

Europe, the End of the West and Global Power Shifts

Daniela Schwarzer

German Council on Foreign Relations / SAIS, Johns Hopkins University

Abstract

Relative economic, political, and military power is undoubtedly shifting away from the West, most notably to Asia, but also to other world regions. Moreover, non-state actors and cross-border flows increasingly pose challenges to Western states' capacity for crisis management. Consequently, the liberal world order and its governance structures have come under pressure. Even more fundamental is the emerging challenge to the notion of the 'West' as a group of countries led by the United States and unified around core values and principles. The 2016 US election results raise serious doubts about the future US administration's resolve to abide by liberal democratic norms both internally and in their international relations. Whether deliberately or indirectly in the pursuit of other goals, the US may undermine the already weakened rules-based international system and thereby accelerate the decline of the West's material and ideological hegemony. In light of these potential conflicts, European governments must take immediate action to prepare for a new global order. They must first strengthen their own countries and enhance the internal coherence of the Union. Second, they must improve the crisis management facilities and strategic capacities within their borders as well as within the euro area and the EU.

Policy Implications

- In an increasingly complex and uncertain world, the EU needs to put decisive efforts into strengthening itself internally, which requires a successful strategy that fosters growth and socioeconomic cohesion. Internal cohesion is a prerequisite for more effective external action.
- The ability to recover from shocks caused by attacks on values or, worse, attacks on humans or against the basic functioning of communities, becomes a key capacity. Socioeconomic fragility needs to be countered by strategic, economic, and social policies. The resilience of societies will only increase by determined measures that create redundancies in the structures necessary for the basic functioning of societies, as well as by policies enacted to bridge societal divisions and enable communities to grow together.
- Given the shifts in global power and the recent questioning of the reliability of the transatlantic partnership, the EU should build its own crisis management capacities to enable internal monitoring systems to better deal with the unknowns, for instance increasing early warning and prevention capacities. It further needs to bridge administrations and governments and make them cooperate effectively. This is particularly important, as trans-boundary crises need more flexible and adaptable capacities for responses.
- In an increasingly volatile, uncertain and interconnected environment, strategic capacity and efficient coordination are a key prerequisite for governments and the EU institutions to be able to act coherently and effectively. An ongoing strategic discussion is necessary to reassure all actors, including non-state agents and members of the public, on the overall direction and goal, political priorities and instruments to be employed. This requires continual adjustment, involving the continual assessment of risks as they are anticipated or emerge, but against the backdrop of 'centrally derived policy assumptions' in order to avoid confusion, contradictory policies and poor accountability. In that sense, strategic capacity is better served by a process of ongoing stocktaking, involving expert groups, stakeholder involvement and coordination structures, rather than by the production of monumental strategy documents.

Since the early 2000s, the notion of global power shifts has served as the backdrop for discussions on the EU's role in the world. The debates centred on the relative decline of the West and possible consequences for global governance as well as the changing nature of security threats and the emergence of cross-sectoral and transnational risks. What remained unchallenged was the concept of the West as a group of countries acting in unison under American leadership as the anchor of the liberal international order and global protector of fundamental human rights. On the contrary,

a substantial number of studies focused on how the United States, or the United States and Europe together (see, for example, Flockhart, 2014), could continue to protect the principles of the liberal order despite their relative decline, while also working with emerging powers to reach consensus on a sustainable, but changed rules-based order.

The election of Donald Trump as 45th President of the United States, however, marks a turning point in the debate over global power relationships and Europe's role in the world. At the time of writing, the Trump administration has

just come into office. Consequently, much of the analysis of the America's future international role is based on preliminary observations, assumptions and scenarios. Despite these uncertainties, it seems likely that some policy decisions coming out of DC will accelerate certain shifts already underway in the international system. The many contradictions of Trump himself and within his team, as well as his tactical and transactional approach to policy making, have spread the view that US foreign policy will be highly unpredictable under his presidency. In addition to an unparalleled uncertainty surrounding its most important Western ally, Europe will have to brace for a fundamental questioning of certain principles of the Western liberal order and prepare for a possible split with the former anchor of the system in favour of new alliances with its opponents.

Contributing to the debate on Europe's role in a changing global context, this article provides an empirical assessment of both the trends in power shifts and the economic, financial, demographic and defence-related developments driving them. Based on that data, it then considers the potential implications of changing US policies for the Western liberal order and, hence, Europe's international environment and its capacity to act at home and abroad. The article closes with a discussion of Europe's policy priorities under the evolving conditions and after the release of the EU's 2016 Global Strategy.

The decline of the West

Several decades of empirical evidence and increasingly sophisticated forecasts have sharpened our understanding of the extent to which the West is losing its relative economic, financial and demographic pre-eminence. While initial expectations of BRICs rapid ascendance have been downscaled due to the slowdown of growth and the risk of instabilities, the United States and Europe are still losing ground to emerging countries. Even though new

uncertainties concerning global economic and financial developments as well as due to political instabilities have increased, for example, due to the recent backlash against globalisation originating in the advanced economies, the assumption still holds that the West is in relative decline.

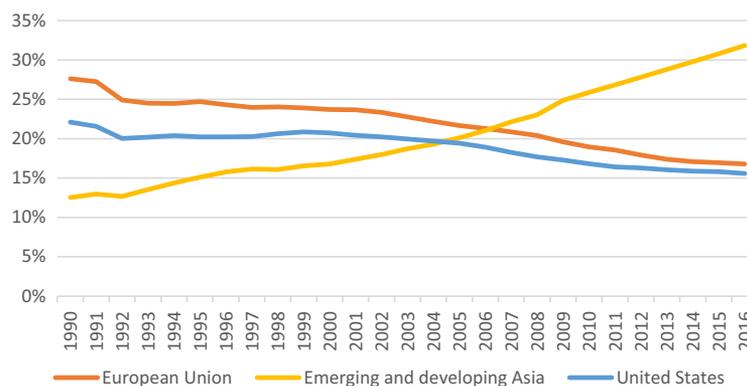
Economic weight

The United States and Europe have lost relative economic weight on a global scale because of the ascendance of a number of Asian countries. In 2016, Europe had a 16.8 per cent share of GDP (in PPP terms) and the US had 15.6 per cent, while Asia had 31.8 per cent. 20 years earlier, Europe had a share of 24.3 per cent while the US was at 20.2 per cent and Asia at 15.8 per cent (IMF, 2016) (see Figure 1).

This shift in global economic power toward Asia and a number of other rapidly growing emerging economies and away from the advanced economies of North America, Western Europe, and Japan is likely to continue. In 2050, the global ranking of national economies and the major drivers of economic growth will look very different. According to a study by Price Waterhouse Coopers (PwC 2015), India will become the second largest economy in the world by 2050 (PPP terms). Meanwhile, the burgeoning economies of Mexico and Indonesia will surpass that of the UK and France by 2030 (PPP terms). Nigeria and Vietnam are expected to continue topping the list of fastest growing economies through 2050. Indonesia will rise in rank from ninth position in 2014 to become the fourth largest GDP in 2050, and Nigeria will go from the 20th position in 2014 to become ninth in 2050.

PwC also compares two key groups of countries: (1) a modified 'G7' grouping of advanced economies comprising Canada, France, Germany, Italy, Japan, the UK and the US plus the three major Western economies of Australia, South Korea and Spain; and (2) a group of the seven largest emerging market economies (EME), which are Brazil, China, India, Indonesia, Mexico, Russia and Turkey. By 2050, PwC

Figure 1. GDP based on PPP share of world total



Source: IMF, 2016.

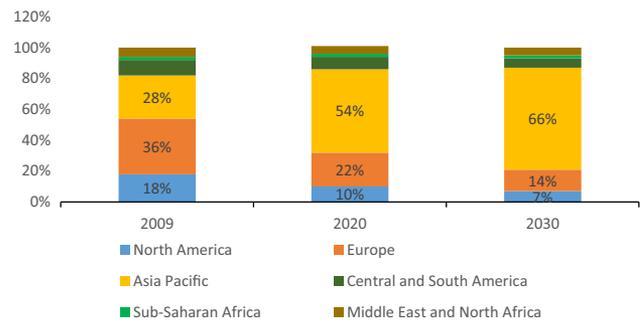
expects the GDP of the latter group to be about twice as high (PPP terms) as that of the G7 group.

From a European perspective, the projected gap between the three largest economies – China, India, and the US – and the rest of the world is a worrisome situation. This gap will widen substantially in the coming decades. In 2014, the third largest economy in PPP terms (India) was about 50 per cent larger than the fourth largest economy (Japan). In 2050, the third largest economy in PPP terms (the US) is projected to be approximately 340 per cent larger than the fourth largest economy (Indonesia). In the PwC forecast, the largest European GDP will be Germany, in tenth position, outgrown by China, India and the US by respectively 960 per cent, 660 per cent and 650 per cent. By 2050, the US's and the EU's share of world GDP in PPP terms will decline to only around 25 per cent. This shift of global economic power implies a profound transfer of economic and political influence as well as military power across the globe and from advanced to emerging economies.

Financial markets

In the next few years, financial power will likely continue to be concentrated in Europe and Northern America, but growth will be the highest in Asia, Africa, South America and the Middle East. According to the IMF, Asian countries will move from 30 per cent of world GDP in 2014 to 41 per cent within nine years. The share of Asian financial assets in global financial assets will mirror this trend and is expected to increase to 31 per cent in 2023, up from 18 per cent in 2014 (Walsh, 2014). International funds tend to follow economic growth, which, in turn, can only be sustained through investments that are domestic and international. Economic growth and financial flows towards emerging economies are thus likely to be aligned, as emerging economies, for instance China, open up and offer substantive investment opportunities for outsiders. Additionally, emerging economies will see the rise of a large middle class fuelled by rapidly growing populations, as Figures 2 and 3 show. In fact, the OECD projects that 66 per cent of the global middle class will be in the Asia Pacific region by 2030,

Figure 3. Population share of global middle class



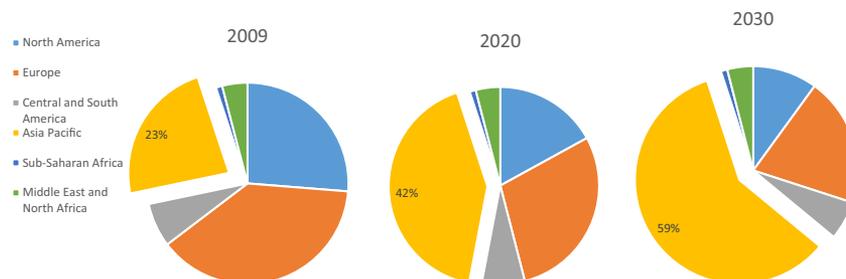
Source: Kharas (2010) based on OECD data.

consuming a share of 59 per cent of global middle class consumption. This will push demand for new financial products on a mass scale.

New affluence will require services ranging from mortgages for families to loans for new business owners – expanding a financial market that is far less saturated than in developed economies. Finance will need to guide those economies that are transforming from a growth model with high saving rates and excessive government investment to one with stronger domestic consumption and more services (Walsh, 2014). With banks continuing to deleverage, asset management may take a more prominent role in this development, which has its biggest potential in regions outside North America or Europe (PwC 2014).

In light of these projected changes in financial markets, the financial power of non-Western governments also needs to be considered. China is the prime example of a country using its financial resources to bolster and build its strategic position, extend its global influence and tighten its grip on certain neighbouring regions. Strategic investment is not only a tool to ensure economic presence and benefits; it also serves well as a political lever, particularly in situations when conflicts are emergent, for example, withdrawing large sums of investments, which can have destabilising effects. It

Figure 2. Shares of global middle class consumption



Source: Kharas (2010) based on OECD data.

can occur, for instance, in the shape of FDI or by government or corporate bond purchases in the European Union, its neighbourhood and the United States.

Demographics

As the above sections on economic and financial developments show, demographic developments are accelerating the relative power shift from advanced Western economies to emerging economies in Asia, Africa, and elsewhere (Figure 4). Populations in Europe and Northern America will continue to shrink and age, while those in Africa and Asia are on the rise, getting younger and healthier at a rapid pace. The most recent UN World Population Report finds that 'low-fertility countries now include all of Europe and Northern America', (UN Department of Economic and Social Affairs, Population Division, 2015b, p. 5). The report specifies that fertility levels in most European countries have already been below the level required for full, long-term replacement of the population for decades; now it is the case for all European countries. Following the UN's medium variant trend analysis, Europe is thus projected to have a smaller population in 2050 than in 2015.

Though populations in advanced economies are shrinking as a whole, one age group is growing larger: the share of people aged 60 or older is growing at a rate of 3.26 per cent per year. By 2050, all major areas of the world except for Africa will have a quarter or more of their populations aged 60 or over (UN Department of Economic and Social Affairs, Population Division, 2015b). This demographic change will have massive implications for the social contract of modern welfare states, so policy makers will need to reassess the distribution among citizens of rising welfare costs for health care, pension schemes, and other safety structures for the elderly.

Effective management of migration streams may offer opportunities for these ageing regions of the world. In search of work and improved living conditions, migrants

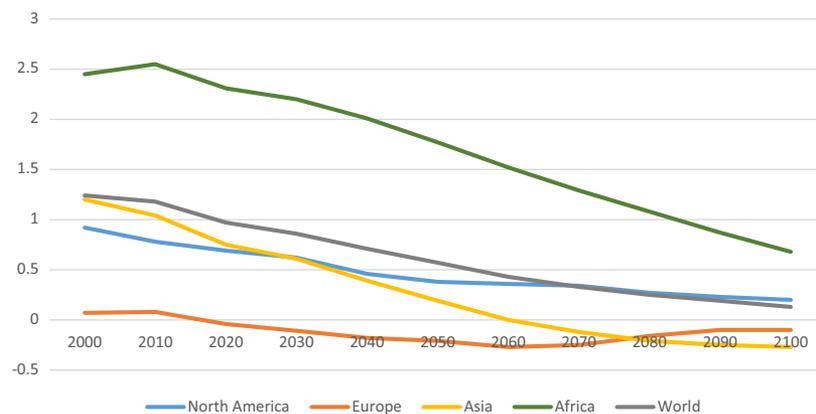
have tended towards high-income economies, with Europe, North America and Oceania averaging 2.8 million migrants per year on average between 2000 and 2015. If this trend persists, migration may become the main contributor to population growth in these countries, counterbalancing the implications of an ageing population. The UN even predicts net migration to account for a staggering 82 per cent of population growth in high income countries by 2050 (UN Department of Economic and Social Affairs, Population Division, 2015b).

This prediction, however, rests on the assumption that migrants will continue to seek entry only into those countries that currently have the highest incomes. Looking at growth projections for the near future suggests this may not be the case for long. The global economic centre is shifting and opportunities to prosper are moving with it. Many potential young migrants may decide to stay in their home country or merely relocate to (other) emerging economies where prospects appear more encouraging than in today's traditional economic powerhouses. A number of emerging economies, particularly in Africa, are at the brink of having a large group of workers in their prime, so they will likely develop strongly through a rising middle-class and benefit from the so-called demographic dividend (UN Department of Economic and Social Affairs, Population Division, 2015b).

Defence spending and capabilities

The relative decline of the West's economic and financial power also influences the scope of its military power. Over the past decade, the US share in global military spending has declined in correspondence to its decreased economic growth, which has dropped below that of other military powers (Walker, 2014). China, on the other hand, profits from strong economic growth: its GDP is likely to exceed that of the United States in only a decade from now and an increase in spending would put its defence budget on par

Figure 4. Average annual rate of population change projections



Source: UN Department of Economic and Social Affairs, Population Division (2015a).

with the US. According to a report by the British Defence Ministry, India is also likely to enhance its military capacities, though not at the same rate as China or the US. Russia will probably also increase its military spending, but at a slower rate than China, the US, and India (Ministry of Defence, 2014). Overall, though American military power is challenged in different regions of the world, it is not happening on a global scale. Figure 5 shows that Chinese military spending rose by 132 per cent between 2006 and 2015, while US spending declined by 3.9 per cent (Perlo-Freeman et al., 2016).

The British Ministry of Defence expects the United States to remain militarily 'the most powerful country in the world' (Ministry of Defence 2014). However, that may no longer be enough to remain the undisputed global leader in setting down the rules of regional security order and offering security guaranties. Others are already waiting to fill the vacuum the US may leave. A report by the Center for Strategic and International Studies (CSIS) concerning America's engagement in Asia concludes, 'Chinese and North Korean actions are routinely challenging the credibility of US security commitments, and at the current rate of US capability development, the balance of military power in the region is shifting against the United States'.

Consequently, either the United States will be less secure or it will have to reinvest into military power and reengage with regional actors. A decline of the United States as the dominant security actor will most likely also affect global security, for example, by increasing the risks of nuclear proliferation and regional instability – which, again, may begin to interact.

While military spending in the regions of Asia and Oceania rose by 64 per cent between 2006 and 2015 (Perlo-Freeman et al., 2016), European military expenditure only rose by 5.4 per cent during the same period. Now European NATO member states have pledged to increase military expenditures to 2 per cent of their GDP. The Trump administration is also likely to increase the pressure on European NATO members to raise defence spending (cf. Gove and

Wright, 2017). While this can still be seen as an example of the traditional intra-alliance bargaining over burden sharing, the transatlantic security setup is currently undergoing a transformation: the 2 per cent goal is not only a response to growing pressure from the US, it also indicates that Europe is starting to question the Americans' reliability as a security partner. European governments are also starting to see the need to step up their own defence capabilities to manage the increasing instability and intensifying conflict potential in their immediate neighbourhood and beyond – with Islamic State (IS) destabilising the Middle East, failing states and organised crime in Northern Africa, and Russia modernising its armed forces, violating the principles of the European security order and getting involved in the frozen conflicts of central Asia.

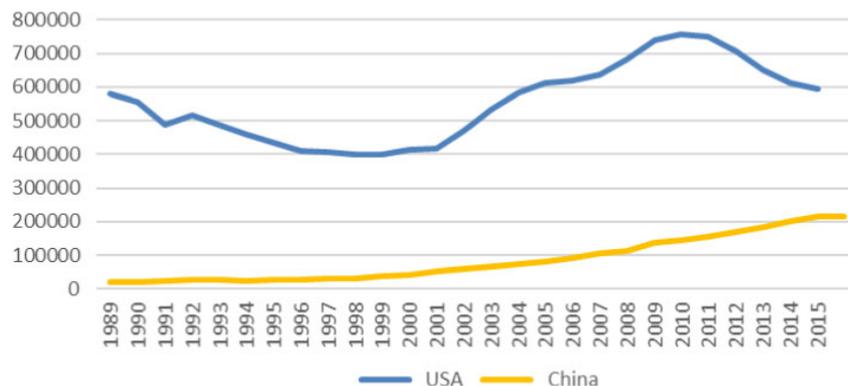
Inevitably, the conditions for regional security will change as the European political landscape starts to disintegrate: the UK, one of the EU's most capable members, is planning to leave the EU. Meanwhile, NATO is also experiencing an internal challenge through the developments in Turkey and possibly also by the new US President. Whether the EU member states will effectively increase their security capabilities does not depend on military spending alone, but also on the EU's political willingness to implement a more coherent and, thus, effective and efficient approach to its common defence.

Trends accelerating Western decline

The changing nature of external threats

The second important dimension to the discussion about power shifts and the undermining of the current world order relates to the diffusion of power from governments and sovereign states to non-state actors. In this context, the 2001 terrorist attacks in New York illustrated the brutality of the changing threats and revealed the vulnerabilities of the West. In the years following 9/11, new security challenges and the hybrid nature of threats became the dominant

Figure 5. US and Chinese military spending in US \$m



Source: SIPRI (2016).

theme in the analysis of relevant developments in the EU's international environment. Moreover, the scope of what was subsumed under the term 'security' has been broadened beyond the context of the Cold War, with its definition of (nuclear) arms control and disarmament as distinct from conventional military matters (Merritt, 2016), to cover all kinds of threats and the notion of risk. 'Security challenges' include dangers like the proliferation of nuclear weapons and other weapons of mass destruction as well as a multitude of newer developments like Islamist jihadism, bioterrorism, mass migration, pandemics and climate change. All have in common that they are more diffuse, since neither the actors nor their intention or capabilities to act are immediately obvious.

The complex, changing nature of conflict is best captured by the notion of 'hybrid warfare', which refers to the coordinated use of conventional military and unconventional civilian and military instruments in a situation of conflict, either by governments or by non-state actors such as terrorist groups (Major and Mölling, 2015). In the context of hybrid warfare, armies are not the primary tool of destabilisation; instead, unconventional civilian tools are used to expand the conflict into areas where the enemy's military and defensive capabilities are less advanced. Hybrid strategies can inflict major damage within societies well below the level of traditional warfare (Dengg and Schurian, 2015). New technologies, including social media platforms, offer both state and non-state actors new opportunities and instruments to wield power against their enemies.

More generally, the new threats and risks differ significantly from those of the past. Baubion (2013) highlighted their unexpected large scale and vast spread across geographic and political boundaries, citing pandemics and the effects of climate change as examples. Europe's refugee and migrant crisis also illustrates that 'security' and 'defence' are not necessarily the same thing and failure to respond effectively to developments in regions neighbouring the EU entails heavy political, economic and security costs, as in the case of the Arab Spring five years ago. Similarly, managing the effects of climate change also requires very large budgets, early planning, and skilful diplomacy. The situation in the developing countries of sub-Saharan Africa is a case in point, as millions of people have reacted to the volatile combination of drought, an explosion in population, war and terrorism by migrating northwards. As these security threats intensify, they will need to be met with better, smarter, more comprehensive responses by the EU countries than their reactions to migration inflows so far.

The complexity of these new risks and crises is unprecedented, at least according to the memories of crisis and risk managers. Consequently, there is only limited experience on how to handle them, in particular given the unique combination of the new threats. If they appear to be persistent and are met with an inadequate government response, deep uncertainties will arise and fundamentally challenge governments and governance structures. Hence, the complexity of new risks, security threats and the current nature of conflicts feed the perception that Western liberal states

are losing the power to control what happens on their territory and to provide sufficient security to their citizens. Power is seen to have diffused away from democratically elected governments.

Challenges to Western liberalism

This situation is all the more problematic since both state and non-state actors are ready to employ illegitimate and unfair means to explicitly undermine the capacity of Western liberal democracies to control their own fate, thus sabotaging the democratic process and eroding the Western liberal order. Deliberate and hostile attacks on liberal democratic order bring a new quality to the debate on the threats to Western liberalism both within societies and as a principle for the international order.

In 2014, the annexation of Crimea by Russia led to questioning the resilience and persistence of the rules-based security order in Europe (for instance, Schwarzer and Stelzenmüller, 2014; Chen, 2016). Mikhail Gorbachev (2015) has suggested that the world is entering 'a new Cold War order' while Kofi Annan (2015) has called for global leaders to save the global order, identifying the annexation of Crimea, the wars in Syria and Iraq, climate change and international trade as issues that could divide the international state community along new battle lines.

The broad literature on global order has identified the deeper roots of divisions within the international community and the challenges to Western liberalism. One reason is the failure to reform the global institution of the 'American-led hierarchical liberal order' (Chen, 2016, pp. 776–777), which consequently led to creation of alternative regional institutions such as the Asian Infrastructure Investment Bank, the failed military interventions in Iraq or Afghanistan, and the extension of globalisation processes encompassing the fields of economics, finance, technology, communication and security. Globalisation and some approaches to regional integration have rendered national states powerless with regard to traditional core competencies. This loss of steering capacity is particularly salient in fields where there has been no transfer of political competencies to the regional or global level at which markets or non-state actors integrate or interact. An illustrative example is the euro zone, where monetary and financial market integration are not matched by a fiscal or economic policy on the euro area level, while national economic and budgetary policies are less effective under the conditions of monetary and financial market integration.

The United States and its changing relation to international order

In the second half of the 20th century and beyond, the United States has acted as the anchor and guarantor of the Western liberal order and supported the transition of many states towards western liberal democracy. Consequently, the relative decline of its weight in the world features prominently in discussions of the consequences of global power shifts. America's global reputation suffered, in particular,

after the failed military interventions in Iraq and Afghanistan and the 2008 recession (Chen, 2016).

Though the US administration has attempted to maintain the liberal order, the inconsistency of their efforts have led some to question its commitment to global order structures. First, there was a move to give emerging powers more weight in international institutions, but Congress blocked the initiative. Second, the US has pivoted to Asia and now propagates a regionalised approach to trade agreements, as is evidenced by the negotiations of the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). Not least, the inauguration of Donald Trump as 45th President of the United States is sure to occupy scholarship on world order in the years to come. Trump's first statements on the nation's future foreign policy have given rise to speculation as to whether the US will continue to be the leader of the West, or whether it might even ally itself with countries that have worked to undermine the Western rules-based order. The following section compares the distinctive rules of the liberal international order with Trump's first statements and actions in order to assess whether there are indications that his presidency will in fact weaken these rules.

The liberal international order is based on the three-fold principle of sovereignty, non-intervention, and a comprehensive prohibition on the use of force to alter borders. At the time of writing, the president-elect has condemned neither Russia's seizing of Crimea, the most obvious violation of national sovereignty since Saddam Hussein's invasion of Kuwait in 1990, nor its subsequent interference in the Ukraine and other Eastern European countries. The approach that the Trump administration chooses to deal with Moscow will be key to determining whether this principle will be undermined. A weakening may encourage other actors like China to interfere in neighbouring territories, fuelling the risk of further regional conflicts.

Maintaining an open, non-discriminatory world economy is a second principle upon which the Western liberal world order rests. It has far wider implications than merely economic issues. In fact, the creation of a deeply rooted and integrated international system, based on the principles of open market economies and low barriers of entry, served until recently as a tool to integrate emerging countries into the Western-led order. The creation of interdependencies promised positive effects on long-term political cooperation with the West. Despite the case of China, which has developed into an illiberal capitalist country, the expectations remain, whereby developing countries that create economic and financial interdependencies and promote the principles of market economy could transition towards Western liberal norms. It is therefore noteworthy that president-elect Trump has questioned trade agreements and announced a protectionist economic policy agenda which runs counter to the liberal principle of a non-discriminatory world economy.

A third principle building the basis of Western liberal order is the protection and promotion of human rights and democracy. Trump's campaign and the transition period have given

allies and observers serious reason to doubt whether the American President will respect all rules of liberal democracy within the boundaries of his own country. Moreover, there are doubts whether a United States under the Trump administration will be a willing and reliable partner in upholding and promoting these principles internationally.

Moreover, Trump's repeated criticism of the United Nations may weaken the credibility of the UN Security Council and the rule that there should be no use of force without its approval. The fact that he has called the existence of climate change into question and criticised existing environmental agreements will weigh heavily on global efforts to mitigate and adapt to climate change and its consequences.

At this point, it is difficult to predict the Trump administration's policies to combat terrorism and the proliferation of weapons of mass destruction. However, it is not inconceivable that while the Administration professes to work towards these goals, other policies could undermine them and lead to a rise of terrorism or a destabilisation of countries or whole regions, similar to the effects of the policies pursued in the Middle East by the second Bush administration.

Therefore, in addition to global power shifts, globalisation and new, interconnected threats, the US might become yet another player in the game to undermine the Western liberal world order as we know it. If the traditional anchor and guarantor turns against the very principles of the order it created and has sustained since 1945, the consequences will be drastic. More optimistic analyses of recent years have pointed out that capitalist democracies still hold the majority of power and that rising powers do not form a cohesive, counter-hegemonic bloc and that major powers have a status quo orientation (see, for instance, Ikenberry, 2011). Perhaps we should consider revisiting these contributions in the light of Trump's presidency, which may well accelerate the return to geopolitics.

European options in a changing context

The EU's strategic environment has undoubtedly become more complex and volatile over the past decades and first estimates of the Trump administration's future policies add an important element of uncertainty to the world order. If, as argued above, relative economic weight is closely connected to a country's or region's financial, political and military clout, the ongoing power shifts away from the US and Europe towards Asia add urgency to the EU's struggle for internal strength and external cohesion.

A more effective growth agenda

Neither the vast literature detailing Europe's decline in global comparison and internal divergence, in particular in the euro area, nor the intense policy debates concerning Europe's growth have had the desired effect to move policy makers on the European or national levels towards substantial policy changes. The scenario of the US breaking away

as a major ally and close economic partner of Europe illustrates a further risk that should be countered with immediate and determined efforts to improve growth, competitiveness, productivity, innovation and employment within the euro zone and the internal borders of its member states. Moreover, societal cohesion will only be maintained if the EU and its member states reposition themselves to bridge the growing welfare gaps within and between their societies. Economic growth would also contribute to alleviating the unresolved problems in the euro area, which remains in a fragile state and may well fall into a crisis given the persistent weaknesses in the banking sector, unsustainable public debt levels and increasing political risks. The consequences of ongoing demographic shifts towards Asia and Africa are likewise not fully taken into account. If population growth dramatically shifts the shares in global middle classes, it will noticeably effect economies and financial markets. To date, discussions analysing the EU's failure to provide better growth policies do not sufficiently consider the domestic determinants of Europe's global role and the consequences of its diminishing power in the world.

Strengthening resilience and countering hybrid threats

Given the emergence of new threats and the impossibility for governments and traditional institutions to forge effective security policy and prevent attacks on its home territory, there is an increasing focus on strengthening resilience – most recently and notably in the European Union's Global Strategy (2016). Making societies more resilient includes 'investment in prevention and preparedness as well as [...] enhancing crisis management capacities' (Baubion, 2013, p. 9). Societal cohesion and the ability to recover from shocks caused, for instance, by attacks on values or, worse, attacks against the basic functioning of communities, becomes a key capacity. Socioeconomic fragility, economic dependence and societal polarisation have become security risks that need mitigation through enhanced strategic, economic, and social policies. The resilience of societies will only increase by determined measures that create redundancies in the structures necessary for the basic functioning of societies as well as by policies enacted to bridge societal divisions and enable communities to grow together. In addition to increasing societal resilience, governments should devise more powerful deterrents that combine military and civilian components flexibly (Major and Mölling, 2016).

Enhancing crisis management capacity

The discussions within NATO, the EU and on the level of member states all testify to the importance of having strong crisis management capacities. Within the EU, there is a growing awareness of the need to create appropriate structures to enable internal monitoring systems to better deal with the unknowns, for instance, by increasing early warning and prevention capacities. The shifts in global power and

the recent questioning of the reliability of the EU's transatlantic partnership have fuelled this discussion.

A second challenge, which is particularly salient in the EU system, is the need to bridge administrations and governments and make them cooperate effectively. This is particularly important as 'trans-boundary crises need more flexible and adaptable capacities for responses, thus implying a more holistic and dynamic approach to risk assessment' (Baubion, 2013, p. 11). There is hence a need for 'horizontally and vertically networked efforts of all relevant actors and institutions within the framework of a holistic crisis management approach' (Doktor, 2007).

As the nature of security threats changes, as argued above, the classic distinction between 'internal' and 'external' security diminishes in relevance. Governments who see their capacity to guarantee security shifting away, while their citizens' expectations of protection by the state remain high, will need to bridge the internal-external divide and adopt a 'holistic approach to crisis management that combines civilian and military instruments and actors beyond portfolio boundaries in a coherent strategy' (Doktor, 2007).

This need for better crisis management not only applies to security matters, but also to economic and financial developments. When the financial crisis spilled into the EU from the US in 2007 and eventually became almost existential for the single currency, the EU institutions and euro area governments realised how risky the construction of the monetary union was. There were no instruments to anticipate financial crises, to the extent that this is at all possible, and to manage them coherently within a system that lacked relevant instruments and competencies on the European level. As a result, crisis management was overly reactive. A more proactive approach could possibly have lowered the economic and political costs that the system had to bear. As the EU's relative economic weight declines and financial power shifts eastwards, the pressure is rising on the EU system to enhance its resilience and crisis management capacity.

Improving the EU's strategic capacity

In an increasingly volatile, uncertain and interconnected environment, strategic capacity and efficient coordination are a key prerequisite for governments and the EU institutions to be able to act coherently and effectively. An ongoing strategic discussion is necessary to reassure all actors, including non-state agents and members of the public, on the overall direction and goal, political priorities and instruments to be employed. Given the rapidly changing global context, strategic capacity is best understood as a process of continual adjustment, involving the continual assessment of risks as they are anticipated or emerge, but against the backdrop of 'centrally derived policy assumptions' in order to avoid confusion, contradictory policies and poor accountability (Gaskarth, 2015, p. 5). In that sense, strategic capacity is better served by a process of ongoing stocktaking, involving expert groups, stakeholder involvement and coordination structures than by the production of monumental strategy documents.

It is also crucially important to develop a strategic culture to provide the basis for cooperation and effective decision-making, in particular in the absence of detailed operating rules, but also to strengthen the resilience of the system (Tyagarajan, 2013) as well as its flexibility and adaptability. Obviously, difficulties will arise when establishing an organisational culture in a system that is as complex and diverse as the EU, in which actors working in different agencies for different member states and cultures collaborate only occasionally on joint projects. The problem is amplified whenever disintegrative and communitarian tendencies are on the rise. Nevertheless, attention must be given to these 'soft' aspects of common strategic capacity when building processes and institutions for an ongoing strategic discussion within the EU framework.

So, as global power shifts from West to East and the US questions its roles as defender of a Western liberal order and close partner in a transatlantic relationship, the EU must take on a stronger global role. A stronger Europe is particularly important in view of the fact that the US may deliberately or, as a side-effect of pursuing other goals, indirectly undermine the rules-based international system.

References

- Annan, K. (2015) 'Saving Global Order', *Project Syndicate* [online], 29 January. Available from: <https://www.project-syndicate.org/commentary/saving-global-order-and-international-system-by-kofi-a-annan-2015-01?barrier=accessreg> [Accessed 16 February 2017].
- Baubion, C. (2013) 'OECD Risk Management: Strategic Crisis Management', *OECD Working Papers on Public Governance*, 23, OECD Publishing. DOI: 10.1787/5k41rbd1l2r7-en.
- Chen, Z. (2016) 'China, the European Union and the Fragile World Order', *Journal of Common Market Studies*, 54 (4), pp. 775–792.
- Dengg, A. and Schurian, M. (eds.) (2015) *Vernetzte Unsicherheit – Hybride Bedrohungen im 21. Jahrhundert*. Wien: Republik Österreich / Bundesministerium für Landesverteidigung und Sport.
- Doktor, C. (2007) 'Strategic Crisis Management: Trends and Concepts', *CSS Analyses in Security Policy*, 2 (23) [online], Available from: https://www.files.ethz.ch/isn/44936/css_analysen_nr23_1107_E.pdf [Accessed 16 February 2017].
- Ferguson, N. (2012) *Civilization: The West and the Rest*. London: Penguin Books.
- Flockhart, T. (2014) 'Order Through Partnerships: Sustaining Liberal Order in a Post-Western World' in T. Flockhart, P. Quirk, C. Lin, C. Kupchan, B. Nowak, L. Xiang et al. (eds.). *Liberal Order in a Post-Western World*. Washington: Transatlantic Academy, pp. 137–151.
- Gaskarth, J. (2015) 'Strategy in a Complex World', *The RUSI Journal*, 160 (6), pp. 4–11.
- Gorbachev, M. (2015) 'A New Cold War Order?', *Project Syndicate* [online], 5 January. Available from: <https://www.project-syndicate.org/commentary/russia-and-the-west-in-conflict-by-mikhail-gorbachev-2015-01?barrier=true> [Accessed 16 February 2017].
- Gove, M. and Wright, O. (2017) 'Donald Trump: I'll Do a Deal with Britain', *The Times* [online], 15 January. Available from: <http://www.thetimes.co.uk/article/donald-trump-interview-brexite-uk-trade-deal-theresa-may-phthbjmsw> [Accessed 16 February 2017].
- Ikenberry, G. J. (2011) *Liberal Leviathan: The Origins, Crisis and Transformation of the American World Order*. Princeton, NJ: University Press.
- International Monetary Fund (IMF) (2016) *World Economic Outlook Database*, October 2016 [online]. Available from: <https://www.imf.org/external/pubs/ft/weo/2016/02/weodata/download.aspx> [Accessed 16 February 2017].
- Kharas, H. (2010) *The Emerging Middle Class in Developing Countries*. OECD Development Center, Working Paper 285. Available from: <http://www.oecd.org/development/pgd/44798225.pdf> [Accessed 16 February 2017].
- Major, C. and Mölling, C. (2015) 'A Hybrid Security Policy for Europe', *SWP Comments*, 22 [online]. Available from: http://www.swp-berlin.org/fileadmin/contents/products/aktuell/2015A31_mjr_mlg.pdf [Accessed 16 February 2017].
- Merritt, G. (2016) 'Europe is on the Frontline of New Global Security Threats', *Europe's World* [online], 19 April. Available from: <http://europesworld.org/2016/04/19/europe-frontline-new-global-security-threats/#.V5Ya2PmLS70> [Accessed 16 February 2017].
- Ministry of Defence (2014) *Global Strategic Trends – Out to 2045* [online]. Available from: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/348164/20140821_DCDC_GST_5_Web_Secured.pdf [Accessed 16 February 2017].
- Patrick, S. (2016) 'World Order: What, Exactly, are the Rules?', *The Washington Quarterly*, 39 (1), pp. 7–27.
- Perlo-Freeman, S., Fleurant, A., Wezeman, P. and Wezeman, S. (2016) 'Trends in World Military Expenditure, 2015', *SIPRI Fact Sheet* [online]. Available from: <https://www.sipri.org/sites/default/files/EMBARGO%20F51604%20Milex%202015.pdf> [Accessed 16 February 2017].
- Price Waterhouse Coopers (PwC) (2014) *Asset Management 2020: A Brave New World* [online]. Available from: https://www.pwc.com/jg/en/publications/asset-management-2020-a-brave-new-world__main-report.pdf [Accessed 16 February 2017].
- Price Waterhouse Coopers (PwC) (2015) *The World in 2050: Will the Shift in Global Economic Power Continue?* [online]. Available from: <http://www.pwc.com/gx/en/issues/the-economy/assets/world-in-2050-february-2015.pdf> [Accessed 16 February 2017].
- Schwarzer, D. and Stelzenmüller, C. (2014) *What is at Stake in Ukraine*, German Marshall Fund, Policy Paper 1/2014 [online]. Available from: <http://www.gmfus.org/publications/what-stake-ukraine> [Accessed 16 February 2017].
- SIPRI (2016) *SIPRI Military Expenditure Database* [online]. Available from: <https://www.sipri.org/databases/milex> [Accessed 16 February 2017].
- Tyagarajan, T. (2013) *Putting Resilience into Practice in a Volatile World* [online], Duke Corporate Education. Available from: <http://www.dukece.com/article-library/putting-resilience/> [Accessed 16 February 2017].
- UN Department of Economic and Social Affairs, Population Division (2015a) *World Population Prospects: The 2015 Revision, Comprehensive Tables* [online]. Available from: https://esa.un.org/unpd/wpp/Publications/Files/WPP2015_Volume-I_Comprehensive-Tables.pdf [Accessed 16 February 2017].
- UN Department of Economic and Social Affairs, Population Division (2015b) *World Population Prospects: The 2015 Revision, Key Findings and Advance Tables* [online]. Available from: https://esa.un.org/unpd/wpp/publications/files/key_findings_wpp_2015.pdf [Accessed 16 February 2017].
- Walker, D. (2014) 'Trends in US Military Spending', *Council on Foreign Relations* [online]. Available from: <http://www.cfr.org/defense-budget/trends-us-military-spending/p28855> [Accessed 16 February 2017].
- Walsh, J.P. (2014) 'The Future of Asian Finance', *Finance and Development* [online], 51 (2), pp.18–21. Available from: <http://www.imf.org/external/pubs/ft/fandd/2014/06/walsh.htm> [Accessed 16 February 2017].

Author Information

Daniela Schwarzer directs the Think Tank of the German Council on Foreign Relations (DGAP) in Berlin and is a Senior Research Professor at the School for Advanced Global Studies (SAIS) at Johns Hopkins University.