



MANUEL MUÑIZ

Dean of the School of International Relations at IE University and Rafael del Pino Professor of Practice of Global Transformation, Senior Associate at Harvard's Belfer Center for Science and International Affairs

Thomas GOMART

Turning to Manuel Muñiz, we had many discussions about technology during these three days, namely dedicated to the transformation of business models, so it is good to listen to you, because you will certainly explain the transformation of international politics relating to technology.

One fascinating thing is that if you look back 10, 12 or 15 years ago, there was the thesis of the end of history, which was very controversial at the time it was proposed, but there was a certain consensus in the Western world that liberal democracy would move forward and sweep through the world, and open markets would do the same, all of the other regimes were on the wrong side of history, and this would be a slow process of expansion of this system.

What comes up in conferences and meetings I attend is that the liberal, rules-based order of open markets, porous borders and multiculturalism is fighting for its survival around the world. That fight is developing on two very particular fronts, one the external dimension, and within that the siege is taking place in many areas, though three are of particular importance. One is the rise of China, and looking at its military spending in the early 1990s, it was about USD 40 billion, but the budget this year is about USD 175 billion. That is what the Government has announced, and whether that is the precise figure or not is up for debate. The single most significant case of economic development over the last 30 or 40 years happens to be of a deeply anti-liberal and antidemocratic country that has begun to defend its model even beyond Chinese borders. China would have been fairly modest 15 years ago about the validity and efficacy of their system, but today you will find people who are much more bullish about their system and how viable and useful it is for them and for regions around the world.

Therefore, the biggest geopolitical development in the last 40 years seems to point in the direction that a well-run and well-managed autocracy does very well in the space of economic and military development. Speaking about technology, the argument in China is that it will help them solve some of the fundamental shortcomings of a centralised system. Through AI they will be able to solve some of the information and coordination challenges of a centralised and planned economy and an autocratic system that has fewer elections and few social and political rights, because through AI they will not need the messiness of elections to understand what is happening to their people and react accordingly. That is the message coming out of China.

The second external development is Russia and its autocratic drift, and not just that but its actions internationally. Looking at the hacking and electoral interference campaigns, I had a fascinating conversation with an EU official working in the EU office fighting disinformation, and these attacks, whether in the rust belt in the US, the UK Midlands, France or Catalonia, visually these attacks seek to undermine the institutions of the liberal order, quite evidently, in most instances – that is one of the features that connects them. Subversively, a point that is sometimes missed, they seek to undermine our faith in our capacity to attain objective truth, so they attack the intermediation institutions, whether the press, political parties or others, so they seek to make us question the truth and honesty and legitimacy of the institutions we have built. They are fundamentally anti-Enlightenment, in the sense that they seek to undermine our faith in our own institutions, and they are having success in various places but are clearly growing in intensity.

The third external dimension is the Middle East, and regarding what has happened since the mid-2000s but particularly since the Arab Spring, there has been a systematic failure to democratise the region, except the case of Tunisia. Some of the places we thought we would be seeing democratic regimes emerge have actually gone back to even more autocratic regimes, which is the case with Egypt, and that is particularly salient and significant because of



its scale. That is also the case in Libya, and we are seeing an autocratic drift in Saudi Arabia, so it varies in perspective and intensity, but looking at the region, the general thrust is a reversal of the democratisation process.

Therefore, this idea of the liberal order of democratic regimes emerging, of the liberal trading system deepening, has actually been reversed in a number of places, but particularly under attack is the idea of liberal democracy as something unavoidable.

This external siege has been there in different shapes and forms for a long time, although punctured by these particular instances, and what is fascinating is that we are seeing a real implosion of the liberal order from within liberal countries. This is consistent, and getting to the tech piece, we have seen growing numbers of people within the Western world questioning liberal values, whether multiculturalism or even democracy. Support for authoritarianism has risen consistently across the Western world, along with questioning of democratic processes and others.

Why is this happening? Here I want to make three fundamental points. We see a great deal of social fracture within the Western world. Here is another instance of decoupling – you started with some contradictions of decoupling of economic growth in the aggregate and economic growth on the average. 70% of households in the US have seen no real market income increase in the last 30 years. That is an astonishing figure, bearing in mind that the last 30 years have seen very rapid growth on the aggregate in the US, even taking into account the economic crisis. Life expectancy has fallen for the next generation in the US for the first time since the Second World War, mostly in middle-class, white, economically depressed communities. Child mortality has doubled in some communities in the US. This is really shocking data, which we only see in countries that have undergone a civil war.

Some of you might have seen the work by Angus Deaton on what he calls the deaths of despair, which is the number of suicides and deaths from opioid abuse. Looking at a map of how wage stagnation and these deaths overlap, there would be almost a perfect overlap. There are communities within this Western liberal bloc that have clearly not benefited from the process of globalisation and change to the economy we have seen over the last 20 or 30 years. This is producing a very significant political fracture and this manifests itself in many ways, but I would only point to three that are significant.

One is an increase in pessimism about the future within Western societies about the economic future of the next generation, and this is consistent in polls and surveys in the West. There is a great deal of anti-elitism or questioning of how the elites function and their legitimacy; we have seen this in polls time and again, and we have seen a strong correlation between the sense of anti-elitism and anti-establishment sentiment and support for populism, which is the third manifestation of this.

This is one of the big puzzles of our era. We have seen huge growth in the aggregate. The US returned to pre-crisis GDP levels in 2012, the UK in 2014, and even Spain, after a very deep economic crisis, returned to pre-crisis GDP levels a few months ago. Spain has never created or sustained as many jobs as it does today – that is at aggregate level, but when you look at it more granularly, the distribution issue is highly problematic. Therefore, we are failing to manage abundance and prosperity within our societies. Something has changed in the structure of the economy that is leading to a lot of people being left behind and questioning that order.

Thinking about this conference and about world policy and world governance, the most significant thing is that we are in an era of transition. The liberal order is clearly under siege in a way that it has not been at least since the end of the Cold War, if not before, but shockingly, it is undergoing a process of implosion from within that is produced, fundamentally, by a compensation failure which has prevented us from transferring gains in wealth and productivity to people within society who have simply been left behind by this process. That picture is very worrying. Very few people would have predicted 10 years ago that we would be here, and unless we find ways of fixing the fracture of our social contract moving forward, the political convulsions will deepen and the world will continue to shift to a more illiberal place where the rights of minorities will not be as respected as they have been, both in the West and in other places. We will live in a place with more walls and less movement of people and less commerce, and that basically means that we are living the return of history. We are moving back into a world where the fundamentals of political governance, both domestically and internationally, are up for grabs, and we enter this debate without knowing where it will lead.

That is the backdrop to this conference for me, and it is one of the takeaways from it.