

# **GLOBSEC** **Megatrends** **2020**

**Trends Triggered  
& Accelerated by COVID-19**

**The World After  
the Pandemic**





GLOBSEC  
MEGATRENDS

# Trends Triggered & Accelerated by COVID-19

## The World After the Pandemic



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# Executive Summary

The emergency presented by the COVID-19 pandemic is shaking up the established order of things, and it is already clear we are witnessing yet another turning point in modern history. Amidst an ongoing health crisis, the liberal order also seems to be in dire condition. Met with the dual challenge of a global pandemic and economic crisis, Western leadership needs to regain momentum and focus lest it be replaced by undemocratic regimes. The COVID-19 crisis might accelerate the power shift between the world's two biggest superpowers, as China is increasingly strengthening its position as a global superpower, and the US position will continue to decline.

The fact that multilateralism is under strain is demonstrated by the tumultuous relationship between the US and China, but also within the European Union, as it faces a new era of internal fragmentation. The pandemic had a surprising effect on the dynamics of the integration process – accelerating some initiatives, such as the mutualisation of debt and the creation of new sources of revenue for the EU budget, while postponing or putting a brake on others, including enlargement, asylum, migration policies or defence integration.

Freedom of movement was certainly one initial victim of the shock-induced tendencies of nation states to deal with the most global of crises by the most local of measures. It is already evident that the international mobility of people is going to face limitations for the foreseeable future. At the EU level, the question arises whether we can establish a degree of trust and a rules-based approach and prevent disruptive arbitrary border checks introduced by some states. In the unprecedented situation of the first days of the pandemic most national populations were more than willing to accept that nobody can better protect them from the pandemic than the local strongman. Increased polarisation and loss of trust with elected officials, institutions, and processes was laid bare during the pandemic, magnifying economic, social and political divisions in western societies. Amid an economic crisis, the most pressing deficiencies of modern democracies – underdelivery, the wealth gap, the influence of oligarchs, and kleptocracy and corruption - must be addressed.

While the past decade was frittered away by the recovery from the 2008-2009 financial crisis, mostly embodied in monetary policy, the next, post-pandemic decade will be marked by a return of 'big government' as embodied by increased economic interventionism. In the EU, access to the recovery funds is conditioned by presenting sensible national plans, with a special emphasis on green and digital transitions. These developments demonstrate that the role of both national and international governments has risen exponentially, resurrecting the importance of competent public leadership, and underscoring the perils of lax decision-making.

As recognised at the highest levels in the EU, the sustainability agenda will become an integral part of post-pandemic recovery. The lockdown provided a temporary and artificial respite from transport-related emissions and environmental degradation in 2020, which can nonetheless serve as a new awakening and catalyst for sustainable choices going forward. National recovery measures offer a historic opportunity to lock in cleaner and more resilient technologies, including but not limited to the building renovation wave, urban public transport,

sustainable agri-food systems, and promotion of energy-efficient home appliances.

The pandemic has also highlighted the role of digital technologies, which have played a major role in tackling this exceptional crisis, ranging from the worldwide use of contact-tracing applications and online collaboration platforms to e-learning tools. COVID-19 has accelerated the digital revolution, with a disruptive impact on our economies and societies. The speed of technological change, however, does not match by the skills offered on labour markets or the evolution of education systems, which is creating a widening digital divide that needs to be urgently addressed.

Digital technology is also progressively affecting the very foundations of security. The pandemic has forced everyone to spend more time online than before, which includes terrorist groups and the vulnerable populations they cater their propaganda to. We have seen a surge of online terrorist propaganda content, and we need to address these changing threats in the following decade.

The focus on the virtual space has also exposed the devastating impact of disinformation on societies. The COVID-19 pandemic has been accompanied by what the World Health Organization (WHO) describes as an 'infodemic' - information chaos wreaked on societies through the accelerated dissemination of misinformation, disinformation, and conspiracy theory. This was enabled by the current architecture of our information environment and is characterised by the growing importance of the digital realm, its increased speed and the dominance of digital platforms as gatekeepers of information, as well as online advertising revenues and lack of regulation.

The chaos caused by the flood of misinformation during the pandemic has also enabled a plethora of health-related scams. The onset of COVID-19 has served as a blunt indication of the weakness and fragility of states when they disregard the countermeasures necessary to defeat global health challenges. Public health is therefore going to remain a serious security issue. The current pandemic presents an opportunity to strengthen policies to improve critical protocols like early warning systems, crisis management, and future resiliency, in the physical and virtual realms alike.

Considering all of the above-mentioned challenges, it is evident that the post-COVID world emerging from the crisis calls for an urgent need to devise new functional models of operation for society, economy and politics. The goal of the GLOBSEC's Megatrends report 2020 is to help identify those trends and shape policy solutions in order to reflect the post-pandemic era.

# Navigating the post-COVID crisis

By Jakub Wiśniewski

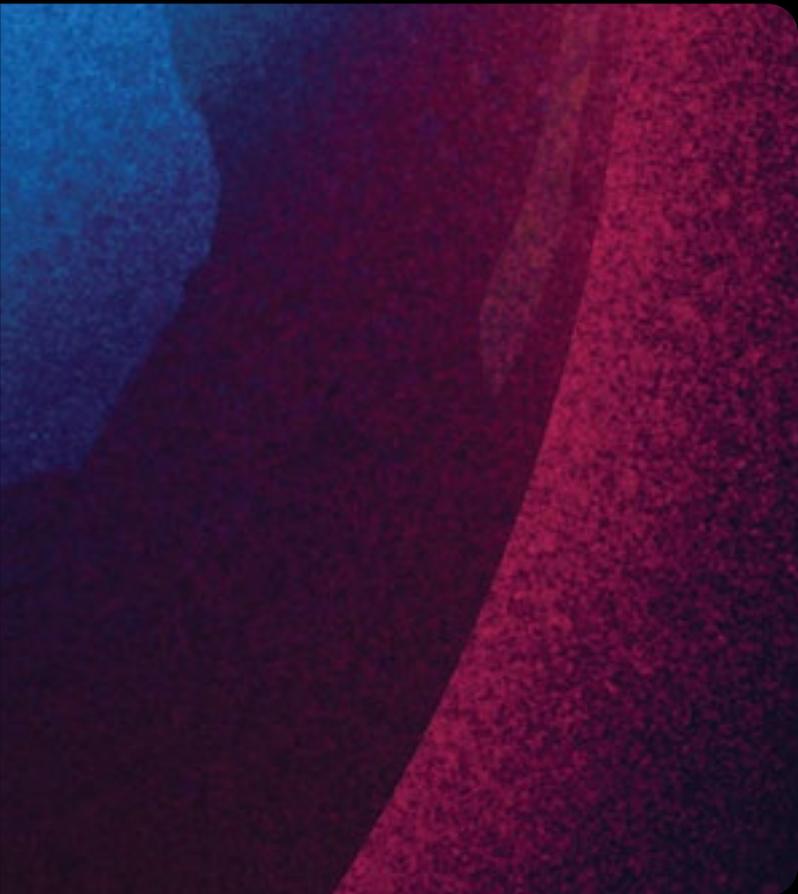
In summer 2020 GLOBSEC conducted a global brainstorming exercise regarding the post-pandemic era. We reached out to hundreds of policy makers and experts from 27 countries, seeking their rich and insightful views on how our world will change.

The post-COVID-19 world has not yet begun. The scourge is far from over. We are living amidst the pandemic, still devoid of answers to the most basic questions like how many people will be affected? When will effective medication be available? How badly will economies suffer before normal economic activity resumes? With each passing week of the current emergency our yearning for a pre-COVID reality grows greater and with each passing week a looming suspicion grows - bordering on certainty - that there is no simple return to the old times<sup>1</sup>.

The onset of COVID-19 was a shock, especially in the early months of 2020. Populations believed plagues happen in faraway countries or in the distant past, not in the 21<sup>st</sup> century. The epidemic was a supposed relic of history books or

museums filled with medieval paintings depicting the Black Death or leprosy. Across the world, despite info-bombardment through television, radio and internet, confusion and misinformation reigned supreme. Social distancing measures imposed by governments prompted a variety of reactions: from relief and gratitude to outward rebellion. In July 2020, 20,000 protesters in Berlin rallied against the “false alarm of Corona”. “Away with these laws that have been imposed on us, away with the masks that make us slaves,” one participant cried<sup>2</sup>.

Lockdowns restored an ancient sense of space, where the only available destination was a one reachable by foot – a nearby park, grocery store or pharmacy. The hoarding of food and other necessities evoked the worst days of World War II. Borders were re-imposed, exposing the feebleness of decades of inter-state cooperation such as the Schengen system. Stable incomes faltered as layoffs began. The lucky individuals who kept their jobs had to learn to work from home, sharing their space with spouses or bored and disoriented children. Some individuals of “productive age” in prosperous countries were



painfully reminded that there are whole swathes of citizens at retirement age who are “stowed away” in care homes, vulnerable to diseases and leading a narrow existence. As the virus knows no borders, the prosperous middle class has realised they share a society with less lucky individuals and communities, as in the case of Roma villages in Slovakia, deprived of sanitation or rudimentary public infrastructure.

Ironically, the virus has also had rare positive outcomes. The word “solidarity” acquired new meaning in situations where the good will of neighbours providing basic foodstuffs was the only thing between life and death for the elderly, frail or disabled. Some people finally found time to stop and think about their lives, visit nearby forests, restore family ties, and reinvent simple hobbies like reading or sewing. Even people uninterested in politics suddenly became aware that the Earth is but a single place to live, shared collectively by humanity, with all the divisions artificial human existence produces. As one interviewee put it:

“This crisis revealed how no country is safe until all countries are safe, so the internationalist cooperative spirit is crucial to contending with ‘wicked’ cross-border problems.”<sup>3</sup>

Statesmen – at least in some rare cases – could rise above petty division and seek compromise. For example, it might be a pure coincidence, but the 7-yearly ritual of negotiating the EU budget (ending with swift agreement in summer 2020) less resembled the unpleasant process of the production of sausages (to paraphrase Otto von Bismarck) than is the case on average. Musicians played concerts; painters drew pictures across the limitless space of the internet; scientists shared medical knowledge so that progress in the search for vaccine would be quicker. The COVID crisis restored fundamental faith in a factual approach to reality.

Nobody, not even the specialists who took part in the GLOBSEC Global Brainstorming, has a crystal ball to state with certainty what the long-term consequences of the COVID crisis will be. The exercise of forecasting is not pure speculation, though. Some clear trends are emerging in the political, economic and social realms.

Take politics, first. Political establishments are shaken; large post-war projects such as the European Union might succumb to fragmentation. This could, alternatively, be transformative “Hamiltonian” moment for Europe, where a new recovery fund could constitute the nucleus for a more “intelligent” EU expenditure. In the words of Thomas Wieser, former president of the Economic and Financial Committee of the EU, interviewed by GLOBSEC: “Europe is in danger of being crushed geopolitically between China and the US - and will not manage to have a joint external policy in response.”<sup>4</sup> For others it is an opportunity. According to Jakub Janda, Member of the Chamber of Deputies of the Parliament of the Czech Republic, the revelation that Europe cannot be dependent on China can be a positive outcome of the COVID crisis<sup>5</sup>. Similarly, for America it might be the last moment to rediscover its multilateralist self and seek greatness through cooperation with allies. The departure of the US from the World Health Organization (WHO) was a disorienting step to its friends and partners (notwithstanding the evident flaws of this institution), and presented a face of America which is rather inward-looking and confrontational. Despite doomsayers, multilateralism might not be on its last legs, however, as all nations would suffer if the world reverted to the anarchic state of pre-1945.

Internal political scenes underwent a significant transformation in several countries as a consequence of the COVID crisis. Political fortunes have shifted in the US, with incumbent president Donald Trump languishing in the polls ahead of the November elections, though longer-term ramifications are harder to predict. We might assume that some crowd manipulator’s bluff will be called, with potentially tragic consequences. In Belarus its recent elections were disputed as rigged, but only after the president’s mismanaged public policy response to the epidemic evolved into mass protest. In some countries new political parties will emerge; in others the demise of old political movements will gather pace. Culture wars between the left and right have become more intense, sometimes leading to bitter division as in the cases of the US, Britain and Poland, boding ill for consensual political regimes. It is safe to assume, that the global confrontation between democracy and authoritarian rule will become more

intense, sometimes dramatic - as in Hong-Kong or the Xinjiang province of China. As Stefano Stefanini, former Permanent Representative to NATO and former Diplomatic Advisor to the President of Italy, interviewed by GLOBSEC, put it:

“Democracy under stress at the time of the crisis opens windows of opportunities to authoritarian regimes. Can democracies compete with non-democracies in countering COVID-19? The jury is out”<sup>6</sup>.

Jonathan Katz, former Staff Director of the US House of Representatives and previous Senior Advisor to the Department of State, is more optimistic: “Democracy is not dead. The U.S. and Europe and pro-democracy nations are reenergized and realize that the global fight for values is critical to individual and collective security. This will create the resilience needed to tackle global challenges”<sup>7</sup>.

The temperature of frozen or smouldering conflicts rose suddenly as some governments wished to use the lockdowns and general COVID-induced stupor to their advantage; for example, friction on the Sino-Indian border near the disputed Pankong Lake and the Tibet Autonomous Region in May 2020. One such minor conflict could potentially flare into an open war, especially dangerous if nuclear-armed superpowers are involved. The global conflict of the West with China looms as the single most negative potential of COVID-19, according to Jan Krzysztof Bielecki, former Prime Minister of the Republic of Poland<sup>8</sup>. Traditional military security might be one of the first unlikely victims of the COVID crisis, at least in the public perception. “Military budgets will be under further stress for years to come”, Stefano Stefanini observed<sup>9</sup>. Through COVID-19, the Western alliance is facing turbulent times as well, as doubts have appeared as to whether NATO is fit to serve its purpose - especially in a time when a different kind of security is on people’s minds.

In the economic realm, old paradigms will not suffice to restore and sustain growth. Big government is back, and is maybe here to stay. An unprecedented fiscal stimulus will be followed by a decade (if not more) of financial repression and high taxation. Unemployment benefits will not be enough for some people to weather the current storm and join the labour market when it recovers. Unorthodox approaches to monetary and fiscal instruments have gained traction with mainstream economists. The liberalisation of global trade will stagnate or even retrench. “Nearshoring” will increasingly replace offshoring as long-distance links are severed or disturbed. Ian Brzezinski, Deputy Assistant Secretary of Defense for Europe and NATO Policy under President George W. Bush, spoke of “Greater self-sufficiency in key elements of supply chains of strategic materials and products”<sup>10</sup>.

Whole industries such as entertainment, hospitality and tourism will have to live with lower levels of people’s mobility and less willingness to socialise. E-commerce will thrive. Technology will increasingly determine the contours of the geopolitical

**Across the world public policies will go into deep review. The inadequacy of health care has been painfully exposed in many countries. Education systems will finally have to come to terms with the digital revolution.**



map of the future, potentially leading to division into two rival technological hemispheres. It is possible that COVID will quicken the inevitable fourth industrial revolution.

“The economic disruptions will be even larger for our economies and employment structures than the development of the internal combustion engine. The whole geography of production and distribution will change radically. The end result may be very good, but getting there may be painful.”<sup>11</sup>

Across the world public policies will go into deep review. The inadequacy of health care has been painfully exposed in many countries. Education systems will finally have to come to terms with the digital revolution.

Societal change could be potentially huge. Everyday lives will be different; less secure, less stable, and more reliant on the assistance of the state. A whole cohort of young people will struggle to make up for lost years. Income disparity between and within countries will deepen, making poverty more of a challenge. The Global South, as has happened many times in previous crises, seems to have been forgotten and left to its own devices, with rampant corruption, poverty, and the prevalence of less conspicuous infectious diseases, such as malaria. Biological crises of different kinds might emerge as a new normality. Tourism will also become more local. On the positive side, the epidemic might have opened many eyes to the natural environment. Even if stories of dolphins swimming freely in the canals of Venice were spurious, people were happy that nature could at least briefly retake its course, with many real examples of this occurring throughout the world. Compromises on climate change policies may henceforward be easier, with COVID-19 being an induced check on uncontrolled growth. On the other hand, cash-strapped governments may decide to postpone difficult decisions and a green agenda will have to wait until the fiscal health of countries is restored.

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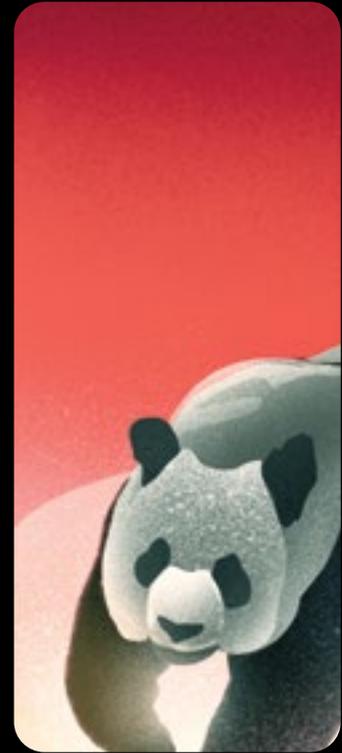
Following World War I, Norwegian painter Edvard Munch contracted Spanish Flu at a time when the disease was taking a deadly toll on whole swathes of the European population. Possibly in the midst of fending off despair the artist drew a self-portrait in which he studied his own condition and predicament. At such a low point, Munch found it worthwhile to delve into his mental and physical state. In an analogous manner, time today spent on self-reflection is not wasted. The pandemic has sharpened edges, exposing the transience of existence of the individual, societies, and states. Where do we go from here? The future is malleable, and problems do carry indications as to possible solutions.



# China — US relations



# Multilateralism is under strain. China is increasingly strengthening its position as a global superpower and the US position will continue to decline



by Ryan  
McCarrel  
and Jakub  
Wiśniewski

**T**he liberal order seems to be in crisis, and the Western democracies' apparent willingness to resuscitate it is somewhat lacking. Met with the dual challenge of a global pandemic and economic crisis, Western leadership should regain momentum and focus lest it be replaced by undemocratic regimes. The COVID-19 crisis might even accelerate the power shift between the world's two biggest superpowers.

As the European Union grapples with internal divisions and a lack of clear sense of purpose, the United States seem equally distracted. As Dan Balz, the Washington Post's Chief Correspondent recently argued, "Once described as the indispensable nation, the United States is now seen as withdrawn, inward-looking, a reluctant and unreliable partner at a dangerous moment for the world."<sup>12</sup>

In some part this is due to America's contentious domestic political scene and the resulting gridlock in Washington D.C. With Democrats and Republicans locked in political impasse, it has been nearly impossible for lawmakers to solve a myriad of problems that continue to accrue, weighing down the US in

important strategic and socio-economic domains. America's ageing population (albeit at a much slower pace than that of China or some countries of Europe) is increasingly drawing on a fragile social security benefits system, while the younger generation struggles to acquire the same living standards as their parents. Mid-pandemic, the US remains the only industrialised country in the world without universal healthcare, with more than 500,000 Americans filing for bankruptcy to pay for medical bills each year.<sup>13</sup> COVID-19 laid bare just how fragile and susceptible to exogenous shocks the American social safety net and economy has become, with over 30 million Americans filing for unemployment just one month into the pandemic. This combination of social, political and economic unrest led Tom McTague of The Atlantic to lament, perhaps excessively, that "the U.S. today simply doesn't look like the country that the rest of us should aspire to, envy, or replicate".<sup>14</sup> Without any path forward to passing meaningful reform, and with the country so deeply divided from within, America is less willing to project its political power outward, much less provide the kind of steady-handed leadership that the world has grown accustomed to. Many Americans simply no longer perceive the benefits of US engagement abroad.<sup>15</sup>

At the same time the US is home to the world's most innovative and dynamic companies, top tier universities and research institutions, with a vibrant, dynamic civil society. It is the country which is a magnet for immigrants from practically every continent, with an unprecedented amount of soft power – ranging from Hollywood movies to most sophisticated art. The country with its market of over 300 million people constitutes one of the centres of world economic activity, is a trade superpower and a key stakeholder shaping multilateral trade conditions. The US is also further strengthened by its globe-spanning alliances with other democratic nations, ranging from European countries to Australia, South Korea and Japan.



In 1979, when China embarked on a series of economic reforms, the world's largest country by trade accounted for less than 2% of global trade. **Today, China accounts for 12.4% of global trade and more than 15.5% of global GDP.**

## China's Inexorable Rise

Meanwhile, China seems poised to reassert itself as the world's unquestionable "other" superpower. Indeed, China's growing geopolitical and geo-economic ambitions have already raised concern among some observers that it is fast becoming a revisionist power intent on challenging what the Chinese leadership perceives to be western-dominated multilateral institutions built primarily to benefit the US and Europe.<sup>16</sup>

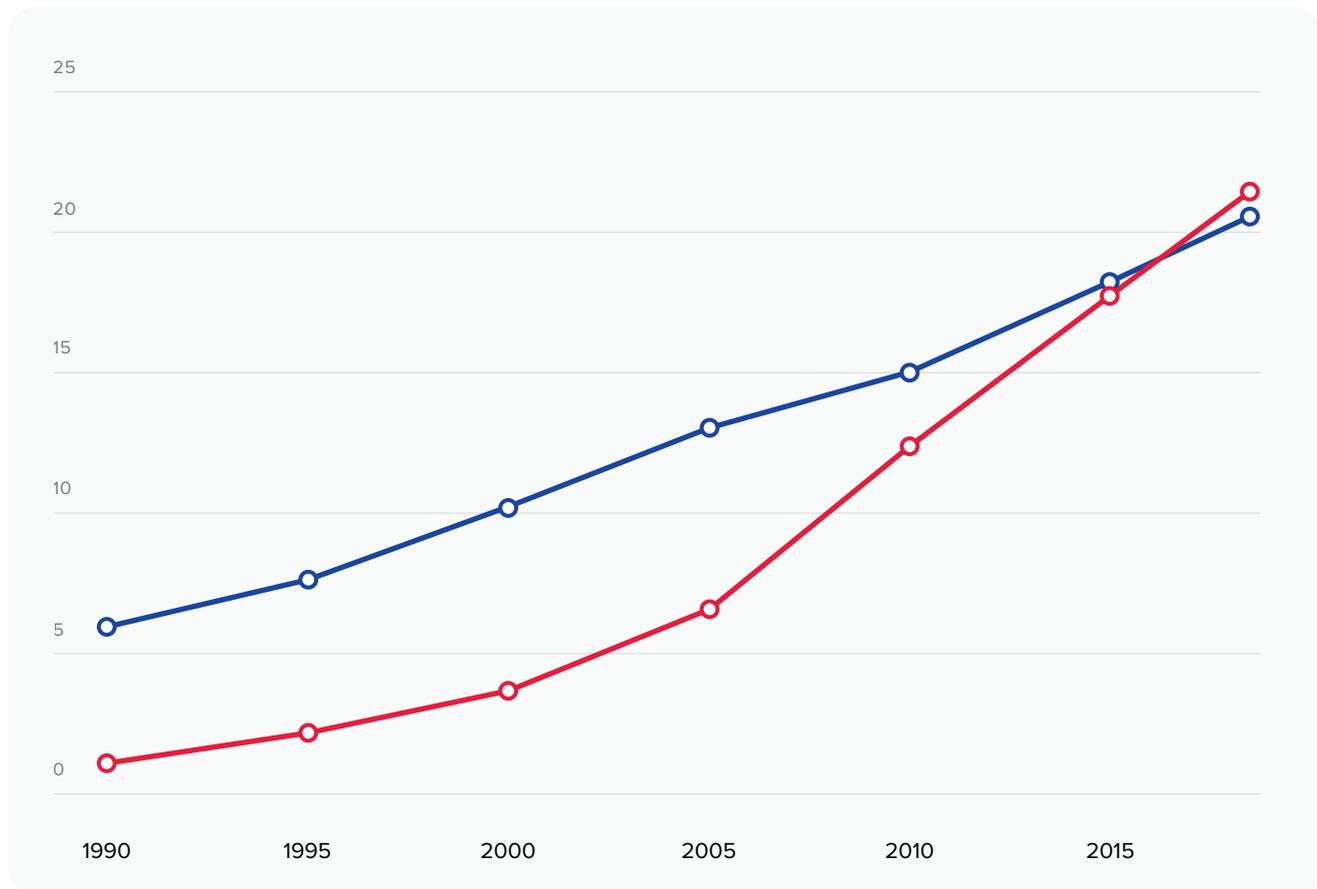
In 1979, when China embarked on a series of economic reforms, the world's largest country by population accounted for less than 2% of global trade. Today, China accounts for 12.4% of global trade and more than 15.5% of global GDP.<sup>17</sup> Along with its increasing economic significance, China has become a much more assertive and dynamic player in global politics and has invested heavily in revamping its military hardware.

The Chinese economy, which has grown at an average rate of 9.5% GDP per year since 1978, is now the world's second largest economy and its largest producer of manufactured goods (2.01 trillion USD). Indeed, by some measures China's economy has already eclipsed the United States (**Figure 1**). Despite signs that China's rapid growth is slowing, hovering around 6-7% for the last few years, Chinese manufacturing nonetheless still accounts for fully 28% of global output, and its share of the global economy continues to grow. China's domestic markets and relatively cheap labour are largely to thank for this, which have always enticed foreign corporations to do business with China despite its unfair treatment of multinational corporations. European and US companies are often required to relinquish trade secrets in order to gain access to Chinese markets – a point of contention in trade negotiations and business dealings. Regardless, the immense market power of China's domestic economy is simply too large of a pull for these companies to ignore.

In many ways Xi Jinping genuinely liberalised the country in comparison to the times of Hu Jintao. Investment rules inside China have been relaxed (albeit insufficiently), corruption has been curtailed, social media has flourished (again, to a limited but significant degree which could influence the country's future). China has become rich through trade. In order for the Chinese rise to be sustainable, the free flow of goods has to continue. When seen from this perspective, multilateralism for China is a welcome feature of global governance. Chinese growth will continue only if the country learns to ascend the ladder of the production chain. As prosperity rises and earnings grow, the value added of Chinese products will also have to enlarge. This will require proper research and development and innovation policies - which constitutes a challenge.

Figure 1. **GDP, PPP Trillions USD, China & The United States**

China United States



China's purchasing and manufacturing power has given it increasing leverage over the global economy in ways few other countries possess, but until recently it lacked the institutions and the will necessary to wield this leverage politically on the global level. That began to change in 2012 after Xi Jinping became general secretary of the Chinese Communist Party (CCP). Under Xi Jinping's leadership, China has taken a much more assertive stance in global politics and developed institutions such as the New Development Bank (NDB) and Asian Infrastructure Investment Bank (AIIB) to help the country achieve its ambitious foreign policy and development goals. These two financial institutions are at the core of President Xi's signature foreign policy proposal, the Belt and Road Initiative (BRI), launched in 2013. The BRI utilises various new financial and political instruments to exert influence over countries while integrating them into an expanding web of trade networks and infrastructure projects. BRI is a massive undertaking spanning the entire Eurasian landmass from Western Europe to the South Pacific, encompassing two thirds of the world's population and its economic output. At a total estimated cost of nearly 1.2 trillion USD, the BRI consists of ports, free trade zones, manufacturing centres, trains, highway systems, and energy grids, all of which are meant to 'break the bottleneck in Asian connectivity.'<sup>18</sup>

Infrastructure projects are constructed with Chinese financing and contributions from Chinese firms. In the short term, this is intended to prevent substantial job losses in China as its

industries shift towards higher income activities. Working in conjunction with Beijing's domestic economic policy, the Made in China 2025 plan, the BRI is meant to "accelerate China's transition into a high-income economy and cement the country's position as a global economic power."<sup>19</sup> Even if BRI investments do not immediately add to the balance books, Beijing expects them to pay geopolitical and geo-economic dividends over the long term.

The BRI has already had a small but geopolitically significant impact in Central and Eastern Europe (CEE), with Chinese investment in the Budapest-Belgrade railway causing a stir in Brussels. The controversial railway project has been criticised for its lack of transparency and is expected to cost up to 2.1 billion USD, mostly funded by a loan from China. The fact that this project in the CEE region is being carried out under the auspices of the BRI gives a sense of the size and scope of the initiative. Up until now, China has mostly invested diplomatically in CEE, with the 17+1 format standing out as the most obvious example. These diplomatic efforts are aimed at trying to win over influence in a strategic corner of Europe that is important for fulfilling its connectivity ambitions. The Budapest-Belgrade railway is one of the first attempts to translate these diplomatic efforts into concrete infrastructure projects as part of the BRI.

The BRI therefore fulfills two crucial functions for the Chinese state and its long-term rise as a global power: first, it adds an additional mechanism for financing infrastructure projects in

Asia and further abroad, which is necessary for the continued economic development and advancement of the Chinese economy. Second, it gives Beijing an opportunity to present an ideological and functional alternative to western-led institutions, which Chinese officials have criticised for not being inclusive enough.

The project is driven by Xi Jinping's vision of "building a common destiny for mankind" or a "community of shared future," which according to China's Vice Minister, Madame Fu Ying, is built upon three pillars: cooperative security, common development, and political inclusiveness.<sup>20</sup> According to Xi Jinping:

**China will actively promote international co-operation through the Belt and Road Initiative. In doing so, we hope to achieve policy, infrastructure, trade, financial, and people-to-people connectivity and thus build a new platform for international co-operation to create new drivers of shared development.<sup>21</sup>**

Indeed, "The main goal of the BRI," according to Daniel Blumenthal, "is to expand Chinese global political and economic networks and to secure a more active position in 'global governance' without waiting for the West to give China more roles and responsibilities in existing institutions."<sup>22</sup> Bruno Maçães, a leading scholar on the Belt and Road, and a former Portuguese Secretary of State for European Affairs, goes even further in his assessment of the BRI suggesting that "The Belt and Road is the Chinese Plan to build a new world order replacing the US-led international system" altogether.<sup>23</sup>

The investment activities of the AIIB and NDB allow China to bypass traditional financial institutions such as the World Bank and IMF, and to circumvent US and Japanese priorities in the region. The BRI thus marks a significant departure from previous decades, in so far as China has begun to project its power far beyond its own borders and has embarked upon an ambitious long-term plan to transform the global economy and multilateral framework.

There are also other structural elements of the global economic system which China seeks to change or influence, among them: the status of dollar as the world reserve currency; technological bottlenecks such as microchips and some critical

security software; access to rare metals and resources of oil and gas; freedom of navigation at passages and straits in the sea corridors; asserting de facto and de jure dominance over disputed territories ranging from Hong Kong, Taiwan to the Senkaku islands; and especially limiting the international recognition of Taiwan. In all these areas China is taking active steps to diminish the position of the West. Meanwhile, China is still able to assert itself in the existing liberal order and has been very effective at generating support in the United Nations (UN) and is arguably more in line with the European Union's priorities with regards to Climate Change and reforming the WTO than the EU is with the United States.

**The investment activities of the AIIB and NDB allow China to bypass traditional financial institutions such as the World Bank and IMF, and to circumvent US and Japanese priorities in the region.**

# Cooperative vs. Collective Security

In addition to the BRI, China heads up the Shanghai Cooperation Organization (SCO), which it created in 2001. The guiding principle of the SCO is cooperative security, which according to Vice Minister Fu Ying is “China’s answer to the U.S.-led ‘collective security mechanism.’” Chinese leadership believes collective security organizations like NATO are, “locked into a zero-sum mentality,” since collective security “pursues an unlimited expansion of its own absolute security, at the price of undermining or even destroying that of non-member countries”.<sup>24</sup> While this assessment stands in stark contrast to US and European declared intentions, it nonetheless provides a clear perspective into Chinese views on contemporary US-led security arrangements.

To match its growing political and economic weight, China has invested heavily in military modernisation, increasing its military budget by more than 10% per year since the 1990s (Figure 2), spending between 178 billion USD and 261 billion USD on its military in 2019 alone.<sup>25</sup> China increased investment

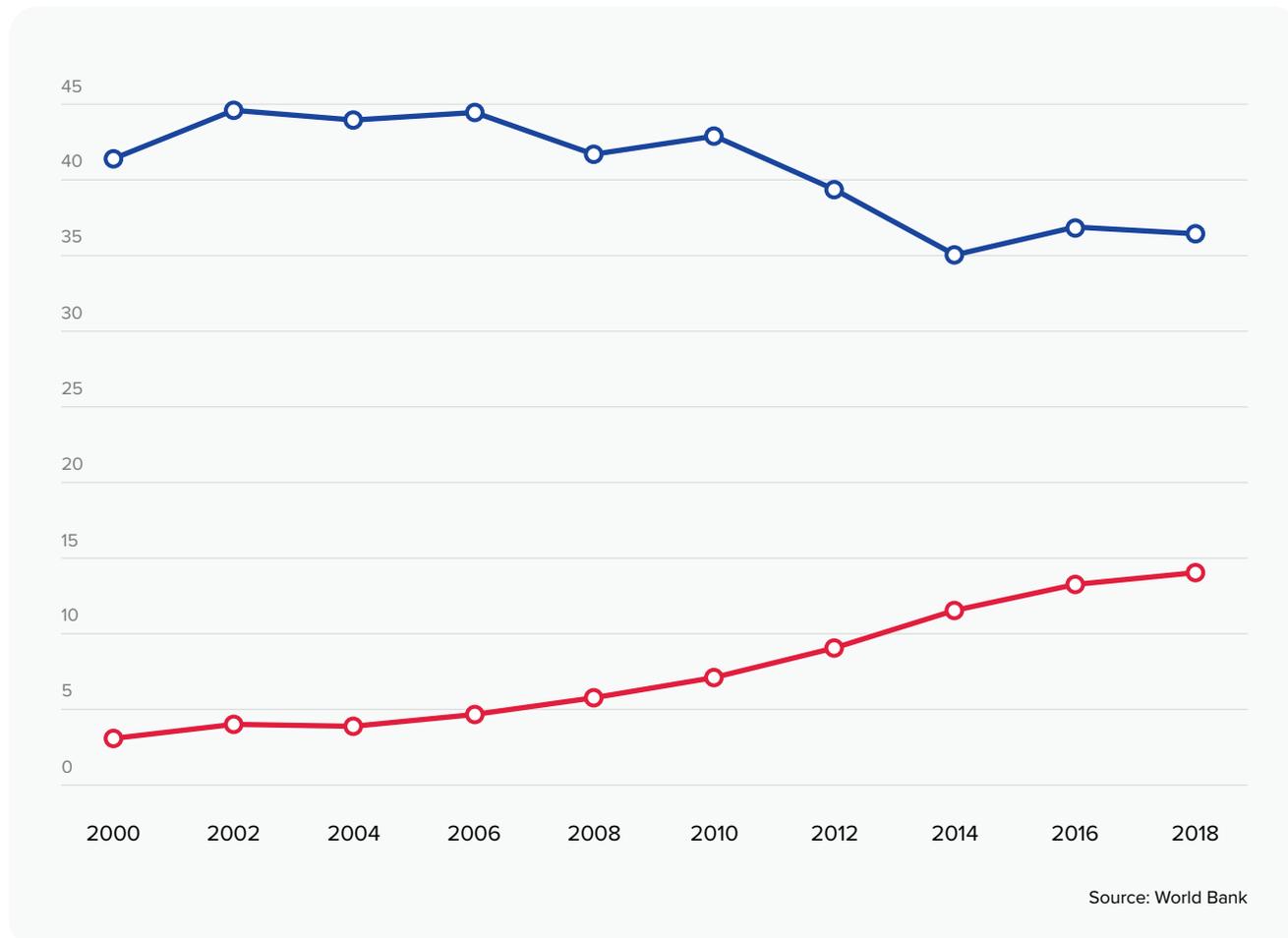
# 13.6%

China accounts for nearly 13.6% of global military expenditures and comes in second globally.

in its military infrastructure while actually reducing spending as an overall percentage of GDP, which suggests that Chinese military investment is sustainable. While US military spending still dwarfs China’s at 732 billion USD per year, China nonetheless accounts for nearly 13.6% of global military expenditures and comes in second globally with India coming in at a distant third (71 billion USD).<sup>26</sup>

Figure 2. US & Chinese Military Spending as a % of Global Spending Since 2000 (USD Billions)

China United States



China has also begun constructing overseas military bases in strategically important areas, such as Djibouti and invested in dual use infrastructure so it can rapidly respond to global security threats. Chinese military expansion is often embedded and or implicit in BRI infrastructure projects.

Beijing has recently been more willing to assert itself militarily, as evidenced by increased skirmishes in the South China Sea and along its contested border with India. While these military engagements have drawn scorn, they nonetheless demonstrate China's prowess as a growing military power with expanded military capabilities.

The extent to which China can translate its new found political, economic, and military capabilities into a competing form of hegemony remains in doubt, but it is clear that Beijing is no longer willing to wait for the West to accept its growing ambitions.

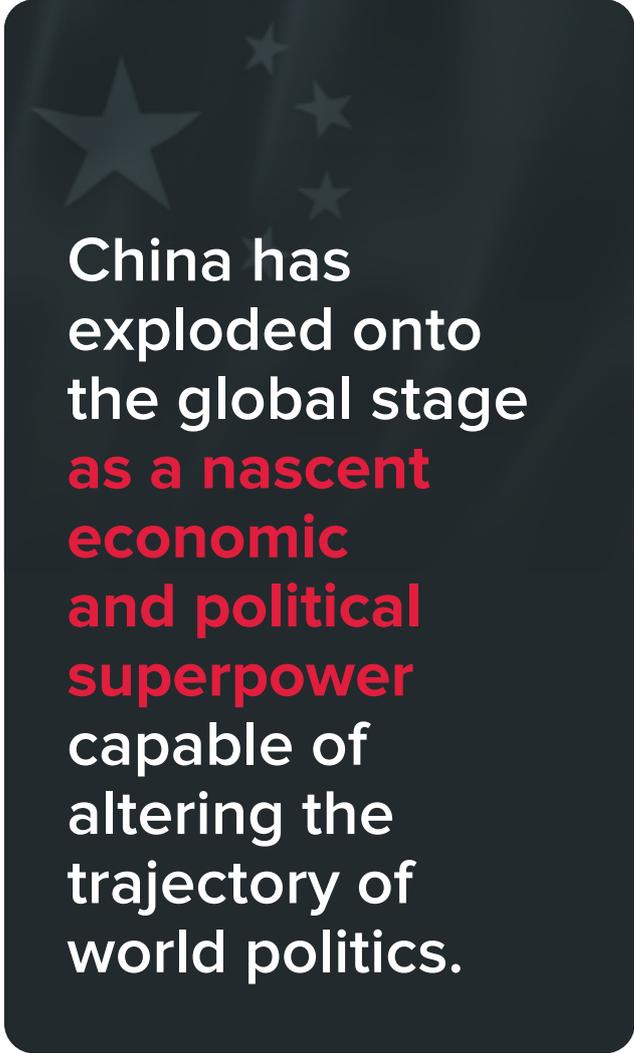
## Hegemonic Power Shift?

World politics has always been defined by the transitions between great powers struggling over which actor gets to set the rules of the game and shape the international system around their interests. However, America's rise to dominance stood in stark contrast to the great powers that came before it, in so far as the US intentionally integrated much of the world into an intricate web of markets and multilateral institutions built upon shared norms. Over the decades, the US-led rules-based liberal order has provided a significant degree of mutual trust and stability in the international system, making American hegemony both durable enough to withstand occasional challenges to its legitimacy and flexible enough to integrate nascent powers before they become credible threats to US dominance. But with US power in decline, it is questionable whether this remains true.

Indeed, the flexibility and openness of the US-led liberal order has been the main argument for accommodating China's rising status as a global power, with policymakers in Brussels and Washington advocating that China's ascent could co-exist within the multilateral framework. Noted international relations theorist, John Ikenberry, famously suggested that "the rise of China need not lead to a volcanic struggle with the United States over global rules and leadership," arguing instead that, "The Western order has the potential to turn the coming power shift into a peaceful change in terms favourable to the United States."<sup>27</sup> This line of thinking effectively shaped US and European foreign policy towards China for most of the last decade.

Up until recently, China's own assessment of its foreign policy was also in line with this vision, in so far as Chinese officials have argued that they are not interested in building a "parallel order," but rather a "World of Nations under a common roof." But the passive acceptance of China's rising power might be quickly coming to an end, reflecting a growing unease about China's willingness to skirt western norms and institutions in pursuit of its own geopolitical and geo-economic objectives.<sup>28</sup>

According to Australia's former Prime Minister, Kevin Rudd, "The saber rattling from both Beijing and Washington has become strident, uncompromising, and seemingly unending,"<sup>29</sup> warning that "The world now finds itself at the most dangerous moment in the relationship since the Taiwan Strait crises of the 1950s."



**China has exploded onto the global stage as a nascent economic and political superpower capable of altering the trajectory of world politics.**

A growing chorus of voices expressing concerns about Chinese assertiveness has gained traction in major European capitals as well, reflecting a series of recent foreign policy missteps and accusations of ongoing human rights abuses. It is unquestionable that China's response to the Coronavirus outbreak, the implementation of the national security law in Hong Kong, and its persecution of Uighurs further undermined its standing in the international community and has alienated key allies in Brussels. However, even prior to these developments, the EU designated China an "economic competitor in pursuit of technological leadership and a systemic rival promoting alternative models of governance."<sup>30</sup> The communique sparked a debate among foreign policy experts and advisors in Brussels of what the EU's relationship to China should be, and what the acceptable limits of Chinese influence in the Europe are. In an attempt to address these concerns, Joseph Borrell, the EU's Commissioner on Foreign Affairs, has recently proposed an EU-US structured dialogue on China.

## Conclusions and Recommendations



**1)** Nothing is structural or inevitable about the American decline. The relative decrease of the American status could be easily balanced through a net of global alliances of the world's democracies – provided that America is willing and capable to lead such a multilateral effort.

become a much more capable international actor able to find willing partners to achieve its foreign policy goals.

**2)** The Chinese continued rise can hardly be put into question. Over the last four decades China has exploded onto the global stage as a nascent economic and political superpower capable of altering the trajectory of world politics. With the US less oriented internationally, China will continue to strengthen its position as a global superpower and bend the international order towards its interests.

**3)** COVID-19 accelerated the evolution of power relations between China and the US. The following pandemic-handling factors played a role: lockdowns, research for vaccines (and geopolitical aspects of the race to acquire it, comparable to the great 1960s question of US-USSR relations of who would get to the Moon first), social distancing, track-and-trace technologies, and controversies over the WHO. At the same time there are general pandemic-induced changes to the world order – the need to develop critical infrastructure and supplies, the acceleration of the process of bifurcation into two technological hemispheres, and nearshoring.

The great question is to what extent it will reshape the global order in its own image. Extrapolating current trends far into the future is fraught with risk, as the predictions about the inevitable growth of Japan showed in the 1980s. Despite suggesting that it does not want to build a 'parallel order,' China has already outlined the ideological tenets of a new multilateralism that Chinese diplomats contend will promote a 'community of common destiny.' As in the case of the US, China has more faces. One of them is revisionist, expansive and domineering. Another is at the same time somewhat more cooperative and dialogue-oriented, meaning it is not doomed to be revisionist or unconstructive. China has

**4)** There are security matters such as the distraction effect: it is probably not a coincidence that China took control of Hong Kong at the height of the pandemic. The verdict is still out on how exactly the pandemic will affect long-term power relations between China and the US. While it remains uncertain whether China will ever replace the United States as a global hegemon, especially as it has earned its fair share of detractors, it is almost certain that the US will never regain its absolute predominance of power. In this context, it is important for the EU to prioritise a common foreign policy outlining what its future relationship with China should look like, taking into consideration the continued relative decline of its long-time ally. The EU should craft a coherent common policy towards China that recognises China as an important trade partner, without sacrificing its values-based foreign policy and security.

**5)** The EU must clarify what a systemic rival means in practice and adjust its foreign policy priorities accordingly. To do this, the EU needs to send a coherent message to China that is adopted by a clear majority of EU member states. Brussels should look to Central and Eastern European countries that have experience in dealing with China in the 17+1 format as partners that the Commission and European Parliament can learn from, rather than view the region as a whole as some kind of Trojan Horse for Chinese influence.

**6)** While it may be too little, too late, the EU should actively engage the US in the transatlantic dialogue on China proposed by High Representative, Joseph Borrell. The proposal was already accepted by the US Secretary of State, Mike Pompeo, but the Commission needs to prioritise this and work towards its implementation regardless of the outcome of the elections this November.

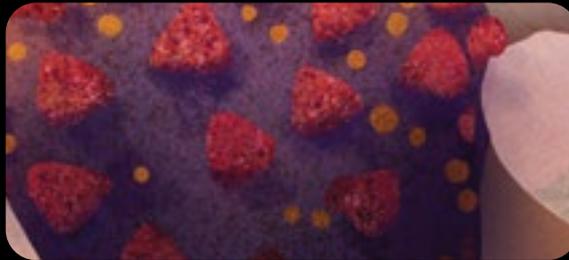
**The relative decrease of the American status could be easily balanced though a net of global alliances of the world's democracies – provided that America is willing and capable to lead such a multilateral effort.**





# Populism

# The pandemic has magnified economic, social and political division in western societies



By Dominika Hajdu  
and Daniel Milo



**W**hile some populist actors and their rhetoric appear to be winning adherents across the world, crises keep laying bare the fact that the power of particular leaders lies mainly in their words, and not in their actions.

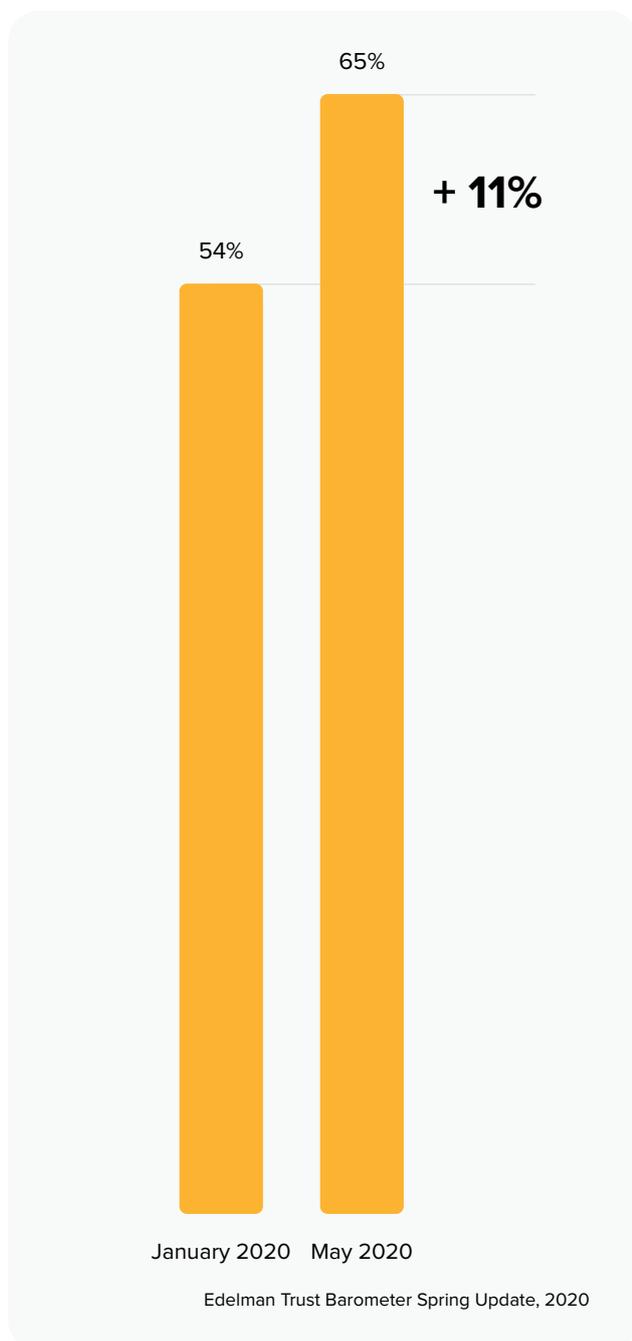
COVID-19 and its consequences accelerated both positive and negative trends in societies hit by the pandemic. In countries most severely hit by the virus, where there was an ineffective reaction by populist leaders, a decrease of support occurred and provided an opportunity for change. As the crises uncover the most severe systemic deficiencies, however, liberal democracies, which have been fighting the loss of popular support in recent years, will face one of the largest systemic challenges in history. Amid an economic crisis, the most pressing deficiencies of modern democracies – underdelivery, the wealth gap, the influence of oligarchs, and kleptocracy and

corruption - must be addressed. If democracies in crisis fail to correct their course, the populist wave might re-emerge even stronger than before.

The COVID crisis magnified existing fissures and divisions in society. The increased polarisation and loss of trust with elected officials, institutions, and processes was laid bare during the pandemic. Crisis mismanagement by populist leaders was something of a reality check for their supporters and may lead to a gradual decrease of support. Some of the structural issues of democratic legitimacy might not be addressed, however, and this could further cement a rejection of hard-won democratic values and institutions in countries with leaders capable of capturing the state and its institutions with specious but convincing sounding rhetoric.

With the COVID-19 pandemic, for the first time in several decades those living in the democracies of the transatlantic area experienced a sudden and large-scale dependence on their government and institutions and their actions and communication. Such dependency left societies with no other choice but to adhere to the advice of institutions and hope they would handle the crisis well. This trend of increased trust in governments and institutions during the pandemic has been measured<sup>31</sup> globally. According to the Spring edition of Edelman Trust Barometer<sup>32</sup>, overall trust in governments increased by 11%, a reliance on government projections “not seen since World War II”. When a lack of trust and increased scepticism is symptomatic<sup>33,34,35,36</sup>, it serves as an opportunity to regain voters’ trust, and the Coronavirus crisis provided an easy opening.

### Double-digit rise in government trust



The crisis opens the space for a range of actors to capitalise on these vulnerabilities, either by being a perceived saviour and restoring the social fabric of society, or by destroying it through a populist agenda.

Such trust cannot be revived without curing the symptoms that first caused it, however. Liberal democracy<sup>37</sup> has been in crisis for years, both in terms of a decline in democratic standards, and the general overall satisfaction and support for the system.

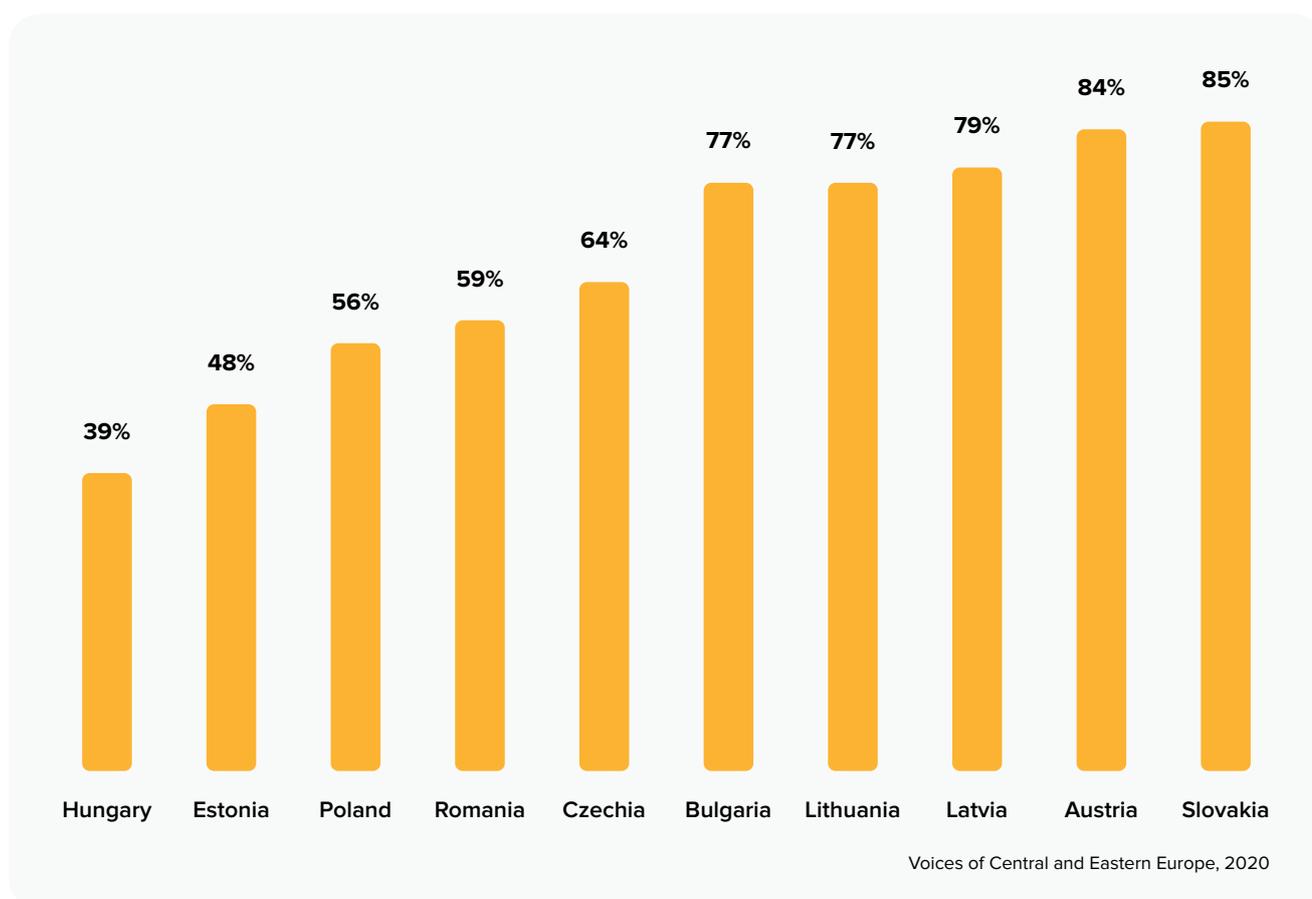
The feeling of inclusion and a willingness to participate is one of the key prerequisites for a functioning democracy, which, by definition, depends on civic participation. Such engagement is sorely lacking right now. According to opinion polls, satisfaction with democracy and the feeling of inclusion within its systems is very low, while the feeling of disconnection from elites and sensitivity to a clearly perceived wealth gap is also high.

The Pew Research Center’s 2018 Global Attitudes Survey conducted throughout 27 democracies revealed only 45% respondents satisfied with how democracy works in their country.<sup>38</sup> A poll conducted in 2019 across the EU identified a median of 69% disagreeing with the statement “Most elected officials care about what people like me think.”<sup>39</sup>

Similar findings were identified by GLOBSEC's poll in March 2020, conducted within 10 EU countries in Central and Eastern Europe. The survey measured an average satisfaction with democracy of below 50%, accompanied by a strong feeling among the great majority of respondents that oligarchs and financial groups control national governments. Only Austrians within the region felt that their needs were taken into account by the system. In the rest of the polled countries, only 23% of respondents on average believed the same. These tendencies should be given particular attention in younger democracies which lack a long-term tradition of overcoming crises - and the

inherent seesawing of life conditions which occur during those crises - by tempering them with solid democratic institutions and principles embedded within the societal fabric. While such conditions increase the possibility to change the levels of social capital both upwards and downwards, data show that the current state of affairs is already unfavourable. The crisis opens the space for a range of actors to capitalise on these vulnerabilities, either by being a perceived saviour and restoring the social fabric of society, or by destroying it through a populist agenda.

## Those who agree that oligarchs and financial groups have strong control over the government in their country.



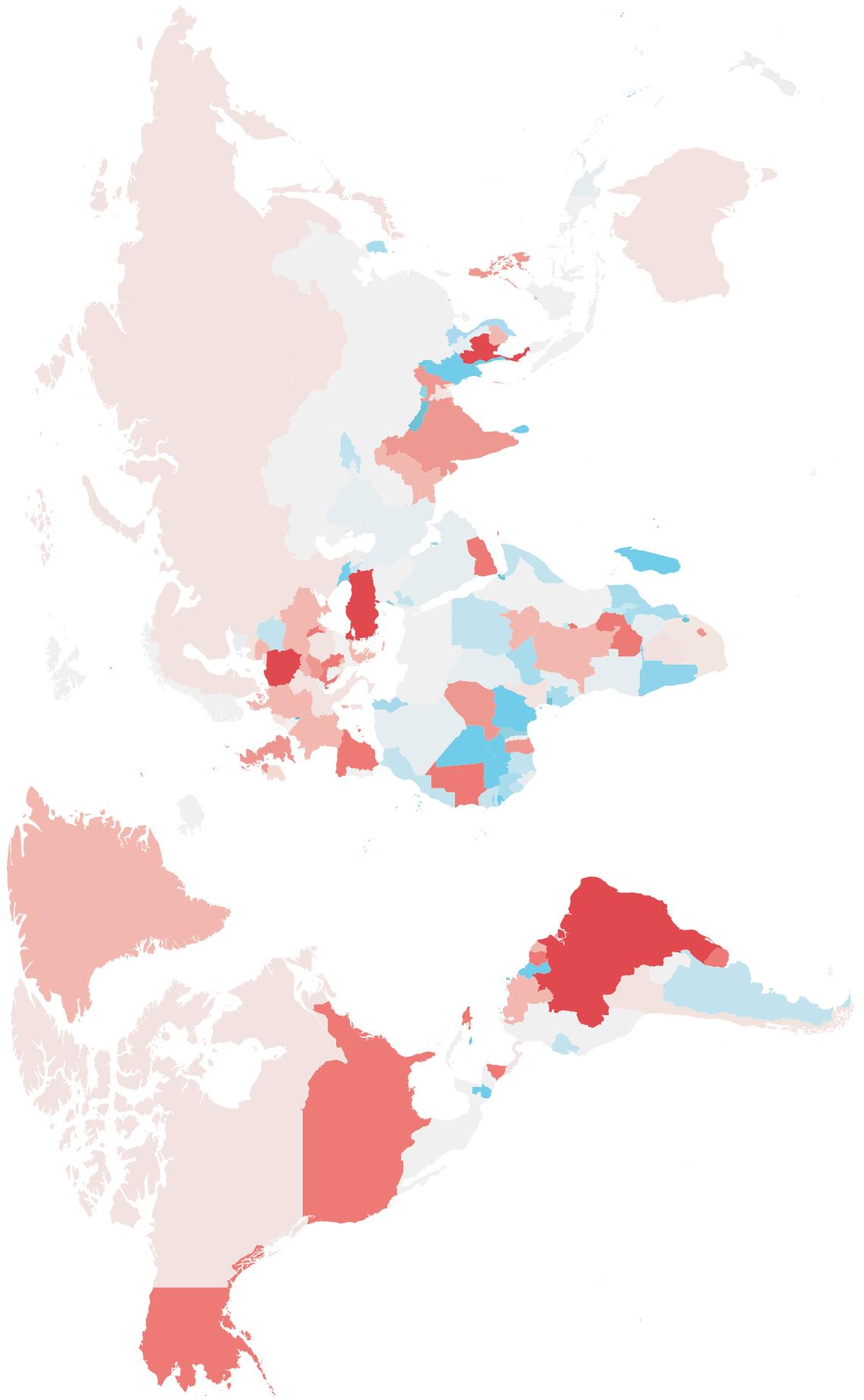
The lack of satisfaction or feeling of inclusion in the system can result in a particular vulnerability to abandon democratic principles during a crisis time in which safety and strong functional government services become a priority. Any mishaps are easier for anti-democratic forces and opportunistic populists to take advantage of, whose seemingly magical solutions cast a spell that deceptively evokes a false optimism disrupting the very fabric of a social capital and democratic discussion. Apathy towards democracy, compounded by anti-democratic forces hijacking the agenda, unsurprisingly leads to a further decline in democratic standards, a trend already in evidence.

According to the Berggruen Institute, which analysed data from the V-Dem Liberal Democracy Index<sup>40,41</sup>, Western

democracies remain among the most free in the world, but the quality of those democracies has declined in recent years, which means liberal democracies are even becoming less democratic. Freedom House concluded that this decline of standards in Central and Eastern Europe was so steep that "leaders in Central and Eastern Europe have dropped even the pretence of playing by the rules of democracy".<sup>42</sup> The trend of lowering democratic standards adds to the vulnerability of democracies facing the crisis and further opens the possibility of the situation being exploited in two distinct ways – by using the dependence on government and institutions to strengthen democratic standards and engineer faith towards them, or by amplifying the divisions and fissures by further disrupting the system.

**Western democracies are still the most free in the world... But they're less free than they were in 2012**  
(Democracy score change, 2012-2017)

Become more democratic  Become less democratic



While the causes and solutions of the symptoms have been debated at many levels, debate has failed to deliver results that meet people's basic needs and expectations for systemic change. The failure to deliver has sometimes been linked to an intentional lack of initiative, at other times to incompetence or simply having too many issues to resolve at once.

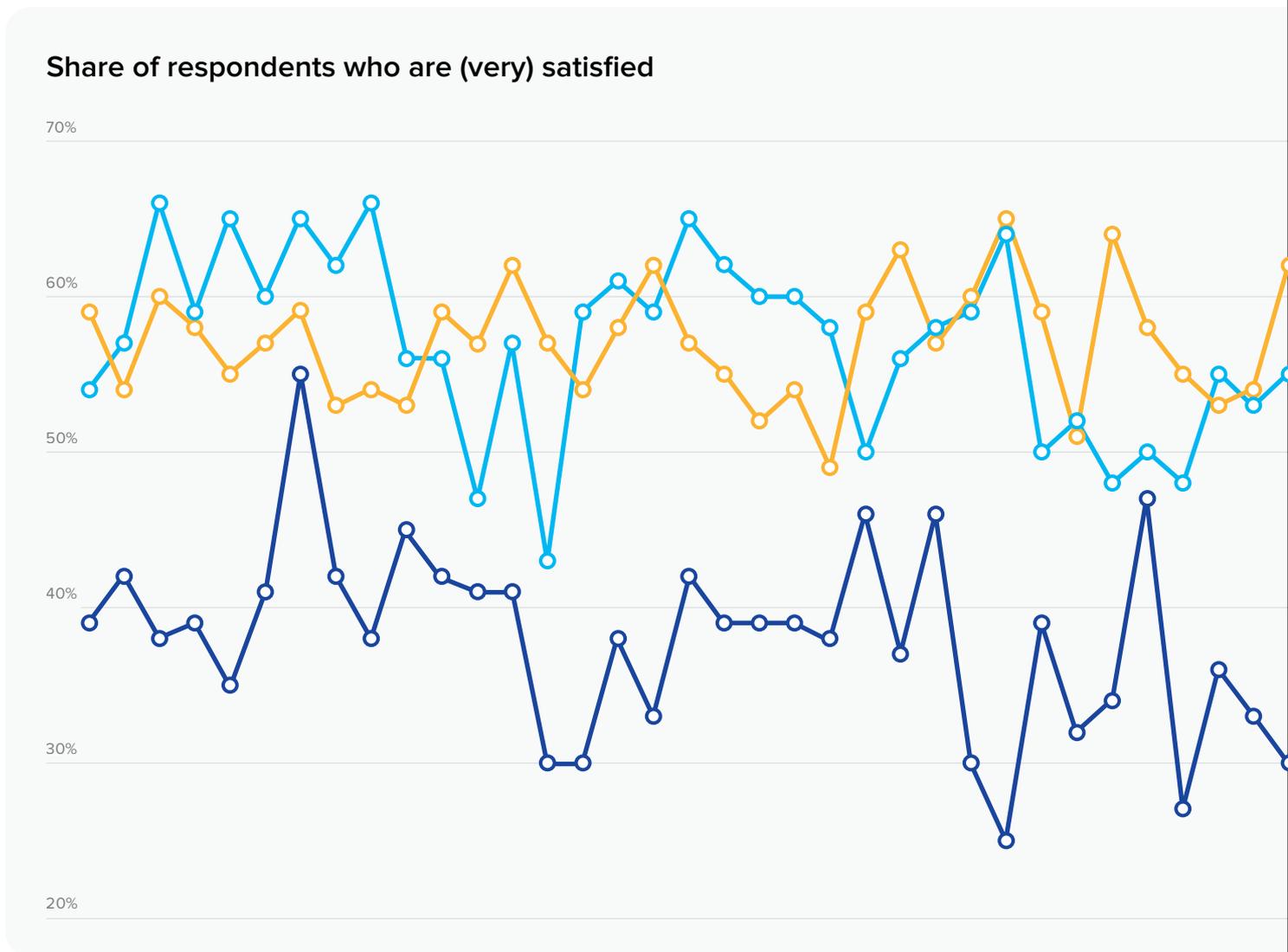
Systemic deficiencies of liberal democracies such as skyrocketing income inequality<sup>44</sup>, worsening economic prospects of the middle class, the collapse or relocation of whole segments of the economy or a growing disconnect between political elites and their constituencies<sup>45</sup> were thus swept under the carpet. The resulting feeling of being left behind was tapped by shrewd populist leaders exploiting the simmering angst and anger by transforming it into a powerful narrative about corrupt elites who have left innocent people behind purely for their own economic interests, and who should be toppled from power.

To combat this simplistic rendering of affairs, we have to look at the state of the situation we are faced with. First and foremost, the COVID-19 crisis has accelerated the divisions and conflicts existent in society. The raw condition of democracy in a state, the strength or lack of strength of its institutions, and the character of elected leaders, as well as the nature of a society and problems it faces, have exposed many cracks, flaws and chinks in the armour. What might have previously been regarded as a minor deficiency, has in a crisis situation grown out of all proportion. What might have been regarded as a strength, has turned out to be the cornerstone of the system.

Some democracies managed the crisis well due to a solid set of constituents - strong institutions, conscious leadership, the swift introduction of emergency measures, robust state capacities and/or well-functioning preparedness mechanisms. While other factors, such as size of the population, lack of mass travel and business hotspots should be considered, the

### Satisfaction with the national government's response to the COVID-19 / coronavirus pandemic in the United States, United Kingdom and Germany 2020 (as of May 31)

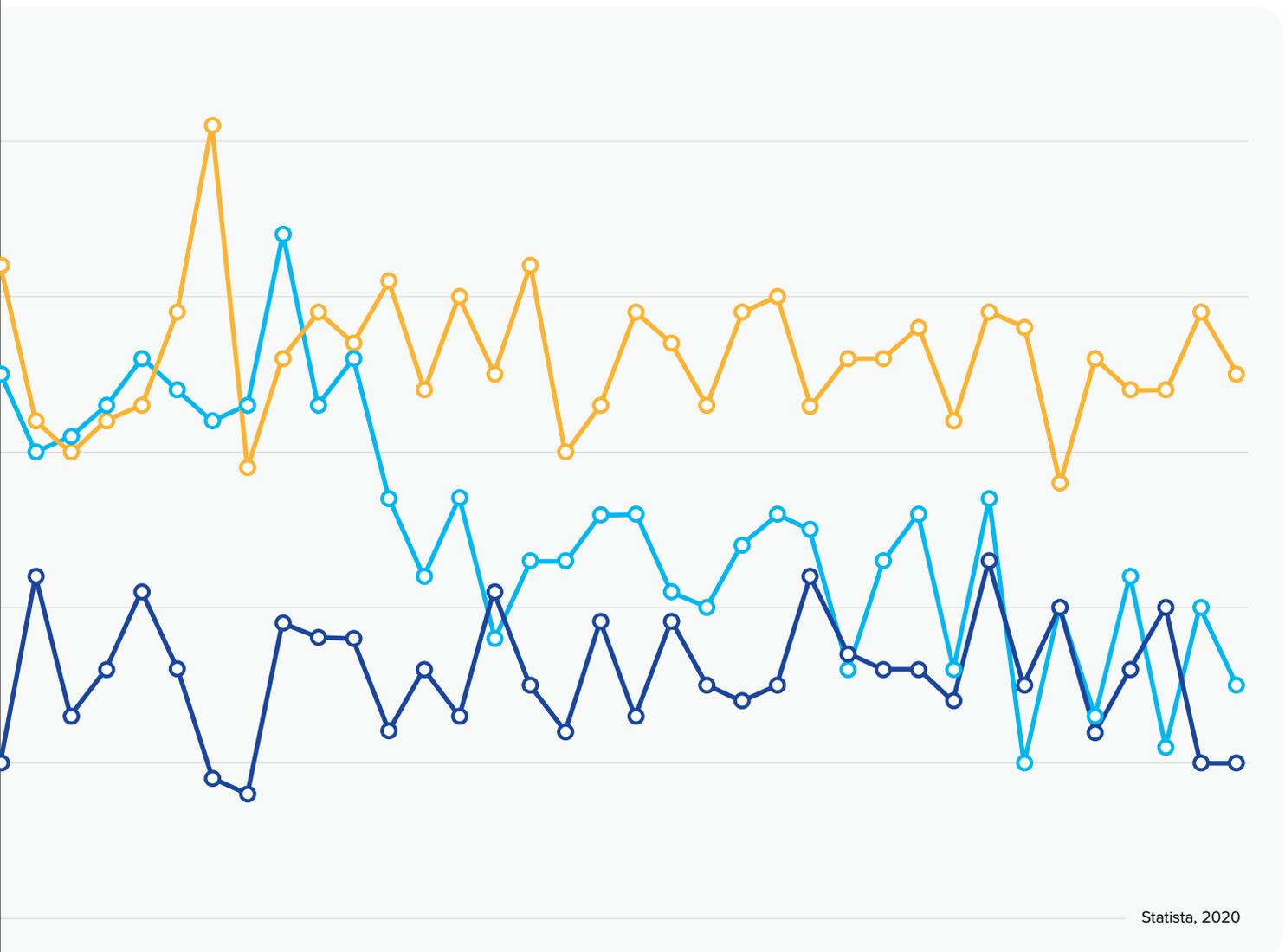
Germany    United Kingdom    United States



role of governments and institutions remains indisputable. These states might subsequently profit from an increased trust in reviving or strengthening the people-vs-government relationship. These included up to end-July, for example, New Zealand, Slovakia and Latvia.<sup>46,47,48</sup>

In other countries, the initial denial or downplaying of the severity of the crisis by populist political leaders led to a less than optimal response of state authorities, and a reluctant and lukewarm adoption of protective measures by the population. This exacerbated the rate of infections, and as the death toll and number of infected continued to rise, the public began to demand solutions instead of mere words. Consequently, the support for populist leaders downplaying the COVID crisis began to decline.<sup>49</sup>

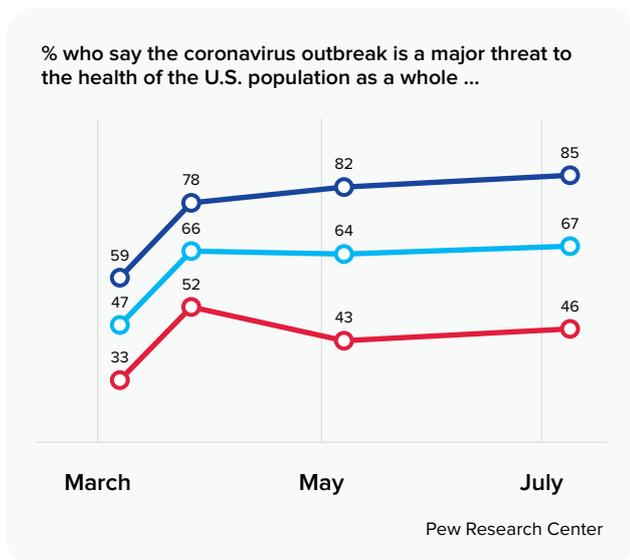
**With the economic and social impact of the COVID-19 crisis already surpassing the crisis of 2008-2009, a complex rethinking of wealth distribution and equality is required. The skyrocketing income inequality only intensified during the pandemic, which signifies the dire need for systemic changes.**



The situation in the United States is a good illustration of the main trend outlined. COVID-19 acted as a magnifying glass and laid bare many structural fissures and simmering tensions which existed in the US long before the pandemic. At the time when COVID-19 hit the US, the population was more polarised than ever, with the dividing line between Republicans and Democrats defining their approach to almost every issue, including their perception of COVID-19 as a major threat.<sup>50</sup>

### Far more Democrats than Republicans see COVID-19 as major threat to the health of the U.S. public

Dem/LeanDem U.S. adults Rep/Lean Rep



The initial slow and lukewarm reaction of US authorities to COVID-19 led to the rapid spread of the infection and a high death rate in the first wave. The economic lockdown triggered by the virus caused “the largest economic crises since the great depression”<sup>51,52</sup> according to the IMF, as well as record-breaking unemployment<sup>53</sup>. This created the perfect storm conditions for the eruption of mass Black Lives Matter protests in the aftermath of the killing of George Floyd by police officers in Minnesota, shaking the whole country and creating significant instability in many parts of the US. The combination of a high level of polarisation, the dwindling economic prospects of the middle class, the negative impact of globalisation and simmering racial tensions created a highly explosive situation, with the COVID-19 crisis its spark.

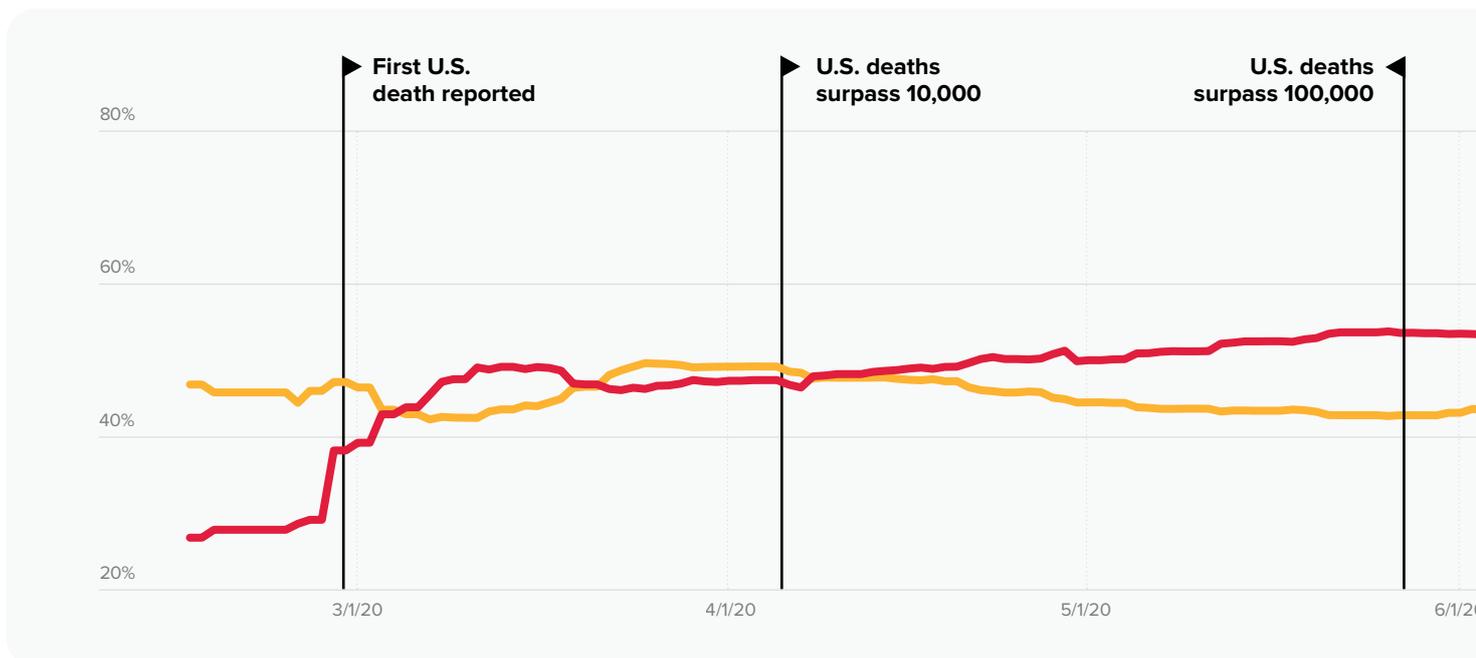
According to a meta-analysis of opinion polls conducted by Five Thirty Eight, the majority of the US population is dissatisfied with the way US authorities are handling the COVID-19 crisis, which might have significant consequences within the upcoming November presidential elections.<sup>54</sup>

The pandemic will leave democracies disrupted as the economic crisis and rising unemployment adds more fuel to the burning fire of discontent in many countries. Regardless of the political preferences of leadership in a given country, containing the economic crisis and addressing the discontent will require difficult decisions, some of which might open systemic wounds and cause further destabilisation of democratic societies. For the near future, there will be no “going back to normal” and the new normal might be quite different to what it was only a year ago.

On one hand, the current crisis might present a chance to revive the relationship between governments, political leaders and citizens, presenting a golden opportunity to implement

### Do Americans approve of Trump’s response to the coronavirus crisis?<sup>54</sup>

Approve Disapprove



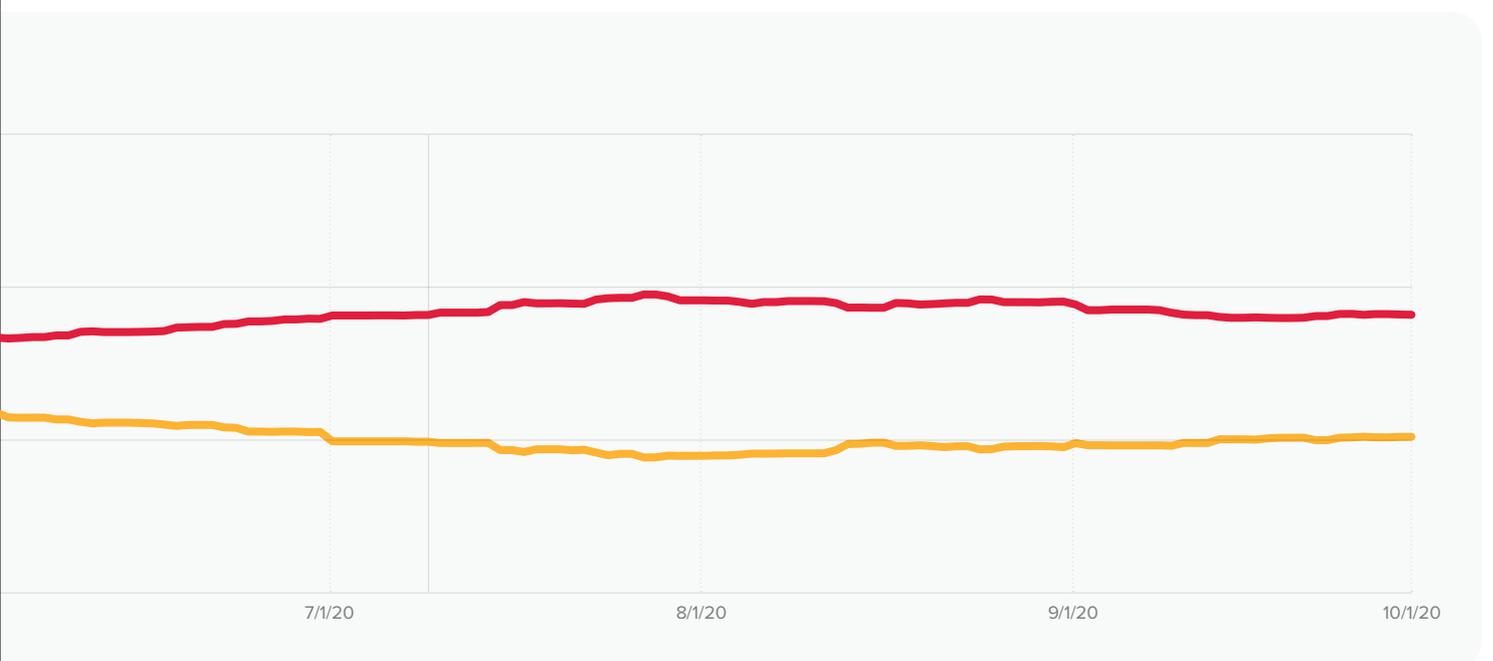


The **initial slow and lukewarm reaction of US authorities to COVID-19** led to the rapid spread of the infection and a high death rate in the first wave.

long-delayed systemic changes that have been causing a decline in trust and a perceived lack of inclusion in the system, including fair taxation of global companies, tax avoidance and offshore tax havens, the revolving doors between public administration and private sector, rules concerning digital platforms, and the fairer distribution of wealth in modern democracies. The increased trust in institutions provides an opportunity to address a series of issues that have been swept under the rug. But in order to prevent the populist and anti-democratic actors stealing the stage, these measures should be addressed quickly, starting with a whole new debate on the face and future of democracies to foresee how to prevent vulnerable states with declining standards sliding further down into a complete disruption of the fundamental democratic values and institutions which underpin liberal democracy.

On the other hand, the global crisis triggered by COVID-19 also provides a golden opportunity for populists to develop new “blame games” and point fingers at the “enemies of the people”. This could further destabilise a shaky public trust towards democratic institutions, and lead to an even more extreme polarisation of societies. Global competitors of the western democratic liberal order are already using this window of opportunity to attempt to redraw the global order in their favour and present their system of governance as more effective than the western one.

In the end, the differences between democracies could become larger and international cooperation even more complex. Whatever the outcome of the current crisis, the democracies will change; for better or for worse.



## Conclusions and Recommendations



The crisis will not vanish with the development of a vaccine and there is no returning to business as usual, as both states and international cooperation will face major crises and challenges in the upcoming decade. To avoid further weakening of the liberal democratic order, new approaches to fixing democracy should be embraced and long-delayed systemic changes should be implemented. Any such measures should be guided by the whole-of-society approach, involving all the segments of society, since the traditional top-down state driven approach would not work in the current environment. Such changes could include:

### Focus on the wealth gap

With the economic and social impact of the COVID-19 crisis already surpassing the crisis of 2008-2009, and nearing levels of the Great Depression, a complex rethinking of wealth distribution and equality is required. The skyrocketing income inequality only intensified during the pandemic, which signifies the dire need for systemic changes.

**1)** Roll out a pilot scheme of universal basic income to test the concept and evaluate its impact in a real case scenario.

**3)** Reintroduce a progressively increasing taxation model or mandatory reinvestment requirement for high income individuals and companies instead of a flat rate.

**2)** Address long overdue holes and gaps in taxation – from fair and just taxation of global companies in regions where their income is produced to finally addressing tax avoidance and tax optimisation by using offshore tax havens. Introducing an EU or OECD (Organisation for Economic Co-operation and Development)-wide ban on any public procurement for companies fully or partially owned by offshore owners would be a good start.

## Focus on the elites vs. people disconnect

Disconnect between the elites and their citizens created a fruitful space for populism and distrust to rise. To address the disconnect, it is necessary to embrace the inclusion of liberal democracy in a more practical manner.

**4)** Start talking to and addressing the problems of those who have been heard the least -underdeveloped regions, lower income groups, minorities – by using both face-to-face and digital communication tools.

**6)** Strengthen the system of checks and balances and establish clear political accountability for actions.

**5)** Allow increased participation in democratic processes by enabling greater transparency, open-government policies and supporting decentralisation

## Halt polarisation and build bridges to the other side.

The loss of physical contact among people in neighbourhoods and communities and increasing political and ideological ghettoisation has significant negative consequences on political and social stability and the state of democracy.

**7)** Revive local communities – schools, volunteers, associations, cultural or sport clubs are the lifeblood of society and should be supported by the state.

**10)** Adopt effective policies against foreign and domestic instigators of polarisation, including specific measures against intentional spreading of disinformation. Such measures should be supported by dissuasive financial sanctions and robust monitoring capacities, increasing the costs of any such attempts to polarise and destabilise democratic countries.

**8)** Invest in preserving public spaces as safe and open for all – both in the physical and virtual domains.

**9)** Highlight shared values and interests, instead of ideological, political or other differences.



The background features a stylized illustration. In the foreground, a hand is shown in silhouette, pointing towards the left. Behind it, a large window with a grid pattern is visible. Through the window, a satellite dish is depicted against a light blue sky. The overall color palette is dominated by various shades of blue and teal, with a dark brown hand silhouette.

# Digital revolution

# COVID-19 has accelerated the digital revolution, with a disruptive impact on our economies and societies



By Zuzana PISOŇ

**T**he emergency presented by the Covid-19 pandemic is shaking up the established order of things, and no one doubts it is yet another turning point in modern history. Digital technologies have played a major role in tackling this exceptional crisis, ranging from the world-wide use of contact-tracing applications, online collaboration platforms to e-learning tools. The realities of lockdown and social distancing over the past months have shown how invaluable digital skills are, with work, education and connecting with family and friends all happening within the digital space.

The post-Covid restructuring of economies, governments and communities will be taking place amongst the already-unfolding wave of automation underpinning the Fourth Industrial Revolution. New technologies are making certain types of jobs obsolete and are creating new types of positions with different skill requirements. According to the World Economic Forum, at least 133 million new roles will emerge globally by 2022 as a result of the new division of labour between humans, machines and algorithms.<sup>55</sup> The lack of digital skills amongst existing workforces and the shortage of properly trained graduates to fill digital posts in growing technological industries have already created a widening digital skills gap. The European Commission believes there could be as many as 756,000 unfilled jobs in the European ICT sector by 2020.<sup>56</sup>

While there are many elements needed to foster the new equilibrium in the increasingly digital fabric of our economies, one of the key pillars is expanded access to various levels of digital skills for civil servants, educators, private sector employees and IT professionals. The changing nature of the labour markets also requires that digital skills be complemented by cognitive and social skills adapted to a prevalently online environment. Educational institutions ranging from preschools to universities should update their curriculums to prepare students for the new digital reality.

As with any other major transformation, the digital one will create winners and losers, with certain social groups being left out of the technological progress due to their inability to adjust to new technological developments. Efforts to address the widening skills gap and transform the labour market to the new digital era requires a wide-scale upskilling up and re-skilling of the workforce<sup>57</sup>, and strong public-private alliances and investment. Policy makers should make the most of the equalizing potential of technologies, and they need to make sure that socially and economically disadvantaged communities have access to connectivity and devices to allow them to thrive.

# Four Pillars of Digital Economy: Digital Skills, AI, Infrastructure, and E-government

Advanced technologies such as AI (Artificial Intelligence), Internet of Things and Cloud Computing are the backbone of digital society. Their potential to enhance productivity, improve efficiency and open up new opportunities for businesses across all sectors is truly remarkable and yet to be fully explored. We wouldn't be able to benefit from these new technologies, however, if populations and workers didn't have the skills to use and develop them further. Keeping pace with fast-growing internet traffic will not be possible without very high capacity networks (VHCNs) and 5G, which are the cornerstones of the digital infrastructure and provide a base for further innovation. Last but not least, an important aspect of building a digital economy are well-developed e-government services, which provide effective operational and economic efficiency for governments and citizens.

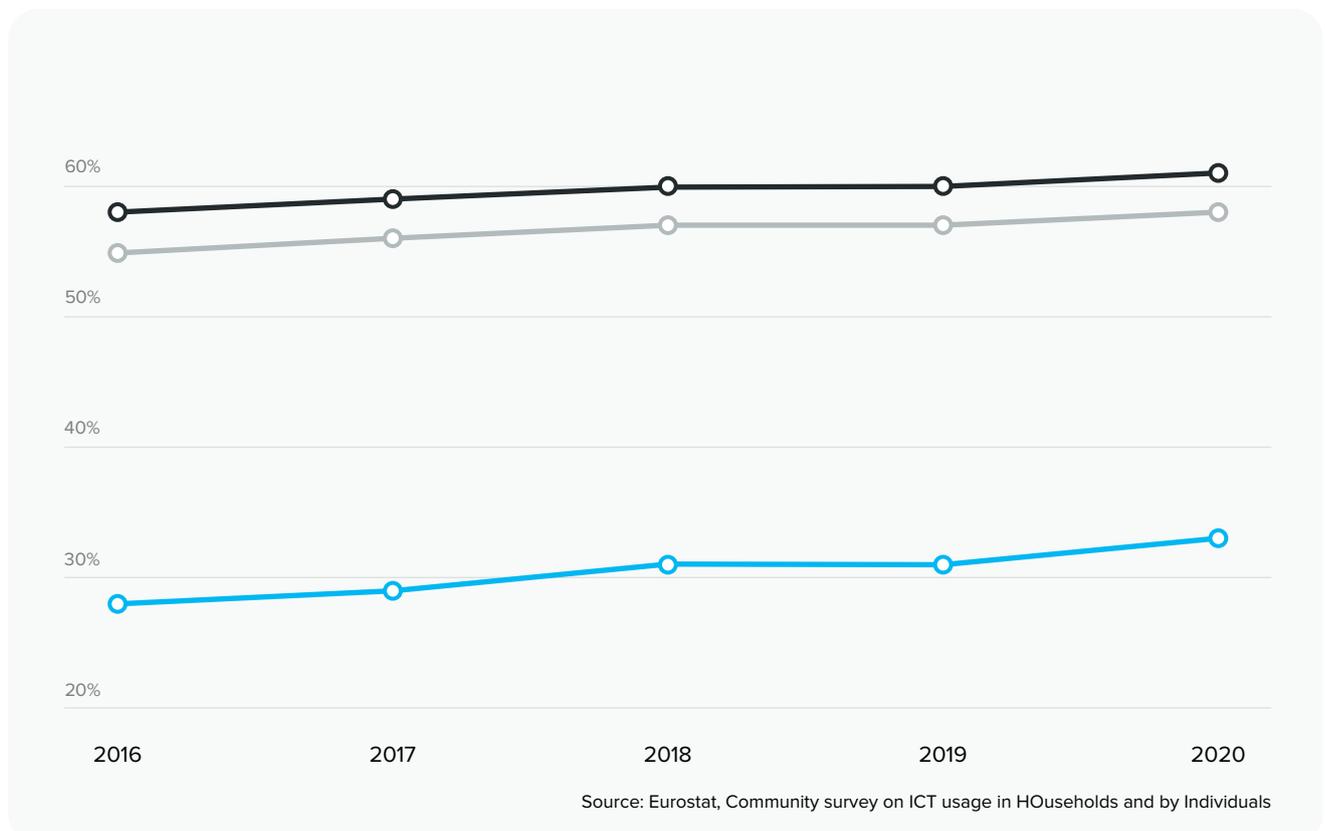
According to the World Economic Forum, at least **133 million new roles will emerge globally by 2022** as a result of the new division of labour between humans, machines and algorithms.

## 1) Digital Skills

Throughout the past four years, the level of digital skills in the EU has continued to grow slowly, reaching 58% of individuals having at least basic digital skills, 33% with above basic digital skills and 61% of individuals having at least basic software skills (See Figure 1).

Figure 1. Digital skills (% of individuals), 2015 – 2019<sup>58</sup>

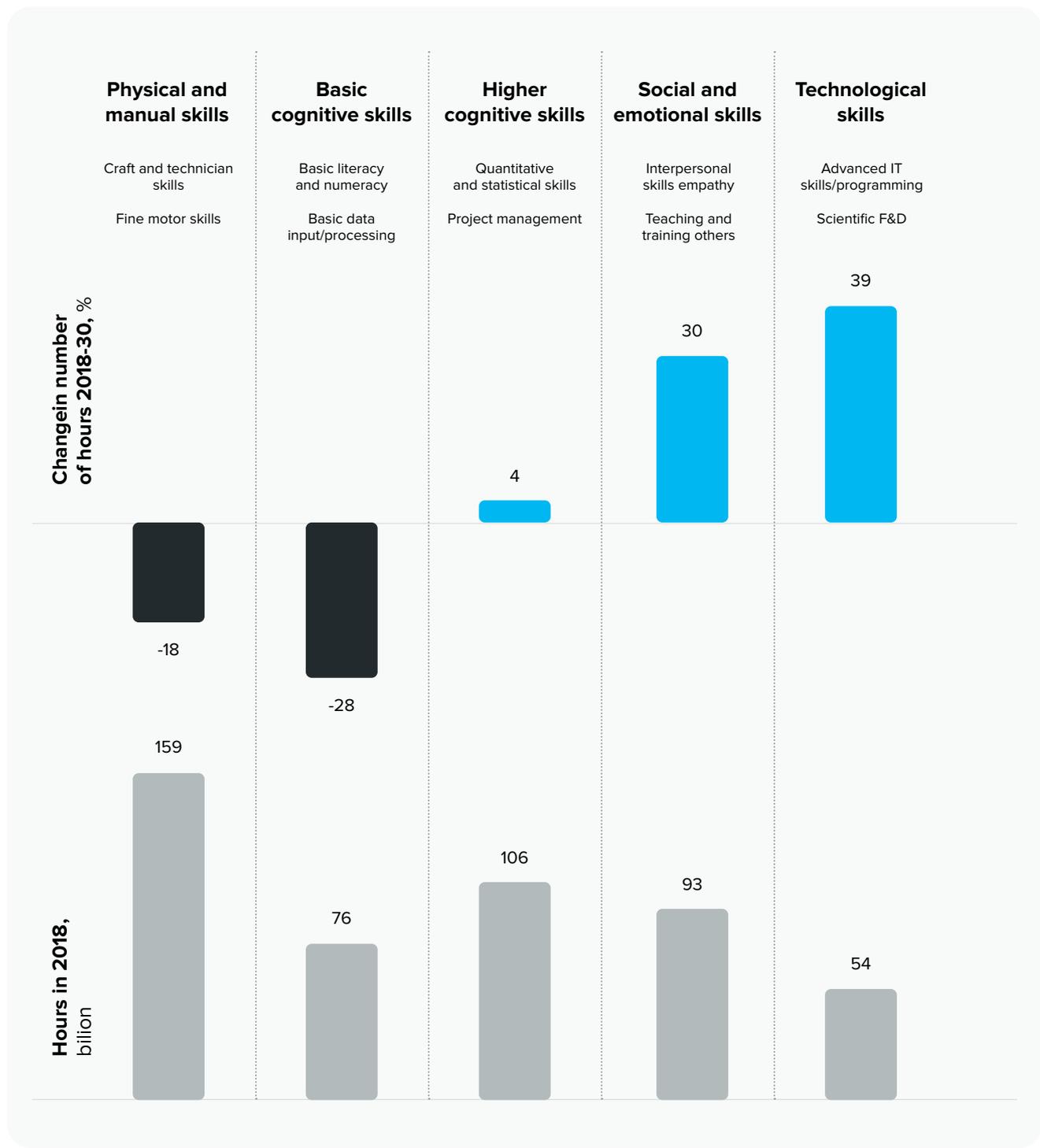
● At least basic digital skills   ● Above basic digital skills   ● At least basic software skills



This slow and steady growth is even more important given that the outlook for the European job market is clearly skewed in favour of those possessing digital skills. Activities that require mainly physical and manual skills will decline by 18% by 2030 across Europe, and those requiring basic cognitive skills will decline by 28%. In contrast, activities that call for technological skills will grow in all industries, creating even more demand for workers with STEM skills (see Figure 2).

**Efforts to address the widening skills gap and transform the labour market to the new digital era requires a wide-scale upskilling and re-skilling of the workforce.**

**Figure 2. Demand for technological, social, and emotional skills is expected to grow in Europe<sup>59</sup>**



As technology companies are the key drivers of the digital economy, efforts to achieve a balance between the demand and supply of ICT specialists will be key for the economic recovery. Over the past few years, we have witnessed a rising number of ICT jobs in Europe. In 2018, some 9.1 million people worked as ICT specialists across the EU, which is 1.6 million more than 4 years earlier. Nevertheless, there remains a shortage of ICT specialists on the labour market. During 2018, 57% of enterprises that recruited or tried to recruit ICT specialists reported difficulties in filling such vacancies.<sup>60</sup> The EU Commission predicts that the gap will further grow from 373,000 in 2005 to about 500 000 by 2020.<sup>61</sup>

Closing the gap between the supply and demand side regarding ICT workers is problematic due to the rapid advances in Artificial Intelligence, robotics and other emerging technologies. Innovation cycles are happening in ever shorter phases, changing the very nature of jobs that need to be done - and the skills needed to do them - faster than ever before. At the same time, the ICT jobs which are in high demand by Europe's tech companies require very specialised knowledge requiring months or years of training – and the demand is much faster than the time it requires to acquire such skills. Skills gaps across all industries – not only the ICT industry - are therefore poised to grow at an increasing pace.

If Europe on average develops and diffuses AI according to its current assets and digital position relative to the world, it could **add some EUR 2.7 trillion, or 20%,** to its combined economic output by 2030.

## 2) AI Capabilities in Europe

The tech giants of the future will look nothing like Google or Apple; instead, they will be based on frontier technologies (or 'deep tech'), which Europe has a good chance of developing. This next wave of technology innovation covers areas such as computational biology, Artificial Intelligence or machine learning, robotics, the space industry, advanced manufacturing using 3D printing, and quantum computing. Unlike typical business and consumer innovations using existing technology, deep tech companies create revolutionary solutions that redefine markets and industry processes, and focus on solving previously intractable real-world problems. Some examples include medical devices and drugs that cure disease and extend life; forecasting AI tools for natural disasters such as earthquakes; and clean energy solutions that can help eliminate global warming.<sup>62</sup>

This is great news for Europe, which has a leading edge in AI and robotics, as acknowledged by the excellent scientific standing of European researchers, including a number of worldwide AI experts originating from Europe.<sup>63</sup> If talent represents the foundations of the European tech ecosystem, its academic institutions are the bedrock. Europe is home to 14 of the Top 50 computer science universities in the world, including 5 of the Top Ten<sup>64</sup>. We could therefore think of Europe as a factory for producing world-class computer science talent, with success stories such as UiPath<sup>65</sup> or DeepMind<sup>66</sup> becoming global tech stars.

The high potential of European ventures based on the newest technologies has been recognised by the investor community. Deep tech startups in Europe have enjoyed an increasing interest from investors over the past couple of years - in 2019, they had been on track to raise USD 8.4 billion in 2019, up from USD 6.7 billion in 2018 and USD 3 billion in 2015. Out of the projected USD 8.4 billion for 2019, USD 4.9 billion accounts for startups pursued some kind of AI-related product or service.<sup>67</sup> According to a McKinsey study, there are some great outlooks for the European AI ecosystem in the economic sense. If Europe on average develops and diffuses AI according to its current assets and digital position relative to the world, it could add some EUR 2.7 trillion, or 20%, to its combined economic output by 2030.<sup>68</sup>

On top of that, the EU's political – and financial support for AI research and development couldn't be more ubiquitous. The European Commission has identified AI as an area of strategic importance for the digital economy, citing its cross-cutting applications to robotics, cognitive systems and big data analytics. To support this, the Commission's Horizon 2020 funding includes considerable funding for AI, allocating EUR 700 million.<sup>69</sup> Coupled with the ongoing efforts to regulate AI, EU institutions are clearly taking steps to advance the continent's ambitions for AI leadership. However, Europe's AI resources are scattered throughout the continent, and the international competition coming especially from the US and China is fierce. Therefore, in order to leverage the potential of AI for the benefit of the Europeans, it is essential to join forces at the European level to capitalise on the region's strength, mainly consisting of its brainpower.

### 3) Access to Digital Infrastructure & E-Government

The third element determining whether countries make it or break it on the digital economy is the access to connectivity. In the EU, the developments are looking positive - already 85% of citizens used the internet in 2019. However, there are persisting challenges. Among the top reasons for not having internet access at home are

- the lack of need or interest (46% of households without internet access in 2019)
- insufficient skills (44%)
- equipment costs (26%)
- high cost barriers (24%).

While the deterring effect of each of these factors varies in strength across Member States, lack of relevant skills remains by far the most important factor preventing households from having internet access at home.<sup>70</sup> As a result, having access to an internet connection is not sufficient if unpaired with appropriate skills – and devices; and there’s clearly a lot of work to be done on these fronts. And while the COVID-19 crisis has led to an increased volume of internet users, increased usage does not necessarily mean that populations ‘naturally’ develop digital skills.

Last but not least, the fourth element countries need to build well-functioning digital economies is e-government. Digital public services offer a variety of advantages, such as more operational and economic efficiency for governments and businesses, increased transparency, and greater participation of citizens in political life. The 2020 e-government ranking of the 193 UN Member States, which captured the scope and quality of online services, status of telecommunication infrastructure and existing human capacity, is led by Denmark, the Republic of Korea, and Estonia.<sup>71</sup>

During the pandemic, there have been numerous examples of the use of e-government services in tackling the pandemic. Governments have put in place new online tools such as COVID-19 information portals, hackathons, e-delivery of medical equipment, virtual medical appointments, self-diagnosis, tracking and tracing apps, and apps for working and learning from home. One positive example showing how well-established digital services made a practical difference to the lives of its citizens during the pandemic comes from Estonia. When the coronavirus crisis struck, Estonia’s digital public services continued mostly uninterrupted<sup>72</sup>. Estonia’s digital public infrastructure minimised the need to go outside and enabled people to continue their lives as if not much happened, while many other countries struggled to deal with school closures and the disruption to vital services. Seeing this contrast only highlighted the fact that the pandemic has renewed and anchored the role of digital government, both in relation to the conventional delivery of digital services and new innovative efforts in managing the crisis.

## Automation, Post-COVID Labour Market & the Digital Gap

Driven by the emergence of AI-powered technologies propelling the new era of automation, there was a longer-term disconnect between the supply and demand for skills in the labour market even before the COVID-19 crisis. Over the next five years, the global workforce can absorb around 149 million new technology-oriented jobs.<sup>73</sup> Software development accounts for the largest single share of this forecast, but roles in related fields such as data analytics, cyber security, and privacy protection are also poised to grow substantially.

However, it is important to note that skills gaps will affect all industries, not only the ICT industry. More than half of Europe’s workforce will face significant transitions, as automation will require all workers to acquire new skills. About 94 million workers may not need to change occupations but will especially need retraining, as technology handles 20 percent of their current activities. While some workers in declining occupations may be able to find similar types of work, 21 million may need to change occupations by 2030, with most of them lacking tertiary education.<sup>74</sup> Newly created jobs will require more sophisticated skills that are already scarce today, and this transformation cannot be done without massive investment in up-skilling and re-skilling of workers and public-private partnerships.

### Risk of displacement due to automation

#### Highest risk

production work

office support

food services

#### Lowest risk

education and workforce training

business/legal professions

health professionals

creatives and arts management

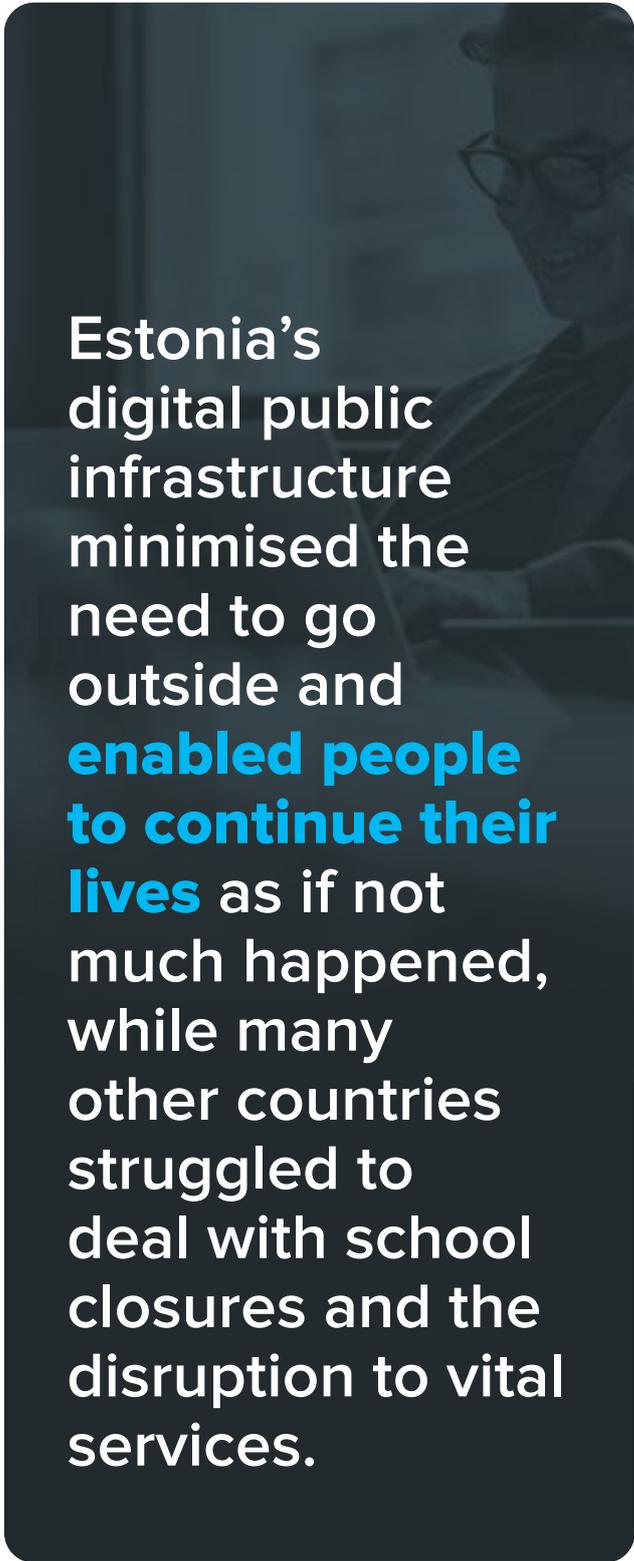
According to a McKinsey report from June 2020, we can see that the jobs in Europe with a very high risk of displacement due to automation are production work, office support and food services. The roles with the lowest risk of being automated are in education and workforce training, business/legal professions, health professionals and creatives, and arts management.<sup>75</sup>

While the appeals of automation related to the increased efficiency and cost-reduction are inarguable, it is essential to highlight the uneven and concentrated distribution of benefits and losses associated with it. For example, there are certain types of jobs in countries all across Europe which are highly vulnerable to automation, with Slovakia leading the ranking (64%), and other EU countries such as Lithuania, Greece, Germany, Slovenia and Spain and Italy in the top 10<sup>76</sup>. This creates an immense pressure on businesses and governments to innovate their processes and products to stay competitive, and to re-train or re-hire workers who will be capable to assist the updated operations. In many cases, these business transformations will lead to staff reduction, and it is essential that businesses and governments work together to address these negative consequences of technology adoption.

In Europe, the COVID-19 crisis ended years of strong employment growth marked by greater mobility. In June 2020, about 281,000 people in the EU lost their jobs. This came after the number of people unemployed rose by 253,000 in May and 397,000 in April. Overall, the EU's unemployment rate went up to 7.1% by June from a 12-year-low of 6.4% in March. Among the most affected sectors are airline companies and the automotive sector, which made some of the biggest job cuts.<sup>77</sup> According to an analysis from McKinsey, up to 59 million jobs, which is more than a quarter of all jobs in Europe, could be impacted by the economic fallout of the pandemic, either in the form of reduced working hours, temporary furloughs or permanent job losses.<sup>78</sup>

Coupled with the uneven distribution of the losses and benefits of automation across Europe, the post-COVID turbulences on the labour markets might widen the digital divide in Europe even further. We need to consider several levels of divides that might exacerbate the growing digital gap: the first one is rural vs. urban, with only about a half of rural households having access to high-speed broadband in Europe<sup>79</sup>. Another divide is a socio-economic one, with vulnerable groups – the low skilled, youth, migrants and women paying the heaviest toll from the crisis when it comes to the increased risk of unemployment.<sup>80</sup> People with blue collar jobs which are being ousted as a result of the pandemic do not necessarily have the social cushion to spend time and/or money on re-training and upskilling for different types of jobs. Thirdly, we also need to consider the gap in digital adoption between countries, caused by their diverse industrial fabrics, diverging levels of digital governance and political priorities.

While it is difficult to predict the exact types of jobs available in the post-COVID labour market, we can quite safely predict the type of skills which will be in demand as a result of the digitalisation of the world's economy. Soft skills like leadership and emotional intelligence will be key when managing often remote teams to uphold their motivation, encourage collaboration and proactivity. Adaptability, creativity and



**Estonia's digital public infrastructure minimised the need to go outside and enabled people to continue their lives as if not much happened, while many other countries struggled to deal with school closures and the disruption to vital services.**

innovation will be essential to address the rapidly changing nature of tasks and challenges at work. The ability to interpret information and detect fake news flooding the internet calls for skills like data literacy and critical thinking. Regarding hard skills, the rise of AI and other advanced technologies requires highly-skilled workers with ICT skills who can help companies exploit these technologies. Last but not least, digital and coding skills in the areas such as digital marketing, web development, web design and coding can be invaluable in helping companies stay relevant in the changing market.

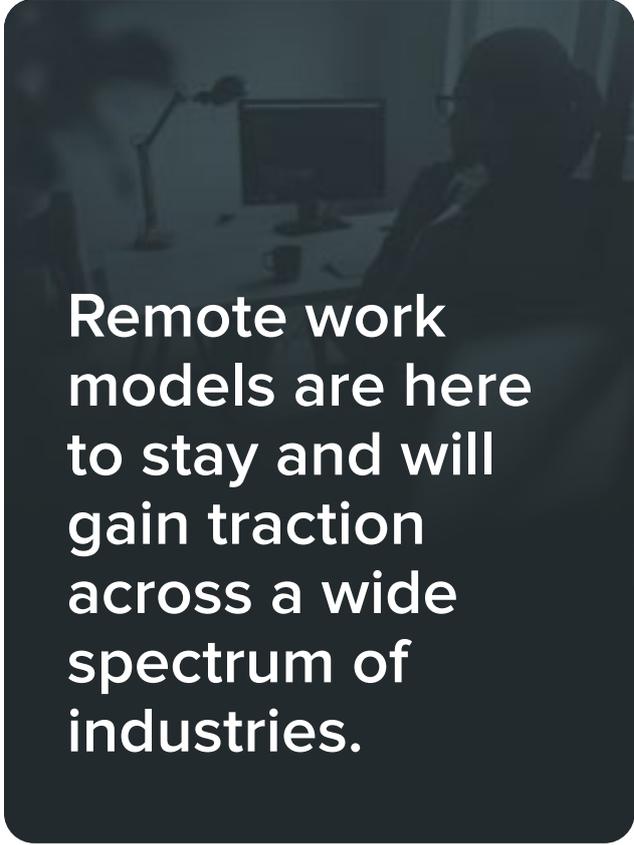
# Digital Acceleration during COVID-19: Remote Work & Online Education

During the pandemic, we have witnessed an unprecedented surge in the use of digital technologies in businesses, governments, schools, universities, as well as households. The sudden rise in remote work went hand in hand with the increased use of virtual working platforms, which enabled organizations to make sure that employees could continue to be productive. The sudden rise in remote work went hand in hand. For example, Microsoft Teams, a virtual collaboration tool, has seen a 775% increase in Italy during a one month period, where social distancing or shelter-in-place orders have been enforced.<sup>82</sup> The same trend has been noted by Zoom and WebEx Meetings. Big tech giants such as Twitter and Facebook set the tone when it comes to extending flexible work arrangements.<sup>83</sup> These companies offer their staff the option of working from home as part of a long-term shift to more remote working.

While more widespread telework in the longer run has the potential to improve productivity and address a range of other economic and social indicators (worker well-being, gender equality, regional inequalities, housing, emissions)<sup>84</sup>, its overall impact is ambiguous and carries risks especially for innovation and worker satisfaction. In order to address these concerns, it is important that teleworking remains a choice and is not 'overdone'. To improve the gains from the increased use of teleworking to encourage productivity and innovation, policy makers can promote the dissemination of best practices for managing remote teams, self-management and ICT skills, investment in home office 'hardware' and furniture, and fast and steady broadband across the country. Whether in the name of cost reduction, employee convenience, or both, we can expect that the remote work models are here to stay and will gain traction across a wide spectrum of industries. While we won't be working from home as much as during the pandemic, remote work models will remain significantly more present than they were prior to the onset of the pandemic.<sup>85</sup>

However, it is important to highlight the fact that many jobs simply cannot be done from home. While many of the ICT and white collar jobs could be done from home more or less smoothly, it's the low-skilled workers in sectors such as retail, food industry or manufacturing who actually lost jobs during the pandemic, and the increased use of teleworking didn't make any difference for them, nor will it in the future if they stay in the same sector. Hence, under the pressure of increased digitisation and automation, these workers will be increasingly forced to learn new skills to stay relevant on the job market – and governments should help them to make this transition as smooth as possible.

COVID-19 has also accelerated the increased adoption of technologies in education, ranging from an increased use of language applications, virtual tutoring, video conferencing



**Remote work models are here to stay and will gain traction across a wide spectrum of industries.**

tools, or online learning software. During the pandemic, schools were shut all across the world, with more than 1.2 billion children globally out of the classroom.<sup>86</sup> While some believe that the unplanned and rapid move to online learning – with no training, insufficient bandwidth, and little preparation – will result in a poor user experience that will not lead to sustained growth, others believe that the move towards online learning could be the catalyst to create more effective methods of educating students

And yet some students without reliable internet access and/or devices struggle to participate in digital learning; this gap is seen across countries and between income brackets within countries. For example, whilst 95% of students in Switzerland, Norway, and Austria have a computer to use for their schoolwork, only 34% in Indonesia do according to OECD data.<sup>87</sup> Within the EU, only around 80 percent of students in disadvantaged schools in countries including Greece, Slovakia, and Hungary have access to computers for schoolwork, whereas rates are close to 100% for students in advantaged schools across the entire EU.<sup>88</sup>

The rise of virtual collaboration platforms, hybrid models of work, and the increased use of educational technology are all trends that were set into motion during the pandemic. As their speedy and effective adoption on a large scale might suggest, these new ways of working and learning are here to stay and help fuel further digitisation of the global economy, where digital skills are part of the basic survival toolkit. But it is important that governments and policy makers keep in mind the needs of the less fortunate affected by the digital divide, which is at risk at being exacerbated by the COVID-19 pandemic.

Schools and universities need **to adjust their curriculums to the demand for the current and future technological skills, and introduce inter-disciplinary teaching concepts.**

## Conclusions and Recommendations



The ability to engage in the increasingly digital nature of the global economy is key to building resilience to economic and social shocks like those presented by the COVID-19 outbreak. As new jobs emerge and skills requirements change, the volume of the existing talent pool won't be able to meet the demand. Getting the economy back on track will require effective measures responding to the challenges on the labour market, making most of the lessons learned during the pandemic and its immediate aftermath.

### Innovative education

#### Improved contingency plans for education

In case of COVID-19 spinning out of control again, or any other unforeseen crisis that might prevent students from attending classes, educational institutions must get ready to maintain their ability to reach students via online classes, set up digital learning tools and materials, and provide access to devices for the economically disadvantaged students if possible.

#### Up-to-date curriculums

Schools and universities need to adjust their curriculums to the demand for the current and future technological skills, and introduce interdisciplinary teaching concepts. On the university level, this could translate into a course on ethical aspects of Artificial Intelligence. Primary and secondary schools could incorporate practical lessons on web development across various subjects ranging from chemistry to history.

#### Project-based learning

Progressive education measures should not only be about teaching digital competences, but also about developing social and cognitive skills needed in the digital economy. Curriculums should include project-based learning to familiarise students with collaborative work and expand their problem-solving skills.

## Skills development

### Online platform for future skills

Governments could create interactive online platforms to measure future skills and determine which future skills, whether digital or cross-disciplinary, are particularly in demand and find tailored training offerings. This would give citizens more control and transparency over their choices with regards to their career and education.

### Mandatory skills development for certain types of jobs

Government-led initiatives for future skills training could introduce a measure determining which employees must develop their future skills every three years in-house or externally. Alternatively, governments could introduce a 'sabbatical' or annual leave to allow certain employees to engage in targeted training.

## Public policy

### Public investment

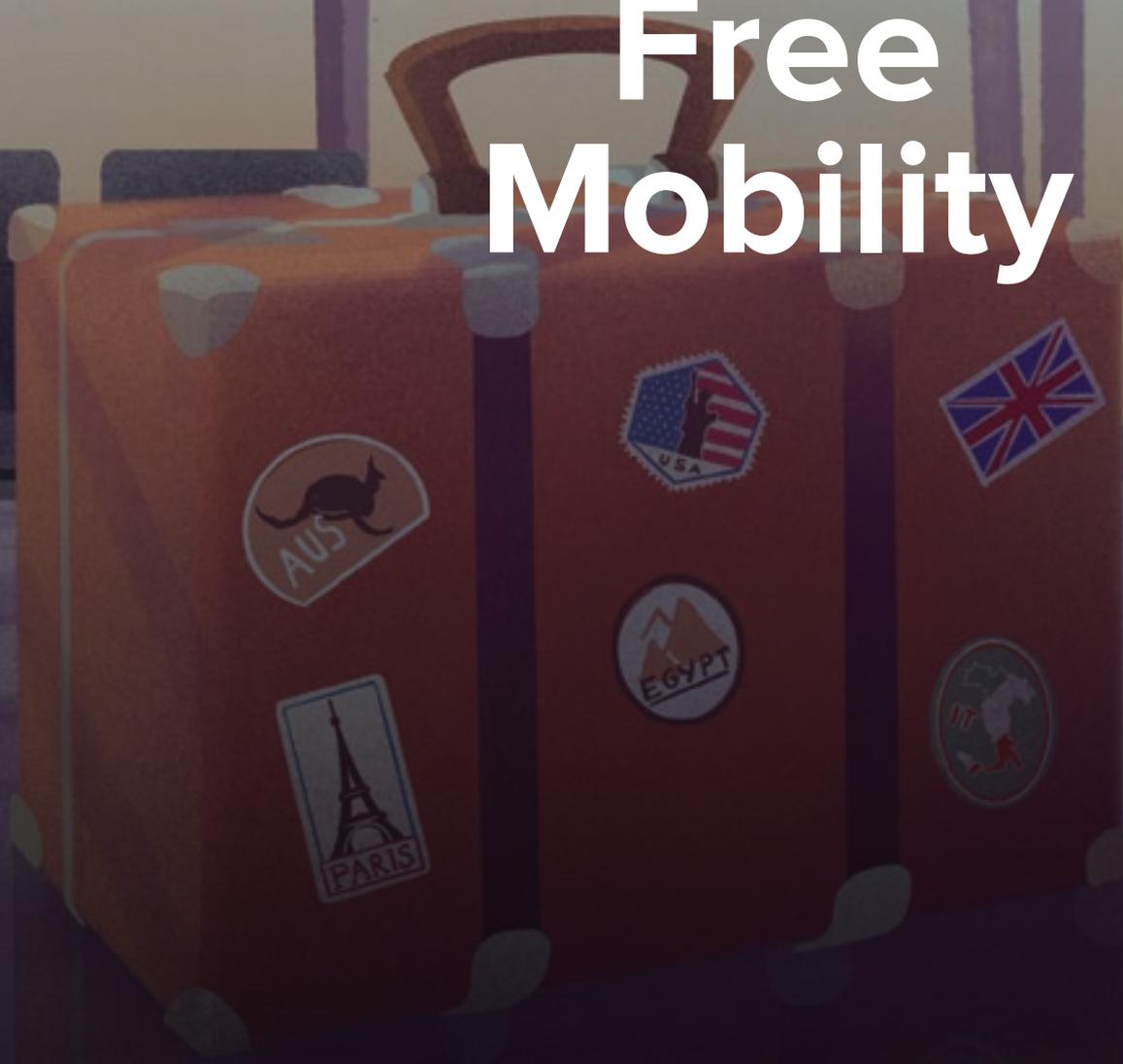
Governments could create financial incentive schemes to private individuals to take up further training in selected future-oriented competences. Similar programs already exist in Singapore (their Ministry of Education offers an allowance for courses in skills such as web development through their SkillsFuture program) and Canada (the Canada-Ontario Job Grant program).

### Closing the gap

The digital skills gap could be addressed by creating government and/or public-private programs to provide easier access to digital skills for people hardest hit by job losses, including those with lower incomes, women, and underrepresented minorities. Bridging the gap is needed to soften the blow caused by "black swan" events such as COVID-19 on vulnerable populations.



# Free Mobility



# The international mobility of people is going to face limitations for the foreseeable future



By Zuzana Podracká



Despite the many crises and challenges that we have faced in the EU and globally just in the last decade, the onset of the COVID-19 pandemic has proven a test of international resilience and cooperation like no other. Freedom of movement was certainly one initial victim of the shock-induced tendencies of Nation States to deal with the most global of crises by the most local of measures. The speed and extent with which borders were re-erected has not been seen since the end of the Cold War. The inevitable realisation that the free movement of people is intrinsically linked not only to health but to economic prosperity (from key and seasonal workers' movements around Europe to tourism-dependent local and national economies), and thus that borders cannot stay sealed off indefinitely, was not as forthcoming. A slow but steady improvement of the situation in certain countries has eventually led to a gradual system of the controlled re-opening of borders. The question remains, however, not only if, but whether we will ever be able to return to the pre-pandemic state of affairs. Is the era of the free mobility of people a relic of the past?

Somewhat reassuringly, most of the experts that participated in the GLOBSEC Megatrends survey do not seem to think so – the average likelihood of that happening was estimated at 32%.<sup>89</sup> The reduction of European and global mobility was identified by multiple respondents as one of the (mostly negative) ways in which the world will have changed post-COVID, but it certainly did not feature as prominently as the

economic fallout, the breakdown in international relations or new and old security concerns. The negative consequences identified were mostly linked to the reasons listed above; from the reduced mobility of humanitarian workers to a decrease in tourism, but the loss of face-to-face diplomacy, for example, made its way into comments too. Interestingly, for some experts, reduced mobility was linked to positive developments such as the re-imagining of work culture and the way international businesses operate and cooperate. The overwhelming feeling was that though global mobility will be significantly disrupted for some time to come, this state of affairs is not permanent.

There is arguably another reason not to overdramatise the situation and declare the era of free mobility a thing of the past – in the post-Brexit, post-2015 migration crisis, cross-border terrorism and crime-ridden world, the free movement of people is not as free as we might have been used to. As Alena Kudzko, Director of the GLOBSEC Policy Institute, rightly points out, certain European countries - Germany, Austria, Denmark, Sweden, France, and Norway – have kept border checks introduced during the 2015 migration crisis in place even after the number of asylum application halved, 'despite their questionable legality under Schengen regulations.'<sup>90</sup> This argument is, of course, a double-edged sword – if the free movement was already fragile before the pandemic hit, it certainly makes the return to open borders even more difficult, if not necessarily impossible. It would be an unfair simplification

of the situation to say that the pandemic simply demonstrated, in the words of Jakub Wisniewski, Polish Political Scientist, just how thin the layer of EU integration really is.<sup>91</sup> But it is worth remembering that what we might consider the golden era of free movement was already beginning to rust over a little in locations which were not made of pure gold, but patched up with the gilded iron of an insufficient infrastructure, half-heartedly supported and enforced. It is just as crucial to realise that the era of free movement as we have known it will most certainly belong to the past – what matters is how we can get as close to it under new circumstances in the future.

**Most national populations were more than willing to accept that nobody can better protect them from the pandemic than the local strongman.**

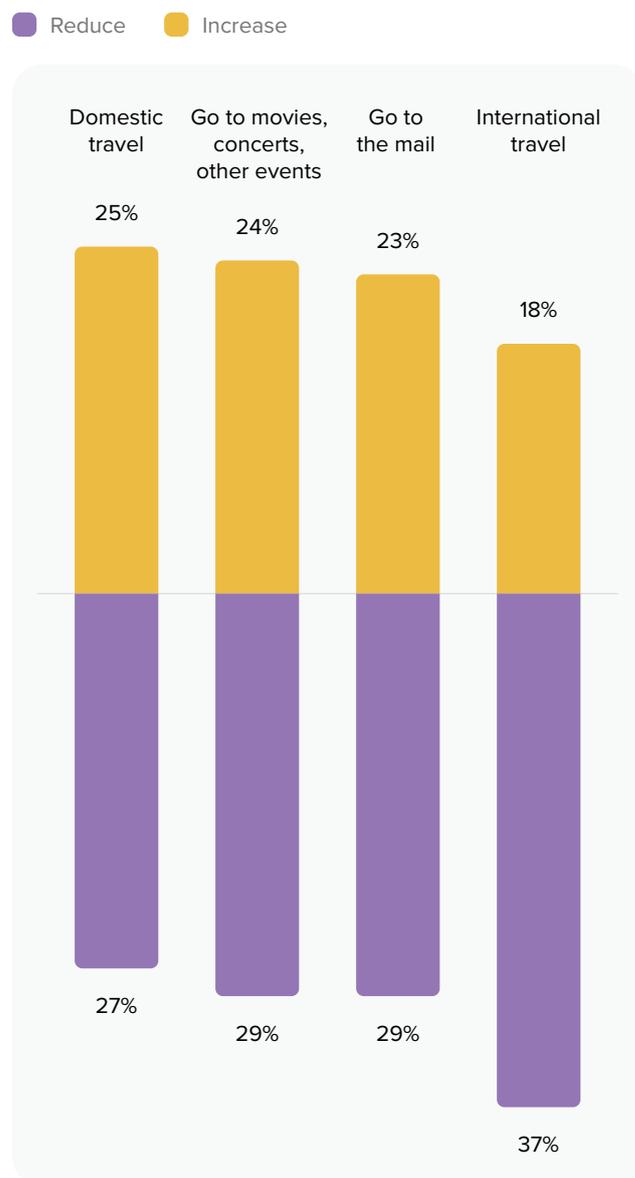
Some of the risk factors that are likely to contribute to the erosion of free mobility are decidedly not new, chief among them the strengthening of nationalism, populism and authoritarian tendencies. Identified as a chief concern by most experts participating not just in the Megatrends 2020 survey, but also in numerous #GLOBSECgoesDigital webinars, this threat is made greater by the seriousness of the situation, which creates just the right conditions for such forces to prevail. Having been exposed to years of a carefully built narrative that threats always comes from outside, most national populations were more than willing to accept that nobody can better protect them from the pandemic than the local strongman.<sup>92</sup> In Europe, this was exacerbated by the EU's initial scramble to get its act together; for Central and Eastern European leaders, the fact that the wealthy regions of Italy, UK and Sweden were worst hit also played in favour of leaders' keenness to use the situation to improve or even cement their position.<sup>93</sup> Keeping borders closed provides the illusion that national governments have the situation under perfect control, when in reality, closing borders only offers a temporary, if momentarily effective respite. Border closures accompanied by strong words, however, are much easier to offer as far as the feeling of security goes than effective tracking tools that could keep people moving relatively freely (for the sake of citizens as well as the economy) and yet allow us to track the disease to the best extent possible. When faced with a choice between safety and freedom (especially when framed as a dichotomy between closed and open borders), people will always have the tendency to choose the former, even if we discount the historical legacy of the obedience to authorities in Central and Eastern Europe.

Citizens themselves are a crucial piece of the puzzle in the future of free mobility, but not only because of the role they play in challenging their governments to adopt a holistic

approach to the current and future pandemics. What makes this crisis different from the perspective of free mobility is the way it will change people's attitudes towards travel long term. In Europe, many citizens working and living around Schengen were either forced to remain in their country of residence because of the lockdown measures or were not able to return/travel from their country of origin for work-related purposes. The issue to a certain extent got resolved slightly quicker by regional cooperation between countries than amid EU-wide travel and it does strengthen the argument that rather than returning to full Schengen, more regional cooperation, or 'mini-Schengens' might be more effective, certainly in terms of controlling routine, work-related mobility. Nonetheless, looking ahead there is a substantial chance that people's perception of working and travelling across Europe – and globally, as the US data shows - will have shifted, which would have impact on both the labour market and the tourist industry long term.<sup>94</sup>

### Coronavirus to Have a Lasting Impact on International Travel?

% of respondents expecting to reduce/increase the following activities after the COVID-19 crisis.



The way to get around this will be to rebuild trust; in Europe, the EU structures can play a significant role in this. Prof Dr Jaap W. de Zwaan of Erasmus University in Rotterdam argued that 'these days the discussion about the future of Schengen cooperation cannot be looked at in isolation, by focusing purely on the technical aspects of border controls.'<sup>95</sup> The 'boring' administrative measures, especially those that make Schengen fit for a digital age by ensuring that Member States across the EU have 'the same administrative, financial and technological capacity to develop or integrate new technological solutions'<sup>96</sup> are key, and not just during a period of crisis. However, if we are to restore some model of free mobility across Europe we need to address all three pillars of it equally – its link to the European project and the values that underpin it, the policies that are linked to it, and the bureaucracy that puts the machinery in motion. What connects all three of these is the willingness and ability of European and national leaders to cooperate and find common ways. As GLOBSEC's report Making Flexible Europe Work? European governance and the Potential for Differentiated Cooperation indicates, the Schengen zone especially is 'a litmus test for solidarity between the Member States and the EU institutions (or lack thereof), and a guarantee of the smooth movement of people and good throughout most of the Single Market.'<sup>97</sup> Schengen is also firmly linked to security issues, common foreign policy, defence, migration, terrorism and public health management. Are Member States prepared to pool sovereignty and trust each other enough to delegate more competences to supranational bodies like the European Commission? Is there enough good will and resources to manage crises without reverting to national frameworks? Can the border remain open, but be managed in a way that would make citizens feel safe in the face of future challenges?

The hard truth that citizens and governments in Europe and globally have to face is that it is impossible to entirely prevent another pandemic or another deadly terrorist attack that would shake the system in its foundations. The more robust and resilient a system we build now, the less likely it is to shatter when the next crisis inevitably hits. There is a definitive light at the end of the tunnel – even during the worst pandemic, ways were found for key workers to keep moving around Europe. Maybe the era of free mobility will be based on a different principle. According to Professor Sophie Robin-Olivier of the Sorbonne School of Law, if we accept that neutral equality is not sufficient in situations like these, we can define freedom of movement not simply as a purely individual choice. Rather, freedom of movement 'diversifies into specific rights for the achievement of purposes explicitly defined at the European level, which cannot only consist in freedom for freedom's sake. The pursuit of a European common good can be embedded into this renewed conception of free movement.'<sup>99</sup>

Free mobility could simultaneously be the greatest threat and the greatest opportunity creator depending on how the rules are set up, in the height of a crisis and immediately after. Coincidentally, Schengen, despite the initial scepticism that accompanied its creation, is now considered one of the greatest success stories of European integration, appreciated greatly by the CEE countries and one that incentivises EU Member States to cooperate on other areas of European integration. If there is a European – and global - will, there will be a way to ensure that the era of free mobility will not belong to the past. Below are some concrete recommendations on how to make it happen in Europe.

**“Regardless of how long it takes to contain the coronavirus, there will always be the threat of another pandemic on the horizon. Given the lack of vaccines for newly emerging viruses, border and travel controls are likely to continue to be seen as a means of controlling the spread of infections.”<sup>98</sup>**

**Can the border remain open, but be managed in a way that would make citizens feel safe in the face of future challenges?**

## Conclusions and Recommendations



### Complete the Schengen space

Common external border protections and the abolition of internal borders are in constant clash with the ambition of Member States to be fully in control of flows of people, especially third country nationals. In order to prevent disruptive arbitrary border checks introduced by some Member States, a degree of trust and a rules-based approach needs to be fostered. A mechanism to assess the decisions of Member States to set up temporary internal border checks, for example, should be established.

### Restore credibility

Member States need to focus on implementation of 'boring' operational measures rather than on making grand statements and visions. The latter bring more political capital. But it is the former that deliver much needed progress and solutions. Carrying out Schengen reforms to include clear deadlines and justifications and to clarify further outstanding issues would help improve confidence and prevent erosion of the Dublin system. It would also restore the credibility of the EU Commission.

### Make Schengen fit digital age; but equally across the EU

Border controls and police cooperation increasingly rely on the integration of technological solutions. Not all countries have the administrative, financial and technological capacity to develop or integrate measures rapidly. EU funds and expert support mechanisms need to be available to facilitate cooperation. This includes the availability of expert support or equipment for Member States that require it, for example, in the areas of digital forensics, encryption, database maintenance, and surveillance.<sup>100</sup>



# Technology & Security

# Digital technology is progressively affecting the very foundations of security



By M. Chertoff, P.  
Bury, D. Richterova<sup>101</sup>  
and Viktor Szűcs



In the past two decades, IT has transformed our society. The internet, mobile phones, and social networking platforms have fundamentally changed the way states, groups and individuals interact. In the next decade they will continue to do so, potentially at a faster pace. Understanding how information communication technology, or ICT, will shape

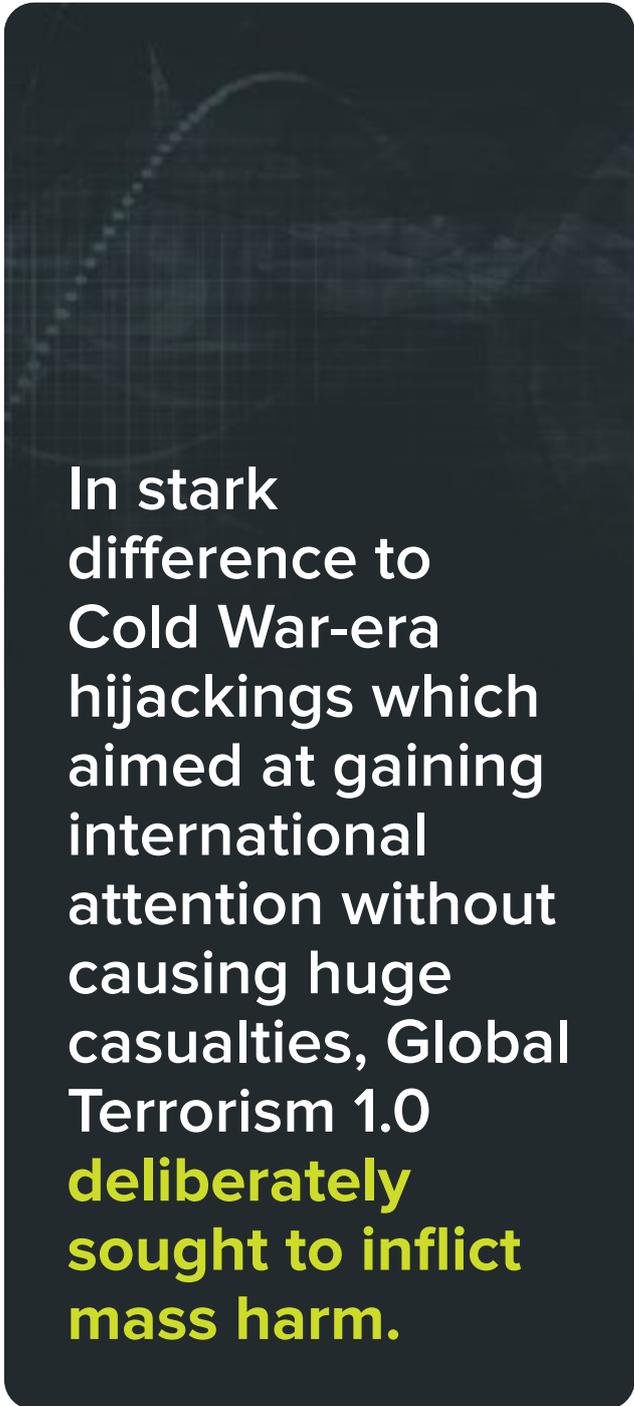
terrorist organisations, their tactics and strategies, is central to understanding the evolution of terrorism. Using data taken primarily from global jihadist terrorism, we clarify how ICT has changed global terrorism, and chart how international counter-terrorism cooperation must also evolve to meet these changing threats in the following decade.

# Exploding Data

Our analysis is supported by the development of ICT and its great impact on society. While the introduction of more portable video cameras in the 1980s and the increasing availability of satellite broadcasting technologies in the 1990s represented major ICT advances, the spread of the internet has arguably had the most influence on global terrorism. The first iteration of the internet provided a gateway into an essentially static World Wide Web in which users could read pages but not alter them. This came to be known as 'Web 1.0'. By 2000, coding and processing developments allowed websites to process user commands and access and update larger databases much more rapidly. At the same time content was becoming more visual, user friendly and user-controlled. This new iteration of the internet, dubbed 'Web 2.0', unleashed exponential growth and ultimately the power of social media platforms. This combined with the 2007 release of Apple's iPhone to produce another leap in mobile telecommunications, blending compact computing power with tailored apps. Enabled by a thirteen-fold increase in processing speed between 1999-2017, these devices would eventually provide similar audio-visual editing capabilities to a studio within a portable and user-friendly device, globally linked to the internet. Complementing this step change in technology, by 2013 there were 2 billion mobile internet subscriptions, a figure which increased to 6 billion by 2018. The impact of this ability to access, create, distribute and interact with written and audio-visual information globally and in real time has been likened to the effect of the alphabet on society. It is important to note that ICT has facilitated an increase in the pace of societal change. These technological iterations may have had a similarly profound impact on global terrorism.

## Understanding the Problem: Global Terrorism 1.0

Terrorist organisations, emerging from the 1990s with a global agenda, such as Al Qaeda sought to conduct coordinated mass casualty suicide attacks against iconic targets for maximum dramatic effect. The targets were symbols of western political and military power: global cities and capitals of the 'far enemy' and their transportation systems, especially air and rail. In stark difference to Cold War-era hijackings which aimed at gaining international attention without causing huge casualties, Global Terrorism 1.0 deliberately sought to inflict mass harm. Such large terrorist attacks required long term planning, coordinated collective action with trained operatives and an accompanying support network. Osama Bin Laden's Al Qaeda Central (AQC), which emerged as a global actor in the 1990s, provides the best example, displaying a top-down, bureaucratic, and hierarchical command structure with a physical headquarters. The organisation's survival relied on good relations with, and often support from a host state. New members were primarily recruited from Muslim countries and



**In stark difference to Cold War-era hijackings which aimed at gaining international attention without causing huge casualties, Global Terrorism 1.0 deliberately sought to inflict mass harm.**

were often experienced veterans of the Afghan or Balkan wars. In most cases, 1.0 jihadists travelled to remote locations to pledge allegiance and receive training, funding and instruction. These expensive recruitment and operational strategies were financed by the leadership and its businesses from private donors or were acquired via foreign fundraising, including ostensibly charitable organisations. Reflecting the analogue era it was conceived in, AQC followed a hierarchical, almost micro-managerial, highly-bureaucratic organisational structure. Bin Laden also used traditional media – high-profile newspapers and television interviews – to spread his message and recruit followers, while AQC's leadership primarily communicated and gave orders to their operators via telephone or courier before moving on to using free email accounts and the drafts folder to communicate.



**Global Terrorism 2.0 recognizes that a number of smaller, coordinated attacks by groups of jihadis can have a large global impact.**

## Global Terrorism 2.0

By contrast, Global Terrorism 2.0 recognises that a number of smaller, coordinated attacks by groups of jihadis can have a large global impact. This realisation came largely as a result of the degradation of AQC by international counter-terrorism efforts and the death of Osama Bin Laden, and it resulted in the beginnings of a less centralised and hierarchical approach to global jihadist organisation. This, in turn, was enabled by the increasing connectivity of both Web 2.0 and the advanced mobile phones that could access its platforms in real time. The approach is characterised by: more distributed and flexible organisation with some limited communication with leadership; a mix of radicalisation and training at home and abroad; collective, well planned, marauding attacks assisted by advances in mobile telecommunications; and Web 2.0 technologies, with their increased use for recruitment, propaganda and financing. Indeed, without Web 2.0 there would be no Global Terrorism 2.0. While not a fully networked and decentralised organisational approach, Global Terrorism 2.0 represents an important evolution toward it. The 2008 Mumbai attacks provided a strong example of how Web 2.0 enabled a new type of global terrorist tactic when ten terrorists assaulted six 'soft' sites across the city for a total of 60 hours. This became known as a Marauding Terrorist Attack, involving the hit of numerous targets in a city simultaneously to cause maximum casualties and media exposure whilst stretching the possibilities of response teams. The attacks highlighted the effectiveness of coordinated, but comparatively less planned

attacks against soft targets by terrorists, using relatively basic weapons but able to communicate in real time with a willingness to die for their cause. Other examples of Global Terrorism 2.0 include the 2015 Charlie Hebdo and Paris attacks and the 2016 Brussels bombings.

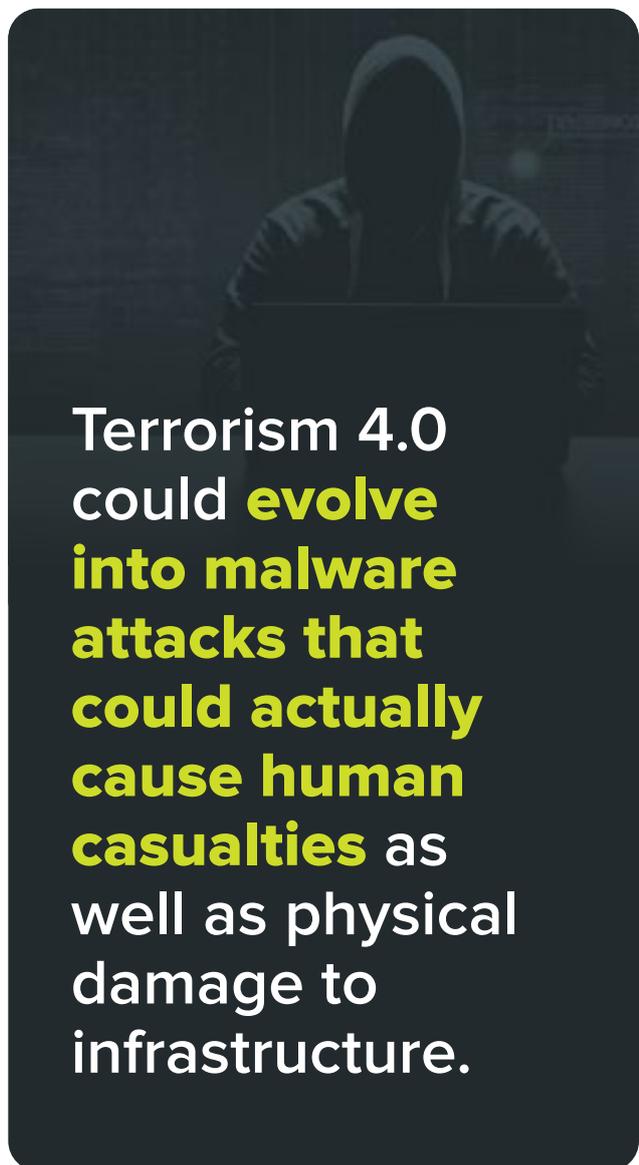
## Global Terrorism 3.0

Although some Global Terrorism 3.0 characteristics coexist with the those of 2.0, it is distinguished by its individual, inspired nature, its lack of any assistance from the central terror organisation, and its often crude tactics. This new form of terrorism was developed and spearheaded by ISIL central as a reaction to the physical demise of its so called "caliphate" in Iraq and Syria. Enabled by these ICT advances, Global Terrorism 3.0 seeks individuals who cannot be (and are not) directly trained or recruited face-to-face, are not operationally assisted with planning by the central terror organisation. 3.0 terrorists are inspired to pick up whatever weapon is at hand (knife, automobile, firearm, homemade explosives) and randomly kill. Their methods are crude and their targets are soft, including random public spaces. While these types of attacks are not on the scale of even the 2.0-type attacks, their effectiveness is derived from their psychological impact. They generate the uncertainty and public fear that at any moment someone may attack, without the necessity for organisation, direction or funding from any central terror organisation. Global Terrorism 3.0 is also impossible without the advanced Web 2.0 platforms that enable ostensibly 'lone' operators to become radicalised and launch individual attacks. Tor and Telegram provide good examples, with the growth in Telegram's popularity among jihadis a result of international efforts to remove ISIL-related content from the surface web, and the change of online strategy that this has caused. The use of this ICT marks another notable shift away from Global Terrorism 1.0's comparatively open use of Surface Web chat boards and forums, and allows individuals at risk of radicalisation to access video and audio content with reduced risk of compromise. Prominent examples of Global Terrorism 3.0 include the 2016 Nice and 2017 Westminster attacks, while far right 3.0 terrorism – distinguished by the fact its perpetrators are not called on by a central organisation but inspired through decentralised propaganda material – has been witnessed in the 2018 Pittsburgh Synagogue, and 2019 Dayton and Christchurch attacks, the latter of which marked a gruesome but expected evolution when the attacker live streamed his actions on Facebook.

## Global Terrorism 4.0

Global Terrorism 4.0 is the evolution of the use of the internet as an operational tool for conducting attacks. It draws its lineage from Global Terrorism 2.0 and 3.0 and can coexist with both. Although discussions about terrorists using cyberspace to stage attacks are not new, terrorists have not yet obtained the capability of states in this regard. Nevertheless, groups affiliated with ISIL pursue activities in cyberspace which go

beyond the recruitment, propaganda or financing associated with 2.0 and 3.0. For example, in 2015, ISIL hackers took over the Twitter accounts of the US Central Command and Newsweek Magazine. In 2015 and 2016, two online groups pledging allegiance to ISIL emerged in the cyber domain - the Islamic State Hacking Division (ISHD) and the United Cyber Caliphate (UCC). The UCC published 'kill lists' containing names of government, military personnel and civilians with instructions for ISIL supporters to assassinate them. Similarly, in 2015, the ISHD published its own 'kill list' of 1,400 mostly US military personnel. Although there is no available evidence of deaths resulting from these lists, by publicising the names of US government employees ISIL clearly demonstrated an increased appetite for creating synergy between its online operations and those in the physical space; actions that spread fear. That ISIL did this at minimal cost, via publicly available hacking technology, highlights the impact of inexpensive ICT on terrorist tactics. At its most extreme, Terrorism 4.0 could evolve into malware attacks that could actually cause human casualties as well as physical damage to infrastructure. There is also growing evidence of the use of social media by the far right to cause intimidation.



**Terrorism 4.0 could evolve into malware attacks that could actually cause human casualties as well as physical damage to infrastructure.**

## CT Responses Must Recognise These Differences

Recognising the critical differences between Global Terrorism 1.0, 2.0 and 3.0 is essential to shaping CT responses. One key feature is that the line between ideological jihadist terrorism and criminality is less clear than with Global Terrorism 1.0. Unlike the early global jihadis, some 2.0 and 3.0 jihadis have not been radicalised over a long period of time and have only gradually been motivated to become operational; instead, a number of 2.0 and 3.0 jihadis have been drinking whiskey, taking drugs and attending nightclubs, demonstrating little adherence to Islam a week before their attacks. Many have been petty criminals known to local police; some have been serious criminals, often living at the margins of society. In this case the organisation or ideology can act like a gang, attracting recruits through their powerful and marginalised narrative whilst also offering redemption from past sins through jihadist struggle. 2.0 recruitment therefore presents a different set of problems to 1.0 in terms of the collection and analysis of information.

A second key feature of Jihadism 2.0 and 3.0 is their low signature. Compared with 1.0 there is less global communication, less international travel and fewer flows of money to track with traditional high-tech SIGINT. A shorter timeframe also exists between radicalisation and operationalisation; the so-called 'flash to bang' effect, especially in the case of 3.0 jihadism, which places new pressures on intelligence agencies and CT response teams.

A third feature of Jihadism 2.0 and 3.0 is the plethora of targets; efforts to identify critical infrastructure (as was done after 9/11) will not be effective when everything and anyone can be a target, from shopping centres and movie theatres, to arenas and public streets. Fourthly, although smaller in scale than 1.0 attacks, the greater frequency of 2.0 and in particular 3.0 are important as they undermine public trust in governments' ability to protect citizens. This is particularly the case as the terrorist use of drones increased mostly in warzones such as Syria and Iraq. Thus, restoring confidence by 'flooding the zone' has proved critical in maintaining trust in the wake of attacks, as evidenced in France's 24-month state of emergency following the Paris attacks. Finally, in terms of 4.0 responses, US Cyber Command has conducted network attacks against ISIL and other jihadist groups for a number of years, and offensive cyber operations against terrorist groups are likely to continue to be needed in the next decade.

The pandemic has forced everyone to spend more time online than before, which includes both terrorist groups and the vulnerable population they cater their propaganda to. **We have seen a surge of online terrorist propaganda content.**

# CT Evolutions for the Next Decade

In order to address the challenges that both Global Terrorism 2.0 and 3.0 create, counter-terrorism organisations must also evolve in the coming decade if it is to be safer than the last. We have identified five priority areas.

First, and most important, is a move to community based-intelligence. The way intelligence has traditionally been conceived in terms of spies and satellites needs to be broadened to include and harness bottom-up community intelligence. Traditionally, some nations have been better than others at this, but it is clear that Global Terrorism 2.0 and 3.0 requires a greater emphasis to be placed on the community than has been the case in many, so that information can be collected and better integrated into the intelligence picture. Clearly, community-based police officers, community leaders, teachers and mental health professionals may have useful insights that an individual may be moving in a dangerous direction and given some training this may help address potential terrorist cases much earlier.

Second, global information sharing must increase. The Paris and Brussels attacks showed how jihadis exploited significant seams in European information exchange at both the national and international level. While respect for different national privacy laws, and protecting intelligence sources and methods, is key, there are proven platforms available for increasing multilateral information exchange and trust. These have been highlighted by GLOBSEC's Intelligence Reform Initiative, a high-profile international network of policymakers and practitioners, and include the creation of a transatlantic counter-terrorism hub, case-based taskforces, hit-no-hit database search technologies, and a centre of excellence in order to build trust at the mid-career level between nations. GLOBSEC is delighted to partner with the authors on the exciting roll out this final recommendation, known as the Transatlantic Circle of Trust (TACT).

Third, security measures and architectures need to be enhanced. Those that successfully disrupted 1.0 attacks need to be improved to disrupt the latest iterations. For example, one major response to terrorism 1.0 was to increase the security envelope around air travel, and later stadia, with increased screening measures. 3.0 terrorists frequently target those waiting to get inside this envelope, and this vulnerability needs to be addressed through the reassessment of some of the architectures originally installed.

Fourth, use metadata. Although some 2.0 and 3.0 attackers may not be known to the authorities, metadata can be used to help build intelligence pictures. Many rapidly radicalised terrorists demonstrated abrupt changes in behaviour before their attacks that could have been highlighted by financial tracking, location data, and network analysis. Individuals could consent to allowing the authorities access to their broad pattern behaviour data in return for placement on a 'white list' that would allow them to access airports and stadia with less or no screening. The controlled and correct use of metadata

will need the careful introduction of updated laws in many jurisdictions.

Fifth, incentivise early reporting. Countering violent extremism efforts needs to incentivise friends and families for reporting radicalised individuals to create earlier 'off ramps' for those at risk.



Many rapidly radicalised terrorists demonstrated abrupt changes in behaviour before their attacks that could have been highlighted by tracking.

**Table 1. Global Terrorism 1.0–4.0: global jihadism from the 1990s to the present and beyond**

	ICTs	Organisation	Recruitment and training
 <p><b>Global Terrorism 1.0</b> (up to 2003)</p>	<p>Analogue: video cassette, telephones and fax machines, couriers, traditional media</p> <p>Early digital: satellite phones and Web 1.0</p>	<p>Top-down directed, hierarchical, bureaucratic; state acquiescence; analogue communications</p>	<p>Overseas travel to central organisation; training camps</p>
 <p><b>Global Terrorism 2.0</b> (2003-2006)</p>	<p>Early to late Web 2.0: advanced apps, encryption, real-time use of social media in attacks</p>	<p>Distributed command with some higher communication and direction</p>	<p>Some overseas travel to franchises, blended with increasingly rapid home-grown radicalisation and criminality</p>
 <p><b>Global Terrorism 3.0</b> (2007-2014)</p>	<p>Late Web 2.0. Dark Web, virtual reconnaissance,</p>	<p>Loose network enabled by lone actors</p>	<p>Online only, individual, little or no training; many recruits have psychological issues</p>
 <p><b>Global Terrorism 4.0</b> (2015-present)</p>	<p>Hacking Web 2.0 and cloud computing, including semi-secure and secure ICT systems; Artificial Intelligence, deepfakes; quantum computing</p>	<p>Full spectrum, from lone actors to highly organised groups</p>	<p>Online</p>

## Financing

From central organisation; global fundraising operations

Decentralised franchises, crowdsourced

Individual

Crowdsourced; state sponsored; individual.

## Tactics

Trained groups; sophisticated planning; large bombs, weaponised aircraft; suicide mass casualty attacks; iconic targets; long preparation time

Trained groups: co-ordinated and sophisticated marauding gun and skilled bomb attacks, shorter preparation time, suicide

Untrained and inexperienced individuals: knives, automobiles, guns and homemade bombs; some attacks suicidal, some not

Trained groups and individuals: cyber attacks to cause physical damage and casualties; reputational damage; intimidation

## Targets

'Big event'—dramatic scale in centres of western political power and on transportation systems

Numerous coordinated smaller attacks on soft targets = cumulative impact

Random, but highly visible, in public places to create constant fear of attack

Critical National Infrastructure (CNI); media outlets; public servants and figures; government websites and databases

## Responses

New security architectures: Predominantly signals intelligence, coupled with military interventions to deny sanctuaries and integrate forensic data; surgical operations overseas, often via drones; CNI protection; restrictions on immigration and travel to the US

Increased international intelligence liaison; more rapid and professional response teams; increased protective measures at stadiums and large public gatherings; community policing

Metadata and whitelisting; human intelligence, community policing; increased protection of public spaces in general.

Increased protection of CNI cyberspace; raising public awareness of cyberterror evolution; less personal data on social media profiles

# Online Terrorism Trends

The recent global developments related to COVID-19 have accelerated a few existing trends in terrorism. The pandemic has forced everyone to spend more time online than before, which includes both terrorist groups and the vulnerable/at-risk population they cater their propaganda to. Indeed, we have seen a surge of online terrorist propaganda content.<sup>102</sup> The focus on the virtual space brings with it some challenges, not only for governments, but for big tech companies, which have been under increased government scrutiny for some time. Before discussing the responses, though, let's first walk through the new trends we have seen emerging in the terrorist domain.

Jihadi terrorists particularly have been changing their mode of operations from publishing everything on main platforms such as Facebook or Twitter to smaller, less regulated platforms. This way they keep a low profile on the major platforms where the pool of potential recruits is larger, and once the connection is established they move onto smaller platforms that use encrypted communication, and from within countries which have less access pressure from governments. The terrorists also use content sharing websites to host propaganda material, weapons and explosives manuals, or guides to using technology to evade detection by law enforcement.<sup>103</sup> These are, again, smaller players in the market with a smaller staff, or lower-end technology that cannot realistically take down such content fast enough. However, it must also be said that there is still terrorist content available on the major platforms too. Given that they rely on it being reported by users or the police, rather than large-scale automatic detection, it remains a point of contention.<sup>104</sup>

**“We need greater transparency of the companies monitoring systems and algorithms. At the moment, there is absolutely no transparency at all with transparency reports written and evaluated by the same company.”**

- Hans-Jakob Schindler,  
Counter Extremism Project.

Another trend we have seen become more and more popular are live streaming attacks or the recording of them with GoPro cameras for later publishing. Streaming the attacks live is of particular interest to lone actors belonging to extreme right wing (XRW) ideologies such as in Christchurch, New Zealand or Halle, Germany, but it is not a prerogative of the XRW only, as the first streamed attack actually came from an ISIS adherent in 2016.<sup>105</sup> Nowadays they are streamed on Facebook or Twitch – a platform dedicated to streaming playing video games owned by Amazon. The ensuing issue is the spreading of the content on virtually all other platforms that struggle to ban the reuploads before they receive a large number of views. The other way terrorists have been using cameras to bring their activities to the public eye and attention is by recording conflict from warzones in a style similar to first person shooter video games. The camera is mounted upon a helmet or fighter's chest for a direct view of the action, and the viewer can see the weapon in their field of vision. The videos are later published on the terrorist group's websites and media channels and distributed as part of their propaganda. To followers it brings the fight closer to home; it also may facilitate a closer connection to the cause or increase the likelihood of successful crowdfunding. And because it resembles particular video games, as often pointed out in the comments section, it can capitalise on the gamification experience by creating a spectacle for its supporters, and help with recruitment even for ISIS in the times of retreat from the Levant.

**Some countries have presented their apps completely inconspicuously to their citizens, ostensibly to help them determine if they have the virus, but secretly gathering data.**



Sticking to the theme of games, there is one other aspect that should be mentioned. Widely used forums such as Steam for PC gamers have been reported to be used by supporters of XRW movements. Steam is a platform with a combined online game store and social medium, with profiles, friend network, groups, discussion boards, and instant messenger. Previous research has highlighted it being abused to spread XRW propaganda, as well as support for school shooters through memes, statuses, photos, and as an alternative channel for such groups to continue conversation or even facilitate recruitment.<sup>106</sup>

Lastly, there has been a development on the financing front. In August this year the IRS have seized millions of dollars in cryptocurrencies connected to terrorism financing by groups such as ISIL, Al Qaeda and Hamas.<sup>107</sup> Since most cryptocurrencies are still traceable, law enforcement can use their tools to freeze such assets in certain cases. However, privacy coins, a type of cryptocurrency with added layers of encryption to ensure anonymity on blockchain during transactions, present a more concerning challenge. There are also technical means such as 'mixers' and 'tumblers', which hide financial flows from authorities. A recent study has showed that some terrorist groups also use "automatic address-generating software for cryptocurrency wallets to call for donations" and their addresses cannot be found on the blockchain.<sup>108</sup> In other words, cryptocurrencies is an area that will present a challenge in countering terrorism financing in the foreseeable future.

## CT Measures against COVID-19

All of the above has resulted in creating or tweaking technology, processes, and laws that enable law enforcement agencies to clamp down on terrorist activities within the online space. Some, however, are having their use considered or are even already used by various governments, both democratic and non-democratic, to gain better control over the situation caused by COVID-19. These tools do not only operate in the online space; some are intended purely for offline deployment. Such repurposing of security equipment across the globe for its use on civilians is unprecedented.

Contact tracing has been used for CT purposes for a long time, but now we see the discussion on its use and re-emergence. Governments around the world have applied

various contact tracing methods to identify those infected with COVID-19 and also who they have come into contact with, and to check whether a person is observing the quarantine.<sup>109</sup> Interestingly, this solution did not come only from governments, but also from companies which understood the value of privacy, and argued that storing data on phones instead of central databases administered by governments is safer. Notwithstanding, in order for the apps to be effective, some amount of data and a certain level of specificity is required.

Geofencing, a technology that has found a very wide spectrum of use, from preventing thefts in shopping outlets to blocking drones from flying in unauthorised space, has been reported being used to track the movement of individuals during required quarantine in at least 19 countries around the world.<sup>110</sup> The scale of use varies greatly across the board. While some countries have collected only aggregated and anonymous data, others were not so straightforward, and some have apparently gone so far as to present their apps completely inconspicuously to their citizens, ostensibly to help them determine if they have the virus, but secretly gathering data on their location as well.<sup>111</sup>

Facial recognition caught media attention especially in Europe, after the London's Metropolitan Police Service earlier this year started using high definition cameras combined with Artificial Intelligence, to identify the faces of wanted criminals and notify police officers in the area of their presence. Attitudes towards this technology vary greatly. While the city of San Francisco has banned the police from using the technology, China is the most popular example of how far the use of biometric technology in public spaces can go, as in the case of Beijing's facial recognition mechanisms to track Uighur minority members in and outside of Xinjiang.<sup>112</sup> As a reaction to privacy concerns from the public, the EU started devising a plan to curb the use of this technology.<sup>113</sup> Also worth mentioning are technical flaws that can result in wrongful arrests, especially non-white persons. Today the technology has been adjusted to work even if people wear masks (although with a lower rate of successful identification) and has been combined with temperature sensors to measure the temperature of the subjects it has surveilled.<sup>114</sup>

## Louder Public Discontent

This year has also seen a trend of more visible protests, some comparing this year to the turbulent 1968.<sup>115</sup> 1968 saw a string of protests from Sweden, through Czechoslovakia to the United States, that made some governments discover the limits of the status quo, but the informational landscape in 2020 is vastly different and the threshold for people to mobilise is a lot lower, since technology can connect people over a greater distance and with a wider spectrum of topics. Unfortunately, not all reasons for mobilisation that are out there are based on facts or truth, and in some cases there is a lot of suspicion on the meddling of foreign powers. The information space is a domain that will probably never escape geopolitics.

Hence, it remains a challenge to balance security measures and transparency to gain public confidence. But since governments are elected, they also hold a responsibility to make sure people trust them, not only with their decisions but also with their data; and citizens have the right to contest its wrongdoing. Such systems will be necessary if we are to survive this and possible future pandemics. The trick is in being transparent in order to gain the public's consent - which may be extremely difficult in countries that have had political and social crises, with overly politicised issues that result in highly polarised societies. In such environments it is natural that the population would turn to a neutral actor: an international organisation for instance, or a technology company that offers an alternative way.<sup>116</sup>



Jihadi terrorists have been changing their mode of operations from publishing everything on main platforms such as Facebook or Twitter to smaller, less regulated platforms.

## The EU should require large-scale automation of the taking down of terrorist content from social media companies, instead of using the current system reliant on users flagging content themselves.

# Conclusions and Recommendations



## Governments

**1.** The European Union should require large-scale automation of the taking down of terrorist content from social media companies, instead of using the current system reliant on users flagging content themselves. The currently negotiated EU Terrorism Content Online Regulation and the Digital Services Act are the right opportunity to demand such a change of operation.

**2.** Both Central European governments as well as the EU should consider investment into civil society organisations that are already active in the sphere of reporting inappropriate content in the online space.

**3.** Governments should agree on a common standard of automatic and human monitoring the content by all companies to avoid the different methods that are currently being used and are harder to evaluate in their efficacy and often outsourced to cost-efficient third parties.

## Companies

**1.** There needs to be an improved monitoring of live-streamed content, having it analysed in real time, both in its speech and visual elements. Governments should collaborate with private companies on the procedure and priorities.

**2.** Companies should constantly invest in research and development to ensure that their technologies are evolving to prevent and/or quickly respond to new terrorist online threats that adapt and misuse them.

**3.** Biometric technology companies such as ones developing facial recognition, have options when it comes to their stand on privacy issues: appearing visible demands transparency from governments and their clients to ensure the use of the software is not a part of their PR campaigns. Beyond this, they can be more consistent with their decisions along the security/privacy line, and even go as far as incorporating these values into their business model, to undertake the security-by-design approach.



A stylized illustration of a city skyline at sunset. The sky is a gradient of orange, yellow, and pink. In the foreground, a hand with a dark skin tone reaches up from the left side. Below the hand, there is a yellow and red striped caution tape with the word 'DANGER' written on it. The title 'Public Health & Security' is centered in white text.

# Public Health & Security

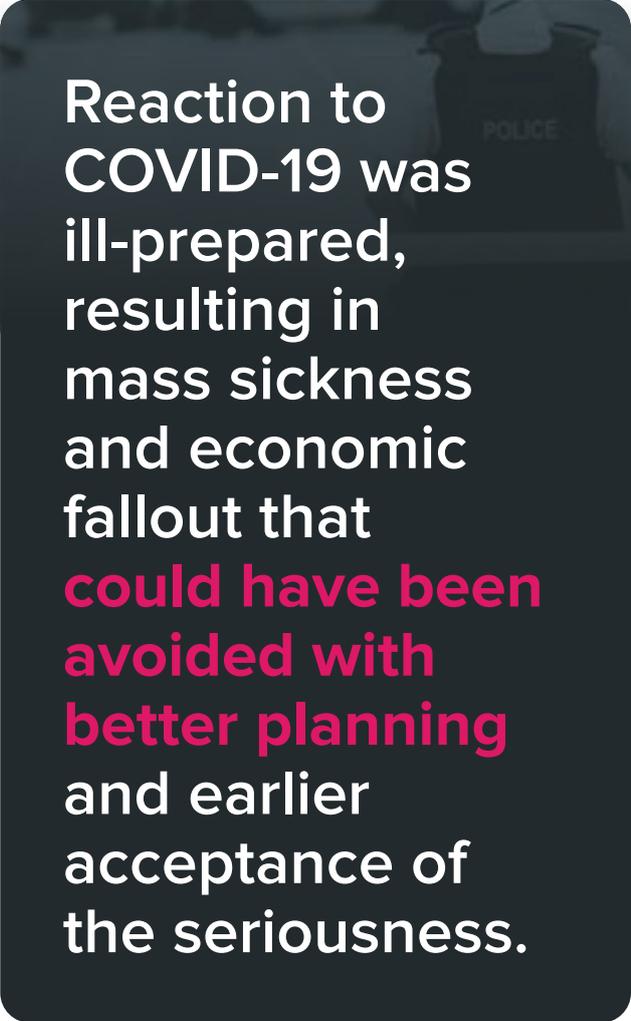
# Public health is going to become a serious security issue



By Roger Hilton

**W**hen conceptualizing threats to national security there is a lingering tendency by policy planners to assess them too narrowly. The history of statecraft has confirmed that the trajectory of threats has evolved to a point where it now compromises the most destructive weapon systems, alongside a new weaponisation of social media platforms. Although the threats to national security have never been greater, non-traditional threats such as climate change are transforming the security paradigm. Underscoring this

transformation is the emerging trend of public health as a new dimension of security policies. The link between public health and security policies may seem weak, but upon inspection this trend is shaping up to be a defining feature of the next decade and beyond. The introduction of COVID-19 has served as a blunt indication of the weakness and fragility that can quickly engulf states, both developed and developing, when they disregard the countermeasures and strategies necessary to defeat global health challenges.



**Reaction to COVID-19 was ill-prepared, resulting in mass sickness and economic fallout that could have been avoided with better planning and earlier acceptance of the seriousness.**

The impending arrival of an international health emergency was anticipated in the 2018 National Biodefense Strategy of the United States:

**“The significant infectious disease outbreaks of recent decades, including Severe Acute Respiratory Syndrome (SARS), pandemic influenza, Ebola virus disease, and Zika virus disease, have revealed the extent to which individual countries and international communities need to improve their preparedness and biosurveillance systems to detect and respond to the next health crisis.”<sup>17</sup>**

Despite their forecast, the global community’s reaction to COVID-19 was ill-prepared and heavily improvised, resulting in mass sickness and economic fallout that could have been avoided with better planning and earlier acceptance of the seriousness. The pandemic has shed light on an issue that should have been at the forefront of security policy planning long before its arrival.

The failure to take drastic action and merge global health challenges into security and development thinking must not occur again. Reckless disregard for our ecosystem, the increased importance of climate change, and a volatile state of international relations, means multiple vectors driving international public health challenges could reach an irreversible point. Consequently, future pandemics and other global health challenges are a certainty and not a one-off phenomenon. The current pandemic presents an opportunity to reflect and respond, providing the opportunity to strengthen policies to improve on critical protocols like early warning systems (EWS), crisis management, and future resiliency. If humanity desires any chance of thriving in this century, policy makers must abandon their complacency about global health hazards. Professor Adam Kamradt-Scott, Director of the Global Health Security Network, informs:

**“History is replete with examples of how devastating diseases have had on military readiness and the survival of states, what has often been considered ‘traditional’ security. But it seems that we have collectively forgotten and, at times, intentionally ignored the intimate relationship between health and national and international security. That has to change. While conventional threats will continue to remain, disease and climate related events are only set to increase, placing communities, even entire countries at increased risk. To counter these threats, we need a radical rethink of what we view as traditional security because these issues are becoming the new traditional...”**

Reformed policies must overcome the barriers of the past which have contributed to the current impotent global response, and be actively implemented to secure the future. While a groundswell of challenges lie over the horizon, many of these challenges can be delineated and we can provide guidance on how to overcome them.



Between 2030 and 2050 climate change will result in an estimated **250,000 additional deaths** per year.

## The Challenges Now and Ahead

A century in pursuit of increased economic activity and industrialisation has yielded great advancements in standards of living, but also created a host of challenges affecting public health policies. Compounding these challenges is the global impact climate change will bring to bear, leaving society in an experimental Petri dish. To improve existing policy options, we must understand the wider climate and the socioeconomic and political determinants that affect health.

Of the upcoming health challenges, none will be more consequentially impacted than by climate change, which will drive multiple direct and secondary threats brought about by global warming. Although quantifying its impact on health is an imperfect science, a 2018 data-driven assessment from WHO allow for some educated inference. Between 2030 and 2050 climate change will result in an estimated 250,000 additional deaths per year, due to factors including malnutrition, malaria, diarrhoea and heat stress.<sup>118</sup> If the health concerns were not enough to generate change, the financial repercussions also make a compelling case. By 2030 it is estimated that the yearly direct damage costs to health will be between USD 2-4 billion a year.

**2-4**

billion USD

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The accelerated melting of permafrost is a significant example. An estimated 1.7 trillion tonnes of carbon in the form of frozen organic matter is an ideal breeding ground for ancient viruses and bacteria. Permafrost provides an enormous gravity of protection in humanity's habitat, as it contains almost twice as much carbon as the earth's atmosphere, and its loss is already a serious health concern. As recently as 2016, a 12-year-old boy and 2,300 reindeer from the Siberian tundra in the Arctic Circle died due to anthrax infection, thought to be the result of thawing ice releasing a reindeer carcass infected decades ago. 2018 research confirmed that Arctic permafrost holds natural reserves of mercury that may be 10 times greater than the collective amount released by humanity, posing a grave health concern.<sup>119</sup>

Increased heat brings more natural disasters and abnormal weather patterns. Their impacts are reorienting the determinants of health features, including clean air and safe drinking water, as well as sufficient food and secure shelter. Weather-related natural disasters have more than tripled since the 1960s, resulting in over 60,000 annual deaths, primarily in developing countries. Rising sea levels and frequent bouts of extreme weather will result in the destruction of homes and hospitals, as well as other essential services. As more than half of the world's population lives within 60 kilometres of the sea, heavy migration could amplify existing mental health issues and increase the likelihood of the spread of communicable infectious diseases such as tuberculosis, HIV/AIDS, hepatitis, measles and rubella.

The 1994 cholera outbreak among Rwandan refugees in Zaire (now Democratic Republic of the Congo) due to overcrowding and insufficient sanitarian conditions killed an estimated 12,000 people. A 2010 Haitian cholera outbreak that emerged following a massive earthquake infected almost 800,000 residents and killed close to 10,000. Diseases considered eliminated by the World Health Organization (WHO), can be given a new lease of life when basic living standards are not present. The outbreak endured for nine years. This stubbornness is a large concern, as higher global rates of infectious disease infections are expected due to the extended transmission seasons of dangerous vector-borne diseases and expanded geographical scope. The Anopheles mosquito, a prolific transmitter of malaria in Africa, and the dengue fever-carrying Aedes mosquito in Asia will almost certainly increase human exposure to these diseases in the poorest regions of the world.

Variable rainfall and fresh water supply will also wreak havoc on international health. Insufficient access to potable water can compromise hygiene and increase the risk of diarrhoeal-based disease, conditions which kill over 500,000 children under the age of five every year. Another major consequence of water scarcity includes drought and famine, which is expected to increase throughout the 21st century. Increased flooding and extreme precipitation can also taint freshwater supplies and raises the risk of water-borne diseases, not to mention drowning and physical injuries, loss of homes and the disruption of health services. Rising temperatures and a lack of regular precipitation would decrease staple food yields such as rice in some of the poorest regions, resulting in prolific malnutrition and higher susceptibility to disease. This accounts for 3.1 million deaths every year which, based on existing data, will only increase. If the situation was not precarious enough, desert locusts in Africa and Asia which devastate crops may also become a recurring threat. Inevitably people will be forced to relocate in search of improved economic conditions. The trend of urbanisation motivated by those searching economic prosperity, especially in developing countries, will pose several health and environmental burdens. According to the United Nations, by 2050 it is estimated that 68% of humans will live in an urban area. This brings increased levels of pollution, with air pollution the most significant due to it aggravating asthma, cardiovascular problems, and other diseases. Smog-filled Beijing and Mumbai exemplify this problem and illustrate how prolonged exposure can accelerate ageing and shorten life expectancy. The arrival of warmer air temperatures will also directly increase deaths from cardiovascular and respiratory disease. This will be especially disastrous to elderly demographics. The 2003 European heat wave, which killed over 70,000 people, is an accurate indicator of things to come. Higher levels of pollen and aeroallergen due to warmer air will further complicate living for roughly 300 million asthmatics.

As supercities begin to rise in the developing world, the convergence of urban areas and the reduction of animal living space will only increase the chance of breeding new pathogens and their spillover. Renowned disease ecologist and EcoHealth Alliance President, Dr. Peter Dazak informs:

**“These spillovers are increasing exponentially as our ecological footprint brings us closer to wildlife in remote areas and the wildlife trade brings these animals into urban centers. Unprecedented road-building, deforestation, land clearing and agricultural development, as well as globalized travel and trade, make us supremely susceptible to pathogens like coronaviruses.”<sup>120</sup>**

Roughly 70% of the new infectious diseases that have emerged in the last three decades are classified as zoonotic - or transmissible between animals and humans. Unpredictable rates of spreading and mutation are hallmark features of new pathogens that will constitute a public health threat of the highest order without an immediate reform of policy.

Another underrated health consequence of urbanisation is poor dietary habit. Urban settlers, specifically in North America and Europe, not only overeat, but tend to prefer unhealthy food options characterised by high preservatives and sugar. Collectively these features can lead to chronic health issues like diabetes, hypertension, heart disease, and obesity which can be fatal when a pandemic strikes. According to Dr. David Ludwig and Dr. Richard Malley, writing in the New York Times, the relationship between poor diet and reduced life expectancy is evident:

**“Data from China suggest that many chronic health problems increase the likelihood of a bad outcome [of COVID-19], including cardiovascular disease, which affects nearly half the adults in the United States in some form, and diabetes, which affects about 10 percent. In Italy, 99 percent of the fatalities were people ▶**

with pre-existing medical problems, especially hypertension...Today, more than two of three [American] adults have high body weight, and 42 percent have obesity, among the highest rates in the world... Excessive weight, and the poor-quality diet that causes it, is strongly associated with insulin resistance, chronic inflammation and other abnormalities that may lower immunity to viral respiratory infection or predispose to complications”.<sup>121</sup>

As the evidence confirms, much of the western world, faces future health challenges at a marked disadvantage due to self-inflicted dietary habits and reduced societal resiliency. Additionally, the consequence of miscalculated foreign policy choice has also added massive strain to the current environmental landscape and the potential for disease creation and spread. A 2019 United Nations report confirms that the global refugee population is at its highest figure ever recorded and has almost doubled since 2012. Mirroring this surge in refugees is the continuous waves of migration spanning every continent. Figures from the United Nations High Commissioner for Refugees (UNHCR) paint a bleak picture. At the end of 2019 there were 79.5 million people displaced worldwide. Even more frightening is that currently 80% of the world's displaced population inhabit countries suffering from acute food insecurity and malnutrition.<sup>122</sup> This trend will only produce more knock-on security threats. According to Brent Oglesby of the NATO Strategic Direction-South Hub,

**“The situation in the Shatt el-Arab river valley in Southern Iraq offers us a frightening example of how human mismanagement of natural resources and climate change can converge to potentially make a land ►**

**where humans have lived since the earliest days of civilization uninhabitable, giving those who once depended on the land no choice but to migrate and compete with others over limited resources.”**

When these challenges are taken together, it is no surprise that a 2019 WHO threat assessment forecast that the next global health threat could emanate from a war-torn region or developing country with a weak primary health system, unable to deliver basic preventative treatment.

## Strengthening Solutions

As history has confirmed, managing and eliminating health challenges is a long-term, collaborative process. Although western governments have never had more resources at their disposal to strengthen crisis policies, future success is by no means guaranteed. To ensure more security, a ruthless political willingness and global commitment to bolstering existing countermeasures by integrating advanced technology and upgrading public health emergencies to the same level as other top-tier security threats is imperative. Maintaining the status-quo will only lead us down the same disastrous road when the next health emergency strikes.

Like COVID-19, many diseases have proven evasive, spreading far too rapidly. The 2014 Ebola crisis, which originated in Guinea, reached Europe and North America despite intense containment efforts. Combatting pandemics and other health challenges requires leveraging all assets possible, with none more potentially transformative than technology. Technology can be used to both simultaneously forecast and track the spread of new pathogens. The algorithm of Canadian company BlueDot has been instrumental in predicting the travel trajectory of COVID-19, and also the spread of Zika from South America to the US.<sup>123</sup> Real time data is providing key early warning indicators to provide invaluable information for policy makers to adopt or design mitigation protocols to minimise health damage. The algorithm's ability to measure the success of social distancing measures, and the capability to provide input on where resources should be deployed, can drastically improve crisis management policy. In concert with tracking, the advent of quantum computing processing has allowed researchers to accelerate key vaccine data points. The repurposing of IBM's Summit System for COVID-19 research to identify molecules that may bind or interfere with the SARS CoV-2 protein was a gamechanger according to David Turek,

VP of Technical Computing for IBM Cognitive Systems. “They were able to achieve a result in a matter of days, whereas it would have taken months...”<sup>124</sup>, he announced. As policy makers look to improve effective decision making and protocol response, integrating all available technological assets to strengthen EWS and crisis management strategies will be massive. Despite the advantages of live data and intelligent software, technology alone cannot be relied on to cut the Gordian knot of all health problems.

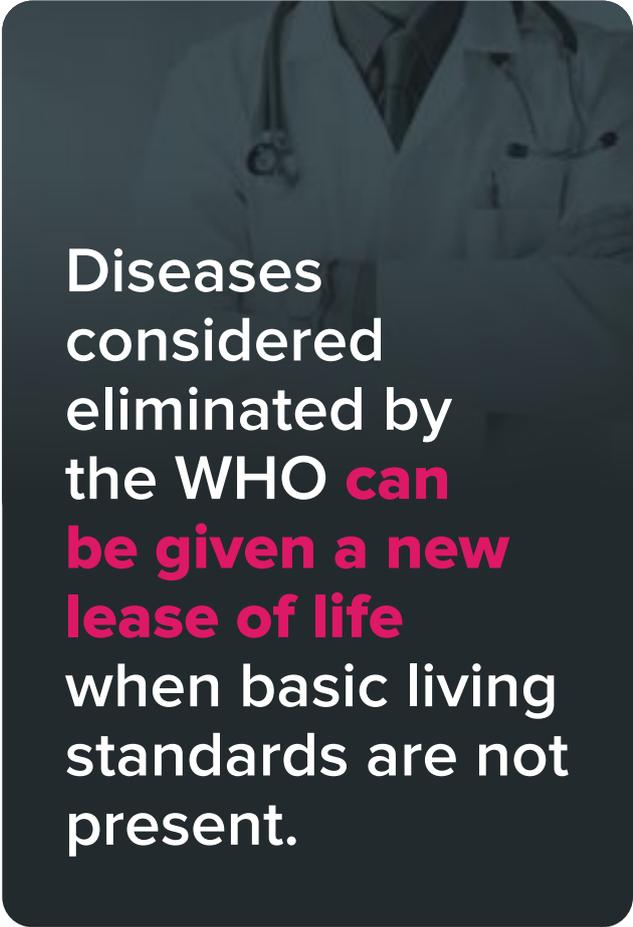
As outlined earlier, ensuring greater health security includes more frequent EWS. They are designed to collect valuable information on specific themes, like epidemic-prone diseases or major shifts in weather patterns impacting food or water security, to spark pre-emptive government intervention and improve time-sensitive analysis decision-making. Despite a data trove suggesting the impending arrival of an international health crisis, the tendency has been to discount these risks and underfund and/or cut existing EWS. Given the future health landscape, it is overwhelmingly apparent that more resources must be allocated to detect problems in advance, instead of reacting late to a deteriorating situation. As a policy turnkey, developing EWS allows authorities the flexibility to reconfigure existing systems and scale them up to ensure facilities and personnel are not being overwhelmed. Simultaneously, it permits developing nations to request timely international support.

As government authorities and international organisations (IOs) consider the expansion of thematic based EWS, no one universal system can be adopted. Instead EWS must

be composed of both national and international elements to address the unique continental and regional health challenges. Currently, the deployment of EWS is highly uneven where developed nations should provide and increase technical assistance and resources to vulnerable areas to minimise the health crisis fallout. African Union Commissioner for Rural Economy and Agriculture, Josefa Sacko, is one proponent of EWS to detect catastrophes and has implored organisations like the EU and NATO to aid developing nations to cultivate more proactive policies and responses.

EWS can also be repurposed through biosurveillance programmes. The “Prophecy” program by DARPA explored the evolution of viruses with the objective of predicting viral mutations, and “Predict” by USAID sought to identify new emerging infectious diseases that could leap from animal to human, EWS examples which aided researchers, furthering their analysis when conducting future security assessments. Sadly, these were undervalued and were terminated. The emergence of a new strain of influenza, G4 EA H1N1, in China only reaffirms the importance of EWS and their ability to help offset a dual-track pandemic scenario.<sup>125</sup>

Looking to the future, deploying more EWS and other preventive measures is not only the more prudent health policy but a better use of financial resources according to the Center for Global Development.



**Diseases considered eliminated by the WHO can be given a new lease of life when basic living standards are not present.**

**“It is better, cheaper and more dignified to frontload responses to the pandemic and its secondary impacts. Waiting and then reacting when the full impacts are already visible would be a more expensive proposition. Delaying action not only shifts the burden to the future, but the price of the response will also exponentially increase, as the crisis cascades and reverberates for years to come. Acting now to mitigate the impact saves money in the long term.”<sup>126</sup>**

As we have seen with COVID-19, inevitably health emergencies reach a tipping point. The impact on both developed and developing countries is distinguished only by a varying scale of sickness and death. This is why when a health emergency strikes, governments and IOs must quickly shift to a crisis management protocol. While developed nations have stumbled

on their own response, developing nations are uniquely exposed to a health crisis that can exponentially exacerbate existing vulnerabilities. As developing nations are typically ill-prepared to manage a global health crisis it has highlighted their reliance on foreign assistance.

The bulwark of foreign crisis management is linked to units like the CDC's Global Rapid Response or the WHO Emergency Response Division's Global Health Cluster Team. These teams deploy within health "hot zones" to deliver technical and medical expertise in the form of assessment reports to build policy strategies, provide essential supplies and increase personnel to alleviate on-site workers and facilities, as well as establish training programs for locally engaged personnel post-crisis. Arriving on site with speed to stem diseases at their source before they cross borders, and cultivating trust through local engagement is paramount to ensuring health emergencies do not irrevocably worsen.

Without these teams, and others like them, health "hot zones" would remain an active global health threat. Given their instrumental role in helping to subdue a crisis, and the high return on any value proposition, developed nations must continue to provide sufficient financial support to maintain their readiness and ensure the ability to train and deploy safely to dangerous areas. In parallel, more must be done to gradually decrease the reliance on these units by developing nations.

One policy pathway to expand is the organisation of more health training and exchange programs, as well as research grants, to raise the competency of professionals and experts on the ground in vulnerable regions. It would serve to raise local ownership of crisis management and address structural health shortcomings over time and represent a smart use of financial resources. The CDC's Field Epidemiology and Training Program (FETP) has prepared more than 18,000 disease detectives in over 80 countries since 1980. For critics of this, evidence of a strong local public health capacity during the 2014 Ebola outbreak allowed for local personnel, trained through FETP, to successfully monitor 900 people.<sup>127</sup>

Unlike a traditional hard security threat that can be tacitly mirrored, generating resiliency is a long-term process. Moreover, its value on the success of individuals and states when confronting the next public health threat can be the difference between life and death. Although developed states can play a supporting role in the development of resiliency policies in developing nations, it is essential for them to rectify existing domestic shortcomings to raise security.

As previously established, both North America and Europe are not immune to the policy mismanagement that has cost them dearly during COVID-19. Consequently, basic policy targets like improving dietary habits and increased physical activity to reduce the chance of developing non-communicable disease are serious health challenges to overcome. Their persistent presence among western societies is detrimental, where the realignment of British Prime Minister Boris Johnson's policy concerning the promotion of healthier lifestyles is proof of their growing political importance. Furthermore, the reduction of pollution in urbanised settings must be seriously pursued to better insulate vulnerable segments of the population like the elderly and individuals with pre-existing medical conditions.

The eventual prohibition of cars from major metropolis centres in favour of more bicycle paths and footpaths to reduce air pollution, or coating city streets in white paint to cool down "heat islands" and city air temperatures, are unconventional ideas that must be examined and judged on their health merit not economic value.

Finally, nations across the western world need to conceptualise how to responsibly build up stockpiles of critical medical equipment. One of the greatest lessons from the pandemic was how vastly unprepared transatlantic nations were in securing sufficient personal protective equipment. Therefore, gradually developing more flexible supply chains and being able to tap domestic sources in emergency situations to increase production must be ingrained in emergency response doctrine. According to Oksana Antonenko, Director for Global Risk Analysis at Control Risks,

**“Governments cannot ensure pandemic resilience on their own, they need to partner with the private sector and civil society to ensure better preparedness. Governments should work with companies to ensure that critical supply chains - like medical equipment and food - are accessible either within countries or at a regional level. Disruption of supply chains has become one of the key challenges for implementing COVID-19 crisis response for many countries”.**

Likewise raising the resiliency of developing nations should constitute a policy imperative for western governments. Serious health issues that arise from the lack of reliable sanitary systems as well as access to clean water and safe food can dramatically decrease the health resiliency of the most exposed. In developing countries, 15 times more healthy life years are lost per capita compared to developed countries due to avoidable illnesses associated with drinking water, sanitation and indoor air pollution than from fuel pollution. In tandem with this, constant efforts to provide citizens of developing nations basic health care services like access to pharmaceutical products, will yield stronger populations. Global vaccination and immunisation campaigns for the world's most vulnerable segments is one of the most cost-effective public health interventions available and should be aggressively pursued. As climate change distorts agriculture and fishing and causes

more extreme natural disasters, developed nations must also explore the possibility of financial protection programmes for victims to ensure the safety of their health and livelihood. Sufficiently building up resiliency in developing countries also requires investment in personal relations. To maximise the exportation of resiliency policies, developed states and IOs need to demonstrably commit to the long-term improvement of vulnerable areas to avoid the securitization of health care and emergency responses as per a Médecins Sans Frontières report:

“Criticisms leveraged at the international response [to the 2014 Ebola crisis] echo those we have heard previously—‘You’re not here because we’re sick, you’re here because we’re infectious’—and have been compounded by a political and media focus on people as biosecurity threats rather than as human beings.”<sup>128</sup>

Moreover, given the role foreign and development aid plays in deriving resiliency and crisis management, donors must continue to provide the maximum amount of financial and human resources. Problems across the international landscape are becoming more complicated and protracted. Unfortunately, the gradual erosion of legitimate multilateralism efforts, coupled with the evolving geopoliticisation of aid has come at the expense of those who need it the most. The new model for humanitarian aid policies that are linked increasingly to donor foreign policy ambitions instead of principled humanitarian action must stop.

As policy makers look to improve public health security, they must recognise this challenge is constantly lurking and is far from over, even with a COVID-19 vaccine. To sufficiently raise security levels, taking a long-game approach to this threat by emphasising preventative action and urgency is imperative. While work and investment allocated now may seem redundant, it will yield a tangible defence when the next health emergency hits. Continued policy complacency will prove deadly, where the cost of inaction will always far exceed the cost of immediate and frequent action. We have the strategy and capacity to better defend ourselves. The question remains what health damage will it take to catalyse these essential efforts? Given COVID-19 let us not wait and see.

**One of the greatest lessons from the pandemic was how vastly unprepared transatlantic nations were in securing sufficient personal protective equipment.**

## Conclusions and Recommendations



### Healthcare

Western governments should responsibly build up stockpiles of critical medical equipment and develop flexible supply chains with the private sector to respond to health crisis.

Western governments and IOs should look to contain and treat infectious communicable diseases at their source to ensure its contagion across vulnerable areas is limited.

Increasing the delivery of basic health care services and access to hygienic sanitation infrastructure will significantly raise health resiliency by limiting the contraction of communicable disease and their proliferation throughout the developing world.

### Sustainable Solutions

Climate change is the primary driver of future health challenges and requires abundant research and development, experimentation, and radical policy solutions to stem its impact.

The trend of urbanisation is a permanent fixture, and correcting the disharmonious relationship between humans and wildlife to create more co-existence space is essential to remove breeding grounds for the creation and spread of new infectious diseases.

## Policy Decisions

Continuing the financial support of health crisis response teams while investing in the training of locals within vulnerable regions to increase their ownership of future crisis.

Depoliticising the allocation of humanitarian and development aid to increase its effectiveness in supporting global health initiatives.

Reconsideration of the immediate and long-term health impact of foreign policy decisions that might create or worsen vulnerable spaces, amplifying existing health challenges.





# Sustainability

# The sustainability agenda will become an integral part of the post-pandemic recovery



By Nolan Theisen

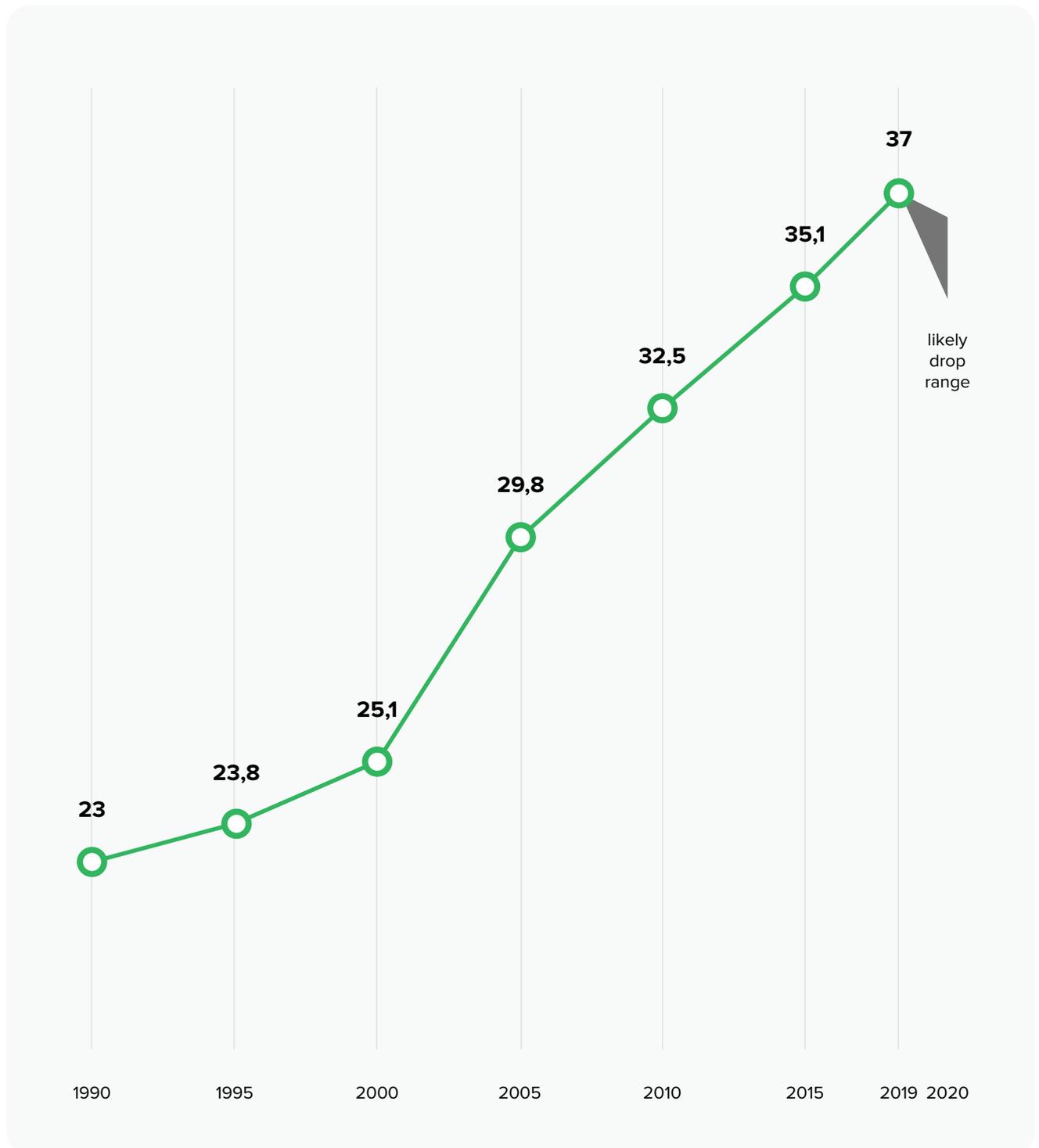


Climate scientists have warned that the world cannot revert to pre-pandemic norms to have any chance of meeting the long-term objectives of the Paris Agreement, a message not only to policymakers devising national recovery plans but to the citizens that must increasingly adapt sustainable lifestyle habits and norms.

The COVID-19 lockdown grounded mobility and shuttered economic activity around the world for an extended period,

which will result in an uncharacteristic year-on-year decline in global greenhouse gas (GHG) emissions for 2020. Global emissions this year will probably fall by 0.5 to 2.2% from 2019 levels, assuming the global economy recovers in Q3 and Q4 2020. No matter how 'green' recovery funding and stimulus measures are, as industrial output and travel pick up in the short term, 2020 will be an aberration of negligible effect in the steady rise of CO<sub>2</sub> emissions and its atmospheric concentration.

## Projected Global CO2 Emissions<sup>129</sup>



The global 'pause' serves as little more than a unique window of study for the effect of short-lived changes on emissions and biodiversity and a reminder, if not a last chance, for climate action urgency to be at the front and centre of any opportunistic green recovery.

Climate scientists have warned that the world cannot afford to revert to pre-crisis norms if it is to have any chance at preserving the Paris Agreement and limiting rising temperatures to well below 2 degrees Celsius. The mantra 'recover better' has been widely adopted, not only referring to

the pandemic-induced economic recession, but comparing it to the last financial crisis a decade ago, when emissions roared back to life and where, excepting China, global recovery measures did not prioritise green growth.

This time around there appears to be widespread recognition and awareness of the climate urgency and the possibility of taking action among political leadership, at least rhetorically. Between dire warnings, lessons learned and mature clean technologies, this recovery should be greener than 2010, but the burning question is will it be enough.

Measuring and tracking green components of national recovery plans is a complex undertaking that involves some subjectivity. Energy Policy Tracker traces public financial flows to the energy sector as defined by recovery packages across

the G20. According to their analysis, about 47% of all public money committed to the energy sector is going to fossil fuels including oil, gas and coal, with 39% supporting clean energy.

## G20 Fossil vs Clean Stimulus Funding for Energy Sector<sup>130</sup> (USD billion)

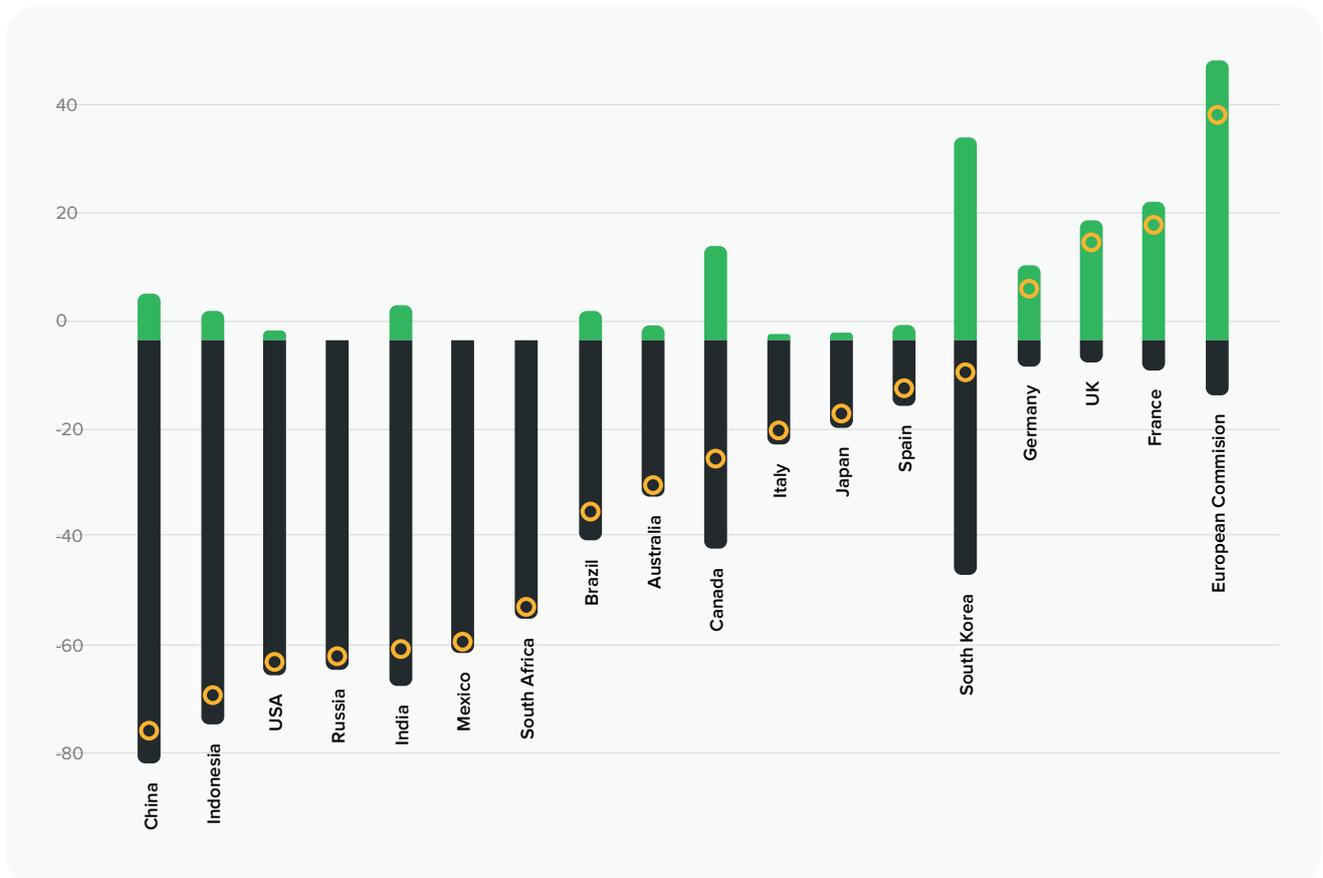
■ Fossil Energy Funding

■ Clean Energy Funding



## Green Stimulus Index<sup>132</sup>

■ Positive Contribution   
 ■ Negative Contribution   
 ○ Index



The next recovery phase should **steer away from fossil intensive industries** and support companies developing and applying clean technologies.

Carbon Brief has also implemented its own tracking system for 'green' stimulus measures of major economies around the world. Within their analysis they reference the work done by the consultancy Vivid Economics, which uses a Green Stimulus Index that rates stimulus packages of 17 major economies as 'nature friendly' (green) or 'unfriendly' (brown) illustrated in the chart above.

Based on the data, it is evident that while a substantial share of energy sector stimulus spending is flowing to renewable energy sources, the broader portfolio of national measures overwhelmingly supporting traditional fossil intensive industry. Especially with the latter data, it is important to consider and distinguish between the different phases of government response. A very likely reason most of the wider economic spending recorded to date has not been allocated to climate action is because this is a picture of the immediate 'rescue' phase which is designed to stabilise battered economies by saving jobs and buoying companies, irrespective of carbon footprint and long-term structural viability. The next 'recovery' phase, which by definition is forward looking, should steer away from fossil intensive industries and support companies developing and applying clean technologies that simultaneously deliver economic growth, resiliency and emissions reductions.

Beyond smart spending and investment into green projects, citizens must also be informed and incentivised to reconfigure entrenched energy and carbon intensive behavioural patterns

of the 20<sup>th</sup> century. A researched and cited phenomenon known as ‘cognitive lock-in’ presents an inherent challenge to the demand side of the equation.<sup>133</sup> It can be explained as a natural psychological barrier to change, an inertia that encourages the use of familiar products and services even when better ones are available. This especially applied to new technology, especially when the dominant option, such as a private combustion car for cheap and convenient movement, is so hardwired and embedded into the existing regime. At the same time, in the case of e-cars, range anxiety has a legitimate basis especially in Central and Eastern Europe (CEE) and for any long-distance travel where charging infrastructure is inadequate.

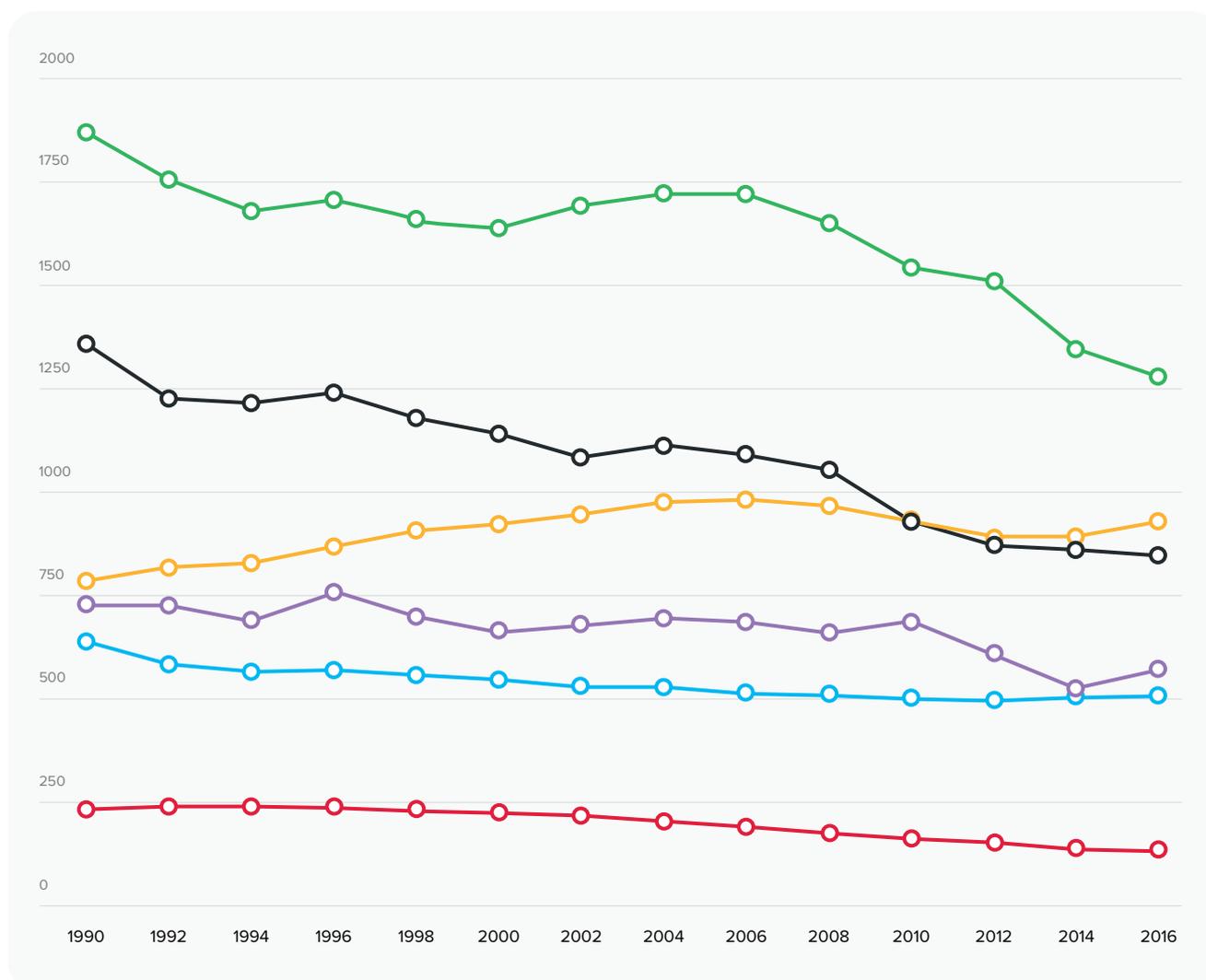
For the vast majority of the population, consumer choice boils down to relative cost and convenience, though there is a growing minority signalling a willingness to spend extra time and money to go green. Considering clean technologies and products, from solar panels to green hydrogen and car sharing, markets must be developed through targeted and coordinated policy instruments and regulation that feeds supply and demand growth.

The purpose of this chapter is to highlight and contextualise three categories of short term behavioural changes imposed by the unprecedented lockdown that require nudging and nurturing to become formidable sustainable development trends in the real world: (i) food localisation; (ii) teleworking, urban mobility and residential consumption; and (iii) modal shift from air travel. They are each directly connected but not limited to the need to avoid, shift and improve personal and commercial mobility and transport patterns.

Transport is responsible for almost a quarter of Europe’s GHG emissions, but more importantly it is the only major sector of the economy that has failed to reduce emissions since 1990. Achieving transformation to a sustainable system of mobility requires a complete overhaul of physical infrastructure and behavioural norms. Most existing policies do not go nearly far enough, supporting incremental steps, like supporting e-car sales that still maintain the dominant position of private vehicles, where niche technologies need to be upscaled. This goes well beyond electrification of transport to ICT, digitisation and eventually automation.

### Trend in EU GHGs by sector<sup>134</sup> (in Million tonnes of CO2 eq.)

Energy Supply   Industry   Transport   Residential and commercial   Agriculture   Wastes



The current business as usual trend assumes steady economic growth correlates to growth in transport activity from trade, business trips and tourism within the current high carbon system, adding pressure to environmental degradation. Under current policies, greenhouse gas emissions (GHG) would in fact continue to increase between 2030 and 2050. Greater efforts are needed in the area of clean mobility, not just to reduce emissions but also to address local environmental degradation on several levels, especially in urban areas, including air pollution, biodiversity, and land use tied to traffic congestion and parking. Air pollution, particularly NO<sub>2</sub> and air particulate matter typically associated with vehicle emissions, remains the biggest environmental risk to public health and most urban dwellers are exposed to levels considered dangerous by the WHO.

While self-imposed confinement is clearly not a socially acceptable means for climate mitigation, it provided a glimpse and gentle reminder of the potential for technology and need for social acceptance to catalyse the sustainable transformation and recovery.

## Food Localisation

As the world's food production consumption system has become increasingly industrialised and globalised over the years, so too has its environmental footprint, from the production process to the corresponding transport flows. One consequence of this system is the challenge of discovery for end consumers that do not have the awareness and knowledge of the economic, social and environmental implications of their purchasing decisions. While there are several advantages to this global system of food delivery, including diversification of food security itself, the negative externalities tend not to be reflected in the final price paid by consumers, especially cheap freight costs that have largely enabled this system to develop and thrive.

With the sudden onset of the lockdown, international food delivery logistics and supply chains were interrupted and slowed, forcing consumers to rely more on locally available options. With restaurants closed, more people cooked and prepared meals at home. By default, in certain areas more than others, this contributed to more ecological food demand, translating to local food shops and even organic delivery chains.<sup>135</sup> People have an inherent longing for more control and knowledge about the origins of the food they get, who made it and how they made it, and this should be emboldened and stimulated by the pandemic experience.

The European Commission's Farm to Fork strategy, a key legislative proposal released in May as part of the Green Deal, will also contribute to strengthening this movement. The challenge around the world is how to reform the industrial agricultural system that currently not only contributes to significant global GHG emissions through associated land use changes, deforestation and transport and processing but also exerts significant environmental pressure on local ecosystems.<sup>136</sup>

## European Commission Farm to Fork<sup>137</sup>



## Teleworking, Urban Mobility and Residential Consumption

The forced period of home office and dependency on teleworking has been eye opening for employees and companies alike, an awakening that is shifting online/physical work balance and catalysing the digital work revolution. Facebook has announced it will let many employees keep working remotely even after the virus.<sup>138</sup> Twitter and Google have announced plans for employees to continue working remotely, while a survey by Germany's Ifo Institute finds that 54% of businesses will seek to make greater use of home office going forward.<sup>139</sup> Stanford economist Nicholas Bloom notes that while it is unrealistic to think people will simply work from home indefinitely, somewhere between 50% and 60% of the population could continue teleworking.<sup>140</sup>

By far the most effective but typically the least realistic way of reducing adverse impacts from the transport sector, avoids unnecessary trips altogether. The emergence of home office and teleworking does precisely this by eliminating commuting trips during peak hours. As far as commuting trends for those that are returning to the office with restrictions loosening, the result is more of a mixed bag. With the general public still avoiding crowded buses and trains, cities have responded with expanded bike lanes and walkways, but many are reverting to personal vehicles.



**Transport is responsible for almost a quarter of Europe's GHG emissions, but is the only major sector of the economy that has failed to reduce emissions since 1990.**

It should come as no surprise that public transportation has been operating at much lower capacity while fears of the disease linger, yet again, this is more of a short-term phenomenon. Despite this current downturn, it is imperative for cities to continue to focus on improving public transportation alongside cycling lanes and walking promenades to make urban environments more liveable, especially now that citizens will have the option to move further away and work remotely.

The data on public transport is quite limited. Eurostat provides the share of buses and trains in total passenger transport within the segment of passenger cars, buses and coaches, and trains. This data collection methodology itself is voluntary and not fully harmonised at the EU level, with trams and metro systems entirely omitted due to inconsistencies. Nonetheless the trend is mostly flat over the last two decades and slightly declining from 2014 to the latest data point, which can only be interpreted as ineffective citizen engagement.

While teleworking is an immediate win for sustainable mobility, it presents a new set of challenges and opportunities in the residential sector. Spending the day working and preparing food from home rather than in the office increases residential consumption patterns, putting pressure on electricity grid operators and waste management service providers. From a climate and environmental perspective, the uptick in residential energy demand is to a large degree offset by reduced energy demand in commercial offices and fuel demand in transport for commuting.

The sudden and extreme behavioural change in response to the lockdown required immediate supply side adjustments but going forward more gradually, the home office trend can be part of a more comprehensive climate action strategy. From the electricity side, the long-term solution is linked to implementation of the 2016 Clean Energy Package, still slowly progressing in several CEE Member States, which will encourage household PVs, distributed energy resources and energy efficiency. Furthermore, the building renovation wave has been singled out by the European Commission and Member States as a key pillar of the green recovery contributing to economic growth while curtailing emissions.

Alongside a living space that requires less energy for heating and cooling, smart and energy efficient appliances should be in greater demand the more people decide to work from home. Up to now, the increasing use and ownership of appliances has offset any gains from diffusion of more energy efficient models, and has led to a rise in consumption. Like demand for private building renovations, the purchase of more efficient appliances can boost the manufacturing industry by creating jobs and reducing prices.<sup>141</sup>

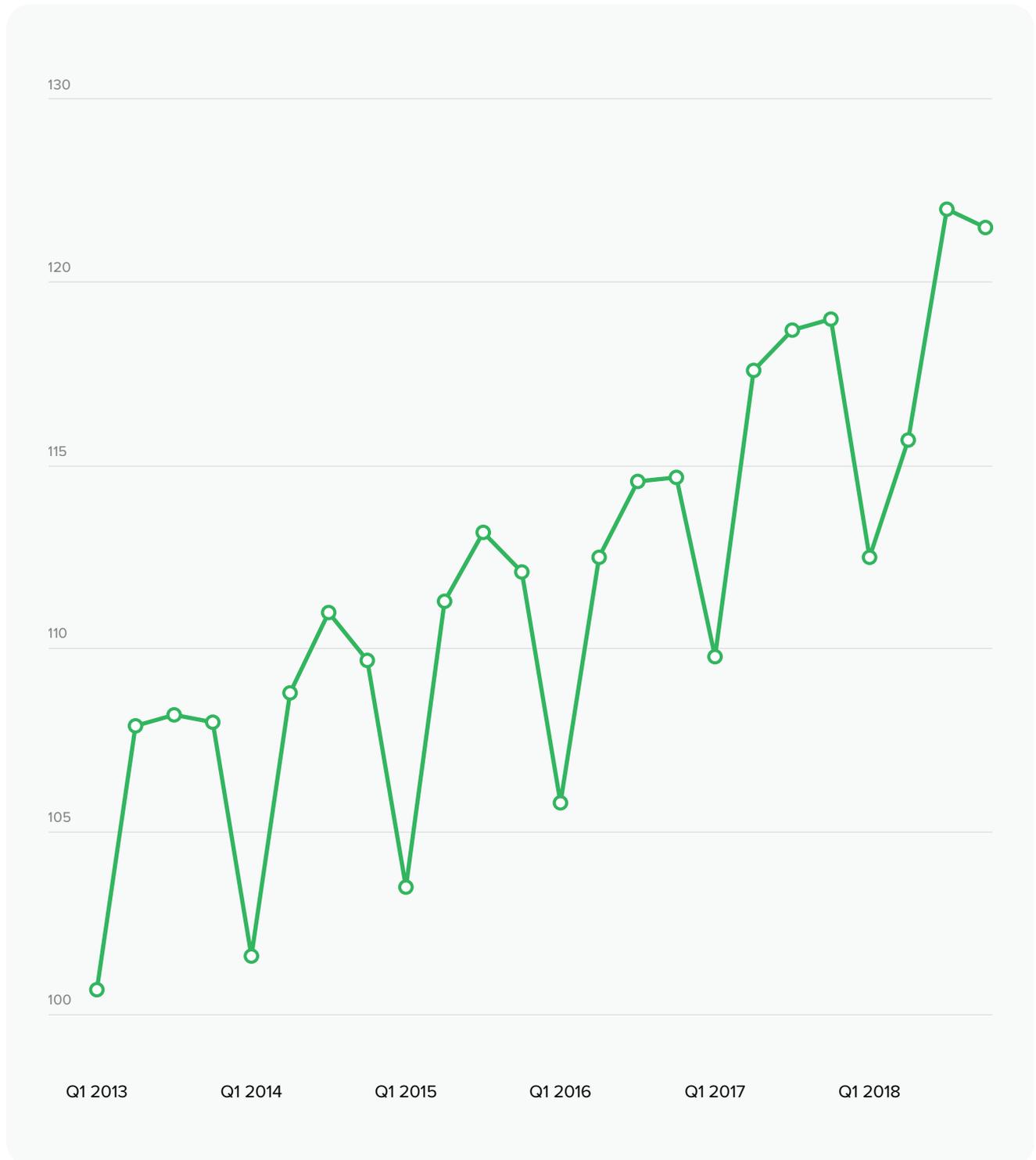
## **Modal Shift from Air Travel**

From a climate and environmental standpoint, the near grounding of passenger air travel and its projected slow recovery to pre-crisis levels is a positive if artificial and short-lived phenomenon; CO<sub>2</sub> emissions from flights within Europe had risen every year from 2013.<sup>142</sup> Prior to the pandemic, it was estimated that from 2010 to 2050 passenger transport would grow by some 40% with aviation the fastest growing.<sup>143</sup> The transport sector is far off track from 2050 carbon neutrality, but aviation in particular is probably the most technically challenging mode to decarbonise.

For years the European Commission has pushed the modal shift from flights to trains for intra-EU travel with little tangible progress. It was already a point of emphasis laid out in the EU's 2001 and 2011 White Paper on Transport, and yet as reported by the European Parliament in 2018, the modal share of road, rail and inland waterway transport remained 'substantially' unchanged between 1996 and 2016.<sup>144</sup>

This infers that the steady upward trend in rail passenger transport captured in Eurostat is consistent with an overall rise in travel, and still the headline numbers can be deceiving.

## Quarterly rail passenger transport, EU-28, 2013-2018<sup>145</sup>



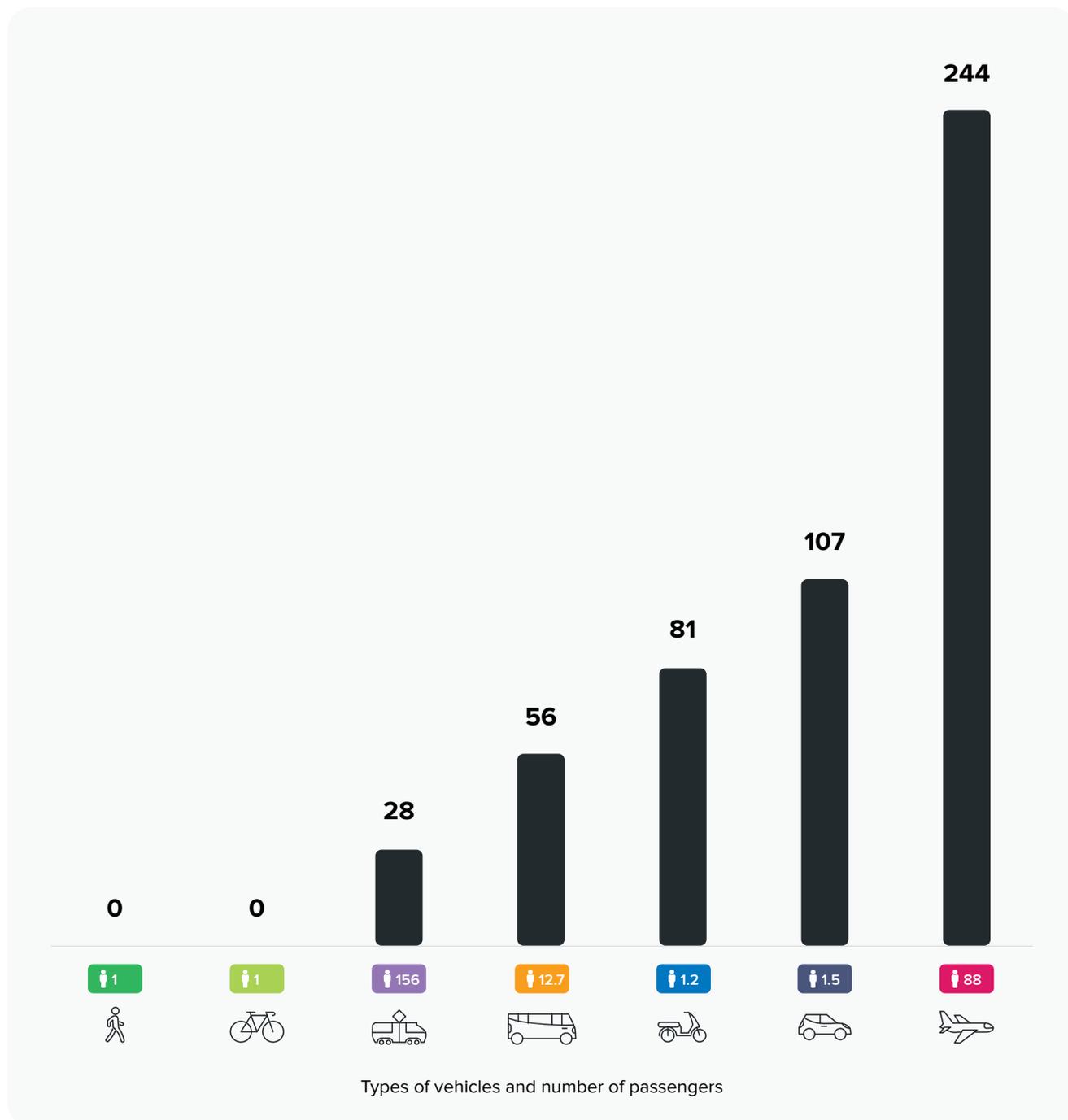
To begin with, EU rail transport is dominated by domestic travel. A closer examination reveals that essentially all of the growth is attributable to domestic transport. Eurostat data for EU-27, minus Belgium, Netherlands and Hungary who did not report, tells the overall story. From 2012-2018, national rail passenger transport grew 12.5% while international rail passenger transport remained flat.

Holiday travellers continue to prefer air travel over rail for several reasons. For one, overnight connections were largely discontinued over the last decade while the number of flight

routes and frequencies rapidly increased. Recently there has been a renaissance of direct overnight train connections, most with direct state support but also some private companies. Even as these routes are now being explored, reinstated and promoted, most inter-continental routes require multiple transfers. This is emblematic of the fundamentally flawed interoperability and national fragmentation that continues to plague EU cross-border and multimodal rail. Infrastructure and operational bottlenecks arise from protectionist barriers common among state owned national rail companies that have yet to be harmonised under European Commission guidelines.

Finally, pricing does not fairly account for environmental externalities which distorts modal competition. Jet fuel (kerosene) continues to enjoy tax-free status and intra-EU and international flights are VAT exempt, while some Member States apply VAT to intra-EU coach and railway services.

## CO2 emissions at average occupancy for various transport modes<sup>146</sup> (Grams of CO<sup>2</sup> per passenger-kilometre)



A kerosene tax has long been the subject of discussion between the EU and the International Civil Aviation Organisation (ICAO), but competitive concerns over third country operators has stifled progress. The European Commission acknowledges that the absence of such a tax contributes to the price gap between sustainable alternative jet fuels and fossil kerosene. Member States including Germany,

Netherlands, France, Denmark and Belgium have called for the EU to tax aviation in order to reduce its climate footprint, but this requires unanimity meaning a single Member State can veto. In the aftermath of the pandemic, the ICAO agreed in July to ease airline obligations for offsetting emission growth until at least 2023, a decision strongly opposed by climate and environmental experts.<sup>147</sup>

The sudden and extreme behavioural change in response to the lockdown required immediate supply side adjustments **but can be part of a more comprehensive climate action strategy.**

## Conclusions and Recommendations



The lockdown provided a temporary and artificial respite from transport related emissions and environmental degradation in 2020 that should nonetheless represent a peak and serve as a new awakening and catalyst for sustainable choice and behaviour going forward.

A new public awareness with renewed public investments and policy interventions keying recovery can mitigate the projected pre-COVID growth in transport activity up to 2050 in addition to shifting and improving modes of transport.

Travel avoided was considered an unrealistic climate mitigation tool before the pandemic but the emergence of teleworking and local food preferences shows this can be a powerful tool.

National recovery measures offer a historic opportunity to lock in cleaner and more resilient technologies, including but not limited to the building renovation wave, urban public transport, sustainable agri-food systems, and promotion of energy-efficient home appliances.

## Global Measures

The EU can lead the global transition to sustainable agri-food systems through trade policy and international cooperation agreements as part of its Farm to Fork legislative framework for sustainable food systems.

International trade and global food supply chains should complement rather than displace localised food systems to not only to improve sustainability and health but to provide resiliency in the face of a shock like COVID-19.

Coordinated policy instruments and public finance provide the foundation for green public works and private household investment, delivering greener, cheaper and more convenient options for sustainable travel, food and work norms.

A reimagined sustainable mobility system requires not only smart and coordinated spending but the updated regulatory and operating frameworks that unlock the full potential of innovative technologies and business models.

An EU kerosene tax will push airlines towards advanced biofuels and power-to-liquids which use renewable electricity, while levelling the playing field with more environmentally friendly forms of transport, especially rail.

## Big Data

Open information and effective collaboration between traditional public transport and new mobility services will help identify synergies across the whole mobility system.

In the future more granular, transparent and complete urban transport data should be made available.

## Local Level

EU should continue pressuring Member States to eliminate technical and regulatory barriers to foster a single European rail area.

Green recovery is an opportunity for municipalities to be bolder, with a comprehensive package of land use and mobility measures promoting walking and cycling lanes matched with demand-side measures pricing driving and parking to mitigate private vehicle acquisition and use in urban areas. Road fuel taxation should be revised to incorporate energy and CO2 components that contribute in a technology neutral manner to cleaner and more efficient forms of travel.

## Individual Level

Tourists can reduce their environmental impact by travelling to closer destinations, staying longer, and asking for voluntary carbon offsets.

Relative modal prices need to be monitored and adjusted so that users are incentivised to make environmentally friendly decisions.



A stylized, glowing yellow and orange head profile, possibly representing a person's face, set against a dark blue background. The head is illuminated from the left, creating a bright yellow glow that fades into a darker orange and red towards the top and right. The overall effect is ethereal and futuristic.

**Infodemic**

# The devastating impact of disinformation on societies has been exposed

By Katarína Klingová  
and Miroslava Sawiris



The COVID-19 pandemic has been accompanied by what the World Health Organization (WHO) describes as an 'infodemic', information chaos wreaked on societies through the accelerated dissemination of misinformation, disinformation, and conspiracy theory. The WHO as well as European institutions such as the European Commission (EC) and European Centre for Disease Prevention and Control (ECDC) warn that burgeoning health hoaxes, disinformation and conspiracy theories have devastating consequences not only on individual lives, but on societies and economies as a whole. In recognition of the gravity of the situation, GLOBSEC launched the Alliance for a Healthy Infosphere initiative<sup>49</sup>.

This crisis is enabled by the current architecture of our information environment, characterised by the growing importance of the digital realm, increased speed, the dominance of digital platforms as gatekeepers of information, online advertising revenues and lack of regulation. While these characteristics have brought many economic and social benefits to its users and communities as embodied for example in instant communication and the wealth of information available at the fingertip, they were also instrumental in facilitating the current information chaos. In this sense, the pandemic has not created anything new. However, the effects of these systemic features have become more pronounced.



## The pandemic has catapulted information chaos into one of **the most important global Megatrends.**

The pandemic has catapulted information chaos into one of the most important global Megatrends. Our ability to grapple with the infodemic will have a decisive impact on the shape and quality of our information environment and by extension, on the quality and the very existence of liberal democracies. For this reason, efforts to contain the spread of harmful information via new policy measures and disruption of the disinformation economies will be stepped up in democratic countries. While critical thinking and strategic communication are important antidotes to the infodemic, a truly efficient plan needs to be based on disruption of the infodemic's financial streams. Vast revenue flows are generated by placing ads on webpages of outlets spreading disinformation, and by placing adverts next to harmful content on social media (a fact that has motivated the action behind Stop Hate for Profit campaign<sup>150</sup>), which turns disinformation dissemination into a sustainable and profitable economic model. Implementing efficient regulatory regimes to ensure the operational transparency of digital platforms, empowering national legislations to manage illegal content online and disrupting ecosystems of disinformation are the first steps towards a healthier information environment.

## Social Media: Fostering Infodemic?

During the pandemic and strict lockdown measures, the online presence of the public, businesses and governments has increased immensely. However, contrary to the aspirations of the founders of social media platforms and of other tech giants of creating a freer, more connected and democratic society, the infodemic suggests that the power of social media has further shifted from global openness and democratisation towards increased polarisation and to the spread of disinformation and

medical hoaxes that have led to thousands of deaths all around the world<sup>151</sup>. Problematic and false content is spread on social media platforms by various actors, including governments, who use the pandemic to wage information operations and increase their sphere of influence.

In the past months EU institutions<sup>152</sup> as well as health officials in EU member states<sup>153</sup> have warned that the pandemic measures taken, and the development of a vaccine have become a central focus of false and misleading information, especially on social media platforms. For example, researchers at the Bruno Kessler Foundation<sup>154,155</sup> analysed 112 million public social media posts related to the pandemic and found that 40% came from unreliable sources, and that almost 42% of over 178 million tweets related to COVID-19 were posted by bots.<sup>156,157</sup> Meanwhile, Reuters Institute found that around a third of social media users have reported seeing false or misleading information about the COVID-19 virus.<sup>158</sup>

## Information Chambers Generating Ad Revenues

As individuals, we naturally surround ourselves with like-minded people and sources of information confirming our worldview. Researchers have termed such patterns homophily<sup>159</sup> or echo chambers<sup>160</sup>. Social media users naturally follow these patterns in the online world, connecting with people they respect or find alike and following topics of their interest. This process is called customisation and gives users the feeling of complete control over their own social media "bubble".

The algorithmic system of social media, however, distorts this natural process and pushes the users further into much stronger echo chambers leading to increased polarisation and radicalisation. Algorithms were developed to support the basic business model of social media giants; based on individual users' preferences and behavioural patterns, the algorithms keep suggesting content that users might be most interested in. Their goal is to make the feed as personalised as possible. While seemingly innocent and logical in benefitting both the user and the content advertiser, the algorithmic selection of information completely removes user control over what and how much they see when spending time on social media. With an increasing number of users treating social media as a primary source of information<sup>162</sup> - forming an opinion on current and international developments based mostly on what they see on their feeds - private companies gain dangerous power over the opinion formation. During the pandemic, social media platforms had to increasingly rely on algorithms to assess and take down problematic content, while human moderators have been forced to quarantine<sup>163</sup>. However, algorithmic assessment of content often makes mistakes, as the deployed tools are not sophisticated enough to correctly identify the meaning behind complex figures of speech<sup>164</sup>.

In addition to online behaviour, hidden behind the veneer of product personalisation which improves users' experience and keeps users on a platform as much as possible, behavioural and consumer data is being collected with the help of a range of smart gadgets such as smart phones, TVs, fridges or watches that are connected to the Internet and collect data on their owners' habits. As a result, massive amounts of personal metadata are used and monetised in a social media business model solely based on advertising. Harvard Professor Shoshana Zuboff refers to this trend as the age of surveillance capitalism<sup>165</sup>. For example, in 2019, about 98.5% of Facebook's global revenue, amounting to 70.7 billion US dollars<sup>166</sup>, was generated from ads. According to the Global Disinformation Index approximately 235 million USD worth of advertising ends up on 20,000 domains flagged for disinformation.<sup>167</sup> While researchers estimate that at least 800 people have died around the world because of COVID-19-related misinformation in the first three months of this year, misinformation about a COVID-19 vaccine, including the conspiracy theory documentary *Plandemic*<sup>168</sup>, is already being disseminated months and months before it even exists. At the same time, as research at the Cardiff University shows, disinformation and misinformation spread about the COVID-19 virus and its possible cures leads to direct behavioural effect, for example, causing shortages of Paracetamol<sup>169</sup>

## How It Played Out

Digital environment and social media platforms fulfilled a number of important social functions during the first wave's peak period of the pandemic, particularly between March and June 2020, when states worldwide imposed strict lockdown measures in an effort to slow down the spread of the virus<sup>170</sup>. As business, work, schooling, entertainment, exercise, social interaction, and communication became physically confined to domestic spaces, the digital environment provided an essential virtual supplement to all of the above-mentioned activities. The social and psychological impacts of the pandemic could have been a whole lot worse without social networking technologies allowing families and friends to maintain social relations.

## Infodemic Generates Vast Revenues

As a result of the lockdown measures, digital platforms saw their number of users soar. Advertising revenues decreased, however, as companies reduced their marketing budgets. Given this situation, the implementation of much needed programmatic and social media advertising standards which would result in the disruption of economies of disinformation would represent another financial loss for tech giants. Nevertheless, the discussion about the infodemic and disinformation financial backbone is gaining momentum. The need for stricter online advertising standards is further



**Reuters  
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about the  
COVID-19 virus.**

raised by the civil society initiative Stop Hate For Profit which motivates brands to stop advertising with Facebook until it can guarantee that ads will not be placed next to hate speech on the platform. The list of companies who stopped advertising on Facebook exceeded 1,000 in July 2020<sup>171</sup> and includes brands such as Pfizer, Puma and Volkswagen Group of America.

In the meantime, Google announced its planned crackdown on advertising linked to coronavirus conspiracy theories, whether these are ads promoting conspiracy theories or ads from website publishing content which contradicts 'authoritative scientific consensus'<sup>172</sup>. This is a step in the right direction, as digital platforms have long been criticised for not doing enough to address the spread of health-related misinformation,<sup>173</sup> a situation which has sometimes also been perpetuated by important political figures with huge social media followings, such as the president of the United States, Donald Trump<sup>174</sup>. However, it remains unclear how much COVID-19 misinformation is currently monetised through Google's ad programs such as AdSense or Ad Manager. Global Disinformation Index estimates that 25 million USD will be provided to sites peddling COVID-19 disinformation in 2020 alone, while Google advertising services are estimated to be responsible for a staggering 75% of this revenue<sup>175</sup>. Even partial enforcement of this rule could significantly impact disinformation profits.

However, the enforcement of such a ban is far from certain, as Google's current advertising policy already prohibits

placing ads on sites promoting harmful disinformation about disease prevention and medicine. Yet, numerous cases of Google ads being placed on outlets promoting harmful health disinformation exist. The Slovak Zem a Vek (Earth and Age) website has a Google ad for Go Solar Technologies placed right next to an article that the 'safety and efficacy of vaccination is in fact full of unsubstantiated assumptions (dogmas)'<sup>176</sup>.

Figure 1: Example of Google Ad placement next to article 'Witch-hunt on anti-vaxxers is mounting' claiming that benefits of vaccination are unsubstantiated



Advertising revenues from COVID-19 and other disinformation are not the only financial profits enabled by the infodemic, as the chaos caused by the flood of misinformation, disinformation and conspiracy theories booming in the initial weeks and months of the pandemic enabled a plethora of health-related scams. These exploited shortages in PPE (personal protective equipment) and milked the fear and anxiety accompanying the pandemic.

Not only were face masks sold at extortionate prices until Facebook temporarily banned mask advertising<sup>177</sup>, all kinds of 'miracle cures' for COVID-19 were promoted online including silver, essential oils, herbs and many more hawked by dubious companies using tools such as targeted social media advertising<sup>178</sup>. Other schemes preyed on the health vulnerabilities of uninsured sections of the population in the

US, attempting to sell them non-existent health insurance<sup>179</sup>, while in the UK, phishing scams claiming government support during the pandemic in the form of tax refunds attempted to extract sensitive information from potential victims<sup>180</sup>.

## Information Chaos is Exploited by Foreign State Actors

The COVID-19 pandemic amplified the foreign subversive actions and information operations all around the world, such as in Russia and China. Foreign state actors pursuing different national objectives have also actively contributed to its genesis, maintenance, and acceleration. The pandemic was utilised by Moscow and Beijing<sup>181</sup> on social media, discussion forums and within a plethora of webpages for self-promotion and to increase their sphere of influence.

The aim was to undermine unity among European Union member states within the initial phase of the pandemic by portraying the EU as an incompetent and useless institution. The fact that the EU has no mandate to interfere in the health policies of sovereign member states was conveniently left out of a narrative readily taken on by Eurosceptic voices such as former Italian Prime Minister Matteo Salvini, who claimed that Europe and Italy's place in the EU has to be re-examined, as Europe 'has not come to our aid at all'<sup>182</sup>.

In Central Europe the vast promotion of Chinese medical assistance resulted, for example, in certain public perceptions. According to a survey conducted in March in Slovakia, 67% of respondents believed China was helping to significantly fight the Coronavirus pandemic, while only 22% thought the same of the EU<sup>183</sup>. More than half of Slovaks believed the EU is not helping at all, or enough. Such narratives have often been used as a battering ram by local populist or far-right politicians to renew their attacks against the EU, while Chinese and Russian medical help had stolen all the positive credit and spotlight.

The pandemic has very clearly demonstrated deficiencies in strategic communication at the European and national levels, a vulnerability which has been efficiently exploited by hostile actors. Despite the historic EU level recovery package<sup>184</sup>, some of the harm caused by successful influence operations may prove difficult to repair. As long as communication on the European level remains divorced from the general population by using bureaucratic language aimed at narrow expert audiences, and as long as European communication space remains fragmented, the EU will be vulnerable to similar or even more devastating influence operation campaigns regardless of how much assistance is provided to individual Member States.

In the GLOBSEC series Ideas for Resilient Democracies, Rand Waltzman, Deputy Chief Technology Officer at RAND Corporation, has stressed this point: 'Language matters – getting rid of dry technocratic jargon is essential to successfully

promoting EU values and successes. Our adversaries often have the upper hand because they supply our journalists with a steady stream of exciting headlines and pictures and narratives with enticing dramatic plotlines. We must never lose sight of the entertainment value and emotional appeal of the stories we promote. If we are to successfully compete, we must supply journalists with our messaging in the form of dramatic headlines and narratives that will result in deep emotional investment by our audiences. Such emotional investment and identification with our characters can win over audiences in a way that rational argument never can, even audiences that would be otherwise resistant.<sup>185</sup>

## Central Europe

The infodemic has impacted people's trust towards medicine and vaccination. For example, in April Bill Gates topped the charts of COVID-19 conspiracy theories when Signal Labs

**800  
people**

**Researchers estimate that at least 800 people have died around the world because of COVID-19-related misinformation in the first three months of this year.**

found 1.2 million media references linking Bill Gates with the virus between February and April 2020. Hoaxes directed at the Microsoft co-founder turned philanthropist were all over social media platforms and falsehoods were disseminated ranging from him creating COVID-19 in order to profit from a vaccine, to Gates being a member of a plot to cull humanity and/or implement a global surveillance system.<sup>186</sup> In Slovakia this conspiracy theory turned into a narrative that "experts admitted that COVID-19 was a fraud. Behind the exaggerated care of governments for the health of the people is something entirely different: Mandatory VACCINATIONS and BUSINESS made in Gates, after which vaccinated people will be infected with a flu much worse, not to say anything about nanochips...".<sup>187</sup>

**Figure 2: A Slovak Facebook group called 'For Slovak Sovereignty, Against NATO Bases' disseminated a conspiracy theory about COVID-19 being a fraud, a tool for 'world rulers' to control people.**

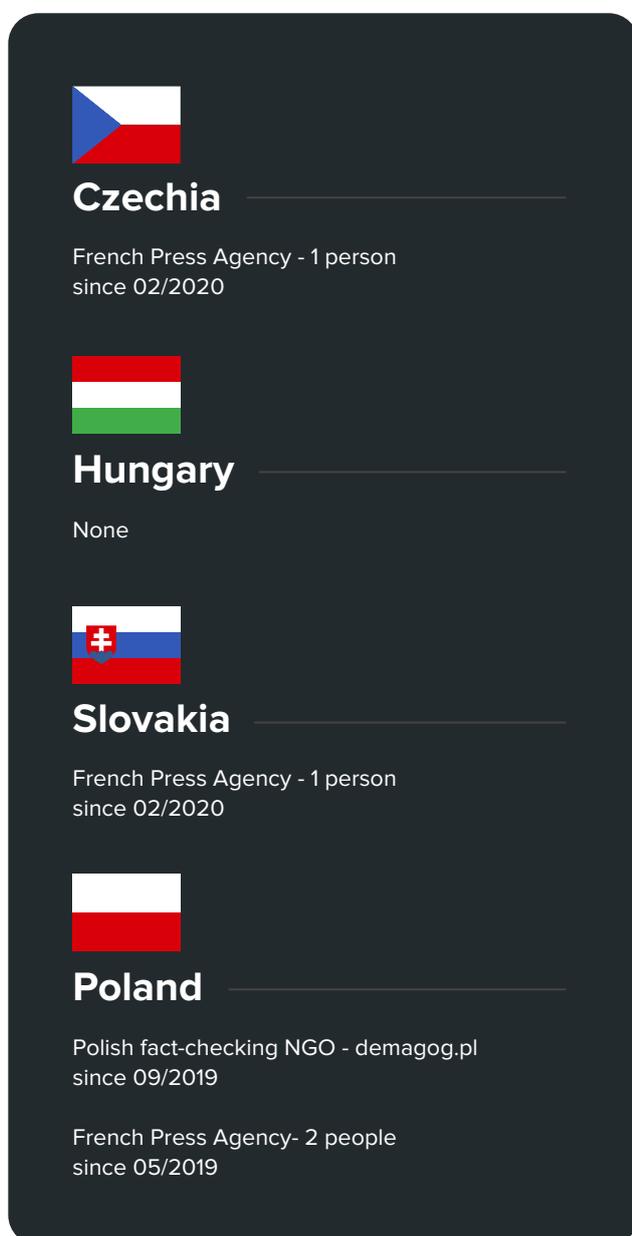


This had a real impact on people's willingness to be vaccinated against COVID-19. In April only 40% of Slovaks declared that they would get a COVID-19 vaccine.<sup>188</sup> In Romania, one third of the population 'would reject coronavirus vaccine under any circumstances'.<sup>189</sup> An even stronger attitude towards the vaccine is widespread in the United States, where in May only 1 in 5 respondents declared they would get vaccinated.<sup>190</sup>

Indeed, the infodemic has a detrimental impact on the quality of democracies worldwide as they continue to undermine trust in public institutions and healthcare system. The lack of operational transparency among digital platforms further complicates the situation, especially in small markets like Central European countries.

Platforms' activities and efforts to block the spread of hoaxes, disinformation and other problematic content breaching their community standards depend, to a large extent on local independent factcheckers or dedicated teams that know the language and understand the local context. The unequal treatment of small markets is visible, however, in platforms' abilities to have such teams designated for every country. Furthermore, voluntary measures adopted by social media platforms to remove illegal content online, stop the exploitation of personal information for malign purposes through targeted advertising of harmful content and disrupt the disinformation ad revenue ecosystems are next to impossible to truly evaluate, because of the lack of country specific data provided by the platforms<sup>191,192</sup>.

Figure 3: Comparison of certified fact checkers cooperating with Facebook versus number of users in each V4 country.



# Hoaxes directed at Bill Gates ranged from him creating COVID-19 in order to profit from a vaccine, to being a member of a plot to cull humanity and implement global surveillance.

While increasing efforts implemented by the digital platforms are valued and recognised, they often focus on the world's largest markets and most widespread languages. In the meantime, millions of users from around the world have substandard user experiences with persistent issues such as lack of transparency, insufficient enforcement of community standards, non-existent points of contact and customer service. This unequal treatment continues to disrupt the information space and can be deadly, especially during the pandemic. While profit from disinformation should be disrupted, an online space with meaningful checks and balances equally implemented for all needs to be established.

## Conclusions and Recommendations

The impact of the proliferation of disinformation, conspiracy theories and hate speech through the digital environment has already presented massive global challenges before the rise of the COVID-19 infodemic. Tech giants, experts and policy makers alike have been engaged in intense discussions about changes required to address this problem which has been linked to increasing levels of societal polarisation<sup>193</sup>, intolerance<sup>194</sup>, hate crimes<sup>195</sup> and even genocide<sup>196</sup>. Digital platforms are facing a growing backlash not only from concerned users and policy makers, but also from private companies and independent auditors<sup>197</sup> for not addressing these prominent issues in a sufficiently systematic way.

The infodemic accompanying the spread of the COVID-19 virus worldwide has only revealed the true extent of this chronic disease affecting our information environment. It places a spotlight on disinformation impacts by showing us shocking examples of what belief in conspiracy theories and incorrect information can lead to. Consequences range from the destruction of property and economic damage such as burned telephone masts in the UK and across Europe<sup>198</sup>, which are seen by many as instruments of intentional COVID-19 dissemination through new 5G technology, to loss of life, as many who believed COVID-19 to be a hoax later succumbed

to it<sup>199</sup>, or to the hundreds who died of alcohol poisoning after falling for a health hoax claiming alcohol can cure COVID-19<sup>200</sup>. The list of examples goes on. Vaccination hesitancy is one of the top global health threats according to WHO<sup>201</sup> and it will yet play its role in determining when - or indeed if - the globalised society will be able to truly address the COVID-19 pandemic.

The COVID-19 infodemic presents us with a unique opportunity to implement systematic solutions which could define a new and more constructive digital environment. These solutions need a whole society approach, with key stakeholders such as researchers, academia, digital platforms, citizens and policy makers fully engaged<sup>202</sup>. Omitting any of these perspectives will result in policies skewed towards narrowly defined interests instead of finding the delicate balance in a complex equation which needs to simultaneously ensure freedom of speech, individual and civil rights, free enterprise, transparency and access to factual information.

This task is of the utmost importance as the distinction between online and offline realities is becoming increasingly blurred. It should come as no surprise that the digital space we all co-create will also define the shape of democratic societies to come.

## #1

Policy initiatives such as a Code of Practice on Disinformation<sup>203</sup>, the upcoming Digital Services Act<sup>204</sup> or European Democracy Action Plan<sup>205</sup> gain new importance as their successful implementation can limit the volume and reach of dangerous misinformation travelling through the digital environment.

## #2

GLOBSEC's Alliance for Healthy Infosphere currently spanning six EU member states (Bulgaria, Czech Republic, Hungary, Lithuania, Romania and Slovakia)<sup>206</sup> provides ongoing feedback to the European Commission to ensure that perspectives and experiences of marginalised markets are considered in any regulatory actions.

## #3

Digital platforms cannot simply choose to make cosmetic changes to platforms' structures in the hope of averting criticism.

## #4

Bold steps such as the systematic disruption of economies of disinformation and algorithmic transparency are needed to create truly democratic digital space where factual information will be more prominent and where marginalised voices will not be bullied into silence through abundant hate speech.



# Economic Interventionism

# Big government is back and economic interventionism will grow



By Soňa Muzikářová

**“Everything we do before a pandemic will seem alarmist. Everything we do after will seem inadequate.”**

- Michael Leavitt,  
Former Secretary of Health and Human Services

**C**risis bring out the best and worst of politicians, populations and economic structures. COVID-19 has derailed countries from their beaten policy tracks and has been brutally effective in uncovering existing deficiencies across leadership, economies, and politics. While the past decade was frittered away by the recovery from the 2008-2009 financial crisis, mostly embodied in monetary policy, the next, post-pandemic decade will be marked by a return of ‘big government’ as embodied by a much bolder fiscal-monetary regime and a paradigm shift in public leadership.

The groundwork we inherit from the past decade results from years of rebuilding after the largest financial shock since the Great Depression turned into a full-blown global recession. Many macroeconomic 'firsts' had ensued, including ultra-low interest rates, deflationary price pressures, inflated asset prices, and soaring public and private debt levels. Abiding by the famous 'whatever it takes'<sup>207</sup> mantra, Central Banks played prime at the pinnacle of economic policy: cushioning shocks, counteracting slack and warding off crises. Both the extent and the inventiveness of Central Banks' arsenals is unmatched. The so-called 'non-standard' monetary tools<sup>208</sup> – which gave way to negative interest rates, different modes of quantitative easing (QE), long-term refinancing operations and forward guidance – became standard and engendered a new normal. Despite best policy efforts, the past decade yielded lacklustre growth and flat productivity gains<sup>209,210</sup>.



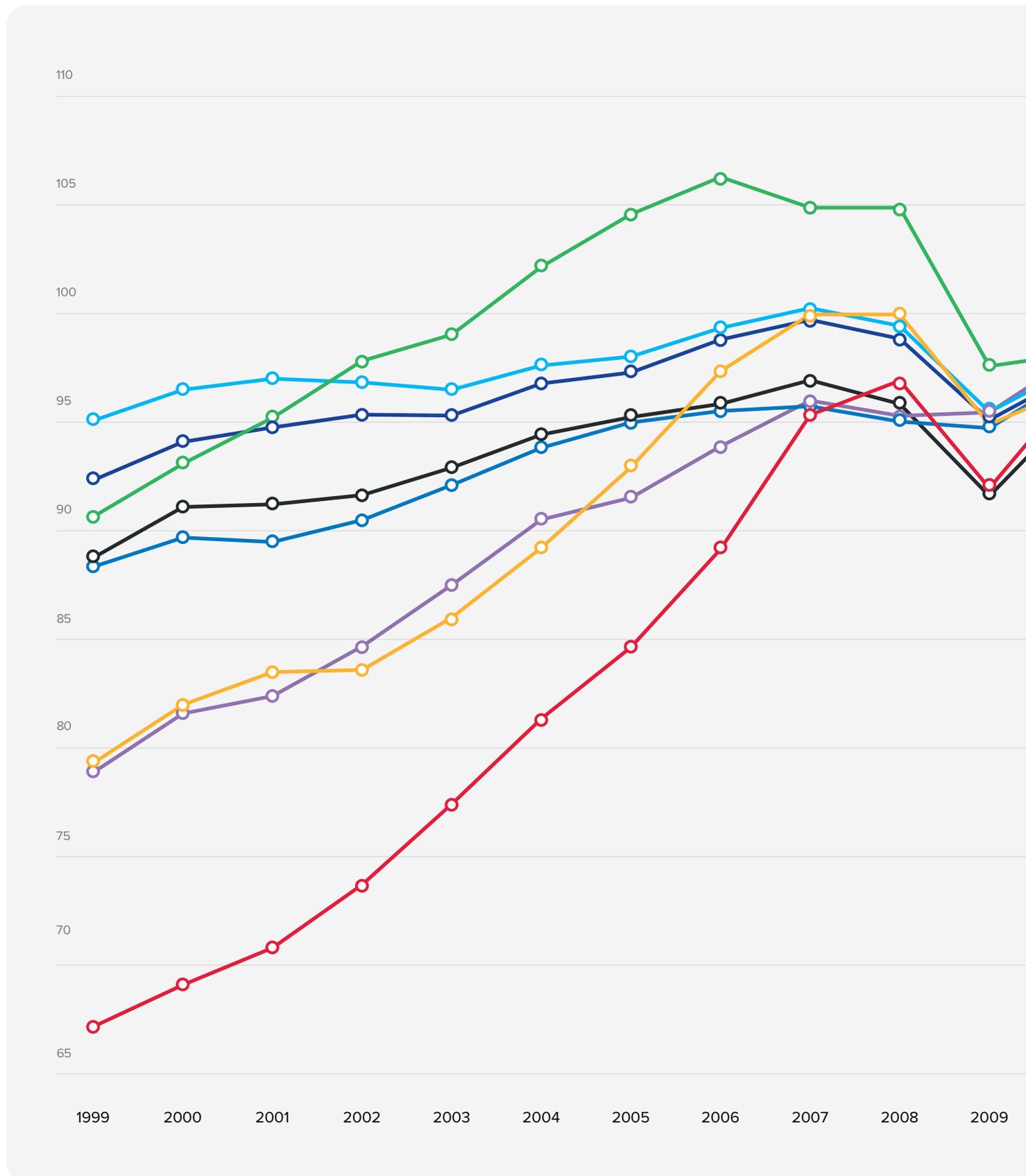
**€500 billion**

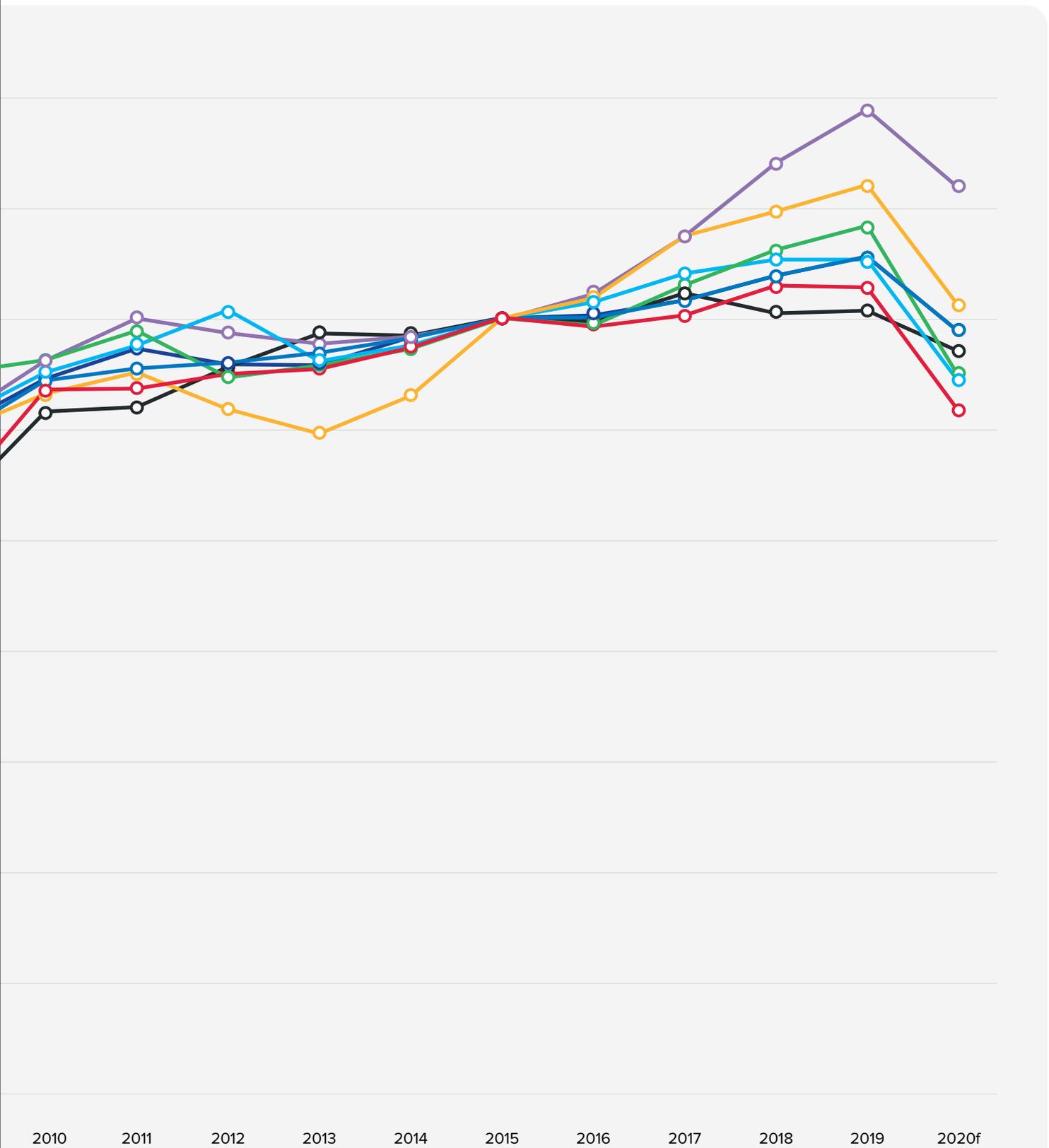
Vigorous shared action at the European level is essential to counteract this crisis. The pandemic led to interim **solutions focused on mitigating COVID-19**, such as the April €500bn compromise deal.

**The coronavirus crisis is a rare moment in global economy's modern history, with policymakers' decisions resulting in life or death outcomes, in the most literal sense.**

**Figure A: The past decade is marked by flat post-crisis productivity growth (LHS) and ‘low for long’ Central Bank policy rates (RHS) across select advanced economies**

● Euro area 
 ● European Union 
 ● United States 
 ● Japan 
 ● Slovakia 
 ● Czechia 
 ● Poland 
 ● Hungary

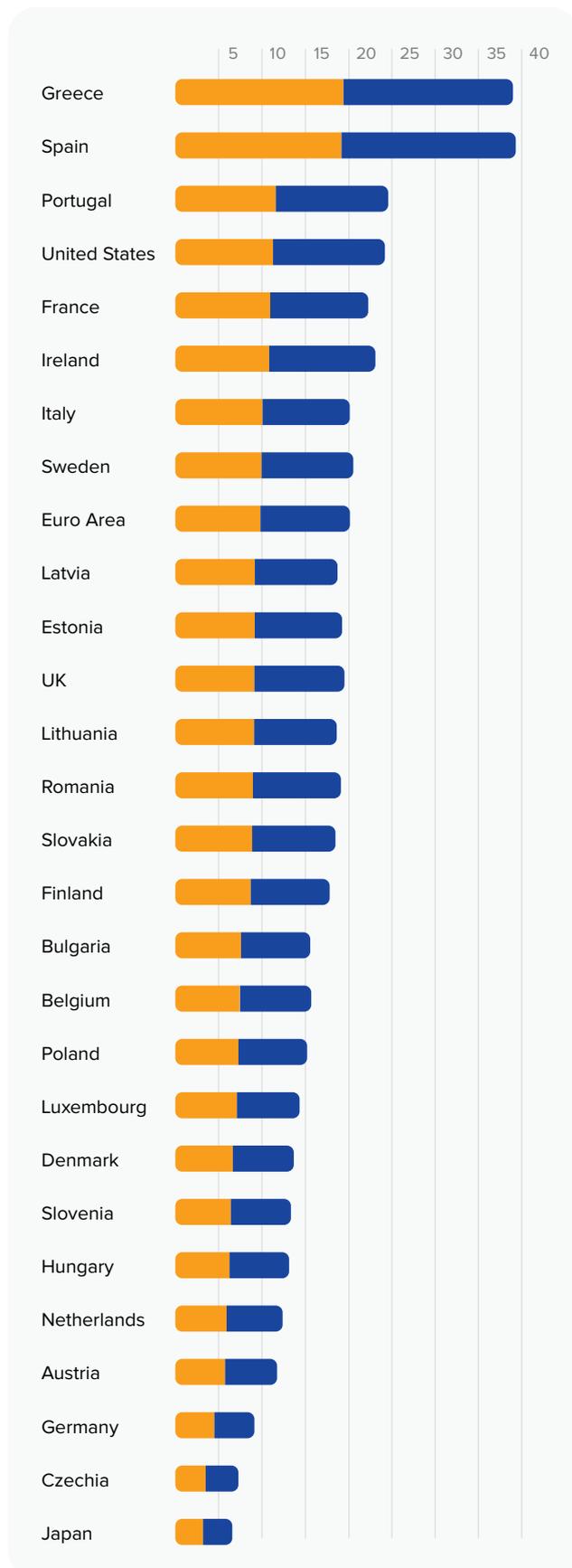




Source: European Commission AMECO database and Bank for International Settlements (BIS)

## Figure B: Post-COVID unemployment forecast

- Covid19 Single-Hit Scenario
- Covid19 Double-Hit Scenario



Having barely crossed over into the new decade, the world has been struck by the COVID-19 pandemic, a grave humanitarian crisis and a shock to the global economy of unprecedented scale and scope. All around the world the coronavirus pandemic sent policymakers scrambling for an adequate response across policy domains. The deadly outbreak forced widespread lockdowns to contain the virus, resulting in production shutdowns on the supply-side and an all-over collapse in demand. The knock-on effect on gross domestic product and labour markets will be cataclysmic – the gravest in the past century<sup>211</sup> – and will be felt long after the pandemic subsides. International supply chains and trade were particularly hard-hit, further weighing down economic activity. The dual humanitarian and economic crisis meant leaders faced a gruelling dilemma between protecting lives and containing the health crisis and safeguarding livelihoods and mitigating economic impacts. The coronavirus crisis is a rare moment in global economy’s modern history, with policymakers’ decisions resulting in life or death outcomes, in the most literal sense.

Since the COVID-19 pandemic sent the global economy into a standstill, the economic response had to be swift, well-rounded, and robust. Central Banks drew on the lessons distilled from 2008-2009, deploying the full crisis playbook, augmented for the scope and size of the shock. The US Federal Reserve stepped in with a broad array of action to limit the economic damage, including near-zero interest rates, forward guidance on their future path, the support of financial markets with securities purchases (QE), repo operations in money markets to support short-term liquidity, the encouragement of bank lending via direct lending support to banks and the relaxation of bank regulatory requirements, and other direct lending schemes, including to corporate employers, small and medium-sized enterprises (SMEs), states and municipal governments<sup>212</sup>. The Fed also stepped up international swap lines to ease international pressures on US money markets and make US dollars available to other Central Banks. The European Central Bank (ECB) introduced its own set<sup>213</sup> of extraordinary response measures, similar in aims but calibrated for the euro area, which is still lacking a common fiscal policy and where a much larger fraction of credit is channelled through the banking system (as opposed to capital markets in the US)<sup>214</sup>.

Significantly, the pandemic has initiated a double-barrel shooting and brought forward the long-contemplated monetary-fiscal regime. While the past decade has been dominated by monetary policy, the up-and-coming decade is a moment of sheer fiscal force. Central Banks alone – as impressive as their response has been – are not equipped to autonomously save the severely disrupted global economy and place it back on the path to economic prosperity. Hence, discretionary fiscal support followed to fund the public health response and maintain an economy’s basal functions. Across Europe, the national fiscal measures have been focused on supporting firms, saving jobs, and providing liquidity (Figure C).

Figure C: Summary of national fiscal response of Visegrad4 to the Covid-19 pandemic

Category	Pandemic-related discretionary fiscal measures (broad description)	Slovakia	Czechia	Poland	Hungary
FIRMS	Wage compensations/subsidies for firms and self-employed	×	×	×	×
FIRMS	Health insurance, social security (temporary) waivers/subsidies	×		×	×
FIRMS	Easing administrative burden on businesses, relaxing labor code	×			
TAX	Deferral of payroll and corporate tax payments for firms, penalty waivers	×	×	×	×
TAX	Tax deduction of this year's losses / allowing inclusion of loss carryback	×		×	
TAX	Small business tax exempt/waivers or sector-specific exemptions				×
EMP	Extension of unemployment benefits for affected workers	×			
EMP	Kurzarbeit (short-work scheme) / wage compensation per employee	×			
EMP	Subsidies for individuals without income or cash support for retired	×			×
FINANCIAL	Loan payment deferrals	×	×		
FINANCIAL	Rent payment moratorium	×	×		
LIQUIDITY	State guarantee programmes	×	×	×	×
LIQUIDITY	New business micro-loans, liquidity loans			×	
SOCIAL	Healthcare sector worker bonus		×		
SOCIAL	Parent allowance of young children related to school closures			×	
<b>Fiscal Impulse in % of GDP</b>		<b>0,30%</b>	<b>2,00%</b>	<b>6,50%</b>	<b>0,39%</b>

Sources: For measures IMF Policy Tracker, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#H>; for Fiscal Impulse estimates: Ceyhun Elgin, Gokce Basbug and Abdullah Yalaman 'Economic policy responses to a pandemic: Developing the Covid-19 economic stimulus index', CEPR Covid Economics Vetted and Real-time Papers Issue 3: April 10 2020, Available at: <https://cepr.org/content/covid-economics-vetted-and-real-time-papers-0>

The release of Recovery and Resilience Facility funds will be contingent upon articulating and later delivering green and digital transitions.

Yet, as the ultra-low interest rate environment limits the tools of monetary policy and inherited high debt levels dwarf the efficacy of fiscal interventions, it has become evident that vigorous shared action at the European level is essential to counteract this crisis. The pandemic forged uncomfortable discussions in Brussels, leading to interim solutions focused on mitigating the short-term impacts of COVID-19. For example, the April €500bn compromise deal<sup>215</sup>, consisted of healthcare safety nets under the umbrella of the European Stability Mechanism (ESM) bailout fund, the SURE scheme to support EU jobs and businesses, and an EU-wide loan scheme combined with European Investment Bank (EIB) loan guarantees to support SMEs, failing to address the divisive subject of a shared fiscal policy.

A true breakthrough at the EU-level came with the Franco-German proposal<sup>216</sup> mid-May, a bold new plan for Europe featuring the common issuance of EU debt guaranteed by its own budget. The proposal marks an inflection point in the EU pandemic rescue negotiations. It has offset a series of meaningful proposals at the European level, climaxing in a historical deal on the recovery package and the European budget reached at a special European Council 17-21 July 2020<sup>217</sup>, for the first time featuring a common European Commission debt instrument. The latter feature breaks the European debt mutualisation taboo – that has been theorised particularly in the context of past crises – and potentially lays the first building block of the EU fiscal union. Its economic and political implications for the EU and signalling vis-à-vis the world are potent. For one, besides fulfilling the catastrophe-ridden European economy's financing needs, it may kickstart

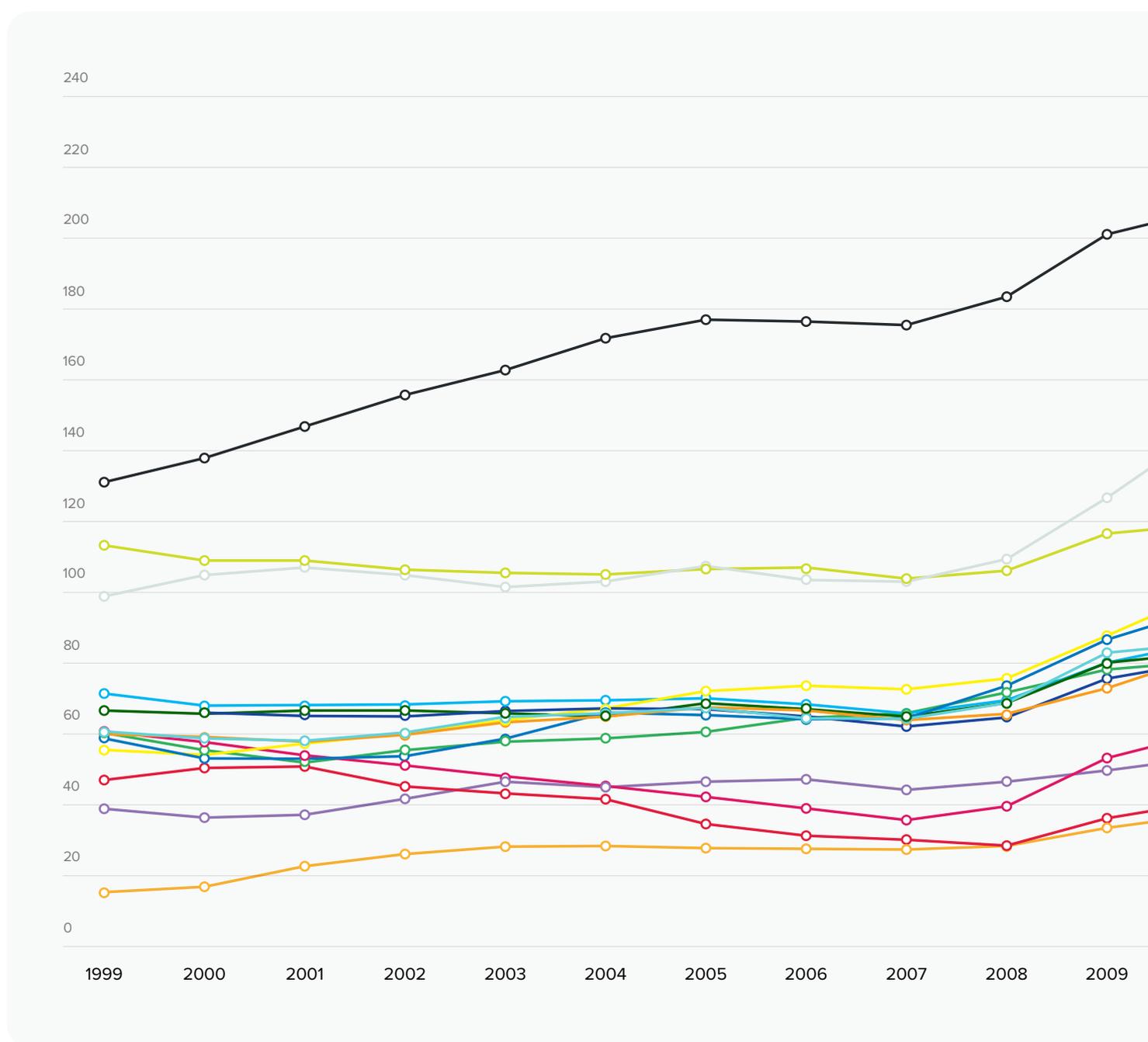
the formation of a new European safe asset, foster European capital markets, and elevate the importance of the euro as a currency, thereby solidifying the EU's financial position and promoting Europe's dominion in the global arena<sup>218</sup>.

Secondly, the access to funds from a flagship facility included in the deal – the Recovery and Resilience Facility<sup>219</sup> – is conditioned by presenting sensible national plans, with a special emphasis on economies' deep and structural transformations. Here, the release of the funds will be contingent upon articulating and later delivering green and digital transitions, and profound changes in other structural areas.

These developments demonstrate that the role of both national and international governments has risen exponentially, resurrecting the importance of competent public leadership, and underscoring the perils of lax decision-making. Channelling resources in under-funded public goods (Figure D, RHS) will be essential in the next decade in building public capacities to enable greater resilience, efficiency, and preparedness. But a broader paradigm shift in public culture is required. A retrospective examination of national responses to COVID-19 offers a few cues. Some of the most successful crisis managers<sup>220</sup> to date – Taiwan, Singapore, South Korea and New Zealand – share several attributes, including leadership that responded early, transparently and boldly, while

**Figure D: Public debt (% of GDP) (LHS)**

■ Euro area 
 ■ European Union 
 ■ United States 
 ■ Japan 
 ■ Slovakia 
 ■ Czechia 
 ■ Hungary 
 ■ Poland

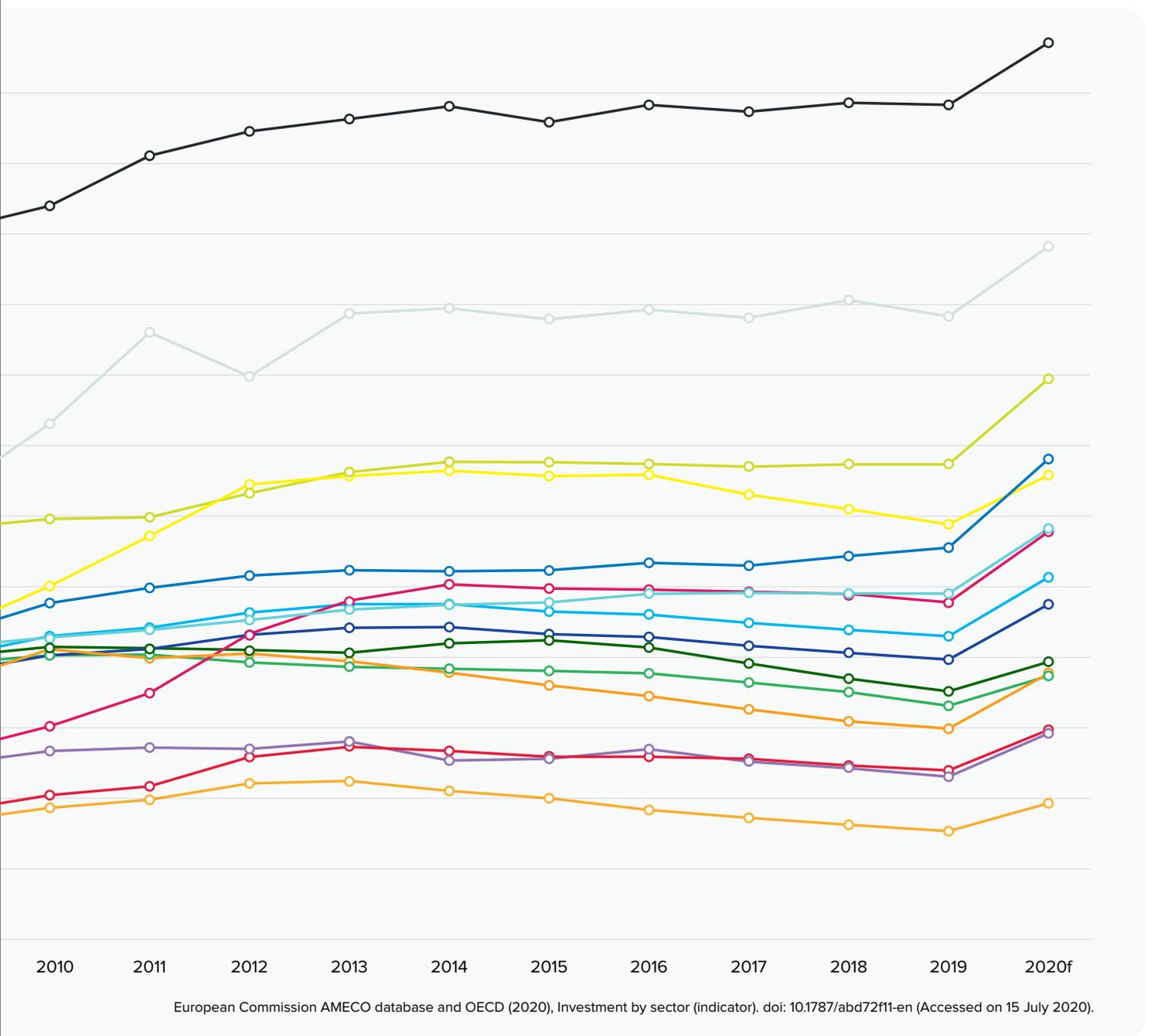


respecting science and without politicizing the crisis. To the contrary, the COVID-19 black sheep – the United States, United Kingdom and Brazil – leading in the numbers of infections and fatalities with little sign of the figures abating, share displays of denialism and dismissal of scientific evidence<sup>221</sup>.

The post-pandemic 'big government' orthodoxy of the next decade will be further epitomised by greater tolerance for elevated debt levels – COVID-19's legacy for the decades of the next generations –, proliferation of e-government, and intensified pleas for education reform. Governments will be increasingly faced with ever more complex challenges but will be expected to deliver results with fewer resources. Doing

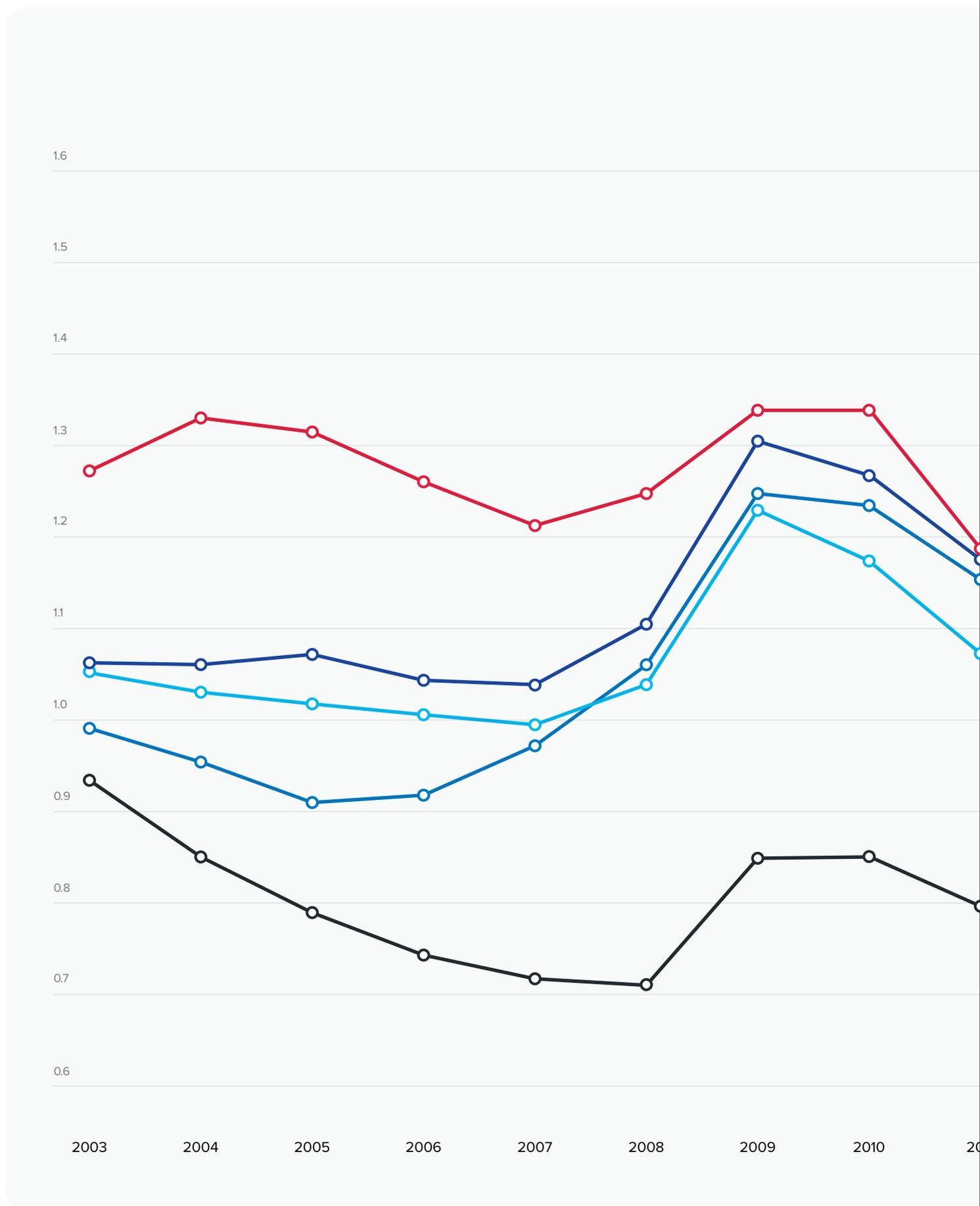
more with less will incentivise e-government and digital technologies to improve efficiency. The quest for efficiency will compel addressing the digital divide faster. International cooperation, building alliances with private and third sectors, fast-tracking cooperation across public sector silos, and generally blurring the lines of traditional control-and-command leadership may also help in that respect<sup>222</sup>.

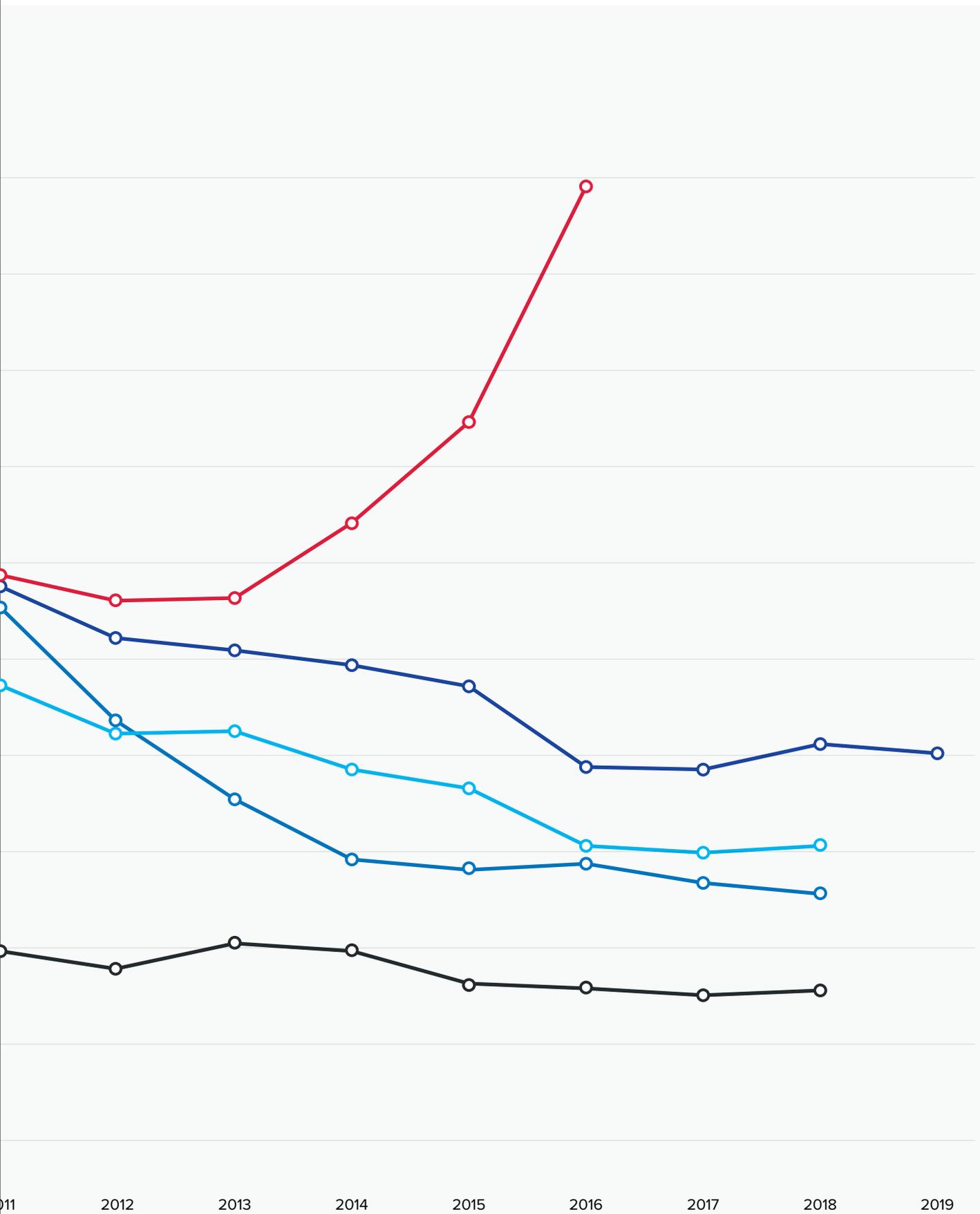
Germany Spain Italy France Portugal Greece Austria



## Investment in public goods (%GFCF) (RHS, Index, 2002=1)

European Union Euro area United States China Japan





European Commission AMECO database and OECD (2020), Investment by sector (indicator). doi: 10.1787/abd72f11-en (Accessed on 15 July 2020).

The post-pandemic  
'big government'  
orthodoxy  
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for elevated debt  
levels, proliferation  
of e-government,  
and intensified  
pleas for education  
reform.

## Conclusions and Recommendations



While the last decade was monetary policy's moment of stardom, the pandemic has made rampant the double-barrel shooting of monetary and fiscal policy, with an intensified quest for structural reforms to facilitate sustainable recovery and boost resilience. Given their added responsibility in the post-pandemic era, big governments are here to stay in the decade ahead. Moreover, the COVID-19 terrain will require a change in not only quantity but also the quality of policy. For example, while Central Bank lending facilities will continue to operate under full capacity, they must also ensure that funds reach households and employees, not merely the banking system.<sup>223</sup>

Notwithstanding added responsibility, governments will be bound to do more with less, faced with ever-complex challenges whilst operating under the strain of high debt levels. Resource scarcity in the public sector will incentivise adoption of digital technologies and streamlining under e-government to up efficiency. These developments will motivate the overcoming of the digital divide across societies through more labour-market relevant educational curricula and trainings targeting digital competencies.

Channelling funds into public goods may be overdue for many countries, but greater funding alone does not guarantee success. A public culture overhaul is additionally required, to break free from command-and-control leadership, in favour of interdisciplinary, collaborative, data and science-driven and resourceful decision-making. The successes and failures of countries in managing the effects and consequences of COVID-19 will provide us with invaluable lessons for the future as to which direction public leadership is headed and to where it should be directed.



A stylized graphic of the European Union flag, featuring a dark blue background with a curved, wavy border and several golden-yellow stars scattered across it. The graphic is positioned on the left side of the page, partially overlapping the text.

# EU Fragmentation

# The EU faces a new era of internal fragmentation

By Kinga Brudzińska



The pandemic had a surprising effect on the dynamics of the integration process – accelerating some initiatives (i.e. the mutualisation of debt or the creation of new sources of revenue for the EU budget) while postponing or putting a brake on others (i.e. enlargement or neighbourhood policies, asylum and migration policies or defence integration). It also led to wider disparities between the governments as regards their European policies.

In the short run COVID-19 will make the rifts in the EU less pronounced, making some compromises easier to reach. If the challenge created by the virus turns out to be a long-lasting one, the systemic changes to the European project are inevitable. In such a scenario two frameworks will exist side by side: the current architecture of the EU evolving gradually towards a more loose intergovernmental grouping, and a political and economic union among these Member States who wish to delegate more powers to the supranational level.

# Short-term Unity

There is an old adage that the EU develops only in times of crisis or outside pressure – the integration of steel and coal industries came as a response to the Cold War, and the creation of the Single Market followed the break-up of the Soviet Union. Analogously, the shock of COVID-19, followed by a steep decline in economic output, called for a unified response on the part of the European Commission and governments. The pandemic came at a very special moment when the EU was still reeling from the disturbance created by Brexit, with its consequences for the block still unclear and the character of future relations undecided.

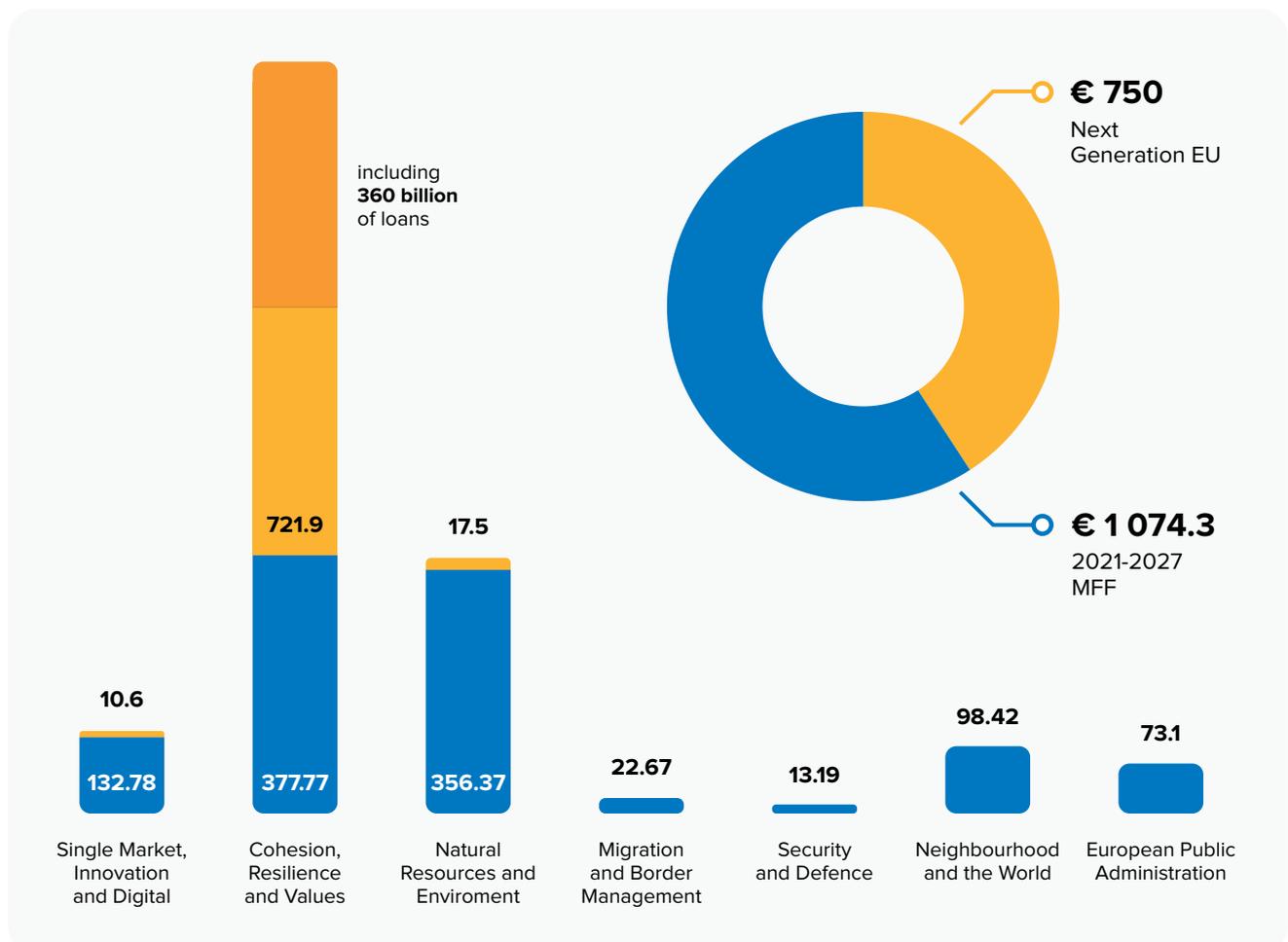
What needs to be done to pool the resources required to develop vaccines or ensure the availability of medical equipment? How can we preserve the borderless area of Schengen while implementing the necessary measures to prevent the disease from spreading? How to co-ordinate national fiscal stimuli to preserve jobs and keep up general demand in the economy? These questions required immediate responses. After initial confusion, the EU recovered a step in its stride by making itself instrumental in developing the all-European response to the crisis, chiefly through the monetary and fiscal instruments.

The initial response of the European Commission and its president Ursula von der Leyen emphasised the need for unity and aimed itself at minimising the differences among Member States. Soothing statements were followed by the de-escalation of outstanding issues such as article 7 procedures against Poland and Hungary. Agendas such as enlargement or neighbourhood policies were put on the backburner. Brexit negotiations after the cut-off date of 31 January 2020 acquired a more technocratic character, while any verbal confrontation between European and the British side visibly eased. The EU knew how to restore confidence through swift action on the part of the European Central Bank via sustained “quantitative easing” mechanisms which made the euro currency an anchor of stability. What normally takes the form of bitter and rowdy discussions (such as over the EU budget) was toned right down.

The European Recovery Programme, Next Generation EU (NGEU), is a watershed in several respects<sup>224</sup>. The sheer size is impressive – EUR 750 billion on top of additional finance (EUR 390 billion will be available through grants and EUR 360 billion in loans) allocated through the Multiannual Financial Framework 2021-2027 (MFF) commonly known as the EU budget (in total amounting to a EUR 1.82 trillion package).

## European Council figures for the MFF and NGEU (€ billion, 2018 prices)<sup>225</sup>

■ Share of total 2021-2027 MFF    ■ Share of total NGEU



This is the most significant budgetary deal in the history of the union, not just because of the overall amount. The fact that resources would be generated through EU bonds, pooling the creditworthiness of Member States, constitutes a political breakthrough, especially in the context of a traditional German reluctance for the mutualisation of debt. It is clear that without German's policy move and breaking the taboo on sharing debt, this agreement would not have been possible. It's also evident that even though the Franco-German motor is indispensable for European integration, it is not enough anymore.

The compromise regarding NGEU and MFF was, as always, difficult to reach because of differences between different axes of integration (North, South, East and West). There are the Frugal Four +1 (Denmark, the Netherlands, Austria, Sweden and Finland), Southern countries (ex. Portugal, Spain or Italy) and the so-called Friends of Cohesion (mostly Central Eastern European Member States, but also Portugal and Spain). Germany, that even in February, still aligned itself with the "Frugals", moved assertively out of the camp and joined France to seal a deal on collective borrowing. The negotiation positions show a new post-Brexit dynamic which pushed the small northern EU countries to voice their concerns out loud, unable to hide anymore behind a UK shield<sup>227</sup>.

During negotiations, the Frugal Four +1 on the one hand called for the rule of law conditionality for fund accession, and to design a post-pandemic recovery that is as digital and green as possible<sup>228</sup>. Southern, Central and Eastern European as well as Baltic countries instead felt generally less attached to green topics, placing greater importance on the Common Agricultural Policy (CAP) and cohesion policy. Interestingly, the Frugals were never prepared to veto a deal but they did extract concessions in a way the UK could only have dreamt of in the past.

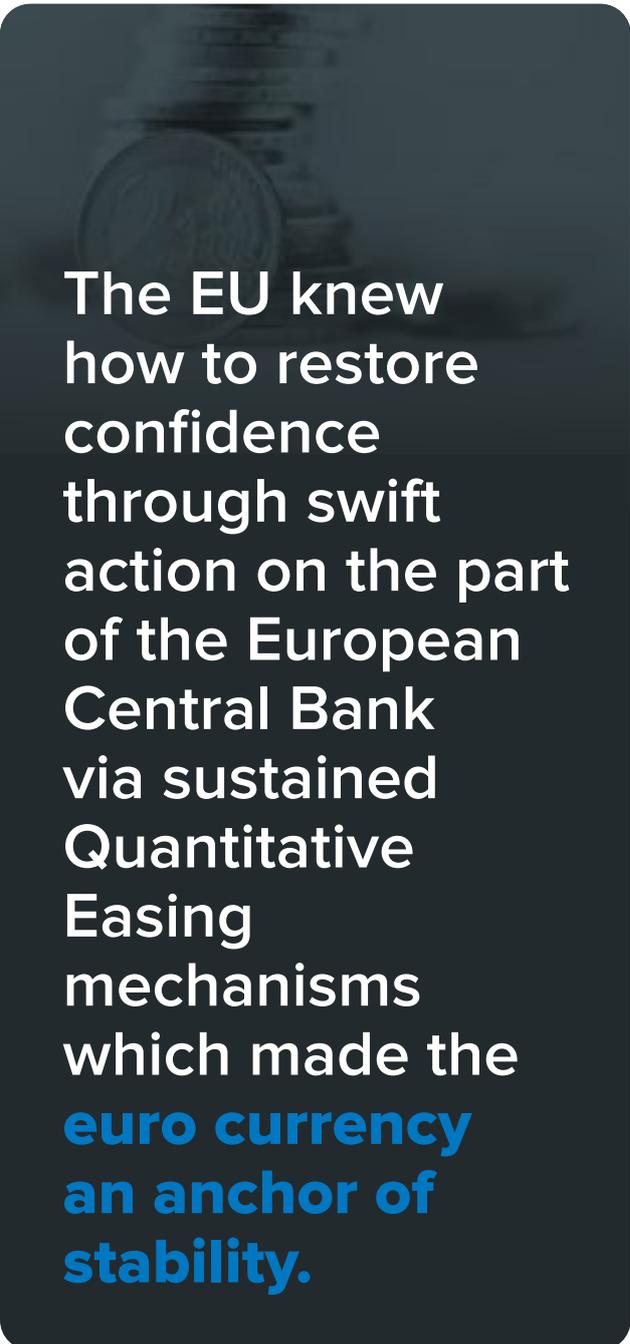
In short, the negotiations were compounded by two issues: the division between grants and loans in NGEU, and the rule of law and green agenda, making the disbursement of EU resources conditional on given Member States respecting both the objective of carbon neutrality by 2050 and the rule of law deficiencies, a novel provision for the EU. These new mechanisms showed that beneath the veneer of post-COVID solidarity and mobilisation deep divisions still persist and deepen within Europe.

Alas, this temporary spirit of unity will not be long-lived, as underlying issues such as a rickety EU governance model or the growing East-West divide have not been solved.

## Systemic Failures

The pandemic has highlighted the limits of the current model of integration process on the Continent. The division of competence between national and community level is often awkward, reflecting the political ambitions of relevant actors rather than the rational implementation of a subsidiarity principle.

The eternal challenge of disjunction between policies - European-level monetary and national-level fiscal - became even more important during the post-COVID necessity to prop up demand in the economy without kickstarting inflation. Fiscal impulses varied in intensity and character according to the needs and capacities of particular governments. Europe-wide state-aid measures were – quite understandably - temporarily suspended. The problem is that this suspension has disrupted the level-playing field as companies could count on "their" governments to a varying degree, given different level of prosperity, fiscal balance and size of national budget. Some Member States opted for the massive bail-out of their large companies, such as airlines or auto manufacturers, leaving other actors in the Single Market discriminated against. Several governments adopted ambitious labour market measures, protecting jobs in particular companies - usually at the expense of others whose governments were not so generous.



The EU knew how to restore confidence through swift action on the part of the European Central Bank via sustained Quantitative Easing mechanisms which made the euro currency an anchor of stability.

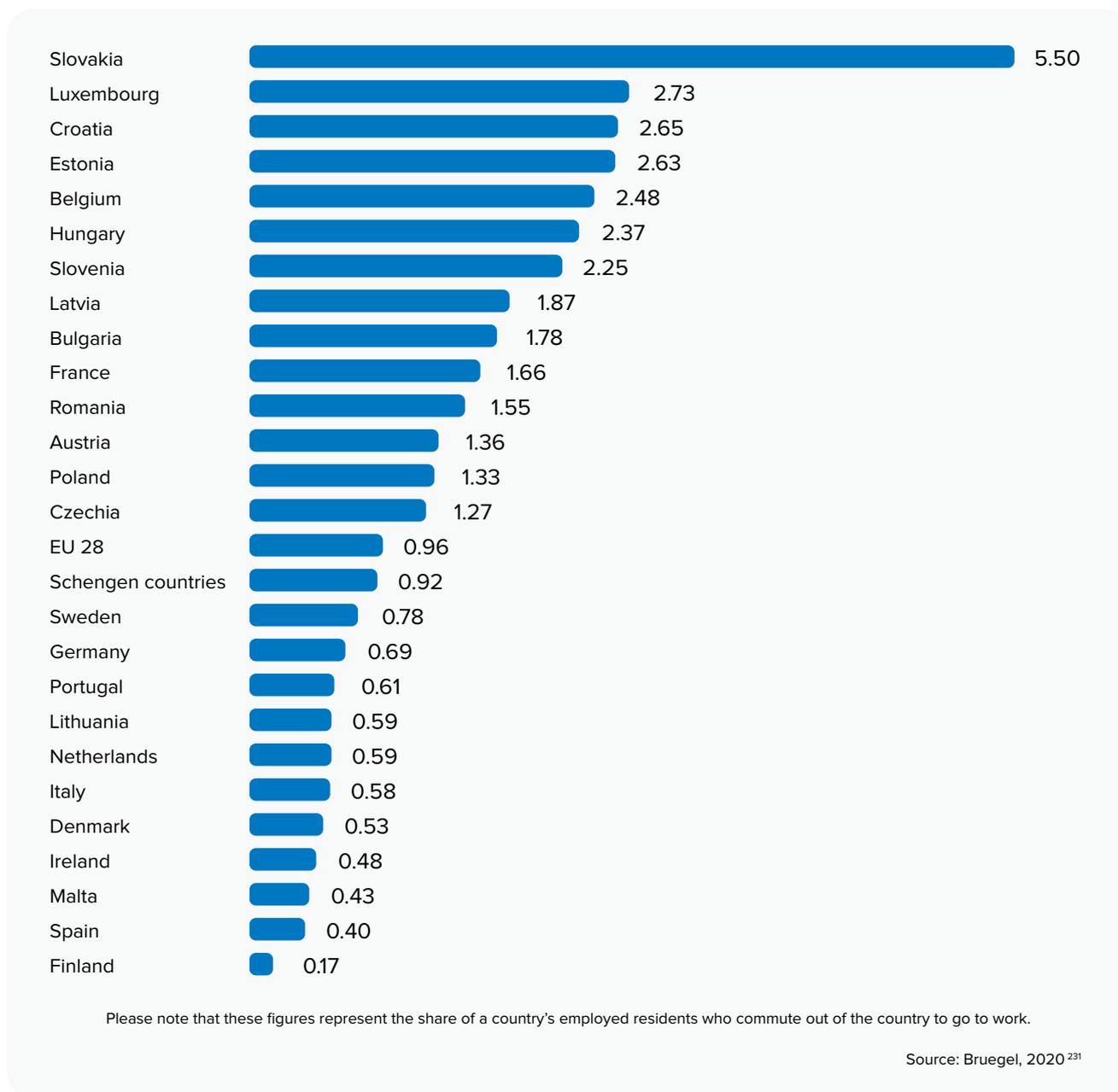
For example, if Europeans genuinely intended the EU to efficiently co-ordinate efforts to fight COVID-19, the European Commission and its subsidiary bodies should be given more powers to dispatch aid and resources, regulate the scope of administrative measures such as border checks, and arbitrate over emerging differences between national governments connected to bail-outs, etc. such a swift co-ordinated action, if applied early and decisively, could have limited the spread of the disease from March 2020 on.

Another example: the European Commission could only come up with soft unbinding recommendations as regards the blacklisted destination countries whose nation are temporarily banned from entering the EU. As a consequence, the Schengen area became porous and fluid with, for example, Austria unable to prevent visitors from pandemic-stricken China if, say, Hungary does not apply the ban on its territory.

The fact that national governments came up with such a varied set of responses to the pandemic (including scope and timing of lockdowns and intensity of social distancing measures) led to considerable disturbances in the Single Market.

Transport companies were often forced to interrupt their services. Transport networks were disrupted more than public health circumstances required, due to a tangled web of local and national measures implemented without attention to community-wide consequences. Trans-border workers could not commute between work and home for several weeks, negatively impacting the lives of millions of Europeans and stifling economic activity. It is worth mentioning that the number of EU citizens commuting to work in another Schengen country equates to nearly 2 million of citizens<sup>229</sup>. The share is particularly high in Slovakia and Luxembourg respectively, where 5.5% and 2.7% work across the border<sup>230</sup>.

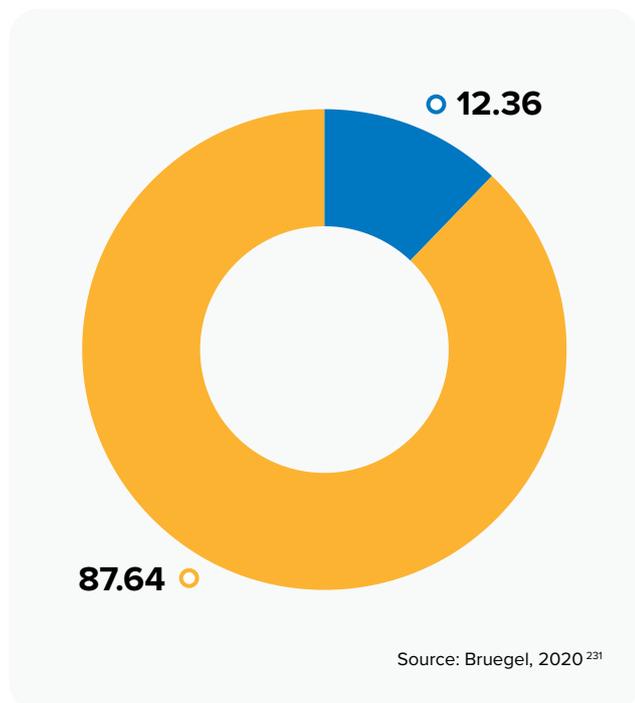
### Cross-border commuters as a share of employed population (2018) in %



Furthermore, in 2018, EU citizens made around 320 million trips, spanning at least one night, to other EU countries.

### Number of outbound trips of 1 night and over from EU 27 citizens to EU 27 countries (2018) in %

Business trips Private trips



Political debate in many countries can be hijacked by populist parties and politicians who make a virtue out of conflict and discord.

## EU Culture Wars

On top of institutional problems the EU seems to be in the grip of culture wars connected to varied paths of societal change experienced in particular Member States, notably between culturally conservative post-communist central European Member States and the rest. European mindsets have followed divergent paths in recent decades, leading to open confrontation between two models of society and state. The first model is liberal, post-national, multi-ethnic and secular. The second one is conservative, ethnically homogenous and rooted in tradition, especially religious. Obviously, the divisions are not so clear-cut and fluid between and within societies or countries. It does not help that political debate in many countries can be hijacked by populist parties and politicians who make a virtue out of conflict and discord, also at a European level. The pandemic might have deepened the problem by adding to the level of underlying anxiety and insecurity which always provides fodder for identity politics.

The EU has always been torn by divergent national interests and various policy dimensions as represented by Member States and European institutions. Recently however the EU has turned into an arena of much more fundamental friction: that of values underpinning the whole integration project.

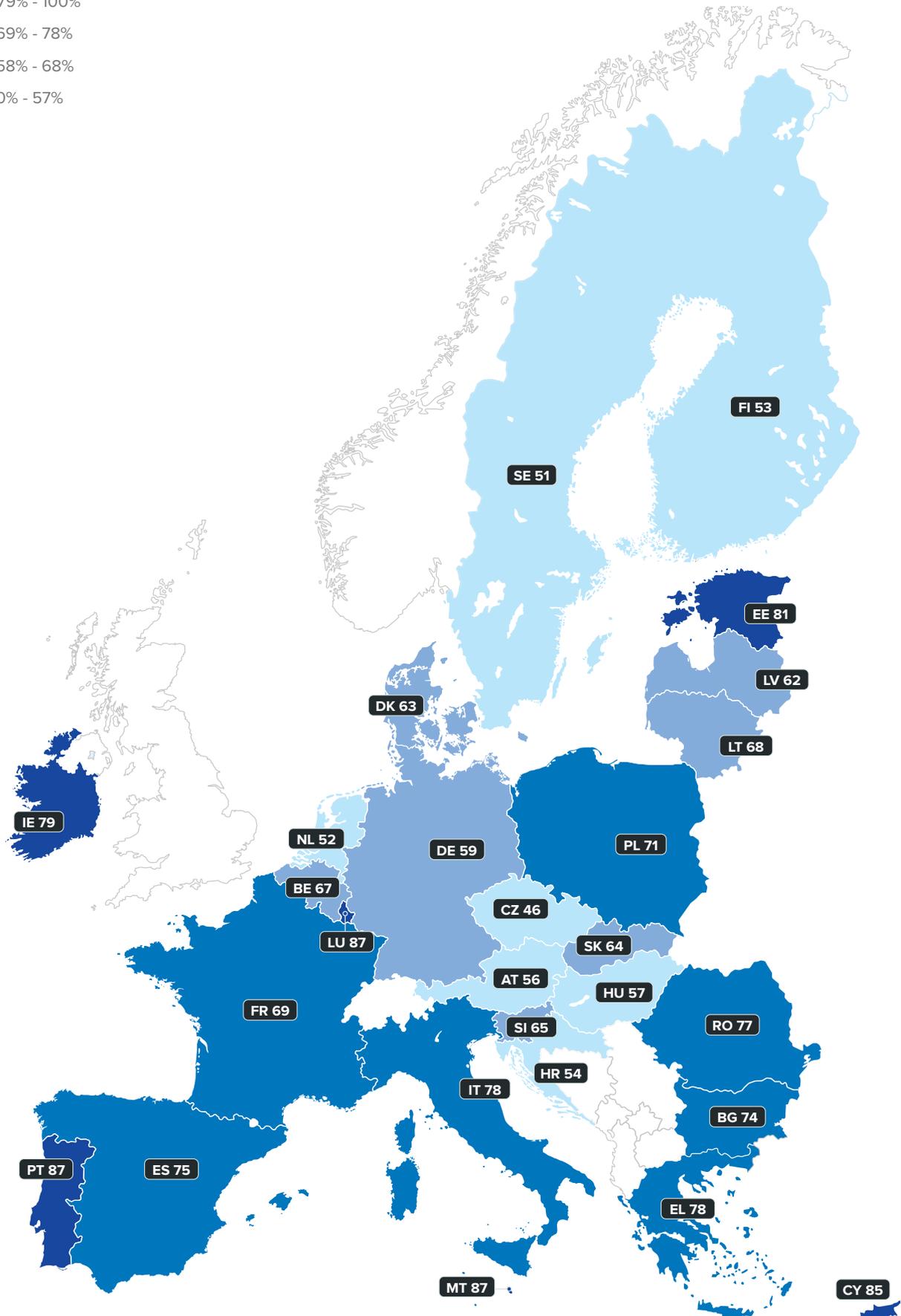
Formally the EU is a community of democracies and is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities (Article 2 of the Treaty on European Union, TEU). But what happens if some Member State were to cease to be a democracy, and who is to decide that such degradation has taken place? The pandemic seems to have postponed this fundamental debate, but it is never far away, and events such as the COVID-19 pandemic or long-term budget negotiations make it even more inevitable. Can European solidarity be selective, or does it require a common set of rights and responsibilities explicitly shared by members of the community? What is common Europe for, if not to help each other to fight disasters and geopolitical challenges?

In general, 68% of respondents are in favour of the EU having an increase in competences to deal with crises such as the COVID-19 pandemic, according to the last Eurobarometer. However, the political will of Member States does not always swing in the same direction.

# To what extent do you agree with the following statement: the EU should have more competences to deal with crises such as the COVID-19 pandemic?

(% total agree)

- 79% - 100%
- 69% - 78%
- 58% - 68%
- 0% - 57%

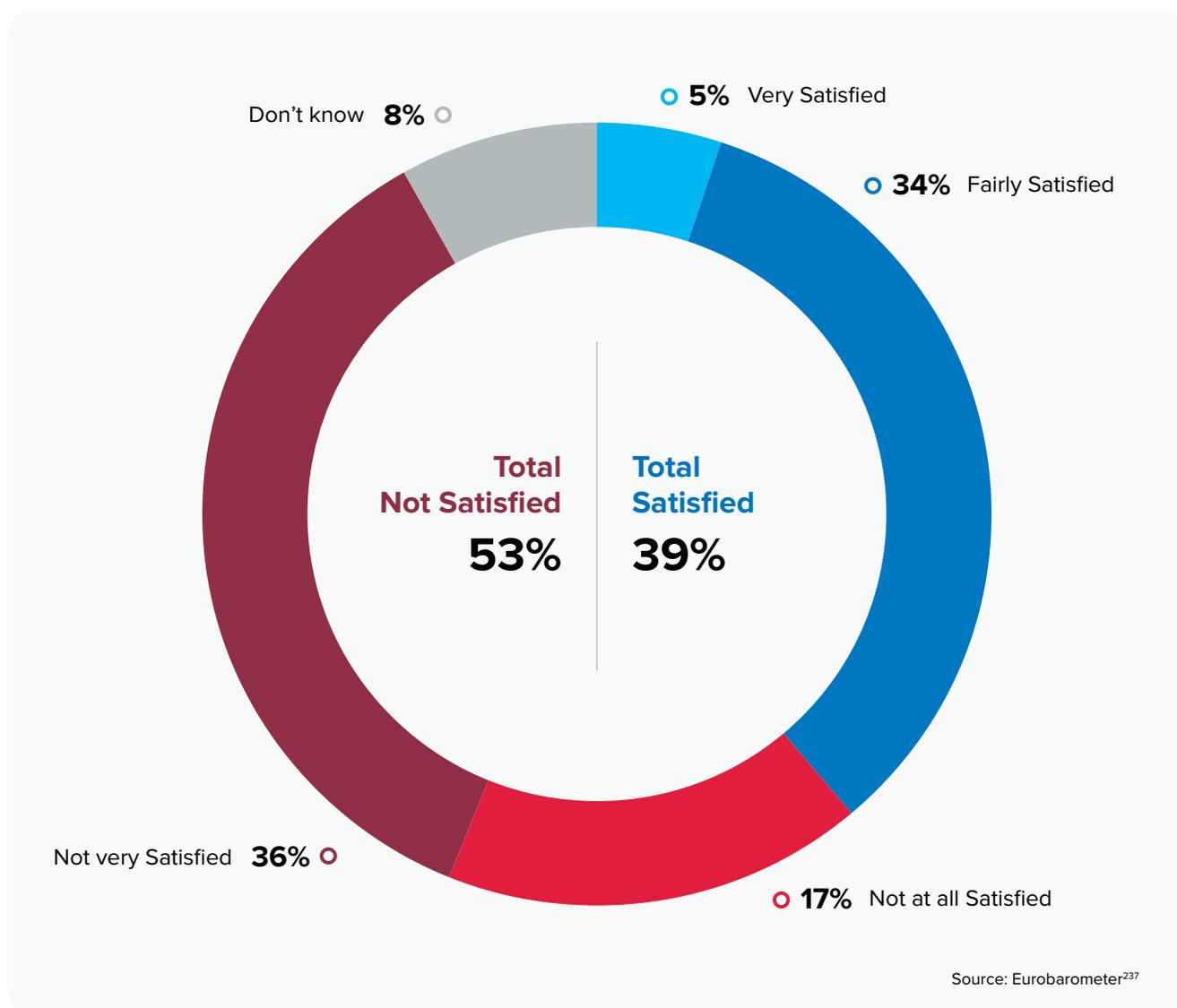


Once the dust settles and the virus is under control, the upcoming Conference on the Future of Europe, will address the questions with more vigour and sincerity than was the case in past similar exercises, thus determining a new face of the EU for decades to come<sup>234</sup>.

The pandemic accentuated the ideological or cultural divides through the severing of day-to-day links between countries and communities during lockdowns. All Member States, at

first, were inward-looking in their reactions, unilaterally closing borders and focusing on crisis management at home, only to get their act together later on<sup>235</sup>. Over half of respondents across the EU (53%) are not satisfied with the solidarity shown between EU Member States during the pandemic according to the Eurobarometer polls<sup>236</sup>. Interestingly, the highest dissatisfaction rates are recorded in the “old” Member States such as Luxembourg, Italy, Greece, Spain, Belgium and Austria.

## How satisfied or not are you with the solidarity between EU Member States in fighting the COVID-19 pandemic?



The lockdowns have made it plain – both to staunch euro-enthusiasts and euro-sceptics – that there is nothing inevitable and irreversible about the European Union and a given country’s participation in the integration project. There were people and organisations who actually welcomed the return to the national context where levers of decision-making were closer to home, whilst the ability for a society to seal itself off from some external factors (for example closing borders to stop infections from visitors coming from abroad) was greatly

comforting. Brexit is also a factor: whether one welcomes this fact or not, there is life outside of the European Union and societies should be ready to consciously face the choices involved.

All these systemic deficiencies of the European project were not brought about by the COVID-19 pandemic; they were simply accentuated and accelerated by an emergency created by the virus. Traditionally the EU has been adept at managing

these crises (perhaps without ever trying to solve them once and for all) by applying a predictable set of instruments, striking compromises with EU laws, parcelling out expenditure at the community level or using wider strategies, always taking the middle road, which was described by critics as a “muddle-through”. This approach might be impossible within the more extreme conditions of severe socio-economic crisis.

## Clouds on the Horizon

In the era of COVID-19 citizens in Europe face job losses, and raising socio-economic inequalities. The EU Summer 2020 Economic Forecast projects that the euro area economy will contract by 8.7% in 2020 and grow by 6.1% in 2021. The EU economy is forecast to contract by 8.3% in 2020 and grow by 5.8% in 2021<sup>238</sup>. If the second wave of the COVID-19 pandemic hits the EU, many companies will inevitably face insolvency and bankruptcy. They will turn to their governments for a safety net and social protection, as well as more active measures not only to weather the current storm but to prepare for the changed post-pandemic economic reality. Governments of Member States could probably handle the assistance part rather well, but when it comes to long-term solutions and shaping the world of tomorrow they have to bring in to the equation the supranational dimension, given that lasting prosperity can only be built in a wider Single Market context. Only the EU can handle the issue of digital economy, European champions or capital markets well, given the economy of scale. The same applies to security and the geopolitical situation of Europe versus other global players such as the United States and China. In simplified terms, this basically means “more Europe” (despite the unpopularity of this claim, there are not many mainstream politicians who are ready to describe thus the nature of this process), and more integration in areas where division of competence is unclear or where the value added of European action is blocked by obsolete provisions requiring the unanimity of Member States.

The debate leads to the inevitable contention that the “More Europe” agenda is an absolute must for some countries wishing to provide what citizens demand: namely prosperity and security. At the same time, “More Europe” is an absolute non-starter in some Member States given the general attitudes of some societies or the euro-sceptic character of predominant political elites (even if these countries stand to lose from abstention from European-wide projects). This can only mean one thing: a multispeed Europe, where Member States are in practice grouped within different concentric circles. In such a scenario two frameworks would exist side by side: the current architecture of the EU against a concurrent architecture evolving gradually toward a more loose intergovernmental grouping and a political and economic union among Member States who wish to delegate more powers to the supranational level.

## Is Differentiated integration a Way Forward?

Differentiated cooperation is by no means new to the European integration processes. Accommodating the different socio-economic and political interests of Member States in EU law and policy has been integral to European integration beginning with the foundation of the union itself.

Since the ‘big bang’ enlargement of 2004, the debate, however, has become especially animated, with the EU forced to reconcile the varying levels of ambition present within an ever larger and less homogeneous EU. This situation has been further exacerbated by a post-Brexit EU and a post-COVID EU that is now coming into shape.

Among existing categories and mechanisms of differentiated cooperation included in the Treaty on the Functioning of the European Union, the most popular formats among the Member States are Permanent Structured Cooperation in Defence and Security Policy (PESCO) and the European Unitary Patent (25 participating countries in each). They are followed by the Schengen zone and the European Public Prosecutor’s Office (EPPO) which attract 22 Member States each. The eurozone (19 Member States), Property Regimes Rules for International Couples (18 Member States) and Divorce Law (17 Member States) follow them<sup>239,240,241,242,243,244</sup>.



What is common Europe for, if not to help each other to fight disasters and geopolitical challenges?

# Participation in different formats and instruments of differentiated cooperation by Member States

	The Eurozone	The Schengen Space	PESCO	European Public Prosecutor's Office (EPPO)	Dicorce law	European Unitary Patent	Property Regimes Rules for International Couples	Financial Transaction Tax (FTT) - not in place yet	European Intervention Initiative (EI2)
Belgium	★	★	★	★	★	★	★	★	★
France	★	★	★	★	★	★	★	★	★
Germany	★	★	★	★	★	★	★	★	★
Italy	★	★	★	★	★	★	★	★	★
Portugal	★	★	★	★	★	★	★	★	★
Austria	★	★	★	★	★	★	★	★	
Estonia	★	★	★	★	★	★	★	★	★
Greece	★	★	★	★	★	★	★	★	
Slovenia	★	★	★	★	★	★	★	★	
Spain	★	★	★	★	★		★	★	★
Finland	★	★	★	★		★	★		★
Luxembourg	★	★	★	★	★	★	★		
Netherlands	★	★	★	★		★	★		★
Latvia	★	★	★	★	★	★			
Lithuania	★	★	★	★	★	★			
Malta	★	★	★	★	★	★	★		
Slovakia	★	★	★	★		★		★	
Bulgaria			★	★	★	★	★		
Cyprus	★		★	★		★	★		
Czechia		★	★	★		★	★		
Romania			★	★	★	★			★
Sweden		★	★			★	★		★
Hungary		★	★		★	★			
Croatia			★	★			★		
Denmark		★				★			★
Ireland	★		★			★			
Poland		★	★			★			

Source: DIFF GOV Report<sup>245</sup>

The EU Member States that have proven most open to the different flexible modes of cooperation on offer include Austria, Belgium, France, Germany, Italy, Portugal and Slovenia. As of today, they participate in all eight existing formal formats. In addition, Belgium, Germany, Denmark, Spain, Estonia, Finland, the Netherlands and Portugal participate in the European Integration Initiative (EI2), led by France, which functions outside of the existing EU framework, bridging membership lines where necessary. Estonia, with the exception of the Property Regimes Rules for International Couples, and Spain, excluding the European Unitary Patent, are also active participants. Conversely, the group of least engaged Member States include Croatia, Denmark, Ireland and Poland. They participate in only three out of eight existing formats.

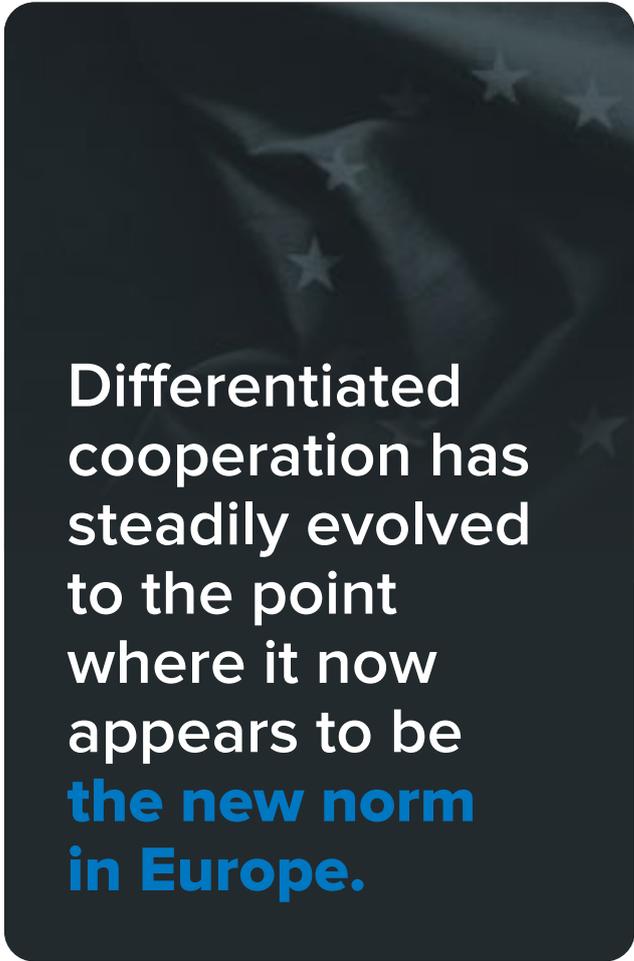
When it comes to Central and Eastern Europe, the categories and instruments where CEE countries are engaged most include PESCO (all 11 CEE), the European Unitary Patent (10 CEE countries), EPPO (9 CEE countries) and Schengen (8 CEE countries). Only one Member State participates in EI2 (Estonia) and five use the euro (Estonia, Latvia, Lithuania, Slovakia and Slovenia). Slovenia and Estonia are most engaged, Croatia and Poland the least.

In short, differentiated cooperation has steadily evolved to the point where it now appears to be the new norm in Europe. The expert consensus, according to the latest GLOBSEC expert poll, reveals a recognition that an EU of multiple speeds already exists<sup>246</sup>. National policymakers across the EU are no longer debating whether their respective countries are proponents of flexible modes of cooperation but rather how they can play an influential and constructive role in an EU of different speeds<sup>247</sup>. Prominent examples often highlighted in the poll include: the Schengen zone, the eurozone, and PESCO or EPPO.

Despite being accepted in certain above-mentioned policy areas, according to our expert poll there are two policy spheres where a multi-speed Europe is not viable. These include migration and the EU's core commitments on the rule of law and democratic principles.

Asylum and immigration policy, for its part, is viewed as inseparable from issues of internal market cooperation and, therefore, must be addressed commonly by all Member States. A flexible approach on migration, moreover, is perceived as reflecting a bias against southern countries that have undertaken a greater burden in this area because of their geographical location.

The preservation of democratic values and the rule of law, meanwhile, must be applied equally to all Member States. As mentioned already before, the democratic "backsliding" witnessed in some countries could engender major repercussions for the EU project as a whole, according to the expert poll.



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## Conclusions and Recommendations



There is no clear answer on whether a multispeed Europe is a panacea or poison. For some EU Member States, it is a vehicle for overcoming deadlock, with integration among some countries preferred over an alternative standstill for all. They argue that differentiated cooperation isn't breaking the EU but rather enabling it to survive. It also permits the EU to react to current challenges and demonstrate its capacity to act quickly, alongside enabling the possibility of piloting more extensive collaboration within particular policy areas. Finally, it enables countries that aspire to extend integration further on certain issues to consolidate a European hardcore of countries that can indeed pursue those ambitions.

On the other hand a group of Member States claim that differentiated cooperation threatens to deepen already apparent divisions (east/west or euro/non-eurozone Member States) and eventually may lead to the disintegration of the EU (Brexit being only the beginning of the process). They think that it could, in fact, weaken the position of countries playing "catch-up" and potentially pit small countries against larger ones. A risk of tension also exists as small and less influential countries seek to avoid exclusion and attain their invitation to take a "seat at the main table".

The longer-term consequences of the pandemic will pull the European project away from a single-speed, unified model into a fragmented, multi-layered structure with a clear division into the "centre" and the "peripheries". The process can take more than one shape. Willing Member States can simply develop more close cooperation in specified areas. Alternatively, the current EU might slowly evolve towards a more loose grouping, thus reflecting the diminishing common denominator of views, values and objectives ascribed to the integration process by Member States.



There are two  
policy spheres  
**where a multi-  
speed Europe  
is not viable.**  
These include  
migration and  
the EU's core  
commitments on  
the rule of law  
and democratic  
principles.

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