

# POLITICAL THOUGHT

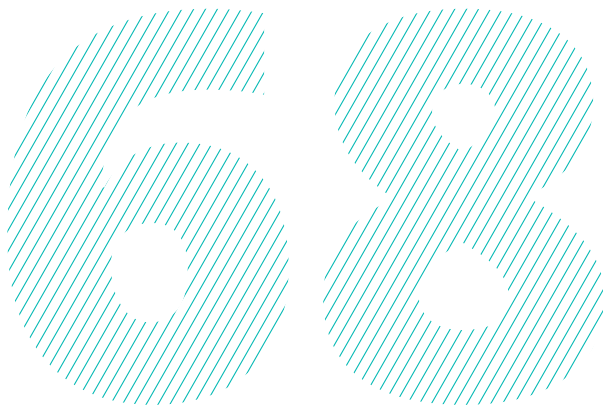
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# 68



# POLITICAL THOUGHT

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Полемика  
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Gunther Krichbaum

# EUROPEAN SELF-ASSERTION THE EUROPEAN UNION'S ENLARGEMENT POLICY NEEDS A NEW DYNAMIC

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POLITICAL THOUGHT

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The expansion of the European Union in Central, Eastern and Southeastern Europe since the fall of the Berlin Wall in 1989 was intended to guarantee these states freedom and prosperity. The turning point began with Russia's military aggression in eastern Ukraine and on the Crimean peninsula in 2014, and not in 2022 with the war of aggression against the state of Ukraine. Since then, the geopolitical situation has changed fundamentally. Today it's about Europe's self-assertion, especially in the face of threats from Russia. This is supplemented by the challenges posed by system rival China and the renewed threat of an "America first" policy from the USA.

Against this background, the planned expansion of the European Union (EU) to include the states of the so-called Western Balkans (official candidate countries are Albania, Bosnia and Herzegovina, North Macedonia, Montenegro and Serbia), Ukraine, the Republic of Moldova and Georgia is not a mere continuation of the Unification and the geographical completion of free Europe. Today, EU enlargement serves to preserve and strengthen the peace, freedom, security, rule of law, prosperity and unity of Europe. This is the current dimension of the enlargement discussion. If the European Union fails here, it will fail in its assertion. We therefore need a new procedure in the accession process and an improvement in the European Union's ability to act and make decisions.

The unity of Germany and Europe would not have been possible without the freedom movement in Poland and the opening of the borders in Hungary. Helmut Kohl had already discovered back then that the first stones were torn off of the Berlin Wall in Hungary. The Polish contribution - the free trade union Solidarność and the Polish Pope John Paul II - had already set in motion a movement for freedom, democracy and the rule of law that ultimately could not be stopped even by the Soviet power apparatus.

## **DIFFERENT INTERESTS AND EXPECTATIONS**

Today, twenty years after the beginning of the admission of Central, Eastern and Southeast European states, the enlargement process is a success story. In contrast to previous enlargements, however, the political and economic differences between the old and new members could not have been greater. The enlargement policy has strengthened political modernization and economic growth – and not just in the accession countries. The European Union has become stronger, primarily through a stable monetary union, to which eight of the new countries now belong.

In a Union that has doubled in size since 2004 in terms of the number of its member states, interests and expectations have naturally become more diverse. Especially since there is no European founding history and no European integration: while Germany, France and the other founding states became members of the European Union primarily because of the idea of peace, for most of the countries in the enlargement rounds since 1989 the idea of freedom was crucial. Above all, they wanted to secure their newly won state independence and democratic development through EU membership.

What are the candidate countries concerned about today? Expectations of prosperity are crucial for the Western Balkan states, aimed also to stop the enormous exodus of young people and skilled workers. The idea of security is crucial for Ukraine, the Republic of Moldova and Georgia, as they face an imperialist Russia that is likely to be extremely aggressive for decades.

Today we have to realize that the enlargement process with the Western Balkan countries has lost considerable momentum. In June 2003, with the Thessaloniki Agenda, the EU countries promised to admit these countries into the European Union. Negotiations have been ongoing with Serbia and Montenegro for over ten years. Albania and North Macedonia could not begin accession negotiations until twenty years later in 2023. Ukraine and the Republic of Moldova as well as Bosnia and Herzegovina are about to start negotiations, still pending with regard to Kosovo and Georgia.

## DECLINING ATTRACTIVENESS OF THE EU PERSPECTIVE

The long duration of these rapprochement processes with the European Union also reveals its weakness. Previously, a period of five to six years was sufficient to integrate a country into the European Union after it had fulfilled the Copenhagen criteria, formulating the accession conditions and reform goals for the EU accession candidates, and the *acquis communautaire*, which includes all rights and obligations that are binding for every EU member. The following applies: the path was also the goal, because the people in the candidate countries had the credible prospect of becoming EU citizens within a manageable period of time. This certainty began to falter during the almost eight-year negotiation and ratification process for Croatia's accession.

As a result, the EU perspective has become less attractive in the Western Balkan countries and support for the European Union has fallen rapidly. In addition, the entire Western Balkans is currently experiencing a demographic bleeding process.



People of the young generation and the middle class in particular are emigrating to EU member states. In addition, the birth rate has fallen massively. The ongoing conflicts between Kosovo and Serbia or in Bosnia-Herzegovina are also putting a strain on the enlargement process and pose risks for security and stability.

A new dynamic is required through a realignment of EU enlargement policy. To this end, country-specific, attractive intermediate stages for closer connection and integration into the European Union must be agreed with the candidate countries - following a step-by-step integration approach - on the way to full EU membership: Instead of demanding that the accession candidates jump over a "bar" that is almost impossible to overcome, future procedures should provide for different levels. After each stage, there must be a noticeable advantage for the country and its citizens. What remains central, however, is that the Copenhagen accession criteria must still be strictly met before admission to the European Union! This does not water down the EU accession criteria, nor shorten the accession process in the interest of the candidate countries or the European Union, because an often assumed accession date does not mean that the accession requirements will be met more quickly.

## **INTERMEDIATE LEVEL "ASSOCIATE MEMBERSHIP"**

In the interest of maintaining and strengthening peace, freedom and security in Europe, an attractive intermediate stage could be envisaged as an "associated membership" in the area of the common foreign, security and defense policy. The prerequisite would be that the respective country fully supports all EU decisions on foreign and security policy, including those against Russia and China. Only Serbia has not meet this. In addition, for "associated membership" the country in question would have to have completed negotiations on the foreign relations chapter. These key topics must therefore be placed at the beginning of the negotiation process in parallel with the chapters on the rule of law. Until the accession negotiations are completed, the country should initially participate without voting rights and then (in the ratification phase) with voting rights.

In addition, delegations from the candidate countries could already be given a permanent observer role in the European Parliament and the European Council. Through such involvement in the actions of the European Union, countries would be part of the processes and operations within the European Union and gain concrete experience in preparation for their future membership.

With gradual integration into certain EU programs or EU policies, forms of participation tailored to the strengths of the candidate countries would initially be agreed. This would create many possibilities for differentiation according to the capabilities of the accession country. In the area in which it is to be linked more closely to the European Union, it must meet the necessary requirements or be appropriately advanced in the negotiation process. Such a connection should include the country participating in the relevant committees and council formations of the EU member states (without voting rights).

Accession to the EU internal market could also be made possible if the candidate country meets the accession criteria before the European Union is ready to accept it.

With such steps, the European Union would send several messages: On the one hand, the people in the candidate countries would feel that they belong to the EU. At each stage they would experience respective political, institutional and financial advantages. This should encourage their governments to accelerate their accession efforts. On the other hand, countries like Russia and China would realize that the candidate countries belong to the European Union. At the same time, the European Union's ability to act and make decisions must be improved so that it becomes receptive. A gradual transition to more majority decisions is necessary because otherwise there are too many opportunities for blocking

## **ARBITRATION PROCEEDINGS**

The principle of subsidiarity must also be strengthened: the European Union must concentrate on those tasks that can be better fulfilled at the European level than at the national, regional and local levels. This applies above all to foreign and security, migration, economic, trade, energy and climate protection policy.

Last but not least, for a new dynamic in the enlargement negotiations, it is essential to put in place binding regulations for all EU member states and candidate countries, which prevent open bilateral questions from being exploited for attempts at blackmail during the accession process, as was the case with North Macedonia by Greece and Bulgaria. To this end, the European Council must in future be able to decide with a qualified majority whether a dispute is bilateral in nature or whether it affects EU integration as a whole. If it is bilateral in nature, there must be an arbitration procedure. Integration policy disputes must be decided by the European Court of Justice, for example.

In view of the global challenges, with an imperialist Russia and system competitor China, we need at least these reforms in order to generate new dynamics in the enlargement process and strengthen the European Union's ability to act. The twenty years experience of successfully bringing Europe together should give us the will and strength to do so.

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## SHORT BIOGRAPHY

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Ivan Ivanov

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# DEMOCRATIC RECESSION

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## INTRODUCTION

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In the second half of the 21st century, democracy is facing challenges like never before testing its resilience and seemingly guaranteed longevity. Citizens around the world are showing skepticism and disillusionment with traditional political structures whose leadership they perceive as irresponsible and held hostage by political and economic elites who prioritize their own interests at the expense of the needs and concerns of the general public. This perception is supported by the record rate of corruption, nepotism and cronyism through which powerful interests inordinately influence the decision-making process. As a result, citizens feel marginalized from democratic processes leading to an erosion of political culture and a decrease in trust in the ability of democratic institutions to serve the public interest.

In academic circles, there is a debate in which the totality of democracy is perceived as a historical and social phenomenon and the fact is emphasized that the period in which humanity currently lives, i.e. the epoch of the dominant democratic narrative, is transient.<sup>1</sup> This idea sees democracy as a historical anomaly that arose and developed into its current form thanks to a set of special conditions and circumstances, but its continued existence is not at all guaranteed. Democracy as a system of political organization of states occurs, during five thousand years, in an extremely short interval of 100 to 200 years, while in the other time period political systems based on the principle of rule by one or a few dominate. In order to perceive this fact one only has to look into the historical context of the development of human civilization.

The question of democratic systems' resilience and weakness has been a topic in academic and media circles for several decades, but as time passes, one gets the impression that the once vital system is becoming unable to withstand the challenges it used to overcome with ease.

The list of threats to democracy in the world is constantly increasing. The most serious are: authoritarianism, populism, corruption, inequality and poverty, erosion of freedom and independence of the media, apathy and cynicism of citizens, polarization and social divisions, weakening of the rule of law, misinformation and online manipulation, threats and abuse of civil society and freedom of association, illiteracy and political ignorance. Analyzing the democratic governance as well as the social and economic aspects of democracy, it can be concluded that the eradication of social inequality and poverty, as well as access to quality education and health care, are one of the

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<sup>1</sup> Most often, such positions are present in the analyzes of the "Journal of Democracy" <https://www.journalofdemocracy.org/>

key elements for the promotion and guarantee of inclusion in a democratic society. In addition, freedom of expression, as well as the role of the media, represent critical elements for the realization of democratic capacities. Without the freedom and independence of the media and thus the public's access to information, without the open dialogue and supervision of the government, there is a threat that the democratic processes will go astray due to abuse of power.

Robert Michels warned as early as 1911 that all complex organizations, regardless of their degree of democracy, always end up as oligarchy or tyranny of a heterogeneous minority.<sup>2</sup> Democracy could not survive without organization and organizational structure because it would disperse into an inconsistent crowd. In other words, without the presence of an organizational structure, democracy can very easily turn into chaos and disorder, i.e. returning to Hobbes' state of nature as the worst form of order. Following the "iron law of oligarchy" derived from Michels' paradox, which essentially represents the contradictory relationship between democracy and organization, the conclusion is that when organizational capacities increase, democracy decreases or disappears. Namely, the increasing degree of organization, and thus the increasing role of leaders, is inversely proportional to the importance of democracy. But he sees a similarity between organization and democracy, and that is that both democracy and organization are weapons in the hands of the weak and powerless in the fight against the powerful.<sup>3</sup>

Unfortunately, the general impression today is that oligarchy, or the tyranny of a powerful minority through electoral processes, only simulates democracy in order to gain democratic legitimacy. This is an increasingly common case nowadays throughout the developed democratic world.

## DEMOCRATIC RECESSION: INDEXES AND REPORTS – CONCERNING DATA

According to Samuel Huntington, democratization took place in waves, each of them characterized by a surge in the number of democracies, followed by periods of democratic reversals and stagnation or so-called "reverse waves". Huntington detects three key waves of democratization: the first wave from 1828 to 1926, influenced

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<sup>2</sup> Michels, Robert, *Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy*, Transaction Publishing, 1999

<sup>3</sup> *Ibid.*



by the American and French Revolutions, which inspired the gradual expansion of democratic institutions in countries such as the United States, Britain, and France. What reflects this so-called first wave are the increased voting rights in several segments of society, further, the creation of parliamentary systems and constitutional monarchies and of course, the more significant role of civil society and the growth of the number of political parties. However, this first wave soon faced a setback due to the growth of authoritarian regimes in the interwar period, including the emergence of fascist and communist governments. At the end of the 20s and the beginning of the 30s of the last century, many of the democracies created in this period collapsed and were taken over by authoritarian tendencies (Germany, Italy, Spain, Portugal, Hungary, Austria, Greece, etc.). According to Huntington, the second wave follows the period after the Second World War (1943-1962), which was stimulated primarily by the defeat of the fascist regimes, and was further accelerated by the processes of decolonization. In this period, democratization processes began in the countries that belonged to the Axis powers (Germany, Italy and Japan), and were followed by the processes of declaring independence and democratization in the former colonies in Asia, Africa and the Middle East. This period saw the strengthening of democratic institutions in Western Europe and America through the Marshall Plan for rebuilding economies and stabilizing democratic institutions in countries such as France, Belgium and the Netherlands. Of course, in this post-war period, a key process is the European integration through the creation of the European Coal and Steel Community in 1951 and the European Economic Community in 1957, which promoted economic cooperation and political stability in Western European democracies. At the same time, in Latin America, there are examples of democratization in countries such as Costa Rica and Venezuela.

This second wave, similarly to the first, was caused by the second “reverse wave” of democratization due to the rise of military coups and authoritarian regimes in Latin America, Africa and Asia in the late 1950s and early 1960s. The Cold War also contributed to the support of authoritarian regimes through the involvement of the United States and the Soviet Union, for their own strategic reasons.

The third wave, according to Huntington, began with the Portuguese Revolution in 1974 and caused the so-called “snowball effect”, i.e. an effect driven by the assumption that a certain assessment of democratization in one country can inspire, cause and catalyze similar movements in neighboring countries or regions. This effect is actually reinforced through shared cultural, historical or geopolitical contexts. During this period, in addition to Portugal, democratization processes began in countries such as Spain and Greece, but also democratic transition

in many countries in Latin America and Asia, such as Argentina, Brazil, Chile, South Korea, Taiwan and the Philippines. In this wave that follows the end of the cold war, the communist regimes in Eastern Europe and the Soviet Union also collapsed.<sup>4</sup>

Although Huntington did not explicitly foresee a third “reverse wave”, he still leaves open the possibility of a democratic backslide. Hence, a number of scholars and analysts are already advocating the idea of a “democratic recession” that reflects their concerns about the longevity and stability of democracies around the world. Namely, if we analyze the reasons for the two “reverse waves” of democratization, we will notice the same tendencies that undermine democracy as a model in the last decade. Here, above all, we are talking about economic crises and growing inequality, political polarization and extremism, the weakness of democratic institutions, the rise of authoritarian ideologies, the failure of international cooperation, military coups, weak and occluded civil societies and, of course, charismatic authoritarian leaders.

In the scientific debate, the worrisome tendency of “democratic recession” which points to the erosion, stagnation and regression of democratic institutions, processes and norms is more and more common. The first author to use the term “democratic recession” is Stanford University professor Larry Diamond in his book “The Spirit of Democracy”.<sup>5</sup> He argues that the beginning of the democratic recession can be located with the 1999 military coup in Pakistan “which symbolizes the failure of many of the new democracies to implement their performance consistently, with the aim of achieving development, social peace and good governance. Since then, there has been a rollback of democracy in many influential countries such as Russia, Venezuela, Nigeria and Thailand, and democracy is seriously deteriorating in other large, important countries such as the Philippines and Bangladesh.”<sup>6</sup> Namely, Diamond’s analysis is based on three indicators: Freedom House, Economist Intelligence Unit and Varieties of Liberal Democracy. Although sometimes aggregated global trends record a moderate democracy deficit since 2006, with the greatest erosion seen in Sub-Saharan Africa, the big picture looks far more worrying. So, for example, in 1900, there were only 11 democracies in the world; in 1920 the number rose to 20 democracies; in 1974

<sup>4</sup> Huntington, P., Samuel, *The Third Wave – The Democratization in the Late Twentieth Century*, University of Oklahoma Press, 1991

<sup>5</sup> Diamond, Larry, *The Spirit of Democracy – The Struggle to Build Free Societies Throughout the World*, Times Books, Henry Hold and Company, New York, 2008

<sup>6</sup> *Ibid.*, p. 12

- 29; by 1993 they became 77, for the first time a majority of the total number of countries in the world; by 2005 they were 89, in 2020 they fell to 82, while in the second decade of the 21st century one out of 6 democracies failed.

Every year in January, the reports for the previous year are published. It is the same with reports and global indexes on freedom and democracy in the world. The annual reports of Freedom House, The Democracy Index of the Economist Intelligence Unit, V-Dem at the University of Gothenburg, Stockholm-based Institute for Democracy and Electoral Assistance (IDEA) are considered to be the most relevant and influential producers of such reports and global indexes on democracy. Their indexes and annual reports have a significant contribution to the analysis of the state of democracy in the world.

Indexes and reports cite a number of reasons for the continuing trend of declining confidence in democracy and the decline in the number of democracies in the world. This trend, which has been going on for more than 15 years, bears the epithet “democratic recession”. Special challenges include the consequences of the global economic recession that began in late 2007 and the already announced new global economic recession, the consequences of the pandemic caused by Covid-19, climate change, and the war in Ukraine.

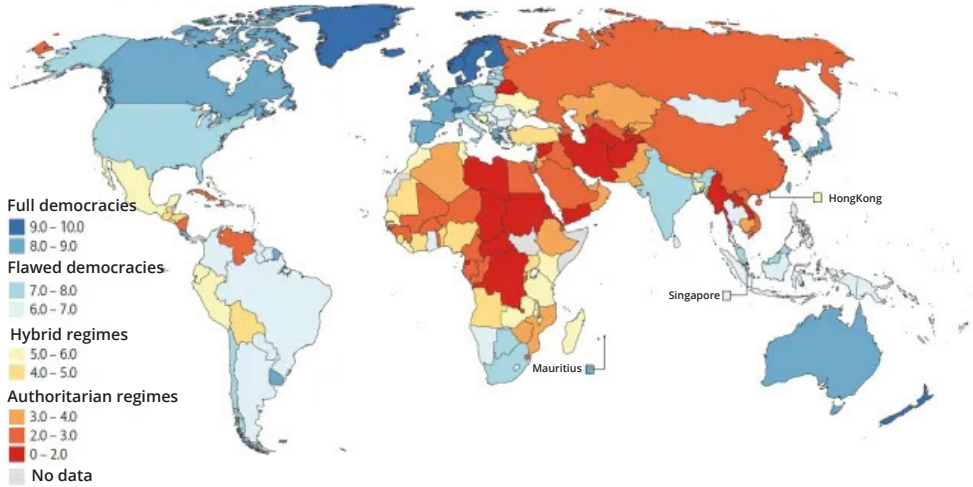
The general conclusion of all annual reports and democracy indexes for 2023 is that the world is becoming less democratic. Democracy is facing decline everywhere and autocracy is on the rise. At the global level, the number of countries moving towards authoritarianism, in the last six years, is twice the number of countries moving towards democracy. Civil liberties and the rule of law are deteriorating, and authoritarian governments are becoming more repressive.

According to the democratic index of the Economist Intelligence Unit for 2023, 7.8% of the world’s population lives in a so-called “full democracy”, i.e. it exists in 24 countries (they do not include the USA as of 2017), 37.6% of the population or 50 countries live in defective or flawed democracies, 15.2% in hybrid regimes, i.e. 50 countries, and one third of the world, i.e. 39.4% or precisely 59 countries, in authoritarian regimes.<sup>7</sup>

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<sup>7</sup> <https://www.eiu.com/n/campaigns/democracy-index-2023/>

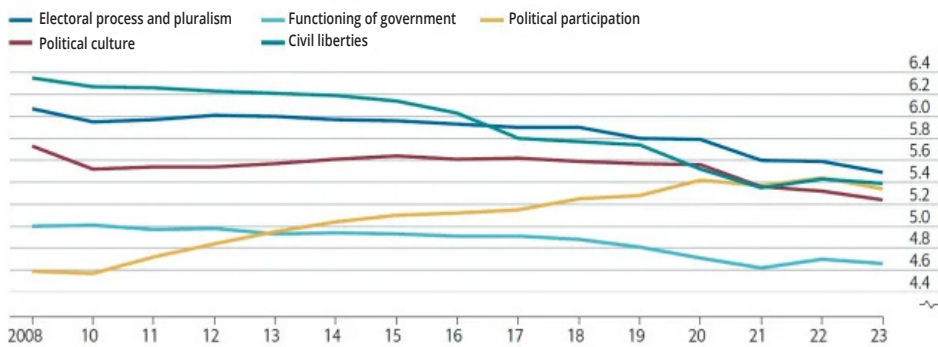
Democracy Index 2023, global map by regime type



Source: EIU

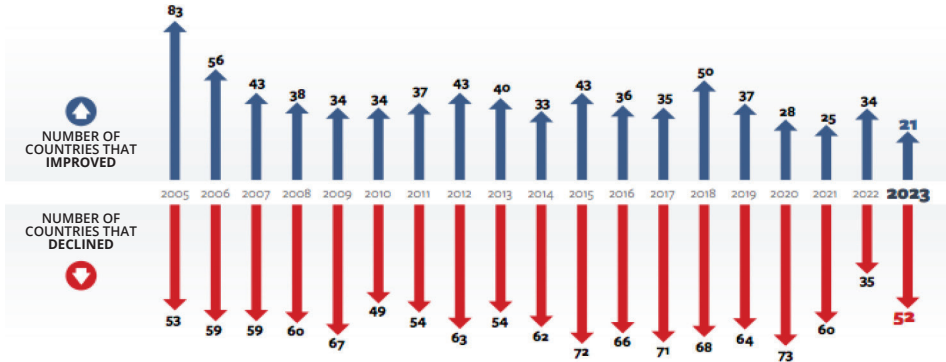
EIU metrics are implemented through five categories: electoral processes and pluralism; government functionality; political participation; political culture and civil liberties. Although there is, since 2008, a tendency of deterioration in all five categories, the most pronounced and most worrying is the decline of civil rights and electoral processes and pluralism.

Democracy Index categories, 2008-23



Source: EIU

According to Freedom House’s 2024 report only 20% of the world’s population has access to political freedoms and rights. The past 18 years have been marked by successive democratic regression. Almost everywhere the decline of political freedoms and rights was caused by attacks on pluralism. A total of 52 countries saw a decline, while only 21 countries showed progress, which is the lowest tendency in the last 18 years. <sup>8</sup>



Source: Freedom House

It can be concluded that there is a serious erosion of trust in democratic institutions. For example, in the oldest modern democracy, the United States, according to the Gallup agency survey, only 26% of Americans have a high level of trust in 14 major institutions of the United States, which is the lowest so far. All three branches of government see a further decline in confidence in 2021 and a record decline in the last four decades. Confidence in the President of the United States is 26%, which is 15% less than in 2021. Confidence in the Supreme Court is 25% while only 7% confidence in the work of the US Congress.<sup>9</sup>

The situation with the EU is similar, where a survey of 200,000 people for the period from 2020 to 2023 indicates a decline in trust in the EU and national institutions.

The pandemic caused by Covid-19 has brought restrictions on political and civil rights in many countries. Such measures are used in several countries for increased repression and sophisticated digital surveillance of the population. The politics of fear has led to polarization, discrimination, marginalization and xenophobia. Institutional weakness

<sup>8</sup> <https://freedomhouse.org/countries/freedom-world/scores>

<sup>9</sup> <https://news.gallup.com/poll/512651/americans-trust-local-government-congress-least.aspx>

and declining confidence in social conventions, checks and balances are widespread. The very concept of truth is under attack.

From the latest reports and policy papers of the Oxfam institute,<sup>10</sup> startling data can be read:

1. Since 2020, that is, since the start of the Covid-19 pandemic, the richest 1% have appropriated almost 2/3 of their new wealth – twice as much money as 99% of the world’s population.
2. The wealth of billionaires increases by 2.7 billion a day, even as inflation exceeds the wages of at least 1.7 billion workers.
3. Food and energy companies have doubled their profits in 2022, paying out \$257 billion to wealthy shareholders, while 800 million people go to bed hungry every night.
4. Only 4 cents of every dollar of tax revenue comes from wealth tax, half of the world’s billionaires live in countries where there is no inheritance tax on the money they give to their children.
5. A 5% tax on the world’s multimillionaires and billionaires could raise \$1.7 trillion a year, enough to lift 2 billion people out of poverty and fund a global plan to eradicate hunger.

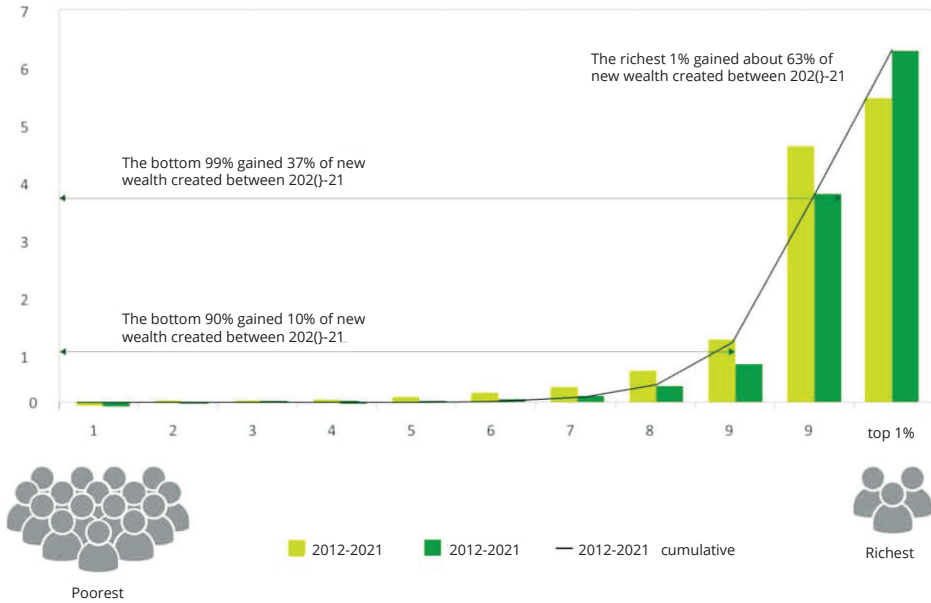
Extreme growth in social inequality occurred during the pandemic. From 2020 to 2022, the richest 1% got 63% of their new wealth, or more than 26 trillion. The top 9% below them got 27% of their new wealth, or 11 trillion, leaving only 10%, or about 5 thousand billion for the other 90% or 7.2 billion people.

Most of the world’s governments, or 95%, did not raise taxes on the rich, instead some even cut taxes on wealthy people and corporations.<sup>11</sup>

<sup>10</sup> <https://www.oxfam.org/en/research/survival-richest>

<sup>11</sup> <https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621477/bp-survival-of-the-richest-160123-en.pdf>





Source: Oxfam calculation based on Credit Suisse Global Wealth Report

Democracy is a dynamic system that changes over time and depending on the context. With that in mind, the future of democracy depends on many factors, including the various crises that the world is facing at the same time causing the so-called “polycrisis”<sup>12</sup>, ranging from the rise in the cost of living to the risk of nuclear conflict. The polycrisis leads to the decline of democratic standards in the world and the erosion of democracy. High inflation, economic problems, energy supply crises, food crisis, declining living standards, as well as the double standards regarding migration and refugees are just some of the anomalies..

At global level, democracy faces various threats, and the problem with the legitimacy of election results, the restriction of freedoms and rights on the Internet, hard-line corruption, and the rise of extreme right-wing political parties is becoming more and more relevant. In several countries there is a great political polarization, dysfunctionality of institutions and threats to civil liberties and rights. The political and economic elites who want to protect their clientelistic and corrupt system are highlighted as the most important actors for the strengthening of autocratic systems

12 The term “polycrisis” was used for the first time at the UN climate conference (COP27) in Sharm El-Sheikh in November 2022, and immediately afterwards it was used during the World Economic Forum in Davos and it was included in their report on global risks from January 2023: “...Simultaneous shocks, deeply interconnected risks and eroding resilience are fueling the danger of polycrises.” <https://www.weforum.org/publications/global-risks-report-2023/>

and the erosion of democratic norms. Those who are threatened by poverty, hunger, social exclusion, and do not see progress through a democratic process, are often blinded by populist alternatives, not only in developing countries, but also in the most developed democracies.

Fewer and fewer people believe that democracy can respond to such crises and challenges. The absence of young people from democratic institutions is also a worrying fact. Although 50% of the world's population is young up to 30 years old, only 2.6% of parliament members are from this age group. Women, although 50% of the population, are represented by 26.4% in parliaments.

The democratic public is looking for policy changes that will give them hope for a better future. If this is not met, their demands can turn into pressure for regime change and leaning towards populism and authoritarianism.

In its study the Center for the Future of Democracy at the University of Cambridge points out that trust in democracy is declining because democratic institutions have failed to solve some of the major crises of our time, assessing that the rise and growth of populism is more a symptom than a cause of "democratic recession."<sup>13</sup>

Populism is a threat not to democracy per se, but to the dominant liberal variant of democracy. Populism accepts the principles of popular sovereignty and democracy understood as a direct way of exercising majority rule. Populism is skeptical of constitutionalism because formal, limited institutions and procedures prevent the majority from exercising its will. That is why populists are against the freedom of the press, for the weakening of the constitutional courts, the concentration of power in the hands of the executive power and the marginalization of groups of citizens based on ethnic, religious or national origin and undermine liberal democracy from within.

Populism is actually an illiberal democratic response to nondemocratic liberalism, so it is less an attack on democracy than a correction of its deficit. Populism understands the elite as hopelessly corrupt. However, populism is the enemy of pluralism and therefore of modern democracy. Populist leaders attack "enemies of the people" in moralistic terms such as corrupt, selfish, conspiring against ordinary citizens. Populism plunges democratic societies into an endless series of zero-sum moralizing conflicts, threatens the rights of minorities, allows overbearing leaders to destroy control mechanisms that block the path to autocracy. The appeal of populism is due to its tribal Manichean outlook and the constant conflicts it brings, and is deeply rooted in the

<sup>13</sup> <https://www.bennettinstitute.cam.ac.uk/blog/centre-future-democracy/>



permanent incompleteness of life in liberal societies. This vulnerability helps explain why in just 30 years the promoters of liberal democracy have gone from triumphalism to despair.

How European countries will respond to populism and polycrisis will define the fate of democracy in the coming decades.

## CHALLENGES AND MISCONCEPTIONS

In their influential 1991 article, Philippe Schmitter and Terri Lynn Karl, discuss the misconceptions and misunderstandings surrounding democracy in order to clarify and emphasize the essential features crucial to the functionality of democratic systems. Their conclusion is that democracy does not mean only a series of procedures or institutions, but a complex system that includes a multitude of political, economic and social aspects. Schmitter and Karl put special emphasis on responsibility, participation, the rule of law and the protection of human rights as crucial for the survival and maintenance of a democratic system. They are of the opinion that a democracy cannot function effectively without institutions that will ensure and guarantee the rights of citizens, that will provide protection against abuse of power, and that will enable them to participate in political processes.<sup>14</sup>

For both authors, defining the components of democracy can be an abstract process that can give rise to a multitude of subtypes of democracy. However, for a democracy to thrive there are procedural norms and civil rights that must be respected and followed. "Any polity that fails to impose such restrictions upon itself, that fails to follow the "rule of law" with regard to its own procedures, should not be considered democratic. These procedures alone do not define democracy, but their presence is indispensable for its persistence. In essence, they are necessary but not sufficient conditions for its existence."<sup>15</sup>

Schmitter and Karl refer to Robert Dahl's "procedural minimum" which defines the conditions on whose necessity the survival of modern political democracy depends: 1) Control over government decisions about policy is constitutionally vested in elected officials.; 2) Elected officials are chosen in frequent and fairly conducted elections in which coercion is comparatively uncommon; 3) Practically all adults have the right to

<sup>14</sup> Schmitter, C., Philippe. Karl, Terry Lunn, What Democracy Is... and Is Not, *Journal of Democracy*, Volume 2, Number 3, Summer 1991, pp. 75-88

<sup>15</sup> *Ibid*, pp. 81

vote in the election of officials; 4) Practically all adults have the right to run for elective offices in the government; 5) Citizens have the right to express themselves without the danger of severe punishment on political matters broadly defined; 6) Citizens have the right to seek out alternative sources of information. Moreover, alternative sources of information exist and are protected by law; 7) ...Citizens also have the right to form relatively independent associations or organizations, including independent political parties and interest groups.<sup>16</sup>

Although according to the authors, these procedures suggested by Dahl, which are supported by a number of theorists, contain the essence of procedural democracy, Schmitter and Karl add two additional criteria that would complete the list: 1) Officials elected by the people must be able to exercise their constitutional powers without being subjected to or subject to overwhelming opposition from officials not elected by the people. According to them, democracy would be threatened if military officers, entrenched civil servants or state managers retain the capacity to act independently of elected officials or have the ability to block decisions made by the people's elected officials.<sup>17</sup>

This additional condition of Schmitter and Karl is today increasingly compromised and abused, primarily by the impression that there are structures that are leaders of the "deep state" throughout democratically elected regimes in the world. Even in the most developed democracies there are tendencies that point to the presence of individuals and entire organizations whose power is not institutionalized and within the framework of existing state bodies, and yet possesses such power that they can sabotage the decisions and policies of the most important decision-making levers in a democratic state. This political enigma of supposed informal groups made up of state, military and intelligence structures, not infrequently enter the sphere of "conspiracy theories" while not having a clear definition of what the deep state actually represents.

According to the American expert Winston Berg, the term deep state appeared in the activist milieu after the founding of the "Students for a Democratic Society" movement, which tried to encourage political realignment after the assassination of the former president of the United States, John Kennedy. "Those on the extreme right who use the term to make accusations of conspiracy against alleged subversives in the administrative state are unwittingly drawing on a long-standing but little-analyzed intellectual tradition. In that tradition, conspiracy theories purport to reveal the true intentions of political actors in order to facilitate cooperation and recruitment across

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<sup>16</sup> Ibid

<sup>17</sup> Ibid

ideological and party divides. From the postwar period to the present day, conspiracy theories, and especially the vocabulary of the “deep state,” have circulated freely across the political left-right divide.<sup>18</sup>

The most extreme narrative leads to talk of secret governments that control behind the scenes, while democratically elected governments serve only as a front. But according to Berg, there is a more balanced view of this issue. Namely, if we ignore this extreme understanding, we will still see that there is concern about the massive corruption of democratically elected governments and subservience to numerous regulatory bodies that have different external interests.<sup>19</sup> This subservience is the indicator that undermines the trust in the people’s representatives that they serve on behalf of the people and protect their interests. Even if there is no so-called “deep state”, however, the lack of transparency in making decisions and concluding contracts, sabotages the work of governments.

Schmitter and Karl’s second additional criterion, which they themselves call an implicit precondition of all the above states: 2) “Politics must be self-governing; it must be able to act independently of the constraints of some other overarching political system. Dahl and other modern democratic theorists probably take this condition for granted as they refer to formally sovereign nation-states. However, with the development of blocs, alliances, spheres of influence, and various “neocolonial” arrangements, the issue of autonomy came to the fore. Is the system truly democratic if elected officials are unable to make binding decisions without the approval of actors outside their territorial domain?”<sup>20</sup>

This very precondition is being undermined today due to two interdependent trends: globalization and “de-sovereignization”. All representations of globalization are interdependent and in dynamic interaction, constantly changing and adapting to newly created conditions. All that makes it impossible to understand its totality, that is, the spirit of the time. The ideology of globalization, globalism, most strongly influences and calls into question the concept of the sovereignty of the state created through the Peace of Westphalia of 1648. The erosion of state sovereignty, which takes place in all social spheres, causes different interpretations, emotions and conflicts. It mostly comes to the fore in the international norms that refer to human rights. That is, challenging the right of the state to regulate human rights on its territory, but also the creation

<sup>18</sup> Berg, Winston, “Origins of the Deep State Trope” *Critical Review: A Journal of Politics and Society* 35 (4):281-318 (2023)

<sup>19</sup> <https://www.bbc.com/serbian/lat/svet-68375660>

<sup>20</sup> Schmitter, C., Philippe. Karl, Terry Lunn, What Democracy Is... and Is Not, *Journal of Democracy*, Volume 2, Number 3, Summer 1991, pp. 81-82

of double standards - what is valid in one country is not necessarily valid in another country. A large part of the former sovereignty of states in the era of globalization is transferred to supranational institutions (EU), international organizations (UN) and non-governmental organizations (global civil society), and on the other hand to lower instances (cities and local governments). This new reality is often called the de-sovereignization of the Westphalian model of the state.

With the Peace of Westphalia, established in 1648, comes the definition of sovereignty in international relations. This model, called Westphalian, will for the first time establish the principle of territorial sovereignty in interstate relations. The Westphalian model will cover the period from 1648 to 1945, although many of its assumptions in international relations are still in place. He describes the development of a world community that is composed of: sovereign states that privately settle all their disagreements, not infrequently by force (or the threat of force); countries that establish diplomatic relations but minimally cooperate; states that strive to put their own interests above all others and that accept the logic of the principle of effectiveness, i.e. that in international relations the principle "force determines the right" rules and that appropriation gives legitimacy.<sup>21</sup>

Any intervention in the internal affairs of another state is a violation of the established international legal order. From all that is defined in the Treaty of Westphalia, the idea of sovereign statehood was conceived as the basis for the behavior of states at the global level. When a state recognizes the existence of another state, then it expresses formal legal sovereignty. Starting from that period these principles of state sovereignty would survive to the present day and would be contained in the declaration of the United Nations General Assembly on the principles of international law of 1970.<sup>22</sup>

It is the process of de-sovereignization that undermines Schmitter and Karl's second additional condition for politics in democracies as a self-governing process. De-sovereignization, according to some theorists, would lead to the disappearance of the state as we have known it for the last three centuries. Although the state loses a large part of its sovereignty in the accelerated globalization, loses a large part of its

<sup>21</sup> The Westphalian model according to David Held has seven features: 1. The world is divided into sovereign states that do not recognize any higher authority; 2. Law-making processes, dispute resolution and law enforcement are largely in the hands of individual states; 3. International law is aimed at establishing minimum rules of coexistence. Creation of permanent relations between states and peoples is a goal, but only if it does not limit the realization of the goals of the national policy; 4. Responsibility for border violations is a "private matter" that applies only to those who bear the consequences; 5. All states are considered equal before the law; legal regulations do not take into account the asymmetry of power; 6. Differences between states are ultimately settled by force, the principle of effective force remains unshakable. Almost no legal barriers exist to restrain the power's flexing. International legal standards provide minimal protection; 7. The minimum limitation of the freedoms of the states is a "collective priority". Held, Dejvid, *Demokratija i Globalni Poredak*, Filip Višnjić, Beograd, 1997, p. 99

<sup>22</sup> 2625 (XXV). Declaration on Principles of International Law concerning Friendly Relations and Co-operation among States in accordance with the Charter of the United Nations

functions and powers, in the foreseeable future the state will still remain the dominant form in international relations. The state will continue to perform essential, economic and political functions, and in that respect no organization can compete with it. But globalization definitely causes de-sovereignization, that is, the disappearance of the Westphalian model of a sovereign state. De-sovereignization is most evident in national economies that are losing their original meaning because they are less and less connected to the nation-state and the life needs of their citizens. We are talking about de-sovereignized economies.

Schmitter and Karl argue that modern democracy should not be identified with a specific set of rules, cultural context or level of development. They warn against unrealistic expectations that democracy will solve all political, social, economic and cultural problems. Democracies are not necessarily more economically efficient than other forms of government, especially during transitions when elites may engage in capital flight and disinvestment. Democracies often have slower decision-making processes and higher costs due to wider consultation requirements and necessary compromises, which can lead to discontent among the population. Furthermore, democracies may not seem more stable or orderly than autocracies at first, as freedom of expression may lead to constant conflicts and negotiations over new rules and institutions. Despite these challenges, democracies have a unique ability to adapt consensually to changing circumstances, offering a better chance of achieving long-term economic growth, social peace, and political harmony than autocracies. Schmitter and Karl emphasize that, while democracy may not immediately produce all desired outcomes, it provides a framework for peaceful competition among political institutions, regular conflict resolution procedures, and strong ties to civil society, which can ultimately lead to improved governance and social development.

However, Schmitter and Karl argue that democratization does not automatically lead to economic growth, social peace, administrative efficiency, political harmony, free markets, or to the “end of ideology,” least of all the “end of history.” Although such qualities could facilitate the consolidation of democracy, they are neither prerequisites nor immediate outcomes. Instead, the focus should be on developing political institutions that can peacefully compete to form governments and influence public policies, effectively manage social and economic conflicts through regular procedures, and establish strong links with civil society to represent their constituents and advocate for collective actions. Some democracies, especially in developing countries, have faced difficulties in fulfilling this promise because of the conditions of their transition from authoritarian rule. The democratic option is that, once established, such a regime will

not only be maintained within its initial limitations, but also expand beyond them. Unlike authoritarian regimes, democracies have the ability to consensually modify their rules and institutions in response to changing circumstances, ultimately enabling them to achieve the desired outcomes.

The inability to achieve all this, every year, in succession, worsens and regresses the state of democracies, globally.

## WHAT NEXT?

It is more and more certain that the triumphalism of liberal democracy after the fall of the Berlin Wall and the collapse of the communist regimes in Eastern Europe did not bring us to the “end of history” nor to the end point of socio-political evolution as advocated by Francis Fukuyama. And he himself has expressed concern about the future of democracy in recent years. As recently as May 2024, in his article “Boredom at the End of History, Part I”, Fukuyama himself detected a democratic recession not only due to the rise of authoritarian great powers such as Russia and China, but also due to the decline of many potential new democracies such as Tunisia, Myanmar, El Salvador and Georgia. For him, the rise of populist national movements in older democracies such as the USA and India and numerous European countries is frightening, but also the more obvious loss of confidence in democracy as a form of government, which in the USA is felt at both ends of the political spectrum.<sup>23</sup> However, what is remarkable about the contemporary democratic recession, Fukuyama will conclude, is that “few of those people who express dissatisfaction with liberal democracy are able to articulate a clear vision of an alternative social system that is systemically superior. It is true that modern liberal democracies have failed to live up to their basic promise of equal treatment under the law. This includes the United States, the oldest such regime. But few doubt the basic principles which emerged from the French and American Revolutions of a political order based on the twin principles of liberty and equality, or the equality of liberty. There are indeed alternatives based on privileging one subgroup of people over others, based on religion or ethnicity or nationality. But these are hardly systems that will attract anyone other than the privileged group in question.”<sup>24</sup> However, we also see this tendency in democratic systems that are increasingly moving towards oligarchies or tyrannies of heterogeneous minorities as predicted by Michels. We see this above all in the daily revolt of the citizens, which not

<sup>23</sup> <https://www.americanpurpose.com/articles/boredom-at-the-end-of-history-part-i/>

<sup>24</sup> *Ibid*

infrequently spills over into the streets, not as a revolt against democracy as a model, but against the elites and their abuse of democratic capacities and mechanisms.

Democratic systems are based on the assumption that all citizens have an equal opportunity to participate in the decision-making process. However, in many countries, especially in developed democracies, there is a problem with reduced participation of citizens in elections and other forms of participation. Therefore, one possible path for the future of democracy is more focus on citizen participation and increasing their activity. At the same time, the world is facing authoritarian regimes that do not respect democratic principles. The fight against authoritarianism is a key factor in protecting democracy. Therefore, international institutions and democratic countries should continue active efforts to support democratic forces in countries where authoritarianism is on the rise. But monitoring the trends and changes that await the world in the future say that democracy by 2050 will face a great paradox: "those who don't have it will get it even more. Those who have it, will see how to reduce it. It will advance in authoritarian states and retreat in free ones."<sup>25</sup>

And indeed, in advanced democratic countries, the absence of the correct use of democratic mechanisms or their abuse worsens the general situation and increases the revolt, while the absence of freedoms and rights in authoritarian regimes emphasizes the growing need for democratic awareness. In other words, negative freedom turns out to be easier to conquer than positive freedom. "Fighting for democracy is easier than practicing it."<sup>26</sup>

It is not always enough to just have democratic processes, they must be inclusive and involve different communities. This includes ensuring equal access to information, equal opportunities for participation, as well as protecting the rights of minorities and protecting elections from abuses. Crises, such as epidemics, disasters, economic crises, have a significant impact on democratic systems. In some cases, governments can abuse crises to enhance their political power, or limit citizens' rights in the name of security. Therefore, crises require democratic leaders to be accountable and use democratic processes to manage them. At the same time, technological advances bring new opportunities and challenges to democracy. On the one hand, technology can provide new ways to participate and involve citizens in democratic processes. However, technological advances can also be used to manipulate information, invade privacy, and abuse political power. Finally, the future of democracy also depends on international cooperation between democratic countries and international institutions.

<sup>25</sup> The Economist, MEGACHANGE – The World in 2050, The Economist Newspaper Ltd, 2012, pp. 142-143

<sup>26</sup> Ibid

Democratic countries should work together to support democracy in the world and to fight against authoritarianism and the violation of human rights. This includes supporting democratic forces in countries where democracy has been undermined, as well as protecting democratic institutions and processes.

It can be said that the future of democracy depends on many factors and there are no single solutions. Therefore, it is necessary to focus on the promotion of inclusive and responsible democratic processes, the protection of citizens' rights and the fight against authoritarianism, as well as on the promotion of international cooperation between democratic countries. These efforts should be placed in the broad context of social, economic and environmental sustainability, as democracy cannot be consolidated in conditions of social and economic inequality and environmental crises. It should be taken into account that democracy is not a permanent and static state, but is constantly in motion and is a process of change and improvement. So, it is important to evaluate and develop the democratic system, in accordance with the needs and challenges of our time, so that we can protect and improve it as states and as a world community. "World politics will need a strong sense of public welfare - democracy alone is not enough."<sup>27</sup>

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# THE OSCE AND ITS “HUMAN DIMENSION” ABOUT THE SURPASSED AND NEW DIVISIONS IN EUROPE

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POLITICAL THOUGHT

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In 2025, the Organization for Security and Co-operation in Europe (OSCE) will mark the 50th anniversary of the signing of its Helsinki Final Act. It was adopted on August 1, 1975 by the then 35 participating states in the Conference for Security and Cooperation in Europe (CSCE).

Negotiations had taken place in Helsinki and Vienna since 1973 in order to defuse the dangerous military confrontation between the highly armed antagonists in the East-West conflict through a policy of detente. The Cold War should not become a hot conflict. It was possible to define common interests and create trust. A central element of the negotiation processes was the breadth of the topics, which went far beyond the political and military dimension. Following an expanded concept of security, in addition to the arms issues, economy and environment were dealt with in a second basket, and the human dimension was dealt with in a third basket, which focuses primarily on human rights. The Soviet Union had responded to Western demands to include the issue of human rights and easier exchanges of people between East and West in the CSCE negotiations.

The latter had partly unexpected effects: reform forces and dissident groups in the Eastern Bloc felt enormously strengthened in their pursuit of freedom, human rights and democracy by the human dimension of the Helsinki Final Act and became increasingly committed to political change over the next fifteen years. International non-governmental organizations, such as the Vienna-based International Helsinki Federation for Human Rights, founded in Bellagio in 1982, also supported the reform forces in Eastern Europe and the Soviet Union.

Although the state repressive organs often used violence against the democracy movements - they were defamed as “subversive” and controlled by the West - they could no longer be stopped. The fall of the Wall and the Iron Curtain in 1989 marked not only the high point of the policy of détente between East and West, but also a success in the human dimension.

## **FIRST “TRIAL BALLOON” FOR HUMAN RIGHTS POLICY**

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The human dimension of the Helsinki Final Act became even more important after the end of the East-West conflict. While the principle of “non-interference in internal affairs” previously applied primarily to the human rights area, with the adoption of the Charter of Paris for a New Europe on November 21, 1990, the OSCE was defined as an area of common values.

Since then, democracy as a form of government, the protection of human rights and fundamental freedoms constituted the common framework of values of the OSCE participating states.

The CSCE had already launched its first "trial balloon" for human rights policy in the pivotal year of 1989 by introducing the so-called Vienna Mechanism. Since then, this process, which can be activated by one or more participating states, has allowed the OSCE states to ask another participating state questions about the human dimension - the main focus being on clarifying human rights violations and deficiencies in the rule of law.

Ideally, the Vienna Mechanism leads to a constructive discussion about human rights and constitutional deficits and supports their elimination. The necessary specialist expertise for this is provided by the Office for Democratic Institutions and Human Rights (ODIHR), opened by the OSCE in Warsaw in 1991, and other OSCE institutions.

Since 1990, the Vienna-based OSCE has responded to the needs of the former Eastern Bloc states in transition by founding various institutions that are intended to assist the participating states in democratization and protection of human and minority rights: in particular the Representative for Media Freedom in Vienna and ODIHR in Warsaw have formed the institutional structure of the human dimension for around three decades.

ODIHR is entrusted with carrying out election observation missions and other specialized tasks. This includes the fight against human trafficking, anti-Semitism and antigypsyism, the commitment to tolerance and non-discrimination as well as protection, support and training for human rights defenders and strengthening their cooperation with the independent national human rights institutes in the OSCE area.

In addition, field operations in thirteen countries - in the Western Balkans, the Caucasus and Central Asia - are also currently addressing human dimension issues such as minority protection, election observation and institutional reforms.

Nevertheless contrary to what many political actors in the OSCE participating states had hoped for in the euphoric turnaround years of 1989/91, authoritarian setbacks in the states in transition massive human rights violations, impunity and violations of the rule of law, corruption and election manipulation on a large scale and, last but not least, the military aggression of Russia against another participating state, Ukraine, severely affected the OSCE's work, based on the principle of consensus and trust-building, including the human dimension. New tools and mechanisms are therefore required.



## THE MOSCOW MECHANISM

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As early as 1991, the CSCE supplemented the Vienna Mechanism with the Moscow Mechanism. This goes well beyond amicable conflict management and the consensus principle in the operational area and can therefore be used in very critical problem situations - such as massive violations of human rights. It is used in addition to the Vienna mechanism if this has not previously led through cooperative processing to the desired conflict management and problem solving.

Since the beginning of Russia's war of aggression against Ukraine, Ukraine has requested the implementation of the Moscow Mechanism four times - most recently on April 25, 2024 and with the support of 44 other participating states - in order to have human rights violations and war crimes committed by Russia on its territory verified. However, the Moscow mechanism can actually only be implemented in cooperation with the participating state to be examined if it allows the external investigation. Up to three experts listed with ODIHR would then be invited to the respective country to be reviewed by mutual agreement, who would speak to the relevant authorities, politicians and civil society actors and prepare a report that would be published by ODIHR.

In many crisis cases, however, this consent and invitation are not given, and the individual expert then selected without the consent of the country to be checked is regularly refused entry and on-site research. Nevertheless, the extensive reports written despite this resistance represent an important contribution to coming to terms with massive human rights violations in the OSCE area - be it the serious, homophobic and transphobic human rights violations against LGBTIQ people in Chechnya (2018), or the massive repression after the Elections in Belarus (2020) or the war crimes committed by Russia in Ukraine (2022, 2023, 2024).

The expert's recommendations to those responsible in the affected state, to the OSCE and the international community form the final chapter of each report. The OSCE states can publish statements on this matter, but like the report itself, these usually do not have any direct consequences for the affected state in the form of warnings or punitive measures.

## RUSSIAN POLICY OF OBSTRUCTION

The Russian occupation and annexation of the Ukrainian peninsula of Crimea in 2014, which violated international law, had already mobilized the OSCE participating states, and in March 2014 a civilian observer mission was set up by consensus to reduce tensions - the Special Monitoring Mission (SMM). However, with Russia's full-scale war of aggression against Ukraine in February 2022, Moscow's willingness to continue this mission ended.

For the first time in its history, a clear majority of 34 OSCE participating states decided to implement a new extra-budgetary mission in order to override Moscow's veto: the Support Program for Ukraine (SPU). This program has been focusing on the human dimension for two years now with a total of around twenty projects. The aim is to support the long-term democratic development and social resilience of Ukrainian institutions, including civil society.

Further Russian blockades threaten the cohesion and ability of the OSCE to act: a budget for financial planning has not been agreed for three years. The votes on the annual rotating OSCE chairmanship are also being obstructed by Moscow's veto. The Estonian chairmanship for 2024 was rejected due to Estonia's NATO membership and was given to Malta at short notice. Finland, on the other hand, was awarded the presidency for the anniversary year 2025 by mutual agreement in 2021 - long before its accession to NATO in March 2023.

The current leadership troika - North Macedonia, Malta and Finland - is facing great difficulties due to the Russian blockade regarding the replacement of four OSCE leadership positions. These positions up to the senior secretary general - the German diplomat Helga Maria Schmid - have only been extended until September 2024. The upcoming election of the presidency for 2026 will also be exciting: Kazakhstan, Norway and Switzerland are up for election. The commitment to the human dimension - in particular to the strengthening and resilience of civil societies and human rights defenders in the OSCE area - is unlikely to be continued in consensus with Russia for a long time.

Russia massively disrupts the OSCE, but it does not destroy it in order not to lose this platform of influence. For the majority of OSCE participating states - and especially for the states of the former Eastern Bloc, which are struggling with nationality conflicts among nationalities, democratic deficits and human rights violations - the OSCE is nevertheless indispensable. It should enter the anniversary year with this self-confidence and maintain its resistance to Russian aggression and obstruction.

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Hermann Wentker

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# THE COLD WAR PAST AND PRESENT?

## BASIC PATTERNS OF INTERNATIONAL RELATIONS BEFORE 1989/90 AND TODAY

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POLITICAL THOUGHT

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## THE CONFLICTS BETWEEN THE MAJOR POWERS ARE INTENSIFYING

As a result of Russia's war of aggression against Ukraine, Russia's confrontation with the Western world has intensified. This also applies to the US relationship with China, which is extremely tense because of Beijing's expansion policy in the Indo-Pacific region and its increasingly aggressive policy towards Taiwan. In both cases there is repeatedly talk of a "new Cold War" that we are either already in or that the world is "racing towards at a startling pace."<sup>1</sup> However, increasing confrontation in world politics has not only been around for a year. As early as 2016, in a series of interviews, experts were asked whether we were in a "new Cold War" - a question that was answered negative by the majority at the time.<sup>2</sup> Not every confrontation deserves the characterization "Cold War," which moreover describes an era sui generis. However, the question arises as to whether certain basic patterns that determined international relations before 1989/90 are returning to some extent. Or are the differences so serious that this terminology should be avoided?

To answer these questions, it is first necessary to make a few comments about the salient features of this epochal conflict. The Cold War was characterized by the ideological contrast between democracy and communist dictatorship, as well as between a market economy and a socialist planned economy. Both sides were convinced that they were committed to an ideology and a system that would ultimately prevail; it was about nothing less than a battle for the "soul of humanity."<sup>3</sup> Inextricably linked to this was a power-political conflict between the superpowers USA and the Soviet Union, which, in order to achieve their goals, gathered two alliances around themselves, which, however, differed greatly in their internal structure and in relation to their supremacy: while NATO was a voluntary association, the Warsaw Treaty Organization (WTO), colloquially known as the Warsaw Pact, was a forced alliance of the Eastern (Central) European states that had been in the Soviet sphere of influence since 1945. Both military blocs were highly equipped to deter the other from attacking and to be able to defend themselves if necessary. A special role was played by nuclear weapons, which the USA, Great Britain and France had in NATO, but only the Soviet

1 So with regard to Russia Hannes Adomeit / Joachim Krause: „Der neue (Kalte?) Krieg. Das russische Ultimatum vom Dezember 2021 und die Folgen für die westliche Allianz“, in: SIRIUS, Volume 6, Issue 2/2022, pp. 129-149, here pp. 142-147; with regard to China quoted from Matthias Naß: „USA und China. Auf dem Weg in einen neuen Kalten Krieg“, in: Die Zeit, March 13, 2023.

2 For the interview series, see Working Group Military History e.V., Research on the Cold War - an inventory / Interview Series: Taking Stock of Cold War Research, [www.portal-militaergeschichte.de/interviewserie\\_kalter\\_krieg](http://www.portal-militaergeschichte.de/interviewserie_kalter_krieg); Berliner Kolleg Kalter Krieg: Research on the Cold War, [www.berlinerkolleg.com/de/interviewserie-forschung-zum-kalten-krieg](http://www.berlinerkolleg.com/de/interviewserie-forschung-zum-kalten-krieg) [last accessed: February 5, 2024].

3 According to the title of Melvyn P. Leffler's book: For the Soul of Mankind. The United States, the Soviet Union, and the Cold War, New York 2007

Union in the WTO. Their possession played a highly ambivalent role, as succinctly described by the American historian Jeremy Suri: "Nuclear weapons deterred states from unleashing war, but they contributed to the escalation of crises; They placed certain limits on the Cold War, but at the same time kept it alive."<sup>4</sup>

After the Cold War escalated again at the end of the 1970s, the situation eased again from the mid-1980s onwards, ending with the breakup of the Warsaw Pact as a result of internal revolutions and the parallel collapse of the Soviet Union in 1991 at the latest.<sup>5</sup> The East-West conflict was replaced by a new, fragmented order dominated by the USA: it was a long-lasting "unipolar moment".<sup>6</sup> The world was in fact more unstable than before. However, the end of the Cold War was accompanied by contractually agreed international disarmament agreements that had previously been considered unthinkable. These not only envisaged the destruction of existing conventional and, above all, nuclear weapons, but also the mutual monitoring of this process.<sup>7</sup> The end of the Cold War therefore enabled the outbreak of military conflicts in Europe, for example in Yugoslavia, but initially freed the world from the risk of nuclear war.

## A RETURN TO CONFRONTATION AND HEAVY WEAPONRY

Since Vladimir Putin took over the Russian presidency in 2000, and especially from 2007/08, the fundamental willingness to cooperate between Russia and the West gave way to increasing confrontation. The most important, although not the only, reason for this was and is Putin's goal of restoring Russia's former greatness internationally. In doing so, he is guided by the dimensions of the Soviet Union, and an identification with Russia he has repeatedly made known. Russia questioned the international order,<sup>8</sup> especially from 2007/08 onwards, which was expressed not only in the expiry and termination of disarmament treaties, but also in military interventions in Georgia (2008), Crimea and eastern Ukraine (2014).<sup>9</sup> Putin saw himself able to do this because he had been massively

4 Jeremy Suri: „Logiken der atomaren Abschreckung oder Politik mit der Bombe“, in: Bernd Greiner / Christian Th. Müller / Dierk Walter (eds.): *Krisen im Kalten Krieg*, Hamburg 2008, pp. 24–47, here p. 46.

5 See Hermann Wentker: „Vom Zweiten Kalten Krieg zum Ende des Ost-West-Konflikts. Wandel der Weltpolitik und Revolution der Staatenwelt“, in: *Historische Mitteilungen*, Nr. 27/2015, p. 244–272.

6 The term according to Charles Krauthammer: "The Unipolar Moment," in: *Foreign Affairs*, Volume 70, 1990/91, No. 1, pp. 23–33. See also Hal Brands: *Making the Unipolar Moment. U.S. Foreign Policy and the Rise of the Post-Cold War Order*, Ithaca/London 2016.

7 See Tim Geiger: „Die europäische Friedensordnung von 1990, Beginn einer neuen Ära“, in: *Militärgeschichte. Zeitschrift für historische Bildung*, Online-Dossier Krieg in der Ukraine, <https://zms.bundeswehr.de/de/zmsbw-dossier-ukraine-geiger-tim-1-5408530> [last accessed: 05.02.2024].

8 See Martin Aust: *Die Schatten des Imperiums. Russland seit 1991*, Munich 2019, p. 99.

9 See Tim Geiger: „Who lost Russia? Der Niedergang der europäischen Sicherheitsordnung 2000-2022“, in: *Militärgeschichte. Zeitschrift für historische Bildung*, Online-Dossier Krieg in der Ukraine, <https://zms.bundeswehr.de/resource/blob/5408576/e83fe01cf70cb54bb-da1609a6045992/geiger-niedergang-der-friedensordnung-data.pdf> [last accessed: 05.02.2024].

upgrading and modernizing the Russian armed forces for fifteen years - conventional and nuclear.<sup>10</sup> The West's cautious reaction to the annexation of Crimea and the invasion of eastern Ukraine, as well as the isolationist policies of US President Donald Trump that weakened NATO, encouraged Putin to continue his aggressive course. Since he probably considered the West to be too weak, especially after the debacle of the withdrawal from Afghanistan in 2021, he was encouraged to attack Ukraine. This means that all Western attempts to achieve international security with Russia have failed.

Now NATO has to establish security against Russia bearing in mind that NATO is in confrontation with Moscow without being a warring party. In terms of power politics, this is certainly reminiscent of the Cold War constellation. However, there are three main differences: Firstly, the Western community of states did not respond to the Russian rearmament after 2000 with counter-armament - completely contrary to the philosophy of deterrence.<sup>11</sup> Secondly, Russia today is clearly pursuing a revisionist and therefore expansionist agenda, while the Soviet Union has tended to be a status quo-oriented power since the second half of the 1960s, even if this was perceived differently in the West. Thirdly, the situation is far more dangerous than it was then, as Russia is in a hot war with Ukraine - right in the middle of Europe.

Also China, which has long been considered a status quo-oriented power in the West, has modernized and upgraded its armed forces in an unprecedented manner under the leadership of Xi Jinping.<sup>12</sup> Rearmament, after starting in the 1990s, has received a further boost since the military reform of 2015. If one correctly interprets Xi's words at the 2017 party congress, China wants to become the world's largest military power by 2049. For years, Chinese military spending has always grown more than the gross domestic product.<sup>13</sup> China appears to be pursuing two main goals: on one hand in the Indo-Pacific region, where it is building a base system in the South China Sea and where its Taiwan policy is becoming increasingly aggressive. According to experts, Xi wants to realize his vision of the "great resurrection of the Chinese nation" by 2049, which also includes "reunification" with Taiwan.<sup>14</sup> On the other hand, according to its "military strategy" published in 2015, Beijing intends to expand its navy into a high-seas fleet to secure strategic sea routes - as a global trading power, it also wants to be capable of global military action.<sup>15</sup>

<sup>10</sup> See Adomeit/Krause, a.a.O., p.144 see En.1.

<sup>11</sup> See *ibid.*, p.141 (with reference to the Bundeswehr)

<sup>12</sup> See Frank Umbach: „Chinas Aufrüstung – ein Alarmzeichen“, in: *Internationale Politik*, Volume 55., No. 7/2000, pp. 29-36

<sup>13</sup> See Nele Noesselt: „China als Rüstungsakteur. von Maos Papiertigern zu robusten Regenbögen“, in: *Aus Politik und Zeitgeschichte*, No. 18-19/2019, pp. 27-31.

<sup>14</sup> Quoted from Frédéric Krumbain: „Bedrohte Demokratie. Der Konflikt in der Taiwanstraße“, in: *Aus Politik und Zeitgeschichte*, No. 26-27/2023, p. 32.

<sup>15</sup> See Noesselt, a. a. O., see En. 13, p. 28

As a result, China's Indo-Pacific neighbors are increasingly turning away and seeking close solidarity with the USA. Washington is increasing its military presence in the Indo-Pacific region and is attempting to create countervailing power, for example with the trilateral alliance between the USA, Great Britain and Australia (AUKUS). Japan, Australia and the Philippines share concerns with the USA about an escalation of the Taiwan conflict. At the same time, however, they are dependent on trade with China.<sup>16</sup>

This confrontation is similar to that in the early phase of the Cold War in that China was on the side of the Soviet Union and did not shy away from direct or indirect military conflicts with the Western world - for example in the context of the Korean War. There have been no hostilities between China and Taiwan so far. However, China is pursuing an increasingly risky course with the repeated incursions of its fighter jets into the Taiwanese air surveillance zone. Overall, a situation that is also more dangerous than in most phases of the Cold War.

The United States, Russia and China are the world's leading nuclear powers, with the former two possessing ninety percent of all nuclear weapons. China follows in third place, but has significantly expanded its potential in recent years. The world has become less safe due to the termination or expiry of almost all nuclear disarmament treaties. Russia even threatened to use nuclear weapons in more or less veiled terms during its war of aggression against Ukraine. Nevertheless - as in the Cold War - the balance of terror seems to be working: the major nuclear powers apparently do not want to risk a nuclear war.

## BIPOLARITY AND BLOCK FORMATION

The dominance of the USA is history, but there is no sign of bipolarity returning. Instead, we find ourselves in a multipolar world<sup>17</sup> in which the US is increasingly challenged by China; Russia does not play anywhere near the role of China globally, but through its military involvement in the Syrian civil war and especially in the Ukraine war, it has shown that it can have a lasting influence on world politics as a highly armed military power that is prepared to wage war. The extent to which other powers or alliances, such as India or

<sup>16</sup> See Peter Walkenhorst: „Ein neuer Kalter Krieg?“, in Internationale Politik Spezial, Volume 76., No. 3/2021, p. 10; see also with reference to ASEAN Klaus Mühlhahn: „Regionaler Hegemon? Kleine Geschichte der auswärtigen Beziehungen Chinas in Asien“, in: Aus Politik und Zeitgeschichte, No. 26-27/2023, p. 7f.

<sup>17</sup> Against the background of corresponding statements by China and Russia against the alleged “Western hegemony” at the end of the Cold War, the “multipolar world order” was described as an “anti-Western project” (Jörg Lau: „Wir leben in einer multipolaren Welt“, in: Internationale Politik, No. 5, September/October 2023, 78th year, p. 15) Here, however, the term is used in a neutral way to describe the difference between today's world order and that of the Cold War.

even the European Union, can become new power centers cannot be foreseen, but based on current assessments it is rather unlikely.<sup>18</sup>

Of the military alliances that characterized the Cold War, NATO alone survived. After the end of the Cold War, in view of the collapse of the Warsaw Pact, questions were repeatedly asked about its meaning; In addition, centrifugal forces were observed, for example when Turkey turned to Russia and even purchased a missile defense system from there. In addition, during Donald Trump's presidency there were isolationist tones from Washington, and in 2019 French President Emmanuel Macron described NATO as "brain dead". However, this belies the fact that the alliance remained functional at its core and adapted flexibly to changing times - albeit with some delays. This was true both in the 1990s, characterized by the Balkan wars and NATO's eastward expansion, and in the 2000s, in which the alliance became a "global security actor" as a result of the terrorist attacks of September 11, 2001, and with little lasting impact tried to stabilize crisis regions around the world. Since 2014, but especially since February 2022, it has returned to its original function, so that national and alliance defense is once again the focus of its tasks.<sup>19</sup> Contrary to his intentions, Putin did not weaken the alliance, but rather strengthened it. In view of the attack on Ukraine, NATO has not only moved closer together, it has even expanded by including Finland since April 2023 and - after a long blockade by Turkey and Hungary - since March 2024 expanded to include Sweden. Overall, NATO has so far proven to be largely capable of acting in the face of the Ukraine war, both in terms of aid for its eastern neighbor under attack and in terms of its own dispositions.

There have been new security policy alliances in the Eastern European-Asian region since the beginning of the 21st century. These include, on the one hand, the Collective Security Treaty Organization (CSTO),<sup>20</sup> founded in 2002, which, in addition to Russia, also includes Kazakhstan, Armenia, Belarus, Kyrgyzstan and Tajikistan and at the center of which is an obligation to provide mutual assistance. On the other hand, the Shanghai Cooperation Organization (SCO), founded by China and Russia, has existed since 2001 and also includes India, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan and Uzbekistan. This also has a security policy dimension. However, it is now more of a regional forum for economic, technological and cultural exchange, hardly able to act

<sup>18</sup> Herfried Münkler, who believes that the emergence of a new Pentarchy consisting of the USA, Russia, China, the EU and India is entirely possible in the future, takes a different view in: *Welt in Aufruhr. Die Ordnung der Mächte im 21. Jahrhundert*, Hamburg 2023.

<sup>19</sup> See Karl-Heinz Kamp: „NATO: Rückblick auf ein Dreivierteljahrhundert“, in: *Aus Politik und Zeitgeschichte*, No. 47-48/2023, pp. 4-9, the quote on p. 6.

<sup>20</sup> The CSTO emerged from the 1992 Treaty on Collective Security between Russia, Uzbekistan, Belarus, Armenia, Kazakhstan, Kyrgyzstan and Tajikistan, which represented "a consultation mechanism and infrastructure based on the Soviet model," see Anna Kreikemeyer: „Herrschaft statt Sicherheit. Die Organisation des Vertrags für Kollektive Sicherheit“, in: *Osteuropa*, Volume 62., Issue 5, 2012, pp. 81-91, here p. 87.

in an international context due to the diverging interests of its member states. Unlike during the Cold War, NATO is not opposed to a closed alliance with militarily integrated structure.<sup>21</sup>

## A WAR OF IDEOLOGIES?

However, due to the Ukraine war, Russia has leaned more closely on China, which does not support Western sanctions. Both benefit from this unequal partnership: trade has increased significantly, China is purchasing more oil and gas from Russia, and at low prices. In this respect, Russia is more dependent on China than the other way around, whose business with Russia only accounts for a very small part of its foreign trade. As in the past, Russia supplies jets and submarines to China, which in turn exports drones and ship engines to Russia, but there is no evidence of direct export of Chinese military weapons.<sup>22</sup> Whether the Chinese-Russian informal alliance, based primarily on a common anti-Western front, can establish itself in the long term is, however, uncertain. China, as a global trading power, will not bind itself to a Russia that can only supply it with cheap energy. In addition, China's relationship with its western neighbor was anything but untroubled in the past: reference should be made to the Soviet-Chinese antagonism since the 1960s and to the fact that China has traditionally felt and feels itself to be a superior civilization.

While the West defines itself as an alliance of democracies in the form of NATO and the European Union, Putin's Russia and Xi's China are dictatorships. So is the Cold War being revived here as an ideological conflict between democracies and authoritarian regimes? China and Russia share a common enemy: Western democracy and the USA, which they accuse of striving for hegemony. The search for an ostentatious missionary idea, as socialism undoubtedly was at the time, remains largely fruitless in today's Russia. Putinism here is essentially reduced to an extreme nationalism that wants to turn back time, even if Putin tries to present himself as the upholder of traditional Russian Orthodox values, who supposedly opposing the decline in Western values - keyword LGBTQ.<sup>23</sup>

Post-Maoist China is still ruled by a communist party. However, the communist ideology with Chinese characteristics seems to have finally had its day since the 1990s.

<sup>21</sup> See also Walkenhorst, a. a. O., p. 10, see En. 16. Walkenhorst emphasizes that China is "a lonely world power".

<sup>22</sup> See Ruth Kirchner: „China und Russland. Ziemlich beste Freunde“, in tageschau, February 23rd, 2023, [www.tagesschau.de/ausland/asien/russland-china-krieg-ukraine-beziehung-101.html](http://www.tagesschau.de/ausland/asien/russland-china-krieg-ukraine-beziehung-101.html) [last accessed: 05.02.2024].

<sup>23</sup> see Vgl. u. a. Michael Thumann: Revanche. Wie Putin das bedrohlichste Regime der Welt geschaffen hat, Munich 2023, pp. 93–99, pp. 155–157.



Instead, nationalism also took its place in China<sup>24</sup>, and a strong re-ideologization can be seen in this regard: Xi Jinping's ideas were incorporated into the party statutes in 2017 and into the constitution in 2018. Although this is not a clear ideological construct, a special sense of mission on the part of the Chinese leadership is now evident, which builds on thousands of years of hegemonic traditions of the "Middle Kingdom". Beijing seems to be convinced, especially since the global financial crisis, that it can "offer the world a better model of order than the West." Unlike the liberal West, the authoritarian Chinese system helped its citizens achieve economic and technical progress in a short period of time, so that people are convinced of their own superiority.<sup>25</sup> This view was long reflected in China's strict zero-COVID strategy until it was revised in a breakneck U-turn in December 2022.

In the Western world, democracy is still the predominant form of government. However, it is being increasingly undermined in some countries, such as Hungary, and largely abolished in others, such as Turkey. The appeal that the Western liberal model had on other countries after the fall of communism in the 1990s has now diminished, although its appeal is partially returning in view of the acute threat from authoritarian regimes. Even though today, with China and Russia on the one hand and the Western states on the other, authoritarian and democratic systems are once again opposing each other, it is no longer a fundamentally ideological conflict. In this largely power-political dispute it is hardly about winning people's hearts.

## ECONOMIC INTERDEPENDENCIES AND ECONOMIC WARS

The current global political constellation is more complicated than it was during the Cold War because global economic integration is much more advanced. This has already become clear with the sanctions imposed against Russia, to which Moscow responded by stopping deliveries of oil and gas to Western countries, causing considerable problems for Western economies, especially Germany's. In the case of China, which is at the center of global supply chains and is the most important trading partner for many countries around the world, such sanctions would be unthinkable. Unlike the Soviet economy before 1989, the Chinese economy is not closely intertwined only with the US economy.

<sup>24</sup> See Vgl. Klaus Mùhlhahn: Geschichte des modernen China. Von der Qing-Dynastie bis zur Gegenwart, Munich 2021, pp. 591–596.

<sup>25</sup> So Nils Ole Oermann / Hans Wolf: Wirtschaftskriege. Geschichte und Gegenwart, Freiburg i. Br. 2019, p. 180f. (here also the quote about the better order model)

This makes China less vulnerable than the Soviet Union, which collapsed particularly because of its economic weakness.<sup>26</sup>

Economic interdependencies make military conflicts fundamentally unattractive because they can damage and even destroy economic relationships that have been established for mutual benefit. This consideration has led to the hasty conclusion that wars are no longer fought in today's globalized world because of their economic disadvantages. However, political leaders are not guided by economic thinking alone. It is anything but unlikely that Xi Jinping is factoring in a war to "reunify" with Taiwan. Nevertheless, Beijing's interest in maintaining its economic relations, particularly in Asia, is likely to have a conflict-dampening effect.

## AGGRESSIVE PURSUIT OF INTERNATIONAL CONTROL

Economic interdependence from which several partners benefit is one component, the aggressive striving for economic dominance, indeed "for the widest possible international control over the system for the production, distribution and consumption of goods and services"<sup>27</sup> is the other component of today's global economic relations. China in particular can be accused of such an ambition: the so-called Belt and Road Initiative – known in German-speaking countries as the "New Silk Road" – clearly goes in this direction, since there can be no question of reciprocity in economic relations. There are initial problems with this project: due to economic problems, China no longer sees itself in a position to provide loans to the same extent as before, and some states that were initially involved, not least because of the knowledge that they have fallen into a debt trap want to reduce or even cut their ties with China. Nevertheless, with its economic relations with states in the so-called Global South that are geared exclusively to its own economic advantage, China is in a better position than the West, which is structurally disadvantaged due to its demand for political reforms. In addition, in economic and technological terms the West is at best equal to China, and in some areas - for example in future technologies such as the development of artificial intelligence - it is even behind. This is a fundamental difference from the Cold War, when the West was always economically and technologically superior to the East - sometimes the Soviet Union was ahead in rocket technology.

<sup>26</sup> See Walkenhorst, a. a. O., p. 10, see En. 16.

<sup>27</sup> So Oermann/Wolf, a. a. O., p. 190f., see En. 25.

This addresses new fields that prima facie have nothing to do with the original question. However, the problems outlined indicate that it is not enough to look for parallels and differences between today's global political situation and the Cold War. We must not lose sight of other conflicts that, although they also have their historical antecedents, are not rooted in the East-West conflict.

So, to take up the original question again, are the basic patterns of the Cold War those that determine today's global political reality? If we look at the players, NATO is the only alliance that survived the Cold War and still exists today - and despite all the current difficulties, it is more vital than expected just a few years ago. The USA was able to maintain its status as a superpower; Russia, as the sole nuclear heir to the Soviet Union, is still a nuclear power, but is anything but a superpower. China, whose separation from the Soviet Union dates back to the 1960s and whose rise dates back to the 1980s, has become the far more important great power, much more capable of standing up to the United States on a global scale. Regardless of whether the "Middle Kingdom" is equal to the USA as a world power, it is obvious that world politics today is no longer bipolar, but rather multipolar.

## **WARS TODAY ARE MOTIVATED BY POWER POLITICS**

However, this also means that disarmament treaties would no longer just have to be negotiated and organized bilaterally between two superpowers or two military alliances, but rather multilaterally. The current power groupings can be divided into dictatorial and democratic, as in the Cold War. Nevertheless, today's conflicts and wars are not ideologically driven, but largely power-political disputes. The final element is that the world - as already explained - is economically interconnected to a much greater extent than before 1990. On the one hand, this can have a conflict-inhibiting effect, but on the other hand, if there is sufficient economic power, it does not rule out economic wars to achieve economic - and thus political - superiority.

Overall, the conclusion of these considerations is that individual elements of the world order reminiscent of the Cold War can be identified; however, the differences to the constellation at that time are much greater. Greater complexity in the relationship between states, the inextricable intertwining of economic and power-political ambitions, and the increased willingness of Russia and China to use military means to achieve their goals after 1990 make the world a more insecure place than

it was between the 1960s and 1990. Remained is simply the fear of mutual nuclear annihilation, which prevented the Cold War from becoming a hot one and which hopefully also prevents the expansion of today's wars.

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## SHORT BIOGRAPHY

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Gunter Rieck Moncayo

# SEARCHING FOR THE RIGHT DOSE ON THE ROLE OF STATE INTERVENTION IN TIMES OF GEOECONOMIC COMPETITION

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POLITICAL THOUGHT

68

For Germany and Europe, the geopolitical environment has deteriorated massively. Our foreign trade policy cannot ignore this fact. That is why the term “de-risking” is on everyone’s lips. The demand on the state to intervene in economic relations if necessary to protect its own security is increasing. That is quite right, as long as we realise two things: more is not necessarily better. And even the best de-risking instruments are of little help without your own competitiveness.

It was a boom with a bang: since 5 July 2024, manufacturers of battery electric vehicles (BEVs) from the People’s Republic of China have to pay a so-called countervailing duty of up to 37.6 per cent in the form of bank guarantees if they want to import their cars into the European Union. According to the European Commission, these duties are intended to compensate for the unfair competitive advantage enjoyed by Chinese manufacturers owing to state subsidies. In doing so, the Commission drew on its geoeconomic toolbox, which it has greatly expanded in recent years in response to the changing global political situation.

There were mixed reactions to the Commission’s decision: while a survey conducted by the German Economic Institute (IW) showed a clear majority of companies (eight out of ten) in favour of the announced measure,<sup>1</sup> many observers warned of Chinese countermeasures and an escalation into a trade war.<sup>2</sup> In the short term, however, the European show of power was successful, at least in the sense that only ten days after Brussels informed of its plan on 12 June 2024, negotiations were announced between the European Union and China to find an amicable solution. However, China will initially respond with its own measures. Only time will tell to what extent the feared trade war will actually materialize. Meanwhile, Europe has demonstrated its ability to act on the geoeconomic stage, despite all the prophecies of doom.

1 Matthes, Jürgen / Schmitz, Edgar 2024: Competitive pressure from China for German companies, IWReport 30/2024, German Economic Institute (IW), 11 Jun 2024, in: <https://ogy.de/hvn5> [16 Jul 2024]

2 The President of the German Association of the Automotive Industry (VDA), Hildegard Müller, commented that “countervailing duties for e-cars imported from China [...] are not suitable for strengthening the competitiveness of the European automotive industry”. VDA 2024: VDA Statement on EU Countervailing Duties. VDA President Hildegard Müller on EU Countervailing Duties, 4 Jul 2024, in: <https://ogy.de/xhle> [16 Jul 2024].

## THE NEW GEOPOLITICAL REALITY

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At the end of 2019, Ursula von der Leyen caused astonishment when she announced at the beginning of her first term as Commission President that she wanted to lead a “geopolitical commission”.<sup>3</sup> From now on, global power politics was also to be conducted from Brussels and no longer only in Member States’ capitals. And even if it was not entirely clear at the time what this announcement would mean in practice, the new geopolitical reality quickly showed that the European Union could not avoid aligning its external action more closely with interests of power politics and possibly also using economic instruments to achieve them.

Following Russia’s attack on Ukraine, a gas embargo was hotly debated in Germany, aimed at cutting off an important source of Russian revenue to finance the war. At its core, the debate centred on the dependence of Germany’s energy supply on gas imports from Russia. The question was: are we even in a position to play this trump card? Or do we end up harming ourselves more than the other side? The discussion was finally brought to an end by Russia itself, which first reduced gas supplies to Germany and then stopped them completely.

However, even prior to the Russian invasion of Ukraine and the associated debates about dependence on gas supplies, the issue of economic resilience had gained in prominence in the political and public arena as a result of various disruptions to value chains. For example, empty shelves in the wake of the fight against the coronavirus pandemic and supply bottlenecks due to the blockade of the Suez Canal caused by the Ever Given container ship accident in March 2021, have markedly demonstrated the vulnerability of global supply chains. In an era when just-in-time production with the smallest possible stocks had become the standard, these disruptions had far-reaching consequences, and further disruptions to delivery routes are likely to occur in the future. The consequences of climate change only add another “source of error”, as recently demonstrated by a drought in Central America, which temporarily reduced the capacity of the Panama Canal by 40 per cent. This resulted in long waiting times and detours with corresponding delays at the ports of destination.

More than ever, though, the resilience of an economy must also be measured by its ability to respond to geoeconomic attacks, as shown by the example of the Russian gas tap being turned off for Germany in 2022. This is not a new phenomenon, just look

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<sup>3</sup> European Commission 2019: Speech by Presidentelect von der Leyen in the European Parliament Plenary on the occasion of the presentation of her College of Commissioners and their programme, 27 Nov 2019, in: <https://ogy.de/d0vb> [16 Jul 2024].





at the conflict between Japan and China over rare earths since 2010.<sup>4</sup> Yet, there is no doubt that geopolitical tensions are rising and potential conflicts involving Europe are at least becoming more likely.

It is important to note that despite these shocks, global trade has continued to grow unaffected, at least for now. Contrary to predictions by some observers at the peak of the coronavirus shock, de-globalisation is by no means occurring.<sup>5</sup> But what is actually happening is a reorganisation of globalisation, a re-globalisation in which various processes are taking place in parallel: fragmentation, regionalisation, diversification.

## DE-RISKING IS THE ORDER OF THE DAY

The buzzword par excellence in these times of re-globalisation is “de-risking”. The term originates from the world of finance. It describes the termination or restriction of business relationships by financial institutions with certain customers or customer groups so as to exclude risks (“avoid, rather than manage, risk”). The “new” de-risking in the geoeconomic context is also about reducing risks in economic relationships, but without breaking off the relationships completely.<sup>6</sup>

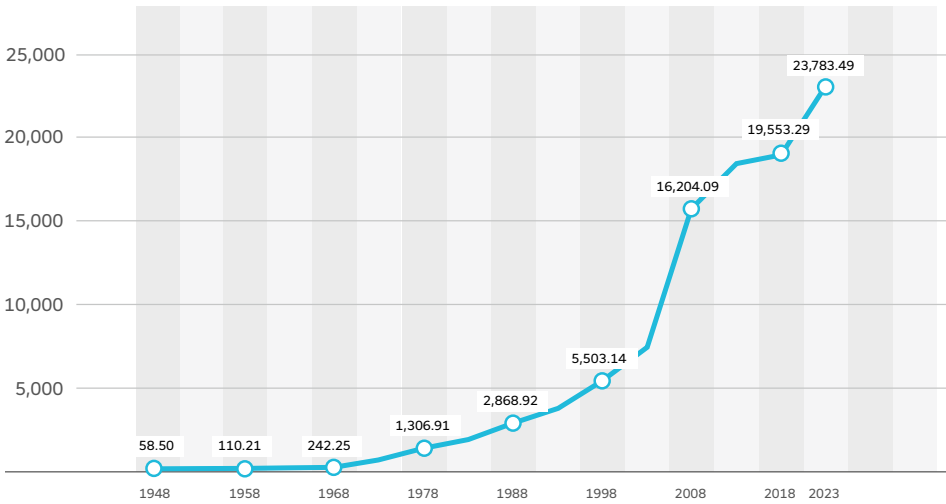
The main aim is to reduce dependencies in value chains that could be exploited by third parties to achieve geopolitical goals. Now, dependencies in the economic sphere are not bad per se. Quite the opposite: the concept of the global division of labour is based on the fact that not every economic unit holds the entire value chain in one hand.

<sup>4</sup> In September 2010, the captain of a Chinese fishing vessel was arrested by the Japanese Coast Guard in waters to which China also lays territorial claims. As a result, deliveries of rare earths to Japan were de facto halted for two months. Officially, however, China has denied an export ban.

<sup>5</sup> For example, Dullien, Sebastian 2021: Nach der Corona-Krise: Die nächste Phase der (De-) Globalisierung und die Rolle der Industriepolitik, IMK Policy Brief 100, Institut für Makroökonomie und Konjunkturforschung (IMK) der Hans-Böckler-Stiftung, Jan 2021, in: <https://ogy.de/mn95> [16 Jul 2024].

<sup>6</sup> Ursula von der Leyen: “This is why we need to focus on de-risk – not de-couple.” European Commission 2023: Speech by President von der Leyen on EU-China relations to the Mercator Institute for China Studies and the European Policy Centre, 30 Mar 2023, in: <https://ogy.de/ko5x> [16 Jul 2024].

**Fig. 1:** Global Volume of Trade in Goods from 1948 to 2023 (in Billions of US Dollars)

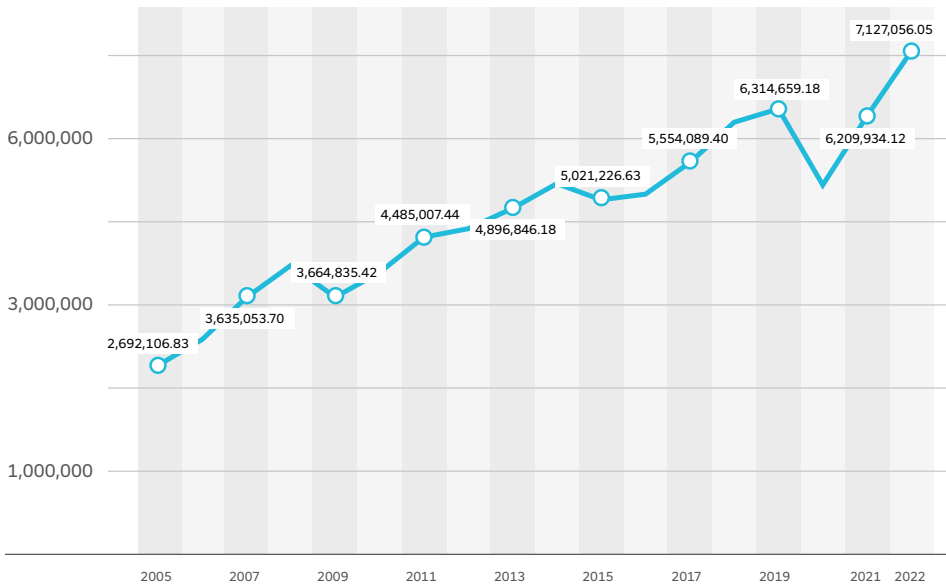


**Source:** Development of global exports in goods trade from 1948 to 2023 (in billion US dollars)  
10 Apr 2024, in: <https://ogy.de/ngou> [11 Jul 2024].

Exchange and specialisation create added value for all sides, giving rise to a deliberate dependency for mutual benefit. It is to be assumed that the decentralised spontaneous organisation of these diverse dependencies can be brought about more efficiently by the market players than central government coordination could ever guarantee.

Having said that, critical and therefore potentially dangerous dependencies may arise that require government intervention. The danger lies in the fact that in times of increasing geopolitical fragmentation, other states could exploit dependencies to further their interests of power politics, for example by provoking disruptions to supply relations. Import dependencies on China are a particular focus here. Germany's industry is more dependent on China than any other in Europe, both for the import of raw materials and primary products, and as a sales market.

**Fig. 2:** Global Trade Volume for Services 2005 to 2022 (in Millions of US Dollars)



**Source:** Development of global exports of services in the period 2005 to 2022 (in million US dollars), 16 Aug 2023, in: <https://ogy.de/wtm7> [11 Jul 2024].

At first glance, the dependence on China does not appear to be too great, as the People’s Republic accounts for only nine per cent of Germany’s foreign trade.<sup>7</sup> At second glance, however, dependencies that have become entrenched over long periods of time are clear to see, where a breakdown in supply relationships would have far-reaching (not only economic) repercussions and where substitution is hard to achieve. However, these truly critical dependencies apply to far fewer imports than is generally assumed, and especially include pharmaceutical products and some raw materials such as scandium, yttrium, graphite, germanium and magnesium.<sup>8</sup>

There is a passionate debate about how to respond to this situation. Near-shoring, in which the individual production steps are geographically closer together again, may have been an understandable approach at the onset of the polycrisis outlined above, whereby disruptions along the supply chains occurred rather accidentally and without political influence due to the consequences of the pandemic and the blockade of the

<sup>7</sup> See the public hearing of the Economic Committee of the German Bundestag on 10 April 2024 on economic relations between China and Germany, German Bundestag 2024: Prüfung der Wirtschaftsbeziehungen zwischen Deutschland und China, 10 Apr 2024, in: <https://ogy.de/r9p1> [16 Jul 2024].

<sup>8</sup> Matthes, Jürgen 2024: Import side De-risking China in 2023: An anatomy of high German import dependencies on China, IW-Report 18/2024, IW, 9 Apr 2024, in: <https://ogy.de/g6oz> [16 Jul 2024].

Suez Canal. However, such an approach will not help against geopolitically motivated, deliberate disruptions.

In response to this new threat, so-called friendshoring quickly emerged, in which geopolitical, rather than geographical, distances were to be minimised. Yet, the truth is that a supposedly brave new world where we only trade with likeminded value partners would not only be very small, but also very limited in terms of supply. It thus seems more expedient to have a mix of larger stockpiling to bridge short-term disruptions in supply chains and greater diversification of sources of supply to reduce dependence on individual countries over the medium to long term.

## STRUCTURAL CHALLENGES FOR COMPANIES

In a social market economy, companies are the primary addressees of all such considerations. For them, assessing risks in their production processes is always an important task. However, any hedge against risks is associated with costs, whether through increased warehousing or the diversification of supply relationships. From a business perspective, it is important that the cost of hedging against a particular risk is always in relation to the potential loss. In this sense, de-risking works like a classic insurance policy in this context: you pay a premium (cost of de-risking) to protect yourself against a loss event (disruption of supply relations). The problem here, however, is that the probability of occurrence cannot be calculated, particularly in the case of geopolitical risks. Therefore, it is generally not possible to insure against losses caused by such business interruptions on the open market.<sup>9</sup>

Companies therefore face the enormous challenge of determining the right level of de-risking. In a highly competitive environment, it is not surprising that companies avoid additional costs with an immediate impact if they cannot safely assess the potential medium to long-term benefits. We can thus expect that companies will tend to hedge less against geopolitical risks than would be necessary for society as a whole. This is all the more true if companies assume, based on experience, that they will be cushioned by government support measures in the event of major upheavals. The costs are thus shifted, sometimes with active support from policymakers, from the company to future taxpayers, who will have to finance the government's additional debt service.

<sup>9</sup> In contrast, losses resulting from business interruption for other reasons are perfectly insurable, such as in the case of natural events, fire, burglary or strikes.

A further complicating factor for companies is that a monopolistic supplier structure means that it is simply impossible for individual customers to diversify their supply relationships. Especially in the processing of strategic raw materials, China has achieved a market power to which no alternative has yet been established. The demand for battery raw materials for the energy and mobility transition and for the ongoing digitalisation of society will further intensify these dependencies, as China is the dominant market player here.

A look at the diversification efforts of German companies in terms of de-risking from China therefore paints a mixed picture: in 2023, only 37 per cent of German companies were still dependent on upstream products from China, compared to 46 per cent prior to the start of the Russian war of aggression against Ukraine. At the same time, however, the number of companies that want to further reduce their dependency has also decreased. In some cases, dependency on imports has even increased because, for example, some primary products in the chemical industry are no longer produced in Germany at all due to the rise in energy prices.<sup>10</sup> Jürgen Matthes from IW Cologne recently summarised the findings as follows: “On this basis, there is hardly any sign of structural de-risking of imports in 2023, although total German imports from China have fallen by almost a fifth.”<sup>11</sup>

The lack of visibility of private diversification efforts is also partly due to value chains increasingly being considered regionally rather than globally in the sense of a “local for local” approach. The aim is to guard against both disruptions to supply routes and protectionist trade restrictions, which are increasingly being employed by states as an instrument of geoeconomic power. In line with this approach, products for the Chinese market are then manufactured locally wherever possible, products for the North American market are manufactured there, and so on. As a result, more investments are being made in China, for example, during the transition phase in order to establish the corresponding value chains locally. The CEO of Mercedes-Benz, Ola Källenius, pointedly expressed his company’s prioritisation in the recent past by stating that de-risking for Mercedes means more China, not less.

<sup>10</sup> Baur, Andreas/Flach, Lisandra: Zeitenwende in German-Chinese Trade Relations? Evidence from German Firm, EconPol Policy Brief 57, CESifo, Apr 2024, in: <https://ogy.de/zjvt> [16 Jul 2024].

<sup>11</sup> Matthes 2024, n. 8, p. 14

## WOULD THE STATE PLEASE TAKE OVER?!

Thus, if structural challenges mean that decentralised risk minimisation by companies falls short of the optimum for society as a whole, central government coordination appears to be necessary. In fact, the state can use cleverly designed de-risking to resolve the dilemma for companies and secure the competitiveness of its own economy in the long term. However, it is crucial that politicians are aware of their own capabilities and limitations.

A lack of information also makes it difficult for political decision-makers to assess the extent to which de-risking is necessary to achieve the socially optimal level. As with companies that have to accept higher costs in the short term as a result of their own de-risking efforts, society is initially threatened with a loss of prosperity owing to centrally coordinated de-risking measures. And even if these short-term losses in prosperity must of course be set against any medium to long-term positive effects, the existing uncertainty leads to calculation problems. What is more, government decision-makers do not bear the resulting costs themselves, but impose them on other stakeholders – either as direct costs in the form of taxes, levies and additional compliance costs or indirectly through higher debt. This can soon result in state-coordinated de-risking becoming too far-reaching and the costs for society as a whole being higher than the potential damage against which it wants to protect itself. Clever policy should avoid this.

After all, we cannot afford this loss of prosperity. That is partly because, as an ageing society with stagnating productivity, we do not want to give up the social benefits we have come to value. In addition, the necessary transformation of the economy and society towards climate neutrality incurs enormous costs (at least in the short to medium term), which also have to be covered.

However, despite all the hurdles and risks, there is no way around the strategic use of geoeconomic instruments, of which de-risking is just one component. And since large parts of foreign trade policy fall exclusively within the competence of the European Union, the specific organisation of geoeconomic instruments is determined at European level. The corresponding toolbox has been greatly expanded in the recent past. There are now more than 20 different tools and strategies that can be grouped into three categories:<sup>12</sup>

<sup>12</sup> The categorisation here is based on Leichthammer, Arthur 2024: Navigating the Geoeconomic Tide. The Commission's quest for a policy compass, Policy Brief, Jacques Delors Centre, 16 Apr 2024, in: <https://ogy.de/e2dr> [16 Jul 2024].

1. Instruments to safeguard a level playing field with third countries, such as the anti-subsidy investigation, which has now led to the abovementioned countervailing duties for Chinese electric cars;
2. EU instruments bridging the economic and security domains: the so-called anti-coercion instrument against economic coercion by third countries, screening of foreign direct investments in Europe, export controls and outbound investment screening;
3. EU strategies to support its geoeconomic agenda, including the Cybersecurity Act, the Internal Market Emergency and Resilience Act, the scientific research framework programme Horizon, the European Chips Act and the Net Zero Industry Act.

This list gives an idea about how complex the implementation of a geoeconomic agenda is. In particular, there is a tendency towards a very high density of regulation, with some provisions immediately creating the need for the next regulation. In the worst case, the result is a political patchwork.<sup>13</sup>

The potpourri of different instruments and strategies with which the European Union seeks to ensure its geoeconomic capacity to act raises the question of when the state exceeds the limits of its capacity. The wide-ranging competences, which sometimes lie with the Member States, sometimes with the Commission – and there again, depending on the measure, either with the Directorate-General for Trade (DG Trade), the Directorate-General for the Internal Market, Industry, Entrepreneurship and SMEs (DG Grow), or the Directorate-General for Competition (DG Comp) – or the European External Action Service (EEAS), further increase the risk of the state overstretching itself. Given the very limited number of critical dependencies, which can be restricted to just a few products, fewer, but more precise instruments seem to be required.

It would be more than just collateral damage if, in addition to the critical dependencies, non-critical economic exchange relationships were also affected by overly ambitious regulatory zeal. There is little point in criticising dumping from China when it comes to products that can be produced more cheaply there than in Germany, even without state subsidies. Eliminating or even artificially increasing the price of these cheap imports would have an inflationary effect and further delay the implementation of the energy and mobility transition.<sup>14</sup>

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<sup>13</sup> Ibid., p. 8.

<sup>14</sup> Bollmann, Ralph 2024: Deutschlands fatale Abhängigkeit von China, Frankfurter Allgemeine Zeitung, 12 Apr 2024, in: <https://ogy.de/vst2> [16 Jul 2024].

## FOCUS ON YOUR OWN ECONOMIC STRENGTH

In any case, it is crucial for the successful implementation of a geoeconomic agenda to focus on our European and German competitiveness. After all, our own strength is the best tool for greater resilience. To this end, the ability to innovate should be strengthened and weaknesses in the financing of start-ups should be addressed, for example by enabling public institutional investors to invest in venture capital and improving the tax position of entrepreneurial investments in research and development.<sup>15</sup>

There is also an urgent need to make European trade policy work again, so that business diversification can develop with as little disruption as possible. European trade policy is currently dysfunctional on virtually all fronts. The fact that the negotiations with Australia are failing; that there is a de facto deadlock with MERCOSUR; that the ratification of CETA is not in sight; and that an agreement with the United States is currently inconceivable (especially if Donald Trump were to be elected for a second term in office) is a trade policy disaster in itself. That this is happening at a time when risks should actually be minimised through greater cooperation with like-minded countries makes the failure inexcusable. Europe is in danger of losing touch with the rest of the world, and no amount of geoeconomic instruments can compensate for this. Too many non-trade issues have been included in trade talks over the years, where the interests of our potential partners diverge so much that successful deals are prevented. And we are too unwilling to recognise that our protected agricultural markets, which distort competition, are a major source of irritation for many potential partners. We need a new way of thinking to prepare Europe for the future. In any case, the trade talks should be less comprehensive, so that the end result is an “EU-only” agreement that does not require the Member States’ approval for full entry into force.

In contrast to “EU-only” agreements, comprehensive agreements are currently being negotiated that not only concern areas of exclusive EU competence, but also areas of competence of the Member States. These so-called mixed agreements must therefore not only be ratified at EU level, but also by the Member States themselves in order for them to fully enter into force. This has started to slow Europe down.

Germany and the European Union should continue to review regulations to determine the extent to which they harmonise with the objectives of de-risking and diversification. The German Supply Chain Act and the European Supply Chain Directive CSDDD, for

<sup>15</sup> Fochmann, Nadja et al. 2024: Mit Risikokapital Innovationen hervorbringen. Zur Weiterentwicklung der Wachstumsfinanzierung in Deutschland, Federation of German Industries, 29 Apr 2024, in: <https://ogy.de/se4z> [16 Jul 2024].



example, make diversification more difficult and thus consolidate China's dominant role. This is not what a coherent policy looks like.

It is right and important for the state to focus on risks that could jeopardise our ability to act. However, it must not overshoot the mark: if more and more details are regulated and entrepreneurial decisions are increasingly controlled, the function of free competition as a process of discovery is compromised and, with it, the greatest economic strength we have to offer as a free society. Yet, our strength and ability to innovate should always be the measure of all things. For only through our own strength can we ensure that dependencies are mutual and that they cannot be used against us.

– *translated from German* –

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