

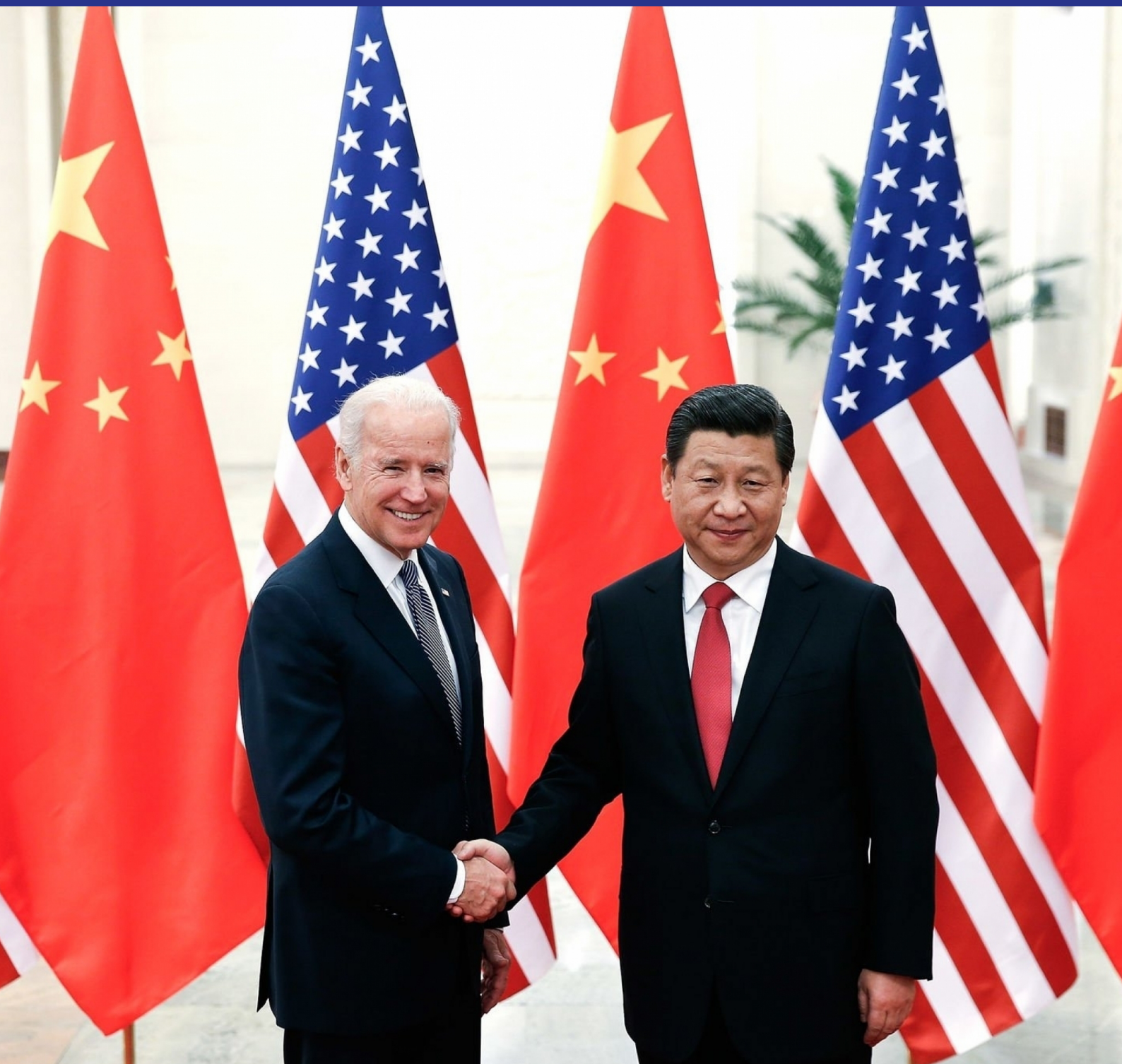
LEGATUM
INSTITUTE

www.prosperity.com

Commentary

Realpolitik is back

December 2022



About The Legatum Institute

The Legatum Institute is a London-based think-tank with a bold vision to build a global movement of people committed to creating the pathways from poverty to prosperity and the transformation of society.

We seek to do this by raising up leaders of character, restoring an ethical vitality to all sectors of society, and developing the practical solutions and data tools that will help build inclusive and peaceful societies with open economies and empowered people.

- Our Centre for Metrics creates indexes and datasets to measure and explain how poverty and prosperity are changing.
- Our Research Programmes analyse the many complex drivers of poverty and prosperity at the local, national and global level.
- Our Practical Programmes identify the actions required to enable transformational change.

About the authors

Johnny Patterson is the Senior Advisor to the CEO and Research Fellow at the Legatum Institute. Prior to working at Legatum, Johnny was the Founding Director and Policy Director at Hong Kong Watch.

Acknowledgements

The Legatum Institute would like to thank the Legatum Foundation for their sponsorship. Learn more about the Legatum Foundation at www.legatum.com.

©2022 The Legatum Institute Foundation. All rights reserved. The word 'Legatum' and the Legatum charioteer logo are the subjects of trademark registrations of Legatum, Limited. Whilst every care has been taken in the preparation of this essay, no responsibility can be taken for any error or omission contained herein.

The Legatum Institute is the working name of the Legatum Institute Foundation, a registered charity (number 1140719), and a company limited by guarantee and incorporated in England and Wales (company number 7430903).



Realpolitik is back: The threat to global prosperity posed by the rise of China and Russia and the end of liberal dominance in international affairs.

When the Legatum Institute published its inaugural Prosperity Index in 2007, we were at the zenith of the liberal order. Globalisation and free trade were lifting millions out of poverty, the Great Recession had yet to put a dampener on optimism, and there was no meaningful challenger in the ideological sphere.¹

A confidence, even complacency, in the stability of the liberal international order resulted in government and business decisions being generally blind to the politics of other nations. Free trade was pursued without qualification. Europe's energy supply became reliant on Russian gas, Europe and the US's manufacturing was outsourced to China and other emerging economies. New threats such as environmental challenges and cyber security took over the defence agenda, leaving many to believe that the Kremlin was no longer a threat.

Today, with nationalist drums beating in the Taiwan Strait and Russian tanks occupying Ukraine, the political and ideological map looks considerably different. Realpolitik is back and the liberal international order is facing a meaningful challenge for the first time since the Cold War. Many aspects of prosperity beyond safety and security are now being determined by events in the international arena – including energy, trade, access to finance, education, health and even elements of personal freedom.

The consequences of shifts in the geopolitical map will be wide-ranging. Western governments are slowly awakening to the implications for domestic prosperity of deep economic dependencies on states which are now being dubbed as “hostile.” The gas taps potentially being turned off this winter in Europe is the most obvious example, but a rapid decoupling with China would have even more profound consequences if this were forced by ratcheting tensions in the Taiwan Strait.

Free trade across large swathes of the world in recent decades has driven prosperity, but this year also demonstrates that structural economic dependencies can also bring a vulnerability to major shocks with consequences that can ripple. The nature of trade also matters.

This essay provides a survey of the considerations that policy makers must make to ensure they properly safeguard both prosperity and security in an era that is characterized by a re-emergence of realpolitik. We focus on the implications of the growing power of Xi Jinping's China and Vladimir Putin's Russia in particular. We begin by emphasising that the paradigms of authoritarian leaders like these two men must be taken seriously because they are providing a genuine challenge to the liberal international order.

In this context, we turn to examine the implications of rising hostility to the West in three areas. First, we argue that deep structural dependencies on countries like China and Russia – whether for energy sources or semiconductors – can no longer be dismissed as a natural corollary of globalisation but must now be understood as a genuine risk which must be mitigated. Second, we examine the challenge that the current moment poses to the international rules-based system as well as civil and political rights around the world, observing that the argument for civil and political freedoms and the rule of law is going to need to be made with greater force in international forums. Finally, we turn to the implications for safety and security. The war in Ukraine demonstrates that we are going to need wise policy makers who have the wisdom, integrity, and courage to chart a course that never seeks to escalate but is realistic about when strength is necessary to avoid encouraging hostile states to push further than they should.

An ideological alternative to the liberal international order

In August 2022, the daughter of a Russian intellectual was blown up in a car-bomb in Moscow. The journalist Darya Dugin was not the target of this aggression. She took the bomb meant for her father, Alexander Dugin, a Russian philosopher who has been dubbed as 'Putin's brain'.²

How influential he has been over Vladimir Putin is a matter of some controversy, but the contours of the Russian leader's ideology maps similar terrain to that articulated in Mr Dugin's philosophy.

In the immediate aftermath of the fall of the Berlin Wall, when it was not clear what the new Russian state would become, Dugin was at the vanguard of articulating a set of ideas which have now been appropriated by the Russian state and pose a conscious challenge to the international liberal order.

His is a philosophy which articulates a vision of Russian exceptionalism. In Dugin's mind, the Russian Empire has a long history and strong religious and cultural traditions – embodied first and foremost by the Russian Orthodox Church. It has always been pushed, by necessity, to expansionism as a result of its geography and weak border regions. He unapologetically describes the Russian people as an "imperial people" because in his view geography is destiny. Meanwhile he believes that the Ukrainian state has "no geopolitical meaning".³ His ideas have been called 'neo-Eurasianism' which presents a vision of Russia being at the heart of a Eurasian world – in opposition to US / Anglocentric Atlanticism.⁴

Putin has embraced these notions, consciously styling himself as following in the footsteps of Peter the Great, the Russian Tsar known for expanding the territory of Greater Russia. Putin's actions have challenged liberal norms of governance – an integral pillar of prosperity – by reducing constraints on the executive, undermining the rule of law, and weakening political accountability. He has also constrained personal freedom by curtailing civil rights, including the freedom of the press and the right to assemble (and organise).*

The military campaigns into Ukraine and the Crimea might be seen as the immoral act of a political opportunist, but whether references to this vision of Russia are the post-hoc justifications of a power-hungry authoritarian (likely), or provide the misguided motivations of a nationalist leader, they have been met with warmth by some in Russia.

The unapologetic rejection of the liberal international rules-based order by Vladimir Putin has changed the geopolitical map,⁵ but Russia is not alone in consciously rejecting liberal norms. In April 2013, the Central Committee of the Communist Party of China issued the ominously named 'Document No. 9'. This was a document which describes 'noteworthy problems related to the current state of the ideological sphere.' It lays out seven key problematic ideologies which include the 'promotion of Western constitutional democracy,' 'promotion of universal values,' 'strengthening of civil society,' 'promotion of neoliberalism and attempts to change China's economic system', and the promotion of 'the Western idea of journalism'.⁶

"China rejected the founding tenets of, not only the West, but also the international rules-based system."

Such a stark rejection by the world's second largest economy of the founding tenets of, not only the West, but also the international rules-based system as outlined in core United Nations (UN) covenants and documents, should have been a matter for concern. However, few have properly taken the time to understand the logic of the philosophy of China's Communist Party, and particularly its current iteration in Xi

Jinping Thought. Events in Hong Kong since 2019, where the activism of the city's students was construed as a national security threat and precipitated a wholesale unwinding of the city's fundamental freedoms and constitutional safeguards have provided a warning sign which should be taken seriously.[†]

* On the Prosperity Index, Russia ranks 128th in the world in terms of Executive Constraints, 130th in the world for personal freedom, and 150th in the world for politically related terror and violence: https://docs.prosperity.com/1816/3515/4033/Russia_2021_Picountryprofile.pdf

† Hong Kong has deteriorated 25 places for Personal Freedom in the last decade. It sits 113th for Freedom of Assembly: https://docs.prosperity.com/7016/3516/2193/Hong_Kong_2021_Picountryprofile.pdf

Where Russia harks back to the imperial era of the nineteenth century, China fuses Leninism with Confucianism. Its rejection of the West is therefore more profound than Putin's due to its wholesale rejection of not only liberal precepts but also the Judaeo-Christian underpinnings of European culture. Xi's Chinese model of techno-totalitarianism is an even more overwhelming rejection of international norms – contemporary echoes of Huxley or Orwell's dystopian visions of the future are perhaps most pronounced on the streets of Beijing and Shanghai. This is reflected in the Prosperity Index where China ranks 116th for Freedom of Speech, 162nd for Freedom of Assembly, and 141st for Executive Constraints. All of these areas have witnessed a marked deterioration in the last decade.

While the flavour of Putin and Xi's ideology may differ, they are clearly aligned in four central areas. First nationalism is central to the legitimization of their rule. Both leaders have presented a narrative that shows nostalgia for the imperial past and the sense that the West is responsible for the defenestration and humiliation of their nation. China has framed its nationalism around the language of ending 'a century of humiliation' that started with the opium wars and the loss of Hong Kong and ended with the departure of Japan from Chinese territory. The final task for Xi under this logic is to reunify the country with Taiwan. A similar sentiment runs through Putin's nostalgic calls for the recovery of territories in Ukraine and reuniting Russian speaking peoples, as he seeks to reverse the humiliation caused by the fall of the Soviet Union.

Both leaders follow this with three further pillars to their ideology. They fundamentally reject the core precepts of the liberal democratic model, which they view to be an ideology designed to weaken them and ensure further American hegemony. They base their critique at least partially on (perhaps legitimate) observations about the erosion of social capital and virtue in the West.⁷ And they have established a central part of their foreign policy agenda around the desire to end the era of American hegemony and remodel the international rules-based order away from universalism and liberalism into a more state-based, authoritarian, and conservative form.

These four ideas are resonant beyond China and Russia. Many countries in what are termed the 'non-aligned bloc' in the UN would be sympathetic to these ideas and they therefore form the basis for alliances which reject the liberal globalised consensus of the early 2000s.

The return of Realpolitik: three key implications

The world was never a values-aligned club of states seeking prosperity and the common good. But the teleological view that we were heading towards establishing a liberal consensus, most famously outlined in Fukuyama's essay and book on the 'end of history', has now been discredited.⁸

China's trajectory, perhaps more than any other, has shattered the confident view that liberalisation of trade would necessarily lead to the liberalisation of political systems. The Hong Kong democrats and U.S. Congress representatives that advocated China's entry into the WTO in 2001 now look back with regret. The city was supposed to provide a model for the rest of the nation, but instead it has been absorbed back into the motherland and is now politically barely distinguishable.

The return of Realpolitik has implications not only for the West, but also for the rest of the world, particularly for African countries and many in the Southeast Asian region. The Chinese Communist Party has, in recent years, sought to progressively expand its sphere of influence around the world. Its ideological opposition to the West may resonate, but its power projection through trade, aid and infrastructure projects have been the most significant. The combined investment in the infrastructure of other nations through the Belt and Road Initiative has reached US\$932 billion according to Shanghai's Fudan University.⁹ Across Africa, Central Europe, South and East Asia, even as far as Latin America, the Chinese have been building roads and reshaping alliances and allegiances. This increasing dependence on authoritarian regimes for short-term economic gains is a risk for these nations.

Of course, Putin's forays into Crimea and Ukraine demonstrate the Chinese are far from alone. Liberal hegemony is now over, realpolitik is back. The consequences are wide-ranging and call for us to question many of the assumptions of the neoliberal era. There are several fronts which require greater consideration and examination. This essay will explore three:

- trade policy and supply chain dependencies,
- the declining salience of civil and political rights in international discourse,
- managing a world where the United States is not the sole guarantor of security.

Trade policy, supply chain dependencies and state capitalism

In 2021, Germany imported 55% of its gas from Russia.¹⁰ Across Europe, stark energy dependencies have been exposed as tensions have intensified in Ukraine and Putin has demonstrated a willingness to turn off the gas taps and ultimately the lights in European cities as he bids to annex large swathes of Ukrainian territory.

"If the war between Russia and Ukraine has taught the world one thing it should be this: the future of prosperity in European and Western nations depends on reducing dependencies on authoritarian leaders who view the West as a central competitor or adversary."

If the war between Russia and Ukraine has taught the world one thing it should be this: the future of prosperity in European and Western nations depends on reducing dependencies on authoritarian leaders who view the West as a central competitor or adversary.

Gazprom's role in constricting gas supply points to a second consideration which policy makers must understand: in authoritarian states, businesses are not neutral actors; instead, they have incentive structures which ensure that they are loyal to the state first, and the shareholder second. They are thus often agents of the state and can be co-opted. These dynamics must be understood.

An adequate and reliable supply of energy is a prerequisite for prosperity and cannot be left to the mercy of hostile or ambivalent actors. Energy policy must now be reframed to

guarantee that Europe continues to be able to keep the lights on. The goal should be for any energy transition to always provide affordable, resilient, and reliable energy that ensures we are not dependent on leaders like Vladimir Putin to warm our homes this winter. Western Europeans have been blind to the source of energy, and therefore framed policies in ways which have sought the cheapest source without proper consideration of who it is that controls the tap.

These lessons are of the utmost significance when considering approaches to China because the growing dependencies on Beijing and interconnectedness is of an order of magnitude greater than the dependencies the West has on Russia. Whether it is white goods, cars, rare earth minerals or a myriad of other industrial processes, today East and West are more intertwined than they have ever been. With the politics of the Taiwan Strait increasingly fraught, the risks of these dependencies are becoming clearer by the day. Taiwan itself is another point of vulnerability as over half of the world's semiconductors worldwide are produced by TSMC, the island's semiconductor company.¹¹ A war in the region could cut off our capacity to make essentials including mobile phones, cars and microwaves. When you add to that a reliance on China for an array of rare earth minerals and the refinement of raw materials, and the imperative to future proof our economies and manage risk becomes crystallised.

The stark differences between the approach of Western businesses seeking access to Chinese markets and Chinese businesses engaging with the West is another cause for concern. In the liberal order, businesses are independent entities serving the interests of shareholders. They are expected to operate within the law and to behave ethically but they are not expected to be organs of government

policy. Fiduciary duty, not politics, has drawn many businesses to seek to expand their presence in China in recent years.

But the same approach is not true of Chinese businesses. Businesses in China know that their first loyalty and their survival depends on state patronage (known as 'Red Capital').¹² The Communist Party has a cell embedded in every major company and each is designed in a way that it can serve the interests of the state. Collaborations with Chinese technology firms, for instance, is always fraught with risks that technological advances in civilian areas will have dual use application and be absorbed by China's People's Liberation Army.¹³ Firms which fail to toe the line find themselves under fire. A prominent recent example includes the defenestration of Jack Ma, the head of Alibaba, who was humiliated after being too outspoken.¹⁴

These dynamics not only have a bearing on trade, but also investment. A consequence of the close relationship between Chinese firms and the state is that they are far from neutral actors in the global scene. China's major multinationals have bought out many strategic firms and much of the energy infrastructure in Europe. In an open letter expressing alarm last year, 100 China experts captured the matter well:

"Europe's existing dependency on China is alarming. Following the 2008 financial crisis, Chinese state-owned enterprises pounced on the opportunity to buy substantial stakes in key European infrastructure. In Portugal, they purchased the country's largest insurance company, nearly a third of its formerly state-run energy grid company, 27 percent of the country's largest bank, and 30 percent of the country's largest media conglomerate. The Greek Government, under pressure to restructure its debt, found Chinese state-owned enterprises eager investors buying a minority stake in the country's power grid operator ADMIE and buying a majority stake in the Piraeus Port Authority to make it a central part of China's 'One Belt, One Road' Initiative. Similar vulnerabilities are evident everywhere from Italy to Hungary. European leaders should be focusing on mitigating these risks."¹⁵

These observations are right. It is vital to understand that the firms making these purchases are not neutral liberal business actors as we consider the safeguards that democratic capitalist countries should put in place to ensure that their strategic interests are not being undermined. Similar principles apply for leaders and businesses in emerging economies who should develop an economic strategy that is less dependent on those regimes. Of course, the West will also need to provide better trade opportunities for emerging economies so that there are alternatives to China and Russia.

How to balance the principles of free trade and open markets, and their role in driving prosperity, with geopolitical risk is one of the most important questions for leaders today. While taking as a baseline the conviction that an open economy underpins the pathway to prosperity, we must also be realistic about the fact that state capitalist firms are not neutral actors who act in line with the principles of fiduciary duty, but they are ultimately answerable to a state which is hostile to the interests of democracies. Policy making has, in the last fifteen to twenty years, not properly accounted for these risks. It is vital now that proper legislation is put in place to create safeguards, while also increasing the education for Western businesses about the risks inherent with engaging too closely with these authoritarian states and creating incentives for them to redirect investment back home or into safer markets.

The declining salience of civil and political rights in international discourse

Fundamental freedoms sit at the heart of prosperity. The Czech dissident and statesman Vaclav Havel's essay, *The Power of the Powerless*, provides a helpful reminder that in totalitarian states, social pressures force people to 'live a lie'.¹⁶ Regardless of the reality, the state's word is the truth. Financial forecasts might be fabricated or massaged to paint an unnecessarily positive spin but those who point this out are 'traitors to the state', court judgments must serve the State's or its cronies' inter-

ests, instead of the truth, and the common good is bulldozed in the name of hitting overly ambitious state-planned targets. China's recent history, from the Great Leap Forward famine and the Cultural Revolution to the coronavirus pandemic cover-up demonstrates how the logic of totalitarianism can lead to catastrophe.¹⁷ More often, however, it leads to inefficiencies, corruption and malaise which sets this model of governance behind its Western competitors.

The last 10 years have seen a serious decline in freedoms worldwide. The Prosperity Index, drawing on Freedom House's indicators, has tracked the decline of civil and political rights including freedom of expression, freedom of the press, the rule of law, and the health of democracies around the world.

There are several reasons for this, but one is clearly that the power of these ideas in international forums is diminishing. With actors like the Chinese government and others seeking to push the allies to adopt an alternative to the liberal Western ideal in places like the UN, there is increasing cover and shade for authoritarian leaders to reject liberal norms.

In fact, the Chinese are sometimes providing active incentives and propping up authoritarian leaders. Considering the development of the internet is instructive. Cognisant of the risks posed by the internet to the control of the Communist Party, the Chinese developed the 'Great Firewall' – an internet firewall which allows the state to stop information flows with the outside world.*¹⁸

In 2014, Xi Jinping convened a group of autocrats and world leaders at China's inaugural 'World Internet Conference'. In a declaration which the Chinese sought to pass through the Conference, the notion of the "internet sovereignty of all countries" was introduced, arguing that each country should have sovereignty over the internet in its borders and be able to control information flows and act as censor.

In recent years China has exported this ideology and technology to sympathetic powers, giving far greater power to autocratic leaders to manage dissent. While the Kremlin has long excelled in cyberwarfare, the Russian internet infrastructure has been built partially by the Chinese, with Huawei helping Russia develop its censorship architecture and 5G networks.¹⁹ Corporations like Huawei have also had a prominent role in Africa, selling the concept of 'cyber security' and helping governments to build their censorship networks. For instance, in a recent election, President Museveni in Uganda shut the internet down in the days running up to the election, using technology that was installed by a Chinese state-owned company. Yet, the extent of Chinese involvement in Africa goes beyond this. In 2017, "Huawei earned 15 percent of its global revenue in Africa... Huawei has also provided monitoring and censorship tools to the Governments of Zambia, Ethiopia, Zimbabwe and others."²⁰

China has built coalitions around its ideas of the internet at the UN and there is a growing likelihood that they will change the global rules of internet governance as their conception of 'cyber sovereignty' is beginning to gain traction over and above existing liberal concepts.²¹ One of the problems that Western nations have is that the status quo, which might be characterised as 'cyber-libertarianism', has not fully provided protections for the vulnerable. If we are to find a pathway forward which protects freedoms, we must begin to think about global internet governance that more substantially addresses the challenges posed by the dark underbelly of the web – from child pornography to human trafficking.

But the coalitions that the Chinese government are building around new concepts like 'cyber sovereignty' do not only apply in the cyber space. Norms are changing across the board and freedoms are being undermined. Votes at the UN on human rights issues which would have once been a matter of broad consensus on matters ranging from modern slavery to civil and political rights are no longer a formality, with a large bloc in the UN adopting a posture of non-interference which means that motions on matters relating to civil and political rights are less likely to pass.²² The defence of civil and political rights in the world depends in part on the willingness of many of the West's allies or non-aligned countries in Africa, Eastern Europe, Latin America and Asia.

* China's internet censorship helps account for its poor ranking under freedom of speech and access to information in the Prosperity Index.

The salience of the attitudes of the UN is limited, but the changing norms in international forums and declining conviction about the importance of civil and political rights ultimately does have a bearing on prosperity. Many countries in the global south will only trend towards development and prosperity with institutional reform and rising democratic rights and civic freedoms undermining the clientelism which has held them back. With oligarchic or autocratic leaders finding that their ongoing rule is being legitimated and supported by an emerging anti-Western geopolitical bloc, these types of transitions are being disincentivised. The downward trends in civil and political rights are therefore a matter of real concern and the argument for the central importance of fundamental freedoms in a prosperous society must be made in a more forthright way on the world stage.

Potential great power conflict

Perhaps the most significant consequence of the return of realpolitik is the threat to safety and security. The pax Americana has been a period of stability and relative peace which looks set to unravel.

“Wise, steady and courageous policy makers are needed to chart a course which never seeks to escalate but is realistic about when strength is necessary.”

Wise, steady and courageous policy makers are needed who will chart a course which never seeks to escalate but is realistic about when strength is necessary to avoid encouraging hostile states to push further than they should.

Recognising that we are returning to a world where states will act within their own sovereign interests at the expense of others, and collaboration for the common good can no longer be assumed, is critical for foreign and defence policy making. From there, the challenge will be to develop strategic alliances to ensure the maintenance of peace and the safeguarding of the central pillars of prosperity for as many people as possible globally.

The fragility of the status quo is compounded by two processes. First, countries which are hostile to the West are growing in power to the point of being able to present a challenge on the world stage. Yet, many of these countries are also seeing their growth trends peaking and their internal sources of legitimacy increasingly appearing fragile. Some commentators have observed that we may be hitting ‘peak China’ with drought, demography, and debt among the threats to the state’s ongoing growth trend.²³ This increases the risks that expansionary nationalism will grow as an attractive alternative for the Communist Party. A similar rationale can be seen to sit underneath Vladimir Putin’s expansion into Ukraine.²⁴

The new circumstances may at times require the signalling of strength by liberal democratic nations, demonstrating a resolve that authoritarians will not be allowed to remake the world order in their image. But it will also demand a sensitivity to avoid unnecessary escalation and creating diplomatic sleights where none are needed.

Ukraine is the current centrepiece of attention, and the war has shifted the paradigm for many foreign policy analysts in Europe. But tensions in the South China Sea and the Taiwan Strait must also be taken seriously as they present a very real threat.²⁵

There is no simplistic answer here, but foreign and defence policy making must be set back on a footing which acknowledges that there is more of a risk of great power conflict than there has been in a generation. Comprehensive study of risk and understanding of potential adversaries is needed. The projection of resolve and strength must be combined with a subtle understanding of the diverse priorities of the world’s largest powers. And the objective must always be both to chart a course of peace, and simultaneously, ensure that prosperity continues to be promoted for all.

Conclusion

This essay has argued that the emergence amongst leading powers including China and Russia of an authoritarian nationalism and the rejection of the liberal international order has, in the last five years, changed the terms of reference in geopolitics. Leaders in these nations are determined to adopt an alternative vision and are actively promoting a nationalism which is actively hostile to the West.

We have focused on how the return of realpolitik is having ripple effects in three main areas. First, complacency in the West has ensured that there is an asymmetry of dependency and a real vulnerability to supply-side shocks triggered by geopolitical events. This was most recently seen with the energy crisis in Europe but would be considerably worse if the situation unwound diplomatically between China and the West. Acknowledging that state capitalist firms serve the state first and the shareholder second is vital if we are to properly understand how to engage and shape policy. Whole of Government strategies to address these dependencies must be adopted across OECD nations, with a realism about existing dependency being coupled with plans to reduce the leverage of authoritarian states over time. Like-minded countries will need to support each other if Australia's reliance on China as a prime export market for raw materials or European reliance on Russian gas is to be reduced. The extent of the shock to the Australian economy caused by China's backlash when the Australian PM called for a covid inquiry demonstrates why meaningful alliances and support will be necessary. Non-state actors including businesses must factor in the significant geopolitical risks associated with non-diversified supply chains and look to increase their resilience to potential shocks.

Second, the salience of core ideas in the liberal world view, whether the protection of civil and political rights or the rule of law, is decreasing in international discourse and global forums – the result is that authoritarian leaders are finding language to justify their position at the expense of the prosperity of their people. The cultural, political and business leaders of liberal democratic nations will need to be increasingly proactive in making the case for the benefits of this model for prosperity, as the consensus of recent times can no longer be taken for granted. And in international arenas, from the UN to the World Health Organisation, leading democratic powers will need to better organise themselves as a bloc to maintain their influence. Countries not traditionally counted in the West, across Africa, Eastern Europe, Asia and South America, can also play their part in defending a liberal world view.

Finally, military, and geopolitical strategists must be realistic about the risks in a world where there is growing hostility and an appetite for expansion. Peace and prosperity must always be the objective, but sometimes global prosperity will be served by showing strength and resolve as the halting of Putin's advances in Ukraine have shown.

The coming era geopolitically is not an easy one, but we must wake up to the reality that there are now once more meaningful challenges to Western hegemony. Realpolitik is back and our approach across a whole range of policies must be adjusted accordingly.

Notes

- 1 The Legatum Prosperity Index focussed on the domestic conditions that characterised prosperity in the institutional, economic and social wellbeing spheres. While Safety and Security was one of the Pillars of Prosperity, the Index was silent on the impact of the international order on the state of a nation.
- 2 Barbashin, A. and Thoburn, H. (2014). 'Putin's Brain'. *Foreign Affairs Magazine*. Online: <https://www.foreignaffairs.com/articles/russia-fsu/2014-03-31/putins-brain>
- 3 Rachman, G. (2022). 'The Global Reach of Alexander Dugin'. *Financial Times*. Online: <https://www.ft.com/content/7184ab8c-c155-4198-a844-87b9a98d8b9b>
- 4 Florea, C. (2022). 'Putin's Perilous Imperial Dream'. *Foreign Affairs*. Online: <https://www.foreignaffairs.com/articles/russian-federation/2022-05-10/putins-perilous-imperial-dream>; Burbank, J. (2022). 'The Grand Theory Driving Putin to War'. *New York Times*. Online: <https://www.nytimes.com/2022/03/22/opinion/russia-ukraine-putin-eurasianism.html?searchResultPosition=1>
- 5 Barber, L. and Foy, H. (2019). *Financial Times* interview with Vladimir Putin: Transcript. Online: <https://www.ft.com/content/878d2344-98f0-11e9-9573-ee5cbb98ed36>; Roth, A. and agencies. (2022). 'Putin compares himself to Peter the Great in quest to take back Russian lands'. *Guardian*. Online: <https://www.theguardian.com/world/2022/jun/10/putin-compares-himself-to-peter-the-great-in-quest-to-take-back-russian-lands>
- 6 *ChinaFile*. (2013). 'Document 9: A ChinaFile Translation'. Online: <https://www.chinafile.com/document-9-china-file-translation>
- 7 The irony of China taking this position while deconstructing civil society and the social fabric in Hong Kong should not be lost on us.
- 8 Fukuyama, F. (1992). *The End of History and the Last Man*. Free Press.
- 9 Connors, E. (2022). 'This is where China is investing its billions (and why)'. *Australian Financial Review*. Online: <https://www.afr.com/world/asia/this-is-where-china-is-investing-its-billions-and-why-20220727-p5b4xr>
- 10 *World Economic Forum*. (2022). 'Germany takes new steps to tackle the energy crisis.' Online: <https://www.weforum.org/agenda/2022/08/energy-crisis-germany-europe/#:~:text=In%202021%2C%20Russia%20accounted%20for,at%20just%2020%25%20of%20capacity.>
- 11 Ryan, M. 2022. 'Taiwan dominates the world's supply of computer chips – no wonder the US is worried.' *The Conversation*. Online: [https://theconversation.com/taiwan-dominates-the-worlds-supply-of-computer-chips-no-wonder-the-us-is-worried-188242#:~:text=TSMC%20has%20a%2053%25%20market,chips%20designed%20in%20other%20countries\).](https://theconversation.com/taiwan-dominates-the-worlds-supply-of-computer-chips-no-wonder-the-us-is-worried-188242#:~:text=TSMC%20has%20a%2053%25%20market,chips%20designed%20in%20other%20countries).)
- 12 Patterson, J. and Goodman, S. (2021). 'Red Capital in Hong Kong: The Invisible Hand transforming the city's politics'. *Hong Kong Watch*. Online: <https://www.hongkongwatch.org/all-posts/2021/3/2/new-report-hong-kong-watch-red-capital-report-warns-democratic-governments-to-learn-from-chinas-strategy-of-economic-coercion-in-hong-kong>
- 13 The US-China Security and Review Commission (USCC) has written extensively on the dangers of dual-use technology, e.g.: USCC. (2021). 'Annual Report: 2021'. Online: https://www.uscc.gov/sites/default/files/2021-11/2021_Annual_Report_to_Congress.pdf; Tylecote, R. and Clark, R. (2021). 'Inadvertently Arming China? The Chinese military complex and its potential exploitation of scientific research at UK universities'. *Civitas*. Online: <https://www.civitas.org.uk/publications/inadvertently-arming-china/>
- 14 Ray, S. (2022). 'Jack Ma Reportedly Set to Relinquish Control of Ant Group after China's Tech Crackdown'. *Forbes*. Online: <https://www.forbes.com/sites/siladityaray/2022/07/28/jack-ma-reportedly-set-to-relinquish-control-of-ant-group-after-chinas-tech-crackdown/?sh=445e6fa91755>
- 15 *Hong Kong Watch*. 2021. '100+ China experts and human rights activists question EU China deal for 'entrenching Europe's strategic dependency on China'. Online: <https://www.hongkongwatch.org/all-posts/2021/1/25/100-china-experts-and-human-rights-activists-slam-nave-eu-china-deal-for-entrenching-europes-strategic-dependency-on-china>
- 16 Havel, Vaclav. (2009). *The Power of the Powerless* (Routledge Revivals). Abingdon, Oxon: Routledge.
- 17 Patten, C. (2020). 'Dealing with China after COVID-19'. *Project Syndicate*. <https://www.project-syndicate.org/commentary/western-relations-with-china-after-covid19-by-chris-patten-2020-04?barrier=accesspaylog>
- 18 Griffiths, J. (2019). *The Great Firewall of China: How China built an Alternative Version of the Internet*. Zed Books.
- 19 *The Guardian*. (2019). 'China's Huawei signs deal to develop 5G network in Russia'. Online: <https://www.theguardian.com/technology/2019/jun/06/chinas-huawei-signs-deal-to-develop-5g-network-in-russia>

- 20 Griffiths, op cit., p.304
- 21 Mok, C. (2022). 'China and Russia Want to Rule the Global Internet'. *The Diplomat*. Online: <https://thediplomat.com/2022/02/china-and-russia-want-to-rule-the-global-internet/>
- 22 Wintour, P. (2022). 'UN vote to ignore human rights abuses in China leaves west in dead end.' *The Guardian*. Online: <https://www.theguardian.com/world/2022/oct/06/un-vote-ignore-human-rights-abuses-china-leaves-west-dead-end>
- 23 Magnus G. (2018). *Red Flags: Why Xi's China is in jeopardy*. Yale University Press; *Economist*. (2022). 'A weak China may be more warlike than a strong one'. Online: <https://www.economist.com/china/2022/09/01/a-weak-china-may-be-more-warlike-than-a-strong-one>; Beckley, M and Brands, H. (2022). *Danger Zone: The Coming Conflict with China*. W. W. Norton & Company; Parton, C. (2018). 'China's Looming Water Crisis'. *China Dialogue*. Online: https://chinadialogue-production.s3.amazonaws.com/uploads/content/file_en/10608/China_s_looming_water_crisis_v.2__1_.pdf
- 24 Berman, P. (2022). 'The Intellectual Catastrophe of Vladimir Putin'. *Foreign Policy*. Online: <https://foreignpolicy.com/2022/03/13/putin-russia-war-ukraine-rhetoric-history/>
- 25 BBC. (2022). 'China-Taiwan: Beijing speeding up plans for unification, Blinken says'. Online: <https://www.bbc.co.uk/news/world-asia-63296105>



LEGATUM INSTITUTE

11 Charles Street
London W1J 5DW
United Kingdom

t: +44 (0) 20 7148 5400
www.li.com

Twitter: @ProsperityIndex

www.prosperity.com

December 2022