

## CHATHAM HOUSE FAREWELL LECTURE

### **MANAGING A DIVIDED WORLD**

Robin Niblett – 13 July 2022

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We are on the threshold of a divided world. My sense is we cannot turn back. We will have to manage the consequences as best we can.

It shocks me to start my farewell lecture as the director of Chatham House with these words, given the institute's positive mission to help build a sustainably secure, prosperous, and just world. But it is where we are.

In this lecture, I will explain, first, how we arrived here.

Then I will trace the drivers that are pushing us over the threshold, in particular how Russia is intensifying US-China competition. I will also highlight one of the big differences from the last century's Cold War – the growing political power of those outside the divide.

Then I will consider briefly what this could mean for globalization and the risk of conflict.

I will finish with some thoughts about the choices this presents for Europe, the US, and their allies around the world. What's the best way forward?

All in 25 minutes ...

### **The end of one sort of optimism**

So, how did we get here? As I wrote recently in *The World Today*, I became director of Chatham House at a time when international relations were settling into a more positive rhythm after the shock of the 9/11 terrorist attacks and the Bush administration's contentious & counterproductive responses in Iraq and its 'global war on terror'.

In 2007, George W Bush's second administration was mending fences with its European allies; China's annual GDP growth hit a three-decade peak of 14%; and the idea that this could drive a "win-win" economic cycle did not yet grate. Financial regulators had not woken up to the credit crisis that they had enabled; and the EU was still deepening after widening, while Britain tried to eat its cake on the side-lines.

But, with hindsight, 2007 was the fulcrum between a cautiously optimistic post-Cold war world and the contested environment we live in today.

Russian President Vladimir Putin chose that year's Munich Security Conference to deliver a tirade against the injustices of a US-led world, with arguments that presaged his invasion of Ukraine in February this year.

Also in 2007, five years before Graham Allison wrote about the 'Thucydides trap', Yang Jiechi – giving his first foreign speech as Chinese Foreign Minister at Chatham House – recognized that, "the rise of major powers in the past has never been peaceful".

By the autumn of 2008, as US and European banks imploded, Alan Greenspan's belief in the rationality of financial markets turned out to be a fallacy. The subsequent economic turmoil, followed by monetary easing that enriched the wealthy and fiscal austerity that squeezed the poor, sowed the seeds for the populist politics that emerged on both sides of the Atlantic.

Nevertheless, world leaders did not give up on the promise of international cooperation. In response to the global financial crisis, the G20 became the premier forum for coordinating global economic policy between the world's major economies. By 2015, after lengthy negotiations, they agreed the landmark Paris Agreement to combat climate change and the Joint Comprehensive Plan of Action to contain Iran's nuclear programme.

These events offered the prospect of a 'polycentric' world, as Alvaro de Vasconcelos, then Director of the EU Institute for Security Studies, suggested in a 2012 report, to which Chatham House contributed. Former Chinese ambassador to

the UK, Fu Ying, the first female Chair of the Foreign Affairs Committee of the National People's Congress, pointed in a Chatham House speech to a “decentralization of world power” that might lead to a more inclusive world order.

But this sense of relative optimism masked two fundamental problems.

The **first is the erosion of the cohesion of democratic societies** under the pressures of globalization and the aftershocks of the financial crisis.

With his usual perspicacity, the late Zbigniew Brzezinski had argued in the John Whitehead Lecture at Chatham House in November 2008 that, “for the first time in all of human history, almost all of mankind is politically awake, activated, politically conscious, and interactive... and that is creating a worldwide quest for personal dignity and cultural respect in a diversified world.”

The problem is that instant access to un-intermediated and often manipulated information has polarised societies as much as stimulated them. It is deepening the divide between those searching for the certainties – and dignities – of the past and those open to the uncertainties – and opportunities – of a more globalized future.

Some argue that this involves a healthy re-balancing of democratic power away from metropolitan elites – “citizens of nowhere”, as Theresa May unfortunately put it – and in favour of those who had long felt politically marginalised. But the simultaneous threat to democracy was neatly encapsulated in an exchange I had with Hungarian Foreign Minister Péter Szijjártó at Chatham House in October 2013.

I asked him what Prime Minister Viktor Orbán meant by ‘illiberal democracy’. Szijjártó’s answer was that robust democracies should be able to accommodate politically illiberal parties like Fidesz, which reject further EU political integration and oppose gay marriage and immigration. I countered that Fidesz’s illiberalism also included something more structural: it deliberately undermines the checks and balances of liberal democracy provided by an independent judiciary, media and civil society. And it pursues policies to entrench control by the ruling party.

The fact is that cultural illiberalism can easily transform into political illiberalism. Politicians motivated by the desire to protect fixed ethnic and cultural definitions of national identity, rather than the values that underpin that identity, tend to believe they are the patriots, and their opponents are enemies of the true nation, which then justifies measures blocking their opponents from regaining power – as we are witnessing also in the US today.

The **second fundamental change is the erosion of the global hierarchy**, in which the US and its western allies have dominated multilateral institutions since the end of the Second World War.

This erosion is being driven by several factors, beyond the internal political schisms described above. The most obvious is the growing economic and technological parity between the US and a globally engaged China.

But the other main driver has been America's schizophrenic foreign policy. 2007 was the tail end of America's unipolar moment. In 2010, the Obama administration sought to introduce a more inclusive form of American global leadership. This became associated with the unfortunate term 'leading from behind' during America's reluctant involvement in Muhammad Ghaddafi's ousting in 2011. But Obama's most damaging legacy was to raise doubts about the credibility of US power by ignoring his red line over Bashar al Assad's use of chemical weapons in Syria, and by turning a blind eye to China's takeover of disputed islands in the South China Sea, following his declaration of the US pivot to Asia.

Donald Trump's 'America First' policies compounded the problem. He converted the US into an overbearing and unpredictable version of other self-interested powers. America's allies also lost confidence in the reliability of the US.

Although Joe Biden's election was broadly welcomed internationally, there are concerns about the potentially transitory nature of his claim that 'America is back'.

## **Russia's goal in Ukraine**

Putin has seized on this moment of internal division in western societies and uncertainty about US leadership to create a legacy as the leader who re-united greater Russia out of the rubble of the Soviet Union.

He had no prospect of leaving a legacy as an economic reformer. And no amount of global adventurism – in Syria, North and Sub-Saharan Africa, or Latin America – could compensate for bringing Ukraine back into the fold and, at the same time, removing the threat of a successful democratic neighbour.

His commitment to the operation strikes me as total. The military failure around Kyiv in April is no deterrent. He will persist with his military assault for as long as he believes he can absorb another inch of Ukraine into Russia. He has strong domestic public support for his quest given total state control of the media. And the military leadership and FBS are on his side, for now.

This means there will be no stable solution to the conflict so long as he remains in the Kremlin. The most likely near-term outcome is a fragile armistice around current lines of control – a frozen conflict, akin to that on the Korean peninsula.

This means most allied sanctions will remain in place, and the process of economic disentanglement between Russia and Europe will continue apace.

Globally, however, it means the emergence of a great divide.

## **The structural nature of EU-China competition**

Why? Because Putin's invasion of Ukraine now overlays and intensifies the pre-existing rise in tensions between the US and China. The competition between China and the US is structural and zero sum – each believes the other is out to weaken its position.

The Chinese believe US efforts to export individual human rights and liberal democratic governance are a threat to the rule of the Communist Party and,

therefore, to China's sovereignty, which only the party can guarantee. For their part, Americans believe the Communist system of government is inherently unstable and will eventually pursue external aggression as a way of propping up central control.

The planned extension of President Xi's mandate beyond 2022 now confirms America's worst fears. Under Xi, the slightest sign of dissent at home has been crushed; human rights lawyers have been imprisoned; state surveillance is reaching Orwellian proportions, not only in Xinjiang, where early efforts to root out terrorist cells became a programme of mass incarceration and the crushing of Uighur culture and identity.

Xi's personalised style of leadership increases the likelihood of miscalculations around foreign policy. The potential cost of these miscalculations rises with the ongoing Chinese military build-up, from naval forces to new nuclear and hypersonic weapons. Taiwan is the most obvious potential flashpoint.

US policymakers also see China's export of surveillance technologies to other authoritarian regimes, alongside its global infrastructure investments, as a threat to US economic and strategic interests around the world. And they are resisting Chinese efforts to excise references to the Universal Declaration of Human Rights from UN agency mandates and resolutions.

America's response from Obama through Trump to Biden involves decoupling the US from dependence on China for sensitive imports; punitive tariffs, sanctions on individuals associated with repression in Xinjiang and Hong Kong, and a raft of restrictions on imports of Chinese technologies and on the export of sensitive US technologies to Chinese entities.

President Biden has described his top priority as "winning the 21<sup>st</sup> century" over China, supporting a range of new domestic investments in semiconductors and other high technology sectors. And, on 26 May, three months *after* Russia's invasion of Ukraine, Secretary of State Anthony Blinken described China as, "The most serious long-term challenge to the international order".

The Biden administration has also undertaken a true pivot this time towards Asia. From the Quad summits to the Australia-UK-US defence technical partnership, the US now has a more layered and comprehensive approach to its security relationships across the region.

The EU has reluctantly followed the US on sanctions, and the European Parliament blocked the EU-China Comprehensive Agreement on Investment that EU governments had agreed with China, after several its members were counter-sanctioned by China.

As a result, Beijing has been reducing its own dependence on western markets, growing its domestic technology base, and relying increasingly on domestic consumption to grow its GDP. Chinese foreign direct investment in the US has fallen significantly since 2020, as has Chinese FDI into the EU and European investment in China. We are past the peak of China's integration with the world's developed markets in Europe and North America....

## **Overlaying a closer Russia-China alignment**

Russia's invasion of Ukraine is now compounding this division by driving Russia and China closer together. In their joint statement on 4 February ahead of the Winter Olympics, Presidents Putin and Xi said that "the friendship between the two States has no limits" and that, "there are no 'forbidden' areas of cooperation", laying out a list that included technology, counterterrorism, arms control, and AI security.

The statement seemed a hostage to Russia's future behaviour. But, since the invasion of Ukraine, the Chinese government has doubled down publicly on the alignment of their two countries' interests, marshalling the full power of its media and control over the internet to promote Russian narratives about the conflict, including claims of US-backed biological weapons labs in eastern Ukraine.

Foreign Minister Wang Yi's accusation on 7 March that the US is building an "Indo-Pacific NATO" echoed the Kremlin's argument that the "Ukraine issue" had been

triggered not by Putin, but by NATO members' insistence on expanding Cold War structures in Europe.

Though it may seem highly risky, China's commitment to the "no limits" relationship is logical. Given US sanctions and Biden's statements that the world will be defined by a contest between democracies and autocracies, Beijing will not drop Putin and put China at America's mercy. Beijing relies now on Russia as a counterweight to US pressure. A defeated or weakened Russia would mean a strategically weaker China.

Building on this confluence of strategic interests, the economic relationship between China and Russia is intensifying.

The US and EU still constitute by far China's two leading trading partners, accounting together for 58% of Chinese exports. But China depends on Russia increasingly for the commodities that help drive its economic engine. Russia recently overtook Saudi Arabia to become China's largest source of oil imports. And Xi and Putin have signed a deal to nearly double Russian gas exports to China via a second Siberian pipeline, having already increased these by 50% in 2021. Gas is key to China's plan to wean itself off coal in the coming years. Land-based pipelines will be an important alternative to more vulnerable sea-based transportation of LNG.

## **The new Atlantic-Pacific Partnership**

As logical as this might all seem in Beijing, and despite not crossing the line into providing material support to Russia's war effort, the strategic alignment between Russia and China has galvanized cooperation between the US and its European and Indo-Pacific allies, who now see Putin and Xi as inter-connected threats to their long-term security.

They are organizing to resist, through a re-energized NATO, a variety of structures for Indo-Pacific cooperation, and, most interestingly, cross-linkages between these two groupings that resemble a new Atlantic Pacific partnership.

Last month, NATO's summit in Madrid launched a series of new initiatives, including a planned enlargement to Sweden and Poland; a seven-fold increase in the number of NATO troops on high alert to 300,000; and a permanent deployment of NATO forces in Poland. NATO and the EU agreed to coordinate their defence investment strategies and deepen day-to-day cooperation, even as the EU coordinated its responses to Russia's invasion of Ukraine with the US and UK.

But this is no longer a transatlantic affair. In June 2021, Australia and South Korea joined G7 leaders at their summit in Cornwall. After the Russian invasion, both nations plus Japan and Singapore joined the US, Canada, and European nations in imposing sanctions on Russia, for the first time.

And, most significantly, NATO invited the leaders of Australia, Japan, New Zealand, and South Korea to Madrid and, in their presence, updated its Strategic Concept to include China, for the first time, as a major 'challenge' to the transatlantic alliance. America's Atlantic and Pacific partners are showing that they will support each other in both hemispheres.

## **Power to the neo-non-aligned**

But these divisions are far from encapsulating today's world. Only 39 countries are imposing sanctions on Russia over its invasion of Ukraine. For their part, Russia and China can only count for political support on the usual global outlaws of Eritrea, Iran, Nicaragua, North Korea, and Venezuela.

The fact is that the largest group of countries in the world today lie outside these two divided groups. They are the neo-non-aligned.

The US and Europe expect these other countries to align with them in responding to Russia's flagrant breach of international law. But for most, Russia's invasion of Ukraine and the NATO response appear to be a continuation of the Cold War.

Moreover, they believe the US picks and chooses which bits of international law it adheres to. Americans circumvented the UN to invade Iraq in 2003 as they did to bomb Serbia in 1999 in support of Kosovo. They ignored calls to protect Syrian civilians from Assad's atrocities. More recently, at least a third of the 9,000 Iraqi civilians killed in the recapture of Mosul from ISIS were killed by Iraqi and coalition forces. America demands that China obey the independent tribunal on its occupation of islands in the South China Sea, but the US Senate has refused to ratify the UN convention on which the judgment was based.

America's and Europe's global credibility and soft power have been damaged by their past hypocrisy and double standards. It could get worse. Allied governments are bringing massive resources to bear on defeating Russia in Ukraine but were unable to deploy vaccines at scale and reasonable price in good time to the poorest in the world or find the \$100 billion per annum they pledged to help those same countries cope with the massive challenges of climate change. Now, the upshot of Russia's war on Ukraine is a big hike to their fuel and food prices.

So, instead of global solidarity, what we witness instead is a divided northern hemisphere, locked in a hot and cold stand-off, alongside some 140 countries, representing the global majority in terms of population, which refuse to become involved. They include India – reprising its role in the Cold War's Non-Aligned Movement – and other major G20 democracies like Brazil, Indonesia, and South Africa, as well as large non-democracies like Egypt and Vietnam.

The strategic competition between China and Russia, on the one hand, and the US and its allies, on the other, has empowered these countries as never before. The neo-non-aligned can now triangulate between the world's democratic and authoritarian poles. Rather than new institutions such as the Shanghai Cooperation Organization or the BRICS summits becoming vehicles of power for Russia and China, they are spaces where their neighbours can express their views and their demands. And rather than lobbying China for an MoU to join its fading Belt and Road Initiative, even small countries like the Solomon Islands can leverage their strategic value to the two sides in order to gain investment and protection from both.

## **Are there reasons to be optimistic?**

What does this divided, trilateral world hold for the future? Does it presage major conflict between the great powers? Hopefully not. After all, nuclear weapons remain a potent deterrent to all concerned.

Does the global divide herald the end of economic globalization and of the international cooperation needed to manage shared global challenges? Not necessarily. While Russia will be excluded from liberal democratic markets for as long as Putin is in the Kremlin, the country will find new markets for its hydrocarbon and mineral exports, thereby freeing other exporters to supply Europe and America's Pacific allies.

And China's continuing reliance on global markets – including the US and Europe – for a significant portion of its employment and growth, and the importance of its market to the rest of the world, including the US and Europe, make it unlikely that the world will be riven by a new economic Cold War. In this context, targeted international cooperation to combat climate change, manage the environment, and prepare for new pandemics should be able to continue.

Meanwhile, technological innovation will accelerate globally – into quantum computing, bioscience, nano-engineering, drought-resistant and urban agriculture – opening new prospects for more sustainable development and employment in advanced and developing countries alike.

And we may soon cross the tipping point where women hold a critical mass of leadership positions in many parts of the world. Given that male leaders are the instigators of the latest spasms of violence, more gender-balanced leadership holds out the prospect of greater political stability and more inclusive development.

But all these potential medium-term positives depend on us getting through a very painful near-term. The spiralling prices of energy and food threaten political instability in Europe and the US as well as in Africa and Asia this winter. Although European

governments may have the financial reserves to accelerate their energy transition, much of the developing world is in a far more precarious situation, as the overthrow of the government in Sri Lanka has illustrated.

Europe and the US will not allow rivals to benefit from their pain. The 2021 US-EU deal to lift the Trump administration's steel tariffs promised to prevent 'leakage' of imports from third countries, meaning China. As China's carbon emissions continue to grow, and its exports are increasingly dependent on Russian carbon inputs, so the pressure to impose carbon taxes at US and EU borders will increase.

This more geopolitical approach to international trade will lock in the current use of financial sanctions by America and its allies against Russia, with Chinese companies falling more regularly into the crosshairs of allied regulators, as they have long done over links to North Korea. This will accelerate Chinese and others' efforts to build alternative means of trading outside the reach of the dollar-dominated global financial system.

With less investment in global economic integration, multilateral economic governance will suffer. Above all, the splintering of the internet will continue apace, making it harder to arrive at global rules on cyber governance.

## **Choices for the US and its allies**

Lastly, what choices does this possible future present to the US and its European and Pacific allies?

First, we should double down on our own security. The era of the peace dividend is over; it is high time to upgrade the insurance policy and pay the premium. Hopefully, NATO governments and their allies will do so intelligently – learning the lessons from Russia's early failures and Ukraine's successes. The resilience and interoperability of energy and other critical infrastructure, cyber systems, and space assets will be as important as the quantity of deployable troops or the size of the defence budget.

Second, the US and its allies need to formalize what I call the ‘G7 Plus’ – i.e. the original G7 and the EU, plus, at a minimum, to start with, Australia, New Zealand, and South Korea. It should become a values-based economic alliance. It should help its members sustain some of the benefits of globalisation through what Janet Yellen has called “friend-shoring”, by ensuring trusted diversity of trade and investment in critical technologies and their supplies,

We should establish this grouping with clear rules for membership – an adherence to the values of open societies and a commitment to abide by and uphold international law should be the foundation.

Moving this grouping onto a more formal footing with a small secretariat and rolling agenda, makes sense now that the G20 has reverted to being at best a mechanism for global crisis management. Getting a G7 Plus up and running before 2024 will also be a hedge against the return of Trump or another US leader as committed to a doctrine of America First.

It is essential that this grouping is no longer described as ‘the West’, a tired term redolent of the old global hierarchy. This is how Russia and China want to define us. Maybe we should call ourselves instead the “Free G”.

Third, we cannot wait to fix ourselves before we reach out to the global South in this more divided world. Liberal democracies will need to build and sustain diplomatic and economic relations with autocratic governments, so long as they are not exporting autocracy or seeking to undermine other democracies. And the extent and depth of those relations will need to be calibrated to reflect the ways their leaderships do or do not respect their citizens’ basic human rights.

Fourth, we need to engage in what Kevin Rudd has called managed strategic competition with China. This means deterring and confronting China where it seeks to undermine the sovereignty and good governance of other states, including ours. It also means allowing trade and investment to grow within a tightly circumscribed set of red, yellow, and green lanes. This will help ensure our long-term security while enabling both sides to gain the societal benefits of commerce.

Finally, on Russia, given its invasion and annexation of a neighbouring democracy and its kleptocratic system of government and global conduct, there should be no scope for returning to the status quo ante, apart from cooperation on arms control and conflict mediation (over Iran or Afghanistan, for example). In the immediate future, the US and its allies must ensure Ukraine can hold the line as a sustainably sovereign country. This means Odesa must remain a functioning part of a sovereign Ukraine. And Ukraine as a whole must be free of Russian military terror. We need to do whatever it takes to achieve these goals, or our own security will be in jeopardy.

### **Conclusion: Optimism of the will**

I leave Chatham House at a time when the world is fragmenting into two competing blocs – when the risk of major conflict is higher than at any time since the end of the Cold War. But the checks on escalation are significant. Liberal democracies have re-found a common sense of purpose. And the citizens of a larger number of states than ever before are no longer vassals or proxies to the great powers. They are acquiring new agency by dint of the divisions across the northern hemisphere.

The world seems more anarchic, and yet, at the same time, the pressures for cooperation – driven by climate change and threats to global health – have never been higher.

As I confront this dichotomy, I appear to have become, as Antonio Gramsci described himself, “a pessimist of the mind but an optimist of the will.”

Speaking for one of the last times on behalf of Chatham House, I can assure you that my colleagues and I are committed to conjuring positive ideas and solutions from this difficult present and to help create a much better future.