its contribution to the growth of the global work force will be greater than all the rest of the world. Providing employment opportunities for these new entrants is a huge challenge.

Despite the paucity of broadband access, moreover, every day over 90000 new users in SSA connect to the internet. As rapid diffusion of digital technologies creates new opportunities for progress and inclusion after the pandemic, opportunities for participation by African societies must be accelerated.

## VI Responses

Social safety nets are a technical and fiscal challenge due to the size of the informal sector. The pandemic showed the need to get support efficiently to those in need, leading several countries to extend social protection using mobile money, electronic cash transfers, and virtual engagement. This must continue while government revenues are grown to avoid crowding out other essential spending.

Sub-Saharan Africa has a quarter of the world's arable land but only produces 10 percent of global agricultural output. Low productivity in the cultivation of staple crops makes African agriculture uncompetitive. Moreover, African countries import one-third of the calories consumed by their people, making food systems vulnerable and dependent on external food supply chains. Moreover, three of the four famines cited by the UNSG in his Vision Statement for re-election, are in Africa – North-east Nigeria, South Sudan, and Somalia.<sup>31</sup> The fourth, Yemen, is on the southern tip of the Arabian peninsula.

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<sup>29</sup> Azevedo, João Pedro et. al. Simulating the Potential Impacts of COVID-19 School Closures on Schooling and Learning Outcomes: A Set of Global Estimates. World Bank Policy Research Working Paper. Washington, DC, June, 2020.

<sup>30</sup> International Monetary Fund. Regional Economic Outlook: Sub-Saharan Africa: Navigating a Long Pandemic. Washington, DC, April, 2021.

<sup>31</sup> Guterres, António. Vision Statement: "Restoring Trust and Inspiring Hope." The Next Five Years for the United Nations. New York, March 23, 2021.

At an event on April 30 hosted by the African Development Bank and the UN International Fund for Agricultural Development (IFAD)<sup>32</sup>, a coalition of multilateral development banks and development partners pledged €14 billion to address hunger and improve food security in SSA. At the African Leaders' Dialogue, 17 African heads of state committed to double agricultural productivity levels by scaling up agrotechnology, investing in market access, and promoting research and development. These commitments will be communicated to the UN Food Systems Summit in September as part of SSA efforts to achieve the SDGs.<sup>33</sup>

Economic diversification is essential for resilience to uncertainty as the poor performance of SSA's oil-dependent countries shows: Per capita incomes will shrink again in 2021 and likely not return to pre-COVID-19 levels by 2025. Oil producers need alternative exports due to the shift to green energy. Too many SSA countries are relatively dependent on primary exports. National policymakers must develop diversification strategies for the post-COVID-19 global economy in line with green-growth and climate-resilience goals, as well as the natural and human resources of each society.

Trade integration under the AfCFTA rules can advance regional development through economies of scale, higher productivity, and stronger regional supply chains. Agricultural commodities and some industrial products present large intraregional trade opportunities. Deeper trade-integration will promote food security and attract foreign investment.

Despite the digital gap between SSA and advanced economies, the region's dynamism is impressive: Cabo Verde, Ghana, Rwanda, and the Seychelles lead globally in connectivity, in their income group, and Africa excels in mobile-money applications. Exploiting the digital revolution will enhance SSA's efficiency and resilience, improve access to global markets and public service delivery, boost transparency and accountability, and enable new jobs as the AfCFTA expands opportunities for trade in services and e-commerce.

But SSA's near-term prospects depend critically on the pandemic's path, and the speed of the rollout of effective, affordable vaccines: New variants develop in unvaccinated populations; global vaccination is a global public good. The costs of weak provision for Africa will hit the poorest African countries and the most vulnerable within them hardest<sup>34</sup>, but a durable global recovery demands a global effort.<sup>35</sup> An investment in vaccinating 40 percent of all people by the end of 2021, and 60 percent by mid-2022 will cost \$50 billion and generate \$9 trillion in global economic returns by 2025.<sup>36</sup>

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<sup>32</sup> In partnership with the Forum for Agricultural Research in Africa (FARA) and the CGIAR System Organization.

<sup>33</sup> For further information see: <https://newbusinessethiopia.com/agribusiness/african-countries-to-double-agricultural-productivity/>, [retrieved July 15, 2021].

<sup>34</sup> Naidoo, Prinesha, Matthew Hill and Antony Sguazzin. Vaccine Shortage Crushes Africa's Hopes for an Economic Revival. Bloomberg, May 21, 2021.

<sup>35</sup> Namayanja, Rose. Lack of Vaccines Fuels Terrorism in Africa: To Avoid More Instability, It Is Time for All Wealthy Nations to Start Sharing. Foreign Policy, June 10, 2021.

<sup>36</sup> See Georgieva, Kristalina et. al. A New Commitment for Vaccine Equity and Defeating the Pandemic. International Monetary Fund, June 1, 2021; see also Georgieva, Kristalina, Gita Gopinath and Ruchir Agarwal. A Proposal to End the COVID-19 Pandemic. IMF Blog, May 21, 2021.

Mr. Biden has said that the US will export 20 million doses of vaccines beyond the 60 million doses he had earlier promised.<sup>37</sup> On May 21, Pfizer-BioNTech pledged to give 1 billion doses to low- and middle-income countries by the end of 2021, and another billion in 2022.<sup>38</sup> The COVAX initiative could channel these doses.<sup>39</sup> It struggled after India halted exports until the end of 2021 to address the surge of domestic infections.<sup>40</sup> GAVI agreed to buy 200 million doses of vaccine<sup>41</sup>. On May 24, WHO Director-General Tedros Ghebreyesus told health ministers that the COVAX facility had delivered only 72 million vaccine doses to 125 countries in 2021, barely enough to inoculate one percent of their populations. He urged wealthy countries to donate vaccine to COVAX to allow 10 percent of all populations to be inoculated by September, and 30 percent by year-end. This would mean vaccinating 250 million more people in four months.<sup>42</sup>

On June 3, shortly before Mr. Biden's departure for the G7 Summit in Cornwall, the White House, announced that it would make available an initial 25 million doses in June across a "wide range of countries" in Latin America and the Caribbean, South and Southeast Asia, and Africa, as well as Gaza and the West Bank. This was the first tranche of the 80 million doses Mr. Biden had earlier pledged to make available outside the US. Three quarters of the first batch will go to COVAX. The rest will be reserved for "immediate needs and to help with surges around the world," including in India and Iraq as well as the West Bank and Gaza.<sup>43</sup>

In parallel, however, the World Health Organization warned on June 3 that a sudden, sharp rise in cases in many parts of Africa could amount to a continental third wave. New infections had risen in 14 countries over the preceding seven days, with eight countries reporting surge of over 30 percent. Infections were climbing in South Africa, where four of nine provinces were facing a third wave; and in Uganda, where hospitals were overwhelmed with patients.

"The threat of a third wave in Africa is real and rising," Dr. Matshidiso Moeti, the WHO's Regional Director for Africa, said. "It's crucial that we swiftly get vaccines into the arms of Africans at high risk of falling seriously ill and dying of Covid-19."

Dr. Moeti said that only 31 million people in a continental population of 1.3 billion had received at least one dose.<sup>44</sup>

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<sup>37</sup> See Wingrove, Josh. Biden to Send U.S.-Authorized Vaccines Abroad for First Time. Bloomberg, May 17, 2021.

<sup>38</sup> This is a generous gesture, perhaps due to the proposal for a waiver of patent rights. Its utility in SSA and LDCs around the world will be limited by the fact that the vaccine must be stored at very low temperatures. For further information see: <https://www.cdc.gov/vaccines/covid-19/info-by-product/pfizer/downloads/storage-summary.pdf>, [retrieved July 15, 2021], or <https://www.ema.europa.eu/en/news/more-flexible-storage-conditions-biontechpfizers-covid-19-vaccine>, [retrieved July 15, 2021].

<sup>39</sup> Baker, Stephanie, James Paton and Ekow Dontoh. The World's Best Hope to End the Pandemic Still Needs More Doses. Bloomberg, June 3, 2021.

<sup>40</sup> Mazumdar, Tulip. India's COVID Crisis Hits Covax Vaccine-sharing Scheme. BBC, May 17, 2021.

<sup>41</sup> See Farge, Emma. GAVI Signs COVID-19 Vaccine Supply Deal with J&J. Reuters, May 21, 2021.

<sup>42</sup> See Nebehay, Stephanie. WHO Sets New Targets for Vaccinating World's Poorest to End 'Scandalous Inequity.' Reuters, May 24, 2021.

<sup>43</sup> See Stolberg, Sheryl Gay. The White House Outlines a Plan for How the U.S. Would Distribute an Initial 25 Million Doses Around the World. New York Times, June 3, 2021.

<sup>44</sup> See Dahir, Abdi Latif. The Coronavirus Surges Across Africa as Vaccinations Flounder. New York Times, June 3, 2021.

Mastercard Foundation announced on June 8 that it would donate \$1.3 billion over three years, in partnership with the Africa Centers for Disease Control and Prevention, to boost Africa's response to the coronavirus to help acquire vaccines for more than 50 million of the continent's 1.3 billion people, improve its vaccine manufacturing and delivery system, and strengthen public health institutions.<sup>45</sup>

In the face of new pledges at the G7 Summit in Cornwall on June 11 to 13, the WHO said infections had been rising in the past three weeks across Africa.

"Forty-seven of Africa's 54 countries – nearly 90 percent – are set to miss the September target of vaccinating 10 percent of their people unless Africa receives 225m more doses," it said. "At 32m doses, Africa accounts for under 1 percent of the over 2.1bn doses administered globally. Just 2 percent of the continent's nearly 1.3 billion people have received one dose and only 9.4 million Africans are fully vaccinated."<sup>46</sup>

Beyond the pandemic, to regain lost ground, SSA's low-income countries have additional spending needs of \$245 billion over 2021–25. The figure for all SSA is \$425 billion. In 2020, the IMF helped cover emergency funding requirements, and extended grant-based debt relief to the most vulnerable to October 2021. It hopes to provide relief on debt service until April 2022.

Future IMF assistance will come through programs other than emergency support. Dr. Georgieva is seeking donor backing for concessional lending through the Poverty Reduction and Growth Trust, but low-income and fragile states in SSA will need bilateral grants and concessional loans to restore progress towards the SDGs. Additional special drawing rights (SDRs) are also essential, as are local-currency government-borrowing opportunities for low-income countries without access to global financial markets. Private-public partnerships for infrastructure investment, backed by better governance and project preparation and appraisal, will be critical.<sup>47</sup>

Official development finance can crowd in private funding for long-term projects. Blending grants and concessional loans with project finance improves risk-adjusted returns for private creditors. Donor-capitalized, equity-based regional investment vehicles could (co)finance infrastructure projects. New financing models can improve risk-reward ratios and unlock social and development financing.<sup>48</sup>

## VII EU and G7 commitments to collaboration with SSA

The G7 Foreign Ministers' Communique of May 5, 2021 welcomed the AfCFTA, and committed to stronger partnerships with African countries, regional organizations and the African Union, to boost prosperity, economic inclusion, and stability. The ministers noted the IMF's estimated financing gap for Africa of \$425 billion from 2021-2025; welcomed efforts to mobilize urgent financial support; and urged G7 DFIs to unlock private investment opportunities. They recognized the pandemic's impact;

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<sup>45</sup> See Diamond, Dan. Mastercard Foundation Donates \$1.3 billion to Boost Africa's Coronavirus Response. Washington Post, June 8, 2021.

<sup>46</sup> See Wintour, Patrick and Sarah Boseley. UK to Give 100m COVID Vaccine Doses to Poorer Countries Within a Year. The Guardian, June 10, 2021.

<sup>47</sup> See Monteiro, Ana. IMF Head Warns of 'Ricochet Impact' of Uneven Global Recovery. Bloomberg, May 25, 2021.

<sup>48</sup> See International Monetary Fund. Regional Economic Outlook: Sub-Saharan Africa: Navigating a Long Pandemic. Washington, DC, April, 2021.



the need for equitable vaccine access, and support in strengthening health systems. They encouraged African governments to adopt policies conducive to trade, investment, and decent, sustainable jobs.<sup>49</sup>

President Macron convened a two-day summit in Paris from May 18 to promote widespread vaccination and enable allocation of more SDRs to African states. The allocation to Africa before the conference was \$33 billion out of the \$650 billion the IMF plans to make available. President Macron announced a collective effort to raise that to \$100 billion.<sup>50</sup> IMF Managing Director Kristalina Georgieva, German Chancellor Angela Merkel, US Treasury Secretary Janet Yellen, and the PRC's Vice Premier Han Zheng participated, as did the African Union Chair, President Felix Tshisekedi of the DRC, Nigeria's President Muhammadu Buhari and South Africa's President Cyril Ramaphosa. President Macron said the meeting had led to "a change of mindset," and that while an economic "New Deal for Africa and by Africa" would not emerge overnight, the talks had triggered a new dynamic.<sup>51</sup> Political rhetoric cannot, however, obscure a challenging reality.<sup>52</sup>

To meet the IMF's estimate of Africa's funding gap of \$345 billion to 2023, African finance ministers called for external assistance of \$100 billion each year for the next three years.<sup>53</sup> IMF MD Kristalina Georgieva has said that Africa needs about \$285 billion through 2025 just to address the pandemic: "To do more – to get African nations back on their previous path of catching up with wealthy countries – will cost roughly twice as much." She called for three urgent responses:

First, "end the pandemic everywhere." Target vaccinating at least 40 percent of the population of all countries by the end of 2021, and at least 60 percent by mid-2022.

Second, increase "bilateral and multilateral development financing – grants and concessional loans," complemented by debt relief.

Third, "African states must adopt reforms" to increase revenue, improve public services, and strengthen governance. Digitalization can improve tax administration, revenue collection, and the quality of public spending. With radical improvements in transparency, SSA can access new sources of finance. Private investment, also in social and physical infrastructure, could provide at least 3 percent of GDP per year in additional financing by 2030.

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<sup>49</sup> See Foreign, Commonwealth & Development Office. G7 Foreign and Development Ministers' Meeting Communiqué. London, May 5, 2021, [paragraphs 39 and 86].

<sup>50</sup> For further information see: <https://www.aljazeera.com/news/2021/5/18/frances-macron-hosts-summit-on-post-covid-19-africa-finance>, [retrieved July 16, 2021].

<sup>51</sup> See also: Macron et. al. European and African Leaders Call for a New Deal for Africa. Project Syndicate, May 27, 2021.

<sup>52</sup> "Among the more troubled economies to watch are India, Russia, Turkey, Brazil, South Africa, many parts of Sub-Saharan Africa, and the more fragile, oil-importing parts of the Middle East. Many countries are experiencing a depression, not a recession. More than 200 million people are at risk of falling back into extreme poverty. Compounding these inequities, the countries that are most vulnerable to hunger and disease also tend to face the greatest threat from climate change, and thus will remain potential sources of instability." See Roubini, Nouriel. Leaders and Laggards in the Post-Pandemic Recovery. Project Syndicate, May 24, 2021.

<sup>53</sup> See United Nations. Economic Commission for Africa. Building Forward for an African Green Recovery. United Nations. Economic Commission for Africa. 2021. <https://hdl.handle.net/10855/43948>, [retrieved July 16, 2021].



Minimum corporate tax rates are needed to reduce tax avoidance, as is an international agreement on digital tax. Fair distribution of tax revenue will help close Africa's financial gap.<sup>54</sup> The G7 Finance Ministers agreed on a draft statement including support for a global minimum corporate tax rate. "We commit to reaching an equitable solution on the allocation of taxing rights and to a high level of ambition on the rate for a global minimum tax," the draft provided. "We ... look forward to reaching an agreement at the July meeting of G20 Finance Ministers and Central Bank Governors."<sup>55</sup>

Similar proposals were made at the United Nations Security Council's virtual meeting on May 19.

UNSG Guterres pointed out that out of 1.4 billion doses administered globally by May 19, only 24 million – less than 2 percent – had reached Africa. He called for an equitable, sustainable vaccine roll-out, requiring developed countries to share doses, remove export restrictions, ramp up local production and fully fund global initiatives to enable access to vaccines, diagnostics, and therapeutics. The Council endorsed this, stressed the need to address the drivers of conflicts in Africa and called on all to intensify their efforts to deliver the development agendas of the UN and the African Union.<sup>56</sup>

The G7 Summit Communiqué on June 13 included a sentence providing: "We are resolved to deepen our current partnership to a new deal with Africa, including by magnifying support from the International Monetary Fund for countries most in need, to support our aim to reach a total global ambition of \$100 billion."

This was elaborated further at paragraph 65:

"This includes scaling up financing to the IMF's Poverty Reduction and Growth Trust and the IMF's review of concessional financing and policies to strengthen its capacity to support low-income countries. To support our aim to reach a total global ambition of \$100 billion, we call for contributions from other countries able to do so, alongside the G7."<sup>57</sup>

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<sup>54</sup> See Zucchini, Silvia. Managing Director Kristalina Georgieva's Remarks at Summit on the Financing of African Economies. Speech. International Monetary Fund, May 18, 2021.

<sup>55</sup> For further information see: [https://www.dailymaverick.co.za/article/2021-05-31-g7-to-back-minimum-global-corporate-tax-and-support-economy-draft/?utm\\_medium=email&utm\\_campaign=Business%20Maverick%20Tuesday%2001%20June%202021%20-%20Marriott&utm\\_content=Business%20Maverick%20Tuesday%2001%20June%202021%20-%20Marriott+CID\\_b99e6f704b0742a3e28fda2de00d3f33&utm\\_source=TouchBasePro&utm\\_term=G7%20to%20back%20minimum%20global%20corporate%20tax%20and%20support%20economy%20%20draft](https://www.dailymaverick.co.za/article/2021-05-31-g7-to-back-minimum-global-corporate-tax-and-support-economy-draft/?utm_medium=email&utm_campaign=Business%20Maverick%20Tuesday%2001%20June%202021%20-%20Marriott&utm_content=Business%20Maverick%20Tuesday%2001%20June%202021%20-%20Marriott+CID_b99e6f704b0742a3e28fda2de00d3f33&utm_source=TouchBasePro&utm_term=G7%20to%20back%20minimum%20global%20corporate%20tax%20and%20support%20economy%20%20draft), [retrieved July 16, 2021].

<sup>56</sup> For further information see: <https://news.un.org/en/story/2021/05/1092222>, [retrieved July 16, 2021].

<sup>57</sup> For further information see: <https://www.consilium.europa.eu/media/50361/carbis-bay-g7-summit-communique.pdf>, [retrieved July 16, 2021].

## VIII Summary

“Building forward better” requires a commitment by all governments and international institutions, to promote the “well-being” of their citizens, and of humanity in general, through policies that ensure “equity,” “security,” and “sustainability.” Governments bear a primary responsibility for the well-being of their own citizens, but protection against infectious diseases and other threats to human security, and respectful conservation of the bio-geosphere, are global common goods requiring collective action.

African governments, like all others, can only meet that obligation to their citizens if they deliver the prerequisites for national well-being: safe and secure environments for citizens, residents, and potential investors; adequate and reliable physical infrastructure (water and sanitation, energy, transportation, and ICT); good human capital (through basic housing, and health, education and training services that enable productive economic activity); fiscal, monetary, social, and employment policies that encourage investors to put capital at risk in search of reward; and sound, competent, and capable institutions, including ministries, central banks, and courts.

Africa’s development partners must recognize the strengths and weaknesses of each of the continent’s (and specifically SSA’s) governments in respect of these prerequisites, and work with them, recognizing their individual circumstances to strengthen capacity and capability where needed.

Rapid, effective, and equitable access to vaccines and support in strengthening health services to enable inoculation is essential for Africa’s recovery. The costs of failure or delay will be felt universally.

Africa’s social and economic recovery requires an increase in bilateral and multilateral development financing complemented by significant debt relief. Both to justify this and to meet their obligations to their citizens, African governments must act honestly and transparently to increase domestic revenue and capacity, improve public service delivery, and strengthen accountability and governance.

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