

ISPI

THE WORLD IN 2024

The Great Fragmentation



The World in 2024 The Great Fragmentation

ISPI



The World in 2024 The Great Fragmentation

© 2024 ISPI

Via Clerici 5 – 20121 Milan – Italy

www.ispionline.it

The World in 2024: The Great Fragmentation

First edition: December 2023

Cover image by Francesco Fadani

The opinions expressed in this publication do not necessarily reflect ISPI's position.



The World in 2024

The Great Fragmentation

GEOPOLITICS

Wars That Break Us Apart

- **Russia-Ukraine**
Andrei Kolesnikov (CEIP and ISPI) 7
- **Israel-Gaza**
Karim Mezran (Atlantic Council and ISPI) 10

Global South: The “Rest” vs the West?

Gustavo De Carvalho (SAIIA) 13

No World for Superowers

Susan A. Thornton (Yale University) 16

Trust Failing, Arm Racing

Nan Tian (SIPRI) 19

Shattered West

- **USA2024: If Trump Is Back**
Mario Del Pero (Sciences Po and ISPI) 22
- **Europe Is Back (To Square One)**
Antonio Villafranca (ISPI) 25

GEOECONOMICS

Global World: Choking Engines

Alicia García Herrero (Bruegel and ISPI) 30

Broken Value Chains

Emily Benson (CSIS) 32



The World in 2024 the Great Fragmentation

Europe: The Spectre of De-industrialization <i>Nicolas Köhler-Suzuki</i> (Jacques Delors Institute)	35
Dealing with the Green Backlash <i>Dave Jones</i> (Ember)	38
Divide et Almpera: Fake News Change Gears <i>Rohinton P. Medhora</i> (CIGI and McGill University)	41

TO WATCH 2024

COUNTRY TO WATCH	
• Egypt , <i>Marina Ottaway</i> (Woodrow Wilson Center)	45
ELECTION TO WATCH	
• India , <i>Pratap Bhanu Mehta</i> (Princeton University)	50
LEADER TO WATCH	
• Benjamin Netanyahu , <i>Anshel Pfeffer</i> (Ha'aretz and The Economist)	53
• Mahmoud Abbas , <i>Tahani Mustafa</i> (ICG)	56
CRISIS TO WATCH	
• Armenia-Azerbaijan , <i>Vicken Cheterian</i> (Geneva University)	59
• Sudan and Horn of Africa , <i>Alex de Waal</i> (World Peace Foundation)	62

The World in 2024
The Great
Fragmentation

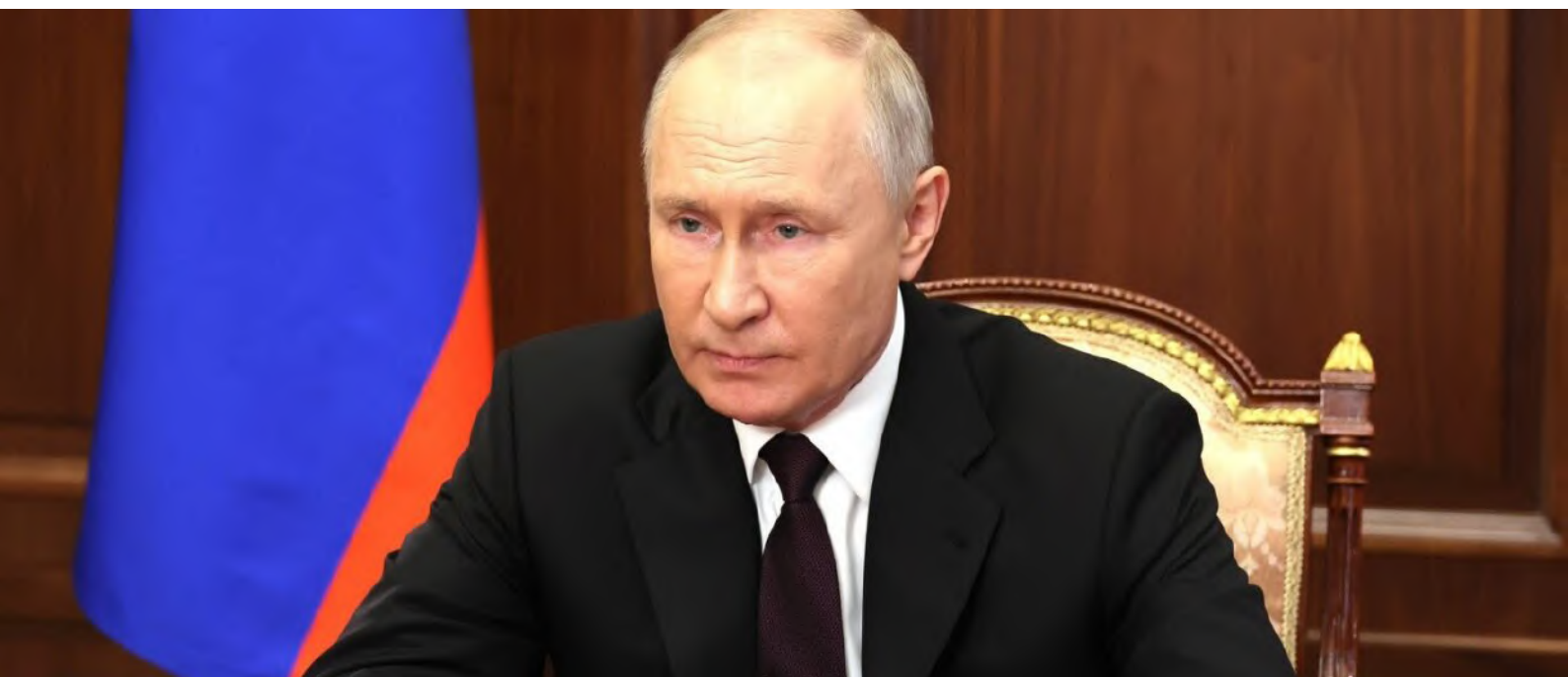
The logo for the Italian Institute for International Political Studies (ISPI), consisting of the letters 'ISPI' in a bold, white, sans-serif font on a dark teal square background.

ISPI

ITALIAN INSTITUTE
FOR INTERNATIONAL
POLITICAL STUDIES

The World in 2024 The Great Fragmentation

GEOPOLITICS



WARS THAT BREAK US APART

Russia -Ukraine

Andrei Kolesnikov

Carnegie Endowment for International Peace (CEIP)
and ISPI

In March 2024, Vladimir Putin will refresh his own legitimacy and reaffirm that of his “special operation” through a quasi-electoral procedure called the “presidential election in Russia”. A no-alternative, approving and often coercive acclamation, which has more to do with the mediaeval Novgorodian veche (people’s meeting) than with modern competitive elections, this will allow Putin to believe that the people have given him a mandate to continue his “special operation” and repression within the country.

SOCIAL CONTRACT

For the average Russian, there is only one pragmatic question – whether, after an emotional mobilisation in the form of a rally around the flag in March 2024, the Kremlin will announce another mobilisation, this time a military one? After all, this is how the authorities can read the result of the “presidential election” – the ability to do whatever

they want with the bulk of the population immersed in learned indifference. However, despite the apparent obedience of the population, raising the level of anxiety to unacceptable levels means breaking an unwritten social contract: you, the leaders of the country, drive not everyone, but only some people into the trenches, and maintain a sense of normality in everyday life, while we, the bulk of the population, remain indifferent to everything but our own consumption and support any endeavour of the authorities in gratitude for this.

This contract is convenient for Putin, but it is also convenient for the tens of millions of passive conformists who make up his support base. But if these conformists are taken out of their comfort zone, even their behaviour can become unpredictable. That is why it is more profitable for Putin, even after the elections, to continue the "background" war with further militarisation of the consciousness of his subjects, but without the physical involvement of the majority in his military expansionism. The ideological involvement of this majority in his imperial project of "returning and strengthening" Russian lands will suffice.

"VICTORY" AND FRAGMENTATION

This will not require Putin to change his foreign policy line (if what he is doing can in principle be called foreign policy), which boils down to waiting to see if the fragmentation of the united front of the West, and indeed of the world, will lead to what he might call his "victory." It has become a banality to believe that the Russian autocrat will wait patiently for the results of the presidential elections in various countries and, above all, in the United States. And besides, he will hope for the correction of Europe.

But, first, the experience of Donald Trump's presidency shows that despite the mutual compliments of two extravagant leaders, relations between the U.S. and Russia have only degenerated in a practical sense. Second, some countries in Europe are moving to the right while others are liberalising (the example of Poland is proof of that), but the continuation of the most brutal slaughter on the European continent is not among the priorities and values of even extreme right-wing politicians. Finally, the "world majority", that is, the countries of the non-Western world, for which Putin wants to become a beacon and a moral authority, following in the footsteps of the USSR, are pragmatic enough to accept his help but maintain a multi-vector policy. The same applies to the CIS countries, which Putin's expansionism scares off rather than convincing them that the Russian autocrat is the lord of a new empire built on the wreckage of the USSR. Putin, having chosen an aggressive line of behaviour, has lost rather than gained the opportunity to restore the empire.

BLACK SWANS

In short, fragmentation and even conflicts among the elites of the U.S. and European countries do not guarantee the West's rejection of its values and support for Ukraine, including practical financial and military assistance. In any case, even though the West feels war fatigue and the resources to support Ukraine are dwindling, this will not help Putin seriously to advance his expansionism unless he raises the stakes and employs some "miracle weapon." After all, the Russian population, for all its indifference and focus on survival and consumption, is also growing weary of war, and

resources – financial, military, human, emotional, psychological – are also dwindling.

It used to be thought that Putin's economy would collapse and a disgruntled population would tear down his government. Now mainstream assessments have shifted in the exact opposite direction – Putin has outplayed everyone, everything is fine with him, and he can wait indefinitely for victory (whatever that may be) to come on its own. But Putin is not doing well in the economy and social sphere, and things are looking bad for his objective of improving the quality and quantity of human capital due to demographic trends, attrition of the working population, falling birth rates complemented by emigration, military mobilisation, and obstacles to planning a family in uncertain circumstances. It may seem now that the resources of his political support are limitless, but no one can ignore the phenomenon of black swans: only in 2023 Putin suffered a military mutiny by Prigozhin and the discontent of relatives of the mobilised, demanding the return of husbands,

fathers and sons. And there are circumstances of obvious injustice: real murderers who have been in prison, after six months of army service return home as heroes and start committing violent crimes again, while good obedient citizens sit in the trenches for more than a year, sometimes even without leave. This is not yet an anti-war or anti-Putin movement, but it is an obvious new phenomenon that could theoretically develop into something political, although, given the highest level of repression in the country, this is not very likely.

By driving the state into a model of hybrid totalitarianism and society into a semi-mobilised position, Putin may have "won" in the short and medium term. But he has definitely lost the future for Russia – the long-term perspective, and thus doomed the country (and the world) to an endless stalemate. But as the anthropologist Vladimir Yurchak wrote, referring to the eternal Soviet empire, "it was forever until it was over".



WARS THAT BREAK US APART

Israel-Gaza

Karim Mezran

Atlantic Council and ISPI

It is indeed a very difficult task that of assessing the consequences, direct and indirect, of a war such as that between Israel and Hamas, before an end is even on sight. It is clear that 'how' the war will end will determine its external consequences.

Having said that there are, nevertheless, some more immediate effects on the regional level that could be discussed with relative confidence. The limited space accorded to this article will necessarily force the author to focus on the main consequences rather than a more meticulous discussion state by state of the region.

The first question to be discussed is whether the war has united the always fragmented front of the Arab states (plus Turkey and Iran) or has (is contributing) contributed to further divisions. On the one hand, there has been the unanimous condemnation of the "Israeli reaction to the 7th of October massacre" as being brutal and disproportionate, but, on the other, it has

Karim Mezran, Director of the North Africa Initiative and Resident Senior Fellow with the Rafik Hariri Center and Middle East Programs at the Atlantic Council. He is a Senior Research Associate Fellow at ISPI.

appeared clearly that at least two narratives have emerged within the Arab states ranks (reactions); one more extreme in its condemnation of Israel as an occupying Neo-colonial power, thus reducing the weight of the 7th of October events by inserting them within a comparison with the more than 50 years Palestinian plight, and another that, even recognizing the Palestinian tragedy does not diminish the effects of the 7th of October ferocious attacks, thus recognizing a somewhat valid reason for Israel reactions but condemning its scope and width. The first view is purported principally by Algeria, Tunisia, Libya, Syria, Iraq, while the second, considered the position of the "moderate" Arab states is embraced by UAE, Saudi Arabia Egypt, possibly Qatar, Morocco, and few others.

Regionally we need take notice also of the Iranian position, which with its allies such as Hezbollah the Yemeni Houthis, the Shiite militias of Iraq and Syria have taken an opposing position towards Israel and apparently also towards the moderate Arab states. Turkey, always balancing its interests and opportunities is taking a strong ideological position against Israel's reaction, judged criminal and reckless, but at the same time kept its actions within the normal diplomatic channels without provoking any counter actions by the Jewish state.

If the answer to the above question "unity vs fragmentation" consequences of the War is therefore "more division and fragmentation" it brings to the fore another question, from a pragmatic point of view an even more important one, that is, what will happen to the Abraham Accords which had reached the hard-to-believe point of almost seeing an adhesion by Saudi

Arabia. This "miracle" has been preempted by the IDF's bombardments over Gaza, which has rendered morally impossible a fraternization with Israel by the religiously characterized and defined Saudi elite. For the time being there is no doubt that the Abraham Accords will not see further Arab states' adhesions, but this does not mean the "end" of the process towards the signature of the Accords. The states of the region know very well that the rapprochement with Israel is an inevitable outcome because of the benefits that it will bring in terms of exploitation of the benefits of a regional peace, especially from the economic and security standpoints.

Egypt is undoubtedly one of the states which are confronted by the consequences of the war which has more to risk. The Israeli pressure on the Gaza Palestinian population to move south in the direction of the Egyptian border may cause a furthering of the humanitarian crisis, which will push the civilian population to break into Egypt. This may cause internal turmoil and may lead to a dramatic escalation in the political confrontations within Egypt, particularly between the regime and the widespread malcontent already existing among the population at large. The popular malcontent definitely not caused by anything relating to Israel at the moment but rather to the dire economic situation and political corruption, could indeed be triggered by the potential mass-exodus of Gazans. Egypt has so far yet to come to terms with the contradiction that has affected all its actions, as well as the moral values of its society, since the end of the Yom Kippur war in 1973, where the close relationship between the Egyptian elite and the Israeli establishment never really spilled over to the population.

Mubarak tried to find a way to facilitate a solution to this contradiction, but failed. Al Sisi is finding it progressively harder, because the anti-Israeli sentiment of the majority of the population is hard to ignore even for an elite “highly insulated” from its population like the Egyptian one. Therefore, there is some preoccupation that the longer the war goes on, the higher the risk of delegitimization of the Egyptian regime is. With imponderable but easily foreseeable consequences.

Algeria is the other giant in the mediterranean that has much to lose or gain from the Gaza war. The military in power use the “pan-Arab” legitimacy of its founding revolution against the French colonialists to conduct the opposition to Israel for the real reason of re-strengthening this national narrative which is at the base of its legitimacy and maintain the strong grip on power it has enjoyed until now. Thus, the Gaza war has acted as a multiplier of the legitimacy of the regime which has seen the possibility to rejuvenate a position and values that had become somewhat “rusty”.

One other possibly more positive consequence in the regional balance may come from the realization by Turkey and Egypt of the negativity and self-destructive result of having unfriendly, if not bellicose, behavior toward each other. A warming up of relations between the two, born out of the realization of the potentially disastrous

outcomes of the Gaza destruction by the IDF, would definitely be a positive outcome. This cooperation could help solve the situation in Libya through the enforcement of a degree of collaboration between the two opposing Libyan groups and stabilize the country. Moreover, Turkey could use the enormous influence it has acquired in the Horn of Africa to help Egypt deal with the issues it has with Ethiopia (regarding the building of the Dam on the Nile).

The war has contributed to the re-emergence of Islamism in many countries. Hamas is the political-military branch of a movement based on religious values and emanating from the belly of the Islamist politico-religious movement par excellence the Muslim Brotherhood. Hamas conducts its verbal war in Islamic jargon, thus creating around itself the *aurea* of follower of the tradition and service to God. Its “heroic” (in the opinion of the populations of the area) anti-Israeli resistance has, absurdly as it might be, caused a return to life of many Islamist parties and, potentially, also of extremist terrorist organizations and groups. The situation is still too fluid to ascertain the evolution of its consequences over the region. Much will depend on when and how a truce, or a peace agreement is reached. Of course, the tragic events of the last two months do not give us much hope of finding a lasting agreement.



GLOBAL SOUTH: THE REST vs THE WEST?

Gustavo De Carvalho

South African Institute of International Affairs (SAIIA)

The year 2023 has seen heightened interest in the role of the Global South in shaping the international order. In the Global North, this interest often stems from the perception of a zero-sum contest for global influence, often framed as a **dichotomy** between the West and the "Rest." Such dualism is flawed, as it implies the West's centrality in world affairs and relegates other nations to a secondary position, where their gains imply a loss for the Global North. The reality of the Global South's role is far more complex and nuanced than this simplistic binary implies, and suggests an important turning point in global politics.

The term "Global South" primarily refers to their international economic and political conditions, rather than their geographical location. Including developing nations in Latin America, Africa and Asia, this concept emphasises existing and historical inequalities and the

Gustavo de Carvalho, Senior Researcher on Russia-Africa ties at the African Governance and Diplomacy Programme at the South African Institute of International Affairs (SAIIA).

state of marginalisation countries encounter in international relations. The idea of the Global South is also increasingly connected to the individual or collective efforts taken by developing countries in actively shaping international outcomes and their **demands** for a more equitable share in global decision-making processes.

Critics argue the Global South concept oversimplifies the nature and scope of diverse countries, failing to capture the multiple economic, political, and cultural realities of the countries it groups together. However, these views might be unfairly assessing the idea of the Global South for what it doesn't include, rather than what it actually represents. In fact, its value lies in highlighting the shared struggle these countries face in influencing the management of the international order compared to the Global North, not in a homogenous identity.

In recent years, and particularly in 2023, the Global South concept has presented an increasingly **geopolitical** connotation. Within a contested geopolitical space, often between Northern and Southern countries, many southern countries, like Brazil, India and South Africa, have focused on a pragmatic realism to achieve their national interests. This approach allows these countries to navigate global politics by balancing their immediate needs and long-term goals without being strictly bound to ideological alignments or bloc politics. One example of such approaches was in response to the Russian invasion to Ukraine in 2022, where many Global South countries resisted adopting the sanctions regime implemented on Russia by many Global North countries. **Shidore** describes such a move as the pursuit of Global South's strategic autonomy and

its inclination to pursue national interests over aligning with Northern positions.

Another indication of the diverging perspectives between the Global North and South is evident in their respective stances on the Gaza situation. Countries from the Global South have identified what they see as a stark **double standard** in the North's handling of international crises. The Northern reluctance to react to Israel for its actions in Gaza, juxtaposed with their firm denouncement of Russia's aggression in Ukraine (and intense pressure for others to do so too), has fostered a feeling of **hypocrisy** in the Global South, undermining the North's claimed commitment to international law and universal principles.

The role of specific groupings within the Global South, such as BRICS (Brazil, Russia, India, China, and South Africa), is also evolving showing significant shifts in many Global South countries' efforts to increase their global influence. An informal grouping composed of emerging and established Global South powers, akin others like the G7, has **grown** into a substantial forum influencing trade, investment, and policy in emerging markets. At the August 2023 Summit in Johannesburg, BRICS decided to expand its membership and invite Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates to join from January 2024. This expansion will bring a stronger geopolitical tone to the group, although it raises questions about their ability to manage internal dynamics and decision-making processes.

Another critical decision at the summit was to explore mechanisms to reduce their exposure to the risks of financial systems dominated by

the Global North, particularly via currencies and systems of payment. BRICS members decided to engage in an internal discussion that would pursue an increasing use of local currencies in their bilateral trade and considering alternatives to the dominant SWIFT payment system.

While there is limited support within BRICS regarding the creation of a common currency, the discussion is instead centred on diversifying options by reducing their reliance on the US dollar and SWIFT payment system as the sole vehicles for international trade. At the Johannesburg 2023 Summit, governors of central banks and ministers of finance were tasked by member states to identify mechanisms that could reduce their exposure to perceived global financial threats. Some of the modalities and proposals are expected to be presented and discussed during the next BRICS Summit, expected to be held in Kazan, Russia, in mid-to-late 2024.

While Global South countries are part of BRICS, it's important not to see BRICS as a group that is a representative of the Global South as a whole. And there are internal and external reasons for that. Internally, BRICS members very often disagree on approaches, views, positions and interests regarding the existing global order. As a result, they tend to centre their engagements on issues where there is a minimal common agreement amongst themselves. If there is a stark disagreement, these issues are often placed out of the agenda or diluted in their decisions to accommodate broader consensus. Thus, BRICS is not seeking to engage in every international or even Global South issues or demands.

Outside of BRICS, there is a much vaster range of Global South countries that are pursuing their own policies and strategies to increase their influence in global affairs. Many Global South countries, like Mexico, Türkiye, and Indonesia, have approached BRICS within a safe distance, choosing to engage with the global order via a different path. That doesn't make their role, voice and demands less relevant than the more visible BRICS.

The increasing misconception of the nature and scope of Global South action can create a major setback for a more constructive North-South cooperation, which has been attempting to strengthen ties with the Global South amid global power competition. For many countries in the South, this renewed interest is seen with distrust, as they see themselves being instrumentalised as a proxy of the broader competition between larger Northern and Southern countries, like the US and China. Understanding the Global South as a concept is important, but bundling their positions together as homogeneous is a dangerous path. It can lead to condescending policies, that reduces individual agency and understanding of global dynamics. Thus, engaging with the Global South effectively **requires** the Global North to recognise and adapt to these changing geopolitical realities, focusing on mutual benefits and respecting national sovereignty.



NO WORLD FOR SUPERPOWERS

Susan A. Thornton
 Yale University

As 2023 comes to a close, geopolitical competition between the U.S. and China is dominating the global agenda. We see this in the squaring off over wars in the [Middle East](#) and [Ukraine](#), over global trade and potential supply chain vulnerabilities, and with concerns about “geopolitical risk” dominating the global economic and business agenda. The December COP28 summit in UAE, meant to begin the stocktaking on progress toward keeping global temperature rise below 1.5 degrees Celsius, has devolved into finger pointing. We are currently not on track to meet even the maximum targets for temperature rise, and there is no question that, without major cooperation efforts from the U.S. and China, we will not. Global populations may appear to finally be beyond the devastating effects of the COVID-19 pandemic, but governments and institutions have not absorbed the lessons from that disaster, and some are looking with [suspicion](#) at a new rise in pneumonia rates in China. Meanwhile, countries battered by economic downturn, from Europe

Susan A. Thornton, senior U.S. diplomat with almost three decades of experience with the U.S. State Department in Eurasia and East Asia. She is currently a Senior Fellow at the Yale Law School (Yale University).

to Latin America to Africa, face major domestic challenges from populist politics, social unrest and debt. Confrontation among major powers promotes and perpetuates instability and disruption, upsetting the foundation from which others have to manage, as seen in the fallout from Russia's war in Ukraine and heightened tensions in the Taiwan Strait.

Officials and commentators around the world seem resigned to seeing geopolitical competition between the U.S. and China drive and dominate the global agenda and jostle smaller nations in the process. It is taken as a given that, in the current domestic political and geopolitical environment, negotiated solutions that involve compromise are no longer possible. "National security" is invoked as a talisman to justify closures and protectionism that undercut the promise of global markets and economic connectivity under the liberal international order.

Of course, it is the responsibility of governments to ensure security for their citizens and to work toward better social outcomes; in this regard, globalization of the past two decades requires recalibration and reform. But we are in grave danger of "throwing the baby out with the bathwater." Earlier this year, IMF head Kristalina Georgieva [warned](#) of a "slippery slope toward runaway geoeconomic fragmentation." Fragmentation into rival blocs, she continued "would be a collective policy mistake that would leave everyone poorer and less secure." A zero-sum geostrategic U.S.-China competition is likely to tip the globe into economic regression, to diminish global public goods when they are needed most, and to increase global inequality, not to mention the prospect of major power military

conflict. Twenty-first century global challenges will not be met amid this competition. Resources will be diverted from global public goods and tensions and conflict will dominate the global agenda, as we already see. Given this reality, what can be done to minimize this prospect, to preserve and expand the gains of globalization and a single international community while finding and agreeing on needed adjustments to preserve a functioning and secure order?

If the major powers, including all five veto-wielding members of the UN Security Council, are committed to pursuit of "rival blocs," it then falls to other nations to step forward and lead the way to an alternate, less destructive path. Smaller countries have become more outspoken in recent years about wanting more voice in global affairs, reflecting discontent and differences with major powers over global priorities and international agendas. This kind of pressure is badly needed. Competition for competition's sake between the U.S. and China will not only sideline the agendas of smaller countries, it will trample what remains of the rules-based global order, including what few constraints remain on the biggest players. Other countries must amplify their skepticism of zero-sum U.S.-China competition, should make clear that they will not participate in tit-for-tat escalation, and should insist that the U.S. and China (and other major powers) not only adhere to international agreements, but commit to reforming international governance for the 21st century.

There is unfortunately not a surfeit of leaders on today's global stage that have the moral stature and ability to cut through the political din and get their message heard in Beijing and Washington

today, but if enough leaders make their qualms known, they can have a constraining effect. By the accounts of Biden administration insiders, concerns from U.S. partners in Asia about rising tensions with China were a significant factor behind the flurry of diplomatic activity with China in the second half of this year. This shows that urgent private messaging from multiple important partners has impact, at least in Washington. It is less clear how this would work with Beijing or with a different administration in the White House, but world opinion matters and creates pressure. Recently, tiny Pacific Island states have gained authority and stature by loudly raising their [existential concerns](#) about climate change and fears of [being caught up](#) in major power confrontation. Such public outcries can be galvanizing and bring attention to how major power competition is thwarting the global agenda. We should also count on smaller players to both press for the preservation and reform of key existing institutions, like the UN, the Bretton Woods

institutions (IMF, World Bank) and the World Trade Organization and to catalyze new initiatives that can pull major powers in constructive directions. Such institutions did not come easily and will not easily be replaced. They provide outsized benefits to less powerful states and are a source of global public goods that many of these states can ill afford on their own. New initiatives started by smaller players can also feed into reforms of existing institutions. We see examples of such initiatives in the Trans-Pacific Partnership and the Digital Economic Partnership Agreement initiated by Chile, New Zealand and Singapore. Barbados has put together a coalition of developing countries that is effectively [advocating](#) for changes at the World Bank and IMF through the "Bridgetown Agenda." These are exactly the kind of audacious moves that the world needs now to check "runaway fragmentation" and redirect the big players toward making our planet and our governance fit for our collective future.



TRUST FAILING, ARMS RACING

Nan Tian

Stockholm International Peace Research Institute
(SIPRI)

Following Russia's invasion of Ukraine, a host of Ukrainian allies announced record hikes in military spending. This, along with monumental jumps in spending by Russia and Ukraine and other global military powers such as China and India, pushed [world military spending up for the eighth consecutive year to \\$2.2 trillion in 2022, a record high](#).

A year on and not much has changed. Spurred on by Russia's war, more and more Western countries have, throughout 2023, announced plans to [re-equip and better arm](#) their militaries. The expectation is that [European NATO allies will once again increase](#) military spending in 2023. The phenomenon of rearmament extends beyond the Western world, with ongoing geopolitical tensions persisting in regions such as the Asia-Pacific and the Middle East. These tensions are mirrored in the increased budgetary allocations for defence by some of the most prominent countries in these regions, including [China](#), India, Japan, South Korea, [Israel](#), and [Saudi Arabia](#).

At the heart of these numerous increases is the erosion of trust between major international actors. There is a complete breakdown of trust between Russia and the West, a [deterioration of trust and relations](#) between China and its neighbours and, by extension, the US, and a lack of trust between political players in the [Middle East](#). Given the prevailing circumstances, it comes as no surprise that nations are reinforcing their military capabilities in response to this deteriorating security landscape and erosion of trust. Consequently, when SIPRI publishes the military expenditure data for 2023, it is reasonable to anticipate another uptick in world military spending.

There were, however, two pieces of good news in 2023. First, a ceasefire was reached and maintained in the Ethiopian civil war, the deadliest conflict in terms of deaths in 2022. It is the [first step towards achieving peace](#). Second, relations between China and US seems to be [on the mend](#) following [President Xi's recent visit to the US](#). In what has often been dangerously described as [cold-war divisions](#) between the two countries, recent events are important in that they offer a hope of de-escalation between the two largest economic and military powers in the world and signal a willingness to rebuild bilateral relations. These two factors are, however, not enough to buck the prevailing trend of higher military expenditure.

As we cast our gaze forward to 2024, considering the factors that drive military spending, it would require an exceptionally bold forecast to project that global military expenditure will not persist in its upward trajectory in the years to come.

The war in Ukraine has no end in sight, with some suggesting that the [fighting has reached a stalemate](#). A substantial amount of money will be spent by Russia and Ukraine on their militaries while Ukraine's allies are expected to continue supplying much needed military aid. In addition, the [Israel-Hamas war](#) is set to escalate as the Israel Defence Force moves further into Gaza. The conflict will not only lead to substantial hikes in Israeli military spending, but the spillover effects to the region could lead to higher spending by Arab states in proximity. [The US has already committed \\$14 billion in military aid to Israel](#) and more may be granted in 2024.

Threat perception, a factor that contributes to decisions to increase military spending, remains high. The military spending increases announced by many European states in 2022 and 2023 as a response to the threat of Russia will continue into 2024. [Territorial claims in the South China Sea](#) will see further [military build-up](#) by those involved (e.g. China, Philippines, Vietnam etc.). The India-Pakistan relationship stands as just one example among many rivalries and tensions worldwide that compel governments to bolster their military capacities, resulting in a subsequent increase in military expenditure. Often, these actions and expenditures unfold in an action-reaction manner, mirroring the dynamics of conflict and competition observed across the globe.

Despite the possibility of improved relations between China and the US, both countries have large, expensive, and long-term military modernisation programmes that cost in the trillions of dollars. In the case of China, [military modernisation will stretch to 2049](#). The US is implementing a [30-year nuclear modernisation](#)

plan till 2047 with an estimated cost of \$1.5 trillion. The instances of extensive military modernisation are not unique to the two largest military spenders globally, China and the US. Several other major spenders, such as [France](#), [India](#), [Japan](#), and the [UK](#) are among the many states either in the process of or embarking on multi-billion-dollar modernisation initiatives as we enter 2024.

As the Greek philosopher Heraclitus reportedly said, "change is the only constant in life". In the case of global military spending, insecurity, and countries' choices to rearm, this change has been and will likely remain on a constant upward trajectory in the near future.



SHATTERED WEST

USA2024: If Trump Is Back

Mario Del Pero

Sciences Po and ISPI

The chances of Donald Trump being re-elected to the White House next year seem to increase as the days go by. [Polls show him to be the preferred Republican candidate for the primaries](#): nationwide he gets 55/60% of Republican voter preferences and this figure drops only a little (to around 45/50%) in the early voting states (Iowa, New Hampshire, Nevada, and South Carolina). The former president also prevails in almost all major swing states according to surveys that consider a hypothetical head-to-head with Biden. The latter still suffers from [very high rates of unpopularity](#), exacerbated by dissatisfaction with many areas of his political action, the economy, crime and immigration in particular, but also extending to foreign policy. Early bipartisan political and public consensus on aid to Ukraine has gradually evaporated and, for the first time, serious cracks are appearing with regard to Gaza, both in the democratic electorate and [within the administration itself](#), which has hitherto been highly cohesive and disciplined.

Of course, a lot can happen between now and November 2024. [The same polls](#) indicate that a significant percentage of Trump's potential voters will be unwilling to vote for him in the (far from improbable) event of his being convicted in one of the many trials that await him. Nevertheless, a scenario that would have been unimaginable at the beginning of the Biden administration – that of a second Trump term – now seems far from unrealistic, prompting some major Republican donors to reposition themselves and [reconnect with the former president](#) after a long search for an alternative.

So what could we expect from a new Trump presidency? And should we believe the warnings of influential commentators, including some conservatives, that if he won in 2024, an authoritarian drift and even a ["Trump dictatorship"](#) would be almost inevitable?

The second question, I believe, should be answered in the affirmative. We have had far too much evidence of Trump's institutional illiteracy and authoritarian leanings, starting with his attempted subversion of the 2020 vote and culminating in the assault on Congress on January 6, 2021. The United States, we sometimes forget, is an old and tired democracy, with an inflexible and often anachronistic constitution, an electoral system that rewards a minority of voters (in the Senate, for example, Wyoming voters count about 70 times more than those of California) and a system of checks and balances that works much less well than one might think. [The denigration of politics and the institutions themselves](#) goes a long way towards explaining the popularity of Trump's anti-political (and anti-elite) messaging and the State's fragility in countering any authoritarian drift.

The former president has already made it especially clear that he will not accept the constraints and restrictions of his first terms in office, and that his second administration will only employ trusted loyalists and not figures like Rex Tillerson (his first Secretary of State), H.R. McMaster (National Security Advisor) or William Barr (the last Attorney General) – to name but a few – who were previously assigned the more or less explicit task of providing necessary expertise and attenuating Trump's excesses. One of the major conservative think tanks, the [Heritage Foundation](#), which has adopted radically Trumpian positions in recent years, is apparently even working on a list of officials with whom to replace the federal bureaucracy that would likely oppose a radical break in his first term.

But what would Trump's policies be and what conflicts could they generate? Trying to predict the future is a complex exercise. Between 2017 and 2021, Trump governed in a far more orthodox and conventional manner than is generally believed. From fiscal policies to deregulation, and from judicial appointments to the environment, he almost always followed a line similar to that of any other Republican administration. This created a large gap between rhetoric and action. If anything, the problem was lack of competence, seriousness and preparation at the top level, which impacted the ultimate effectiveness of his policies. This was particularly visible in foreign policy, where the promised clean break – in relations with NATO's allies, Asia-Pacific allies, and China – proved much less radical than was promised (and, by many, feared). Trump's policies simply reflected broader changes in attitude and have been followed in part by Biden himself. The

only exception is perhaps the Middle East, where support for the conservative Israeli government, the highly symbolic gesture of transferring the American embassy to Jerusalem and, above all, [the Abraham agreements](#) announced more profound changes.

In brief, we can envisage five main areas of action on which a future Trump presidency is likely to focus. The first is the relaunch of trade wars and protectionist policies that, unlike those of the Biden administration, will be universal in effect and also impact US partners, especially Europe, with which Biden has sought to deepen transatlantic integration. This is closely linked to the second area: support and subsidies for US industry, in theory similar to that already pursued by Biden, but focused on quite different sectors and ostentatiously decoupled from the fight against climate change, which is central to the [Biden measures](#). Third, support for a national mining industry that promises not only full energy self-sufficiency, but also a means to serve the

global leadership of the US. The fourth area will be draconian security policies, especially in the management of immigration and the southern border with Mexico. Fifth and last will be a series of highly symbolic actions, targeting issues at the heart of the so-called “[culture wars](#)” and pandering to the most radical Republican electorate.

This will put even more pressure on an already fragile US democracy. It will provoke the reaction of the states and (many) municipalities governed by Democrats and exacerbate a dialectic of conflict that has long been putting American federalism to the test. It will aggravate tensions within a society that is already [polarised and divided well beyond breaking point](#), with a consequently elevated risk of political violence. Finally, it will contribute to further fragmentation of the global order, a process that has been ongoing for many years (independently of Trump). There is, in short, a real if uncertain risk that the United States will experience dramatic authoritarian regression.



SHATTERED WEST

Europe Is Back (To Square One)

Antonio Villafranca

ISPI

What kind of Europe shall we see in 2024? If we take what the European Union has achieved since the outbreak of the pandemic, there is cause for optimism. We have had joint vaccine management, 800 billion euros of Next Generation EU, unprecedented consensus on Ukraine (and sanctions against Russia), competition rule exemptions, suspension of the Stability and Growth Pact (SGP) and a range of proposals promoting green and digital transition. Just to name a few key measures.

In a nutshell, it was a sprint that came as a very pleasant surprise after the quagmire of the previous decade. Whether the pandemic or Ukraine, whenever a black swan has appeared, the EU has found renewed vigour, confirming the adage "never let a good crisis go to waste". But if we narrow our focus down to the last twelve months and especially if we look at the prospects of the EU elections in 2024 in a turbulent international

(and internal) context, will that momentum be maintained?

THE (DIS)UNITY BETWEEN APPEARANCE AND REALITY

We only have to list the economic and geopolitical challenges facing us today to realise that, appearances aside, Europe's reality is one of growing fatigue after the efforts of recent years. Let us start with the geopolitical challenges and, more precisely, the most recent: the conflict between Israel and Hamas. The European Council demonstrated apparent unity on 27 October when it called for "humanitarian pauses and corridors". But on the very same day, European governments voted in the United Nations on the resolution for a humanitarian ceasefire. Eight EU countries voted in favour (including France and Spain), four voted against (Austria, Croatia, the Czech Republic and Hungary) and fifteen (including Italy) abstained. A great example of disarray behind the apparent unity of the Council declarations.

The same (only apparent) unity is found regarding the mother of all geopolitical challenges for Europe: Ukraine. On 14-15 December, the European Council gave the green light to accession negotiations with Ukraine (and Moldova). Zelensky can certainly rejoice at a decision of such great symbolic and political value. The message (especially to Putin) is clear: the future of Ukraine is within the European Union. Yet this risks being a vague promise. Ukraine will certainly not join the EU in the near future, for two main reasons.

Firstly, accession negotiations will last for years and will be far from easy. Just imagine what will emerge when the talks focus on corruption (on which it must be acknowledged that Ukraine has

already made some progress), the rule of law, and market regulation. To understand how difficult and potentially endless these negotiations will be, we only have to ask the ten or so countries, mainly in the Balkans, who have been waiting (all too long) to join the Union. It is difficult, if not impossible, to imagine a fast track for Ukraine while countries in the Balkans continue to wait. The reality behind the appearances is that the European Union has no idea how it might work with 30 or more countries.

The second reason why the future for Ukraine is at least uncertain is financial and military support. In this case, it would be easy to point the finger at the usual Hungary of Victor Orbán, which has vetoed the 50 billion in aid promised to Ukraine. But a solution will probably be found in the early months of 2024 in the form of a compromise that unlocks the approximately 20 billion euros (between the Cohesion Fund and Next Generation EU) destined for Budapest that are still frozen. If this proves insufficient, or if no solution is found, aid could still be provided outside the EU framework irrespective of Orbán.

But the point is that, Orbán aside, fatigue over the conflict in Ukraine is rearing its head among European governments, especially now that elections are approaching, state coffers are running low, and results on the ground are disappointing. This is exacerbated by the fatigue shown by the United States, which has still not released the latest aid package for Kyiv and which is facing elections likely to be far more vitriolic than those in Europe.

2024 can but aggravate the EU's fatigue because its "strategic compass" is only seemingly solid

and does not, in practice, resolve fundamental questions of common foreign and security policy. For example, should we celebrate the fact that the “European army” (which is far from being a common *standing army* in any case) due to be set up by 2025 will consist of only 5,000 soldiers? Just bear in mind that when Putin surrounded Ukraine prior to the invasion he had around 190,000 troops at his disposal. Once again, under the surface there lies a reality in which security essentially continues to be relegated to NATO. We need not even mention the issue of migration, on which inertia and intra-European fractures are now chronic. It is true that, after years of debate, agreement has finally been reached on a New Pact on Migration and Asylum, but this measure makes no significant improvements to the common management of migration.

A (NOT VERY) COMMON MARKET?

Tensions between appearance and reality are also evident in the economic field. There were obvious splits between Northern Europe and Southern Europe (including France) concerning reform of the Stability and Growth Pact. Finally, almost at the last minute, the Council managed to find a unanimous compromise. In the same way, a compromise on the extra resources (just over 20 billion) needed for the EU budget until 2027 is likely to be found soon. But the cracks between European countries (and between countries and the EU institutions) run deep and will most likely remain so in 2024.

Despite the good news of the SGP agreement, the first crack concerns perspectives and strategies for public finance. Next Generation EU funds must be spent by 2026. Then, in theory, only the

funds provided by the EU budget should remain. In practice, this means reverting to 1 trillion euros for the next 7-year long EU budget, against the 2 trillion plus available today. This corresponds to cutting a country’s budget in half from one year to the next. Yet, the “Frugal Four” refuse to consider a new Next Generation EU (NGEU) because the first was conceived as a one-off measure. In any case, as the German Finance Minister pointed out, new financing should not even be up for discussion until all the funds made available by the current NGEU have been used up. This, however, is a mistake both in perspective and strategy: ongoing reform of the SGP should also take into consideration the possibility to resort to new common debt to finance European public goods (primarily defence, but also the green and digital transition). The greater involvement of private investors should be written in too, which raises the question of completing the capital markets union.

Once again, behind the apparent unity of reforming the Pact and hopefully releasing additional funding for the EU budget, in reality there seems to be no comprehensive vision for the future of the European economy. Other economic measures approved in recent years by the EU and fresh ambitious industrial and trade policy proposals do not help in this respect. In the first case, state aid has increased more than seven times since the outbreak of the pandemic. The problem is that Germany and France alone were responsible for almost 77% of state aid in 2022, posing very serious competition issues for companies in other countries (like Italy) that cannot count on a similar proportion of spending. This year, legislation on state aid, which threatens

to undermine the very basis of the Single Market, has been revised. The “Temporary Crisis and Transition Framework” has also been put in place to accelerate decarbonisation. In practice, Brussels now allows state aid for green sectors (solar panels, batteries, wind turbines, etc.) to continue until 2025 if there is a risk of relocation. Once again, the problem is that those who can afford it will achieve the most. In addition, among the new proposals already approved or under negotiation in Brussels are numerous “Acts” (e.g. the Chips Act, Critical Raw Materials Act, and Net-Zero Industry Act) that set ambitious targets for the green and digital transition. These, however, may prove mere wishful thinking (due to lack of funds) and even exacerbate the divisions between member states in a context in which there is no clear, concrete and shared vision for Europe’s industrial, energy and trade policies.

ELECTIONS AROUND THE CORNER

If Europe’s apparent political and economic unity (barely) conceals the splits between member countries, the real risk is that of a return to pre-pandemic immobility. The likelihood is very real at least until the European elections in May, or rather until the new European leadership

assumes office from autumn 2024. In early 2024, only the most urgent decisions are likely to be taken (aid to Ukraine, agreement with the EU Parliament on reform of the SGP, limited new resources for the EU budget), but decisions will be strictly compartmentalised. While presenting an appearance of unity of purpose, such decisions will necessarily be short term in effect and may fail to take sufficient account of the broader and strategic framework – a context that demands clear prospects for enlargement, competences and capacity for action (including foreign and defence policy), internal governance reform (including decision-making procedures), and ambitious economic measures that overcome silo-based logic and examine the full spectrum of strategically feasible actions. Such a path is simply unachievable before the elections and will prove extremely difficult to follow even after (regardless of how the elections themselves turn out). It is tempting to say that the Union should use the next “good crisis” as an opportunity to proceed. But waiting for the next ‘black swan’ would be dangerous, especially when other great powers around the world are progressing at speeds that we are currently failing to match.

The logo for the Italian Institute for International Political Studies (ISPI) is a dark teal square containing the letters 'ISPI' in a white, bold, sans-serif font.

ISPI

ITALIAN INSTITUTE
FOR INTERNATIONAL
POLITICAL STUDIES

The World in 2024 The Great Fragmentation

GEOECONOMICS



GLOBAL GROWTH: CHOKING ENGINES

Alicia García Herrero

Bruegel and ISPI

The year that is about to end has been difficult in the West as major central banks tightened monetary policy much more than previously expected in the light of rampant and quite stubborn inflation. Interestingly though, the impact of such tight monetary policy on growth has been muted with both the US and the eurozone avoiding recession, especially the former. In Asia, China underperformed, growth-wise, compared to the very bright expectations stemming from an exit from Covid. Many Asian economies, though, overperformed, such as India but also Japan.

Beyond the short-term developments, 2023 has been a very important year in terms of increased fragmentation in the global economy. The US has drastically reduced its imports from China and foreign direct investment into China has decelerated, even sharply growing negatively in October. Some investors seem to have engaged in the reshuffling of some of their business away from China, as long as it is not directed to China (i.e. China for China policy).

Alicia García Herrero, Senior Fellow at Bruegel. She is the Chief Economist for Asia Pacific at French investment bank Natixis, based in Hong Kong. She is a Senior Advisor at ISPI.

Another interesting divergence in the global economy regards inflation. While the West suffered from very high inflation in 2023, Asia's inflation has remained much more in control. The extreme case is China which is ending the year with deflation on consumer and, much more so, wholesale prices. This, together with capital controls has allowed the PBoC to follow its own needs in terms of monetary policy cycle, with small cuts, rather than hikes as the rest of the world. The very different inflation environment could also enhance fragmentation as China is gaining competitiveness both in terms of prices but also a weak exchange rate.

Interestingly in 2024 the scenario will be very different as disinflation forces in the West have been in place for a few months and are bound to continue so that both the US and the eurozone should reach their inflation objectives by year-end. This means that the Fed and the ECB should have the necessary room to cut interest rates quite rapidly, possibly 150 basis points for the first and 125 basis points for the second. The reduction in funding costs should help avoid a hard landing but also the restoration of purchasing power by households which should see their real disposable income rise as inflation falls. At the same time, the Chinese economy will continue to decelerate from about 5.2% in 2023 to 4.5%, on the back of limited fiscal and monetary support. India, instead, will continue to shine with 7% growth in

2024, an important election year for the country. This means that the reshuffling of the supply chain away from China and towards other high-growth countries, especially India given their size, is bound to continue.

Still, China's regained competitiveness through deflation, depreciated RMB, as well as industrial policy and innovation, should be positive in terms of China moving up the ladder and becoming a very strong industrial power. This, in itself, might create additional waves of trade fragmentation as countries protect themselves from a wave of Chinese products very likely through protectionism.

All in all, 2024 will be the year where central bank key policy rates will start to subside thanks to lower inflation. Gains in real income, among other factors, should lead us to a soft landing in the US and the eurozone while China continues to decelerate although still contributing relevantly to global growth. Beyond such general macro developments, other important trends are taking place, pushing towards fragmentation of trade and investment. Geopolitics is behind this trend but it is not the only factor. The reality is that supply chain reshuffling is happening, even if for different reasons and at different speeds. Finally, this rather positive scenario is subject to several risks, starting from geopolitics. Good examples are elections in the US as well as Taiwan but also complications in the two ongoing wars.

以上内容仅为本文档的试下载部分，为可阅读页数的一半内容。如要下载或阅读全文，请访问：<https://d.book118.com/468137134123006040>