



# LOOKING FORWARD

Henry Wilkinson presents a strategic outlook for the year ahead

**T**he state of international relations could scarcely be less conducive to meet the global threats and many other security, crisis and stability risks the world faces in 2022. Amid an uneven and shaky global economic recovery and ongoing pandemic, the coming year will almost certainly prove challenging for global businesses striving for growth and looking for stability.

The international system is transforming with historically uncommon rapidity. The rules-based international order and its multilateral institutions are in serious decline in the face of waning US commitment to uphold them, disunity between and within democracies, and threats from

authoritarian states that wish to reshape the global order. None of these trends portend well for cooperation and the reduction of conflict, instability and global risks in 2022 that could yield outsized impacts given the vulnerable state of many countries due to the pandemic.

These risks include US-China strategic competition, deepening authoritarianism, entrenching conflicts in Africa and destabilising fault lines in Asia, frequent natural disasters and interstate conflict risks affecting Taiwan and Ukraine – to name but a few. All are liable to sustain disruption to global supply chains, drive inflation and economic inequalities, and fuel the proliferation of radical ideologies and authoritarian governance in 2022.

**US soldiers arriving in Germany to reinforce Nato's eastern flank in February**

The Russian invasion of Ukraine dominates immediate geopolitical risk concerns. But at a broader level it is competition between the United States and China that is more likely to shape wider geopolitical, security and crisis risks in 2022. This is not just because of what each side does, but also how other states – including Russia with regard to Ukraine – act within the context of such rivalry between two leading powers with opposing goals, political systems, visions of the global order and grand strategies.

President Xi Jinping is driving forward the Chinese Communist Party's (CCP) strategy with determination. The CCP's goal is to achieve 'the great rejuvenation of the Chinese nation' by 2049 and 'return' China to a position of strength, prosperity and leadership on the world stage. Key objectives are the Made in China 2025 policy and the completion of China's military modernisation plans by 2035. To secure the resources and markets it needs to realise its ambitions, Beijing is building a web of control and influence over ostensible client states, most apparent in Mr Xi's signature Belt and Road Initiative.

The vigour with which Mr Xi is executing this strategy points to an urgency to achieve these goals while opportunity allows, and before China's demographic, economic and other longer-term headwinds make them less attainable. It is an aggressive approach evident in its use of coercive diplomacy, the scale of its infrastructure investments and loans, the export of mass surveillance technologies to authoritarian governments and acquisition of intellectual capital through espionage, cyber activity and investment. It is also evident in China's drive to rapidly transform its military capabilities and fundamentally alter the military balance in Asia, particularly in the South and East China seas.

This fast-moving, nationalist and risky grand strategy contrasts with that of China's past and of Western powers, which in itself also carries risks. Beijing appears increasingly overconfident in its strengths and of the weakness of the West, suggesting the chances of it miscalculating are high. This is important given Mr Xi's intent to 'reunify' Taiwan possibly even by force, and how he is surely assessing the West's standoff with Russia over Ukraine.

While a Russian invasion of Ukraine looks probable at the time of writing, a direct military attack by China to take control of Taiwan in 2022 seems unlikely. But Beijing's use of grey zone tactics – such as cyber attacks, agitation and military intimidation – to build conditions conducive to Taiwanese capitulation are very likely indeed, unsettling confidence in markets and global supply chains, and testing the resolve and unity of the international community.

Countering China is a key policy priority of President Joe Biden. US strategy is focused on maintaining America's technological, military and economic supremacy, while managing the risks of China dominating the economically critical Asia Pacific region. Mr Biden has stressed that relations with Beijing should remain competitive, not adversarial. But he faces major challenges sustaining this in 2022, not least because his strategy and execution of it seems to lack a clear sense of what is required to succeed, while Russia has also forced itself up US foreign policy priorities.

Mr Biden has already shown a continuation of the Trump administration's unilateralism in matters of consequence to international security. Poorly handled foreign policy moves, not least the withdrawal from Afghanistan and the furore over the AUKUS deal, have dented US standing with key allies. Both raise questions as to the extent to which Mr

Biden is committed to improving US engagement with partners as well as the coherence of decision making in his administration, both of which are vital for success.

Those debacles will probably act as a drag on relations with European states and other allies in 2022 amid perceptions that the US is an unreliable long-term partner. This is compounded by the EU's own strategic incoherence, rawly exposed in its failure to confront Moscow with substantive measures it would apply should it attack Ukraine. The EU's handling of the Ukraine crisis has rendered it almost irrelevant in diplomatic steps to deter Russia and head off a conflict that will impact Europe far more than the US.

This is problematic in a broader sense because a key focus for Mr Biden in 2022 is likely to be working to persuade partners, mainly in the West, to also apply pressure on China. This will probably focus on restricting trade and investment in strategic sectors, such as technology and finance. Yet it is unclear the extent to which US allies are willing and able to decouple key sectors and risk reprisals from China that would harm their growth. This is even more so when many question the extent to which they can rely on the US as a committed strategic partner.

## THE CCP'S GOAL IS TO ACHIEVE 'THE GREAT REJUVENATION OF THE CHINESE NATION' BY 2049

Mr Biden's foreign policy so far also points to an inherited desire to retrench the US from troublesome regions and avoid costly overseas military entanglements. His preference appears to be to encourage lesser powers to take the lead in managing stability in their own neighbourhoods and relying on sanctions as a deterrent. This seems in step with the domestic appetite, but at odds with the strategic realities of 2022.

The problem with this approach can be seen with Russia and the threat of another invasion of Ukraine. Sanctions alone are unlikely to deter President Putin on matters so central to his strategic imperatives as bringing Ukraine back under Moscow's influence. This is particularly clear given measures he has taken to proof Russia against sanctions by amassing central bank reserves to just over \$620 billion, slashing dollar holdings, and with foreign ownership of government bonds and financing now relatively low.

With the EU's security architecture failing to meet precisely the kind of threat it should be able to confront, Mr Biden has had to step up on Ukraine. His willingness to discuss issues with Russia previously off the table is progress, albeit with tacit acceptance that President Putin's threat of force brings results. But without clear resolve to shore up the strength and purpose of Western alliances with military heft, the approach as it is risks throwing Nato, the EU and the US into a crisis of credibility when their very relevance and efficacy is coming into question within the EU itself, and among those that would seek to test them.

With the Western alliance facing challenges from rivals such as China and Russia, a significant change in approach is required if the US is to not lose strategic ground in Europe. The same can be also said of Asia and

Africa, where China has a focussed strategy to build influence and economic dependence. Mr Biden's policy towards Ethiopia is a recent example of ceding influence to China in a major economy in Africa, by failing to have a clear long-term vision of what is required to compete and wield influence in this changing global order.

The outlook for US-China competition does not mean a Cold War-style bipolar system is taking shape. Instead what we are seeing is an emerging multipolar order prone to conflict and change. This is because, in the absence of powerful leading states acting as guarantors of the rules, such orders are more prone to zero-sum politics, bilateralism and economic disparity. Multipolar orders advantage states that wield more power to pursue their interests because the absence of enforced rules and mechanisms to cooperate allows and incentivises them to do so.

## COMPETITION BETWEEN THE US AND CHINA IS MOST LIKELY TO SHAPE WIDER SECURITY ISSUES

The rules-based multilateral system under US superpower leadership has not been a panacea, but it has reduced the risk of major wars and afforded smaller states a degree of assurance in security. As that order erodes, competition between the US and China, particularly if characterised by decoupling trade and investment policies in 2022, risks forcing smaller states out of a more stable position of neutrality. It also presents opportunities for authoritarian governments to pursue interests in ways that don't concord with international rules and norms.

This trajectory in international relations is even more problematic in that none of the great powers provide much semblance of global leadership. In preferring to let hamstrung multilateral institutions and less capable states resolve regional issues, albeit with degrees of support to shape outcomes that suit their own strategic interests, the risk of conflicts breaking out and becoming protracted is likely to rise in 2022. Such conflicts are evident today, where authoritarian regional powers are more likely to meddle than mediate.

The hand of foreign powers in conflicts is evident in Africa, Eurasia and the Middle East with Russia, Turkey, Saudi Arabia and Iran as notable players backing sides to make gains that serve narrow self-interests. This can be seen in Ethiopia, Libya, Mali, the CAR, Syria, Yemen and the Nagorno-Karabakh region to name a few. Such interference degrades the prospects of conflict resolution that promotes sustainable security and development. And it contributes to an important wider trend, which has accelerated under the pandemic, of a decline in democratic governance worldwide enabled by leading illiberal powers such as China.

The consequences of this authoritarian shift are more censorship, poorer governance, corruption, weakening rights, rising inequality and deeper insecurity. And it is likely to yield more brittle and hollowed out systems of government prone to collapse or violent transfers of power, particularly if popular grievances erupt due to the impacts of the pandemic. The range of countries exposed to such risks is liable to widen in 2022 amid the wider instability that is accumulating in the international system, making the anticipation of crises a high priority in 2022. This article is adapted from Dragonfly's Strategic Outlook 2022: The Wrong Climate. Dragonfly owns the copyright/intellectual rights to the content of the article and the Strategic Outlook 2022 ●

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**The US' handling of its withdrawal from Afghanistan has dented its standing with key allies**



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