

Think

new things

Make

new connections

Conference Summary

Evolving alliances: how does coordination of democratic countries' interests need to evolve in response to geopolitical pressures?

16-17 June 2023

DITCHILLY

Conference Summary

EXECUTIVE SUMMARY

Context and why this was important

Ditchley Deutschland, a collaboration with leading figures in Germany aimed at a shared transatlantic vision for democratic renewal, held its first conference in Germany in June 2023. The discussion explored how relations between democratic allies might evolve to better manage the concurrent challenges brought by unfolding geopolitical realities, the impact of technology and by climate change.

People

Held at Schlosshotel Kronberg near Frankfurt, the conference brought together politicians, businesspeople, journalists, government officials, think tankers, academics and diplomats from Germany, Poland, the UK and the US.

Analysis

The effects of war in Ukraine, the need to transform energy systems and decarbonise, and the need for international cooperation on the technologies and industries of the future, framed this discussion. Our current moment was described as critical and the decisions made now likely to determine our choices for decades to come. New interdependencies between foreign and domestic policies in relation to security – energy, economic, climate and national security – dominated the discussion. International policy coordination cannot be separated from the internal strains faced by liberal democracies, a consequence of an erosion of public trust in democratic institutions and of pervasive inequalities.

For European countries, the Ukrainian war is immediate, acute and existential. The prevailing geopolitical competition between the US and China, in contrast, was described as chronic. These two geopolitical axes – an acute war and chronic competition – affect a range of national interests. Whilst there is mostly unity between the Europeans and the US over Ukraine (for now), there were differences in relation to policies vis-à-vis China, with conflicting national interests at work. Europe, as a more trade intensive economy, is vulnerable in relation to China. This discussion revealed some divergence and difference between Western interests.

A clear theme of the conference was the inadequacy of the ways western democracies currently conceive of and engage other countries. This was seen as summed up by the overused and poorly defined term ‘global South’ – a broad grouping of countries which have become more visible as states and which do not want to be forced to take sides, either over the war in Ukraine or over competition between the US and China. It was noted that many of the nations described are not non-aligned (in the sense of undecided and open to persuasion) but instead purposefully ‘omni-aligned’ and set on keeping their options open. Liberal democracies needed to do more to understand the distinctive interests of India and countries in Africa, Asia and Latin America, and to develop effective partnerships with them, particularly on energy transition investment, technology and education.

The set of industrial policies – the Inflation Reduction Act 2022 (IRA), the Bipartisan Infrastructure Law (BIL) and the CHIPS & Science Act (CSA) – recently enacted by the US to improve innovation,

competitiveness and productivity, set a challenge to European nations. These policies represent a determination on the part of the current US administration to put national interests first and in so doing to set a new standard for accelerating decarbonisation and clean energy across a broad front including training and reskilling. The sheer scale and ambition of this investment inspired both alarm and awe amongst European national and business interests. The impact of these policies on Europe forced some self-reflection: what could and should European nations now do in terms of their own industrial and foreign policies, and what are the shared values such policies rest on? There is pressure to act now on climate, technology and competitiveness and yet the politics, institutions, regulation, investment processes and coordination between democratic interests are in disarray. The challenge for democratic alliances is to make up lost ground, respond to current complexity and prepare for the future – all at the same time.

For Europe, the war in Ukraine is a source of deep sadness. After World War II European and global institutions were meant to prevent war on the continent of Europe. The ongoing war is a profound challenge to European security and freedom and the implications had not been internalised in the same way by those around the table. There needed to be a shift in the allied narrative from ‘supporting Ukraine’ to ‘supporting Ukraine because it is in the ‘West’s’ own security interest’. We would need to engage people’s self interest to support the level of sacrifice likely to be necessary to prevail.

FULL REPORT

International alliances are constantly evolving but Ditchley Deutschland launched at a time of heightened multi-dimensional gear shifts as countries emerge from the pandemic only to find they have now to negotiate war, economic competition, energy transitions and technological change. The recognition of perhaps unprecedented complexity was a shared starting point.

The interests represented in this conference from Germany, Poland, the UK and US are united and committed on responses to Ukraine, but beyond this immediate war varying global outlooks motivated by national interests are emerging. The challenge for this conference was to think through how the alliances of democratic countries and interests could be coordinated in more effective ways. How could processes to moderate national policies in support of the interests of alliances move away from a bilateral ‘hub and spoke’ format – the US approach in reaching out to countries or regions separately and sequentially?

There was a good deal of German soul searching on what constituted German interests and German identity: “how should we define ourselves as Germans in a new geopolitical environment?” What kind of political leadership is on offer to support such national deliberations? The Zeitenwende moment had been both important and significant and at the same time insufficient. Could the achievement by Zeitenwende be measured against the change needed rather than against the changes made? Much had been achieved especially over energy security but much more needed to be done. The German National Security Strategy, just published, for some was unambitious, more a description of the status quo rather than a forward-looking statement of intent combined with an outline of how the specified goals would be achieved. Others saw the strategy as, nonetheless, a significant step forward.

War in Ukraine has created responsibilities for Germany within Europe and NATO. What role could Germany play in supporting the EU to deal with its current trilemma? The geopolitical pressure for enlargement to bring in Ukraine, Moldova and the Balkans (and the risks of a geopolitical void if this doesn’t happen) is clear but accession requirements have not been met nor have the governance reforms necessary for accession been made. From a German perspective, the case for Ukrainian NATO membership seemed relatively straightforward. A war-torn country in need of rebuilding would not attract investment without security guarantees and anything less than NATO membership

would not provide the security necessary. But it was clear that the US was much more ambivalent on Ukrainian membership, especially with the 2024 elections approaching.

On China, the US was seen to be primarily concerned about a potential loss of global hegemony to China, fundamentally worried about what China represents as competition. Germany and the EU were more concerned with a potential disruption of trade and supply chains. Conflict between China and Taiwan would be devastating for the German economy. Germany bought into the concept of 'derisking' but it required more detailed definition. There was a real risk that Germany could become less economically relevant to China as China reduced its external dependencies, whilst Germany remained heavily economically dependent on China.

War in Ukraine was described as an acute challenge whereas the geopolitical competition with China is more a chronic one. There is no common European agreement about how these two are connected. Do policy choices over Ukraine reduce those over China? That there is no settled position on partnership, competition or rivalry with China reveals the complexities and the difficult trade-offs to be faced and made. German leadership was considered essential but Germans were not sure that Germany was ready to lead.

The wider challenge for Germany and for the future of democratic alliances was over how to sustain effective relationships with those countries lumped together as the global South – short hand that is increasingly criticised as insufficient and misleading. The positions of non-alignment held in relation to the war in Ukraine revealed the extent of alienation from an insufficient Western rules-based order, and a US foreign policy often seen as selective and hypocritical. The offer to global South countries could be perceived as 'become more like us' – and read more as a threat than a promise. Assessments made of the countries in the global South as either 'with us or against us' were not particularly helpful. More transactional, flexible and differentiated approaches were essential to allow for new kinds of partnerships especially over climate policies. It was asked if the UN Charter be a better starting point for creating common ground than an alliance-based order? But even on climate the evidence for this was thin.

The moral power of democracies was thought to have been somewhat diminished by the emergence of illiberal democracies. Several democratic countries have begun to exhibit some erosion of institutions (such as independence of judiciary or elections). Even so, the aspirational appeal of liberal democracy was still powerful for many across the world and a strong basis for more aspirational visions for sustainable democratic futures.

The information space in Africa and parts of the Indo-Pacific was said to have been inadequately engaged by western interests leaving Russian narratives to dominate. The failure to invest, to build trust and strategic relationships was surprising given the relatively unattractive current offers made by Russia and China, especially in Africa. New relationships must include finance and move beyond development aid to investment. Russia and China have got some traction in Africa and the Indo-Pacific in arguing that western countries present their own interests as universal interests.

There was clear divergence between US and European positions on Ukrainian accession to NATO and over economic policies. On NATO, it was acknowledged that Ukraine's membership would create huge financial costs and risks, and these would fall primarily to the US as the largest contributor by far to NATO. On economic policies, the Inflation Reduction Act (IRA) was seen by many of the Europeans as a subsidy-based industrial strategy, counter to the spirit of the free market (even an unpicking of globalisation) and offered little or nothing to countries without a free trade agreement. It was creating pressures for allied economies, notably that of Germany as an export economy. In defence, the IRA was also seen as effective in driving climate action (more effective than many 'environmental' policies in other countries). The IRA was also defended as the only way possible that the US could lead on climate given its domestic politics. European lobbying in Washington in advance of the IRA was seen as having been weak or absent altogether.

The main lesson now for Europe was seen as the need for greater self-defence, security and economic self-reliance. In de-risking trade with China, Europe should define approaches that are targeted and sector specific. Could a pragmatic mix of industrial strategy and free trade be an opportunity for Europe for more strategic autonomy? Or would Europeans have to accept more US leadership on China and trade as the inevitable economic quid pro quo of security dependence in the context of a continuing war in Europe? The political future of the US is a strategic question for Europeans and all potential outcomes of the US elections next year would need to be weighed.

The need for pragmatism to assure economic security is turning old ideological certainties upside down. The use of subsidies, a pulling back from globalisation, the case for debt, and the logic of investment for better outcomes on climate are policies that all require a reassessment of long held positions and preferences for free markets. But this must lead to a deeper rethinking of values and interests. Longer term decision-making must be tied to an analysis and justification for action linked to values and a political vision.

If pragmatism alone is not enough, is there a possibility now to reform Bretton Woods institutions or even build anew? Should there be new climate institutions along the lines of the IMF and new institutions to regulate technology industries, especially AI? Given the strategic need, would China take part? Is there the time in the face of climate pressures to develop any of these?

The conference split into three working groups to consider evolving alliances in relation to defence, diplomacy and politics; energy security and climate policies; and the coordination of policies towards China.

For **Defence, diplomacy and politics** the war in Ukraine and growing geopolitical tension with China were part of a longer list of potential flash points around the world: Israel/Iran, Taiwan, risks of nuclear disorder, internal trends towards domestic polarisation, failing prosperity and loss of confidence in democratic processes. There are many lessons to be learned from the Ukraine war, the failure of deterrence being a major one. The relationship between NATO, EU and Ukraine to create the safest options for the management of Ukraine's army after the war was a clear priority and the possibility of a frozen conflict makes this difficult. The defence of Ukraine had to be seen in the wider context of the defence of Europe and of the West. Given that Europe cannot take for granted that it will always be defended by the US, this requires much more diplomacy within and across Europe, much greater investment in defence, and work to address the causes of illiberal tendencies.

The impact of the war on European thinking in relation to China has yet to be worked through. There are practical questions about levels of military resources. Would greater European independence free up the US to focus elsewhere? Should Europeans attempt to restrain the US vis-à-vis China and what kinds of independent relationships should Europeans pursue with other actors in the Indo-Pacific, particularly India? Is there an economic model which would work for the West and also create fairer market access for countries in the global South?

The future of **Energy security and climate** policies were thought to offer opportunities for both greater cooperation, particularly with China, and for more competition – an agenda Europeans must shape. On cooperation, there should be full climate tech economic partnerships with a range of global South countries (e.g., Brazil, Indonesia, Nigeria and South Africa) helping to drive leapfrog innovations and supporting those countries to retain their expertise and young talent. On competition, there had to be use of subsidies to sustain companies in Europe and to diversify supply chains and increase resilience. Investment in the infrastructure of democratic societies is sorely needed and uses of debt/subsidy for climate action is also justifiable. The current lack of growth and poor infrastructure is a lose, lose. Was the IRA all 'carrot and no stick'? What could be learned from a form of climate policy that was not perceived as taking away or requiring sacrifice?

China is responsible for a significant proportion of the world's GHG emissions but is also delivering on renewable energy. Would China come to dominate 'green tech' and therefore the green global

economy? And if so, is that an opportunity to engage with China and with the countries of the global South or a further threat? Can China rescue the global commons, achieving a global good whilst simultaneously achieving global dominance? At present and without serious change, any move from innovation within western economies to industrial application and mass production means engagement with China. Should there be more diversification with more manufacturing at home and in India? For newer technologies on the horizon a new path could be forged and particularly with India to reduce reliance on Chinese production.

The aim is to achieve climate co-operation at a global level and share climate tech innovation whilst building consensus amongst democratic populations over fairness of transitions and green growth. In relation to the global South, there are fundamental questions of fairness for those countries disproportionately affected by climate impacts and potentially constrained opportunities for growth. Could all these issues be brought together within institutional settings that can offer more than intermittent meetings of COP?

There is no consensus across Europe and the US on how to interpret the geopolitical position of China or on **coordinating policy towards China**. Yes, China poses a 'risk', but there is no agreement on whether it posed a 'threat'. The risks were defined as bound up with China becoming dominant (with abilities for espionage in the West), changes in the global order and disruption to global systems. There was a wide spectrum of views on the nature of a Chinese 'threat'. Does China seek a new form of hegemony or is it trying to find its place in the world as a new equal power?

Germany is heavily exposed to China and yet German business is (as yet) relatively unconcerned. There was agreement that there should be much more coordination over issues such as tech leakage, research security and export controls. There is political concern in Germany and a fear of the Chinese retaliation over any deterrence measures or even criticism. Does the responsibility of export controls lie with the EU and should it be a part of redesigning its relationship with China? But has Germany already lost ground? Is it exposed and vulnerable? German business interests no longer align with national interests when it comes to relations with China. The EU's military capabilities in East Asia are very limited. But Europe is still one of the largest donors in the developing world, a pre-eminence that has not translated into political influence.

Summary

Geopolitical change is bringing new pressures to bear on the security of nations and on their economies. Great power politics was said to be influencing innovation and financial flows. At present, transatlantic relationships are strong and there is mutual understanding of constraints. Europeans understand US decisions on industrial policies but regret the consequences. There is strong alignment on security.

What is getting in the way are the political systems and lack of clarity over economic models and the right role for budgetary policy, financial market integration and technology regulation. Can our alliances achieve greater clarity over economic models to deal with digitisation and climate transformation?

Current foundations are substantial: Europe has shown a capacity to self-correct over the last 15 years in response to the financial crisis, the pandemic, and in support for Ukraine. The European model remains attractive to outsiders and to migrants. European systems can adapt from a relatively strong position with good cohesion within and between countries. From this position, how can democracies deliver transformation? For Western countries, internal processes to make democracy more effective are a priority. Greater investment, in infrastructure, health, and in the competency of government, is necessary for rebuilding public confidence.

Time is a pressure; the costs of inaction only mount. There must be better preparation for the next crisis which could be a food crisis. But a longer view and better preparedness requires political

leadership capable of taking longer term decisions. Although Europe has self-corrected in the past, current challenges are more fundamental. As yet, the citizens across Europe are not talking about the longer-term implications of the war in Ukraine and what it might mean for the balancing of security and freedom.

The current rules-based order does not command full support from global South countries and the multilateral system is no longer effective. How can these institutions be reformed and in ways that fully integrate key players and countries across the regions of the global South? There was optimism about new partnerships with countries in the global South and particularly India.

For some, current complexities prefigure the start of a long term geopolitical re-ordering and one that may also be a moment of divergence for Europe and a realisation that it cannot keep up with the US. But there are momentous shifts on the horizon yet to play out that could change the outlook again. For example, what happens if China enters into a full-fledged military alliance with Russia?

The collective strength of democratic countries – collective GDPs, military power and technology capabilities – are still globally dominant, and there is a more optimistic view that alliances can evolve. The challenge is to find better ways to make political systems work in tandem, to co-ordinate and collaborate whilst delivering for populations at home.

Geopolitically:

- How can democratic alliances be strengthened and better co-ordinated?
- What are the opportunities to make our political systems work to achieve better co-ordination over tech, research security and defence?
- Relationships, partnerships and foreign policies with India, Indo-Pacific countries, African and Latin American countries require much more investment.
- Is there a need for new global institutions to manage climate actions, and to include China?

Domestically:

- Western countries must do better to deliver investment in the infrastructure of our societies and increase competency and efficiency of government and business processes.
- What are the next steps for industrial policies in democratic societies? What can Europeans learn from the IRA?

End.

This Note is an impressionistic summary of the conference. No participant is in any way committed to its content or expression.

PARTICIPANTS

GERMANY

Mr Jochen Buchsteiner
Political Correspondent in Berlin, Frankfurter Allgemeine Sonntagszeitung.

Mr Thomas Erndl MdB
Member (CSU) of the German Bundestag.

David Folkerts-Landau PhD
Group Chief Economist and Global Head of Research, Deutsche Bank, London.

Mr Michael Gahler MEP
Member of the European Parliament and Coordinator, EPP Group in the Committee on Foreign Affairs.

Ms Ilka Hartmann
Managing Director, British Chamber of Commerce in Germany.

Mr Christian Jetzlspurger
Head of Division, Transatlantic Relations, German Federal Foreign Office.

State Secretary Dr Jörg Kukies
State Secretary, Federal Chancellery.

Mr Nico Lange
Senior Fellow, Munich Security Conference.

Dr Claudia Major
Head, International Security Research Division, German Institute for International and Security Affairs - SWP, Berlin.

Mr Dominik Mutter
Director for Security Policy, North America, United Kingdom, EFTA and Arctic Policy, German Federal Foreign Office, Berlin.

Professor Patrizia Nanz
Head, Collaborative Governance Lab; Professor of Political Theory, University of Bremen.

Dr Andreas Nick
Partner, Brunswick Group, Berlin and Frankfurt.

Dr Norbert Röttgen MdB
A Member (CDU) of the German Bundestag and a member of the Foreign Affairs Committee.
A Governor of The Ditchley Foundation.

Prof Dr Daniela Schwarzer
Member of the Bertelsmann Stiftung Executive Board.

Dr Volker Ullrich MdB
Member of the Bundestag for Bavaria.

Dr Helene von Bismarck FRHistS
Historian, writer and political commentator. Visiting Research Fellow, Centre for British Politics and Government, King's College London.

GERMANY/NEW ZEALAND

Ms Jennifer Wilton
Editor-in-chief, Die Welt.

GERMANY/UK

Mr John Kampfner
Senior Associate Fellow, RUSI; Executive Director, UK in the World, Chatham House (2022-23).

Mr Bobby Vedral
Partner/Portfolio manager, Toscafund. A Governor of the Ditchley Foundation.

POLAND

Professor Katarzyna Pisarska
Founder and Chair of the Board of Directors, European Academy of Diplomacy; Co-Founder and Chair, Warsaw Security Forum.

UNITED KINGDOM

The Rt Hon. the Lord Mandelson PC
Co-Founder and Chairman, Global Counsel. A Governor and Member of the Council of Management of the Ditchley Foundation.

Mr Tom Regan
Political Counsellor, British Embassy, Berlin.

Mr Philip Stephens
Contributing Editor, Financial Times; Richard von Weizsacker Fellow, Bosch Academy, Berlin. An Honorary Governor, and Vice-Chair of the Council of Management, The Ditchley Foundation.

UNITED STATES OF AMERICA

Mr Cameron Abadi
Deputy Editor, Foreign Policy magazine and co-host of FP's 'Ones and Tooze' podcast.

Hon Tarun Chhabra
Senior Director for Technology and National Security, National Security Council staff.

Ambassador Ertharin Cousin PhD
CEO and Managing Director, Food Systems for the Future.

Ms Sudha David-Wilp
Senior fellow and Regional Director, Berlin office, German Marshall Fund of the United States.

Mr Steven Erlanger
Chief Diplomatic Correspondent in Europe, New York Times.