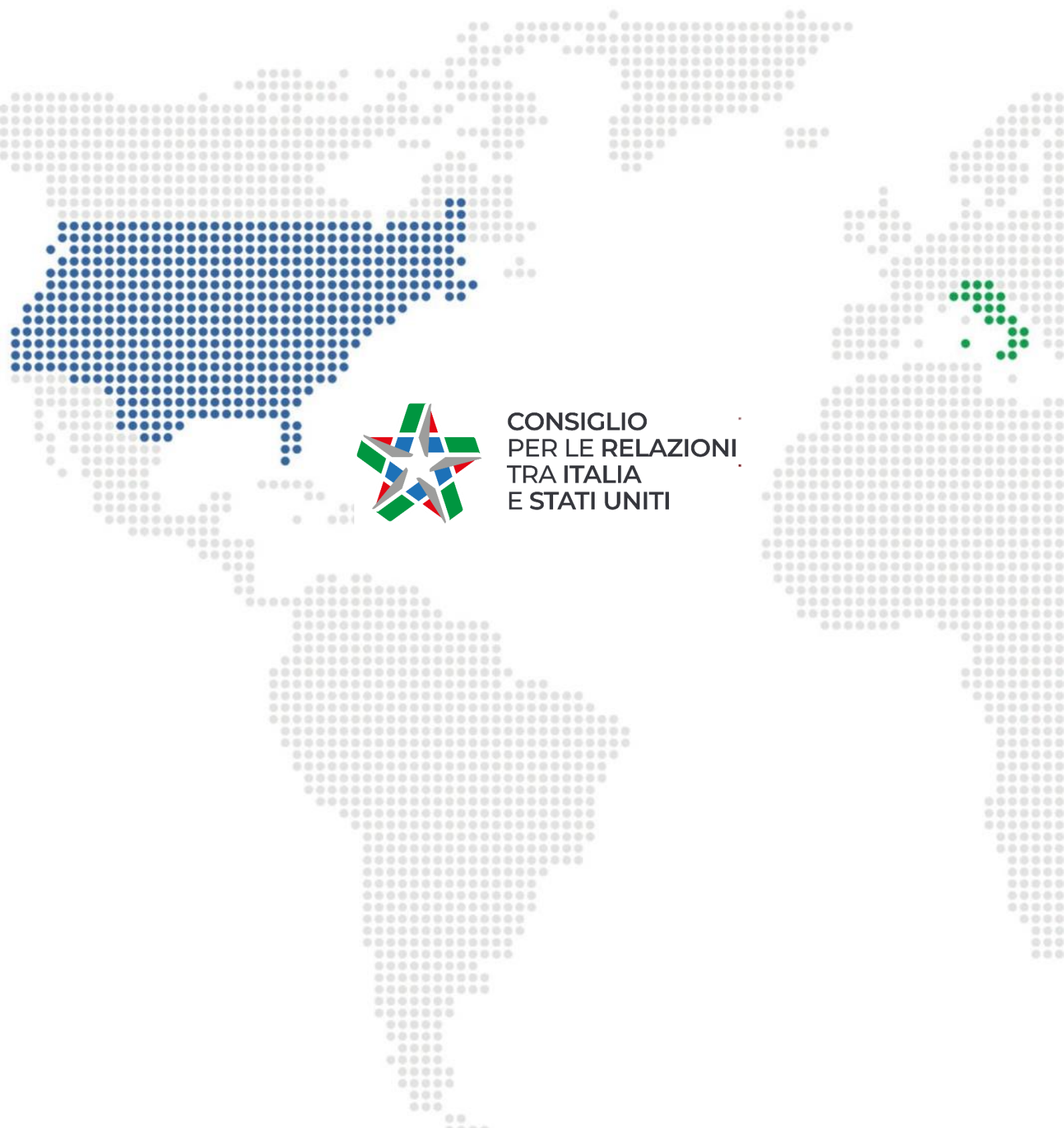


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## “WHY BIDEN CAN OVERCOME POLITICAL GRIDLOCK”

(Project Syndicate - November 13, 2020)



**Anatole Kaletsky**, is Chief Economist and Co-Chairman of Gavekal Dragonomics. A former columnist at the *Times of London*, the *International New York Times* and the *Financial Times*, he is the author of *Capitalism 4.0: The Birth of a New Economy in the Aftermath of Crisis*, which anticipated many of the post-crisis transformations of the global economy. His 1985 book, *Costs of Default*, became an influential primer for Latin American and Asian governments negotiating debt defaults and restructurings with banks and the IMF.

*According to conventional wisdom, US President-elect Biden will find himself immediately paralyzed because Republicans will follow the same obstructionist playbook they used to sabotage Barack Obama’s administration. But there are five new features of US political dynamics that this argument has overlooked.*

LONDON – The US election has passed without any big surprises, and the enthusiastic reaction in global financial markets has been exactly what any economics textbook would predict if a predictable, conventional centrist replaced an erratic, extremist populist as US president. Beyond investor psychology, there are several fundamental reasons that justify a Biden rally: the near-certainty of further fiscal stimulus in the short term; the high probability of pro-growth Keynesian demand management in the medium term; and the possibility of a global investment boom in new energy and transport technologies in the long term.

Yet most investors, economists and political pundits are skeptical about all these possibilities because of the Democrats’ failure to retake control of the Senate. According to conventional wisdom, Biden will find himself immediately paralyzed because Republicans will follow the same playbook they used to sabotage Barack Obama’s administration. After winning a House majority in 2010, Speaker John Boehner blocked almost all legislation, turning Obama into a lame-duck president for six of his eight years in office. Now the Senate, under GOP control since the 2014 midterm election, will again create gridlock and prevent pandemic relief, block fiscal expansion, and thwart new investment in energy or infrastructure.

But this is not the whole story. There are five new features of political dynamics in America that this gloomy conventional wisdom has overlooked.

First, a big COVID-19 relief bill is almost certain to pass Congress even before Biden is sworn in. Now that the election is over, the demands for government support from business lobbies will overwhelm Senate Republicans’ obstructionism, while the Democrats must create conditions for a strong economic recovery in the first few months of Biden’s term. Thus, there is every chance of a “quick and dirty” compromise, whereby Republicans agree to a package of slightly above \$1 trillion, Democrats accept previously rejected conditions such as immunity for employers from liability for COVID-19, and Trump takes credit for the whole deal.

Second, when Biden becomes president, he will find it much easier to maintain public support for government spending and resist pressures for budget consolidation than Obama did after losing the House in 2010. The COVID-19 crisis has transformed public attitudes to government spending and borrowing. But even before the pandemic, voter interest in government debts and deficits was rapidly eroding, because the Trump administration’s policies had clearly demonstrated that deficits did not cause the economic damage that conservative propagandists claimed. Republican efforts to resurrect the obsession with deficits, which served the party well in 2010, will go nowhere until well after the COVID-19 recession is over.

Third, a Republican Senate majority will not be the rock-solid monolith that many commentators suggest. While the Republicans will certainly unite to stop Biden from significantly raising taxes, McConnell will find it difficult to maintain 100% unanimity against a Biden fiscal stimulus plan, especially if the stimulus is delivered mainly through tax cuts for the middle class. A one- or two-seat Senate majority will also be insufficient to block expansionary public spending, especially if the Biden administration is clever about directing government investment at local projects in key senators’ states.

In this respect, the Washington tradition of influencing Congressional votes with carefully targeted “pork-barrel spending” will benefit from Biden’s 36-year record in the Senate. Biden starts with Washington experience and personal relationships unmatched by any president since Lyndon Johnson. The horse-trading that lies ahead could prove particularly effective in breaking Republican unity, because six of the 20 current GOP senators who will face voters in the 2022 election happen to represent swing states: Florida, Georgia, North Carolina, Ohio, Pennsylvania and Wisconsin.

It is far from obvious that Senators who are running for re-election in states that have just voted for Biden, or have come close to doing so, will vote blindly against popular policies such as middle-class tax cuts or government spending in their own states, merely for the sake of party unity and sabotaging Biden. To make matters worse for the Republican leadership, at least three Senators who do not face re-election – Mitt Romney, Barbara Murkowski, and Susan Collins – are longstanding moderates with a record of compromise and crossing party lines. Since McConnell is aware of these challenges to party unity, he is likely to behave less obstructively, at least until the 2022 election, than he has in the past.

Fourth, a GOP Senate majority may not even exist. To keep control, Republicans must win at least one of the two Senate seats to be contested in Georgia on January 5. Now that Georgian voters have backed Biden, albeit by a razor-thin margin, it is doubtful they will reverse this decision in two months. Conventional wisdom assumes that Democrats will be less motivated to vote again, because winning the White House will lull them into complacency, while Republicans will be desperate to check the new president. But the opposite is just as likely. Democratic voters may be energized to an even bigger turnout by their unexpected victory, while Republicans may be so disillusioned that they stay at home. A lower Republican turnout is even more likely because Trump will no longer be on the ballot, and many of his fervent supporters may be less interested in voting for more conventional politicians.

Finally, a new kind of Trump disruption may soon hit US politics, starting with the Senate election in Georgia. Trump plans to spend the next two months pursuing lawsuits, which few Republican politicians will, over time, support. Responding to this perceived betrayal, Trump could turn his fury as much against GOP “treason” as against Democrat “cheating.” This means that Trump will be unlikely to campaign for the Republican Senate candidates in Georgia. And without the galvanizing effect of Trump’s rallies, his hard-core base may not vote.

In short, Trump’s refusal to accept defeat will make it harder for Republicans to keep Senate control. In the longer term, Trump’s constitutional defiance could permanently split the American right between Trump’s army of zealots and Republican politicians who still believe in an orderly transfer of power. With Trump railing against the “stab in the back” from GOP politicians who refuse to support his baseless fraud allegations – and possibly raging from the sidelines for years to come – the monolithic conservative unity that has paralyzed US politics throughout this century may start to crumble.

## “EUROPEAN STRATEGIC COMPLACENCY IS NOT AN OPTION”

(Project Syndicate – November 13, 2020)



**Josep Borrell**, is EU High Representative for Foreign Affairs and Security Policy and a vice president of the European Commission.

*It is now more clear than ever that Europe must take its security, broadly understood, into its own hands. Doing so will not only secure the European Union's proper place on the world stage, but will also ensure a healthy transatlantic partnership in the years ahead.*

BRUSSELS – Joe Biden’s election as the next president of the United States has raised hopes in Europe of putting the transatlantic relationship back on track. But there can be no simple return to the past. Facing so many domestic and international challenges, the US will value the transatlantic relationship only insofar as that relationship delivers actual value. A stronger Europe that shoulders a greater share of global responsibilities can ensure that it does.

There has been much talk of achieving “European strategic autonomy,” but what does that mean in practice? Autonomy should not imply total independence or isolation from the rest of the world. Rather, it refers to an ability to think for oneself and to act according to one’s own values and interests. The European Union needs to achieve this kind of autonomy, while at the same time strengthening our alliances and preserving our commitments to multilateralism and openness.

The EU is facing serious strategic challenges in today’s antagonistic international environment, where geopolitical rivalries and great-power competition are on the rise. That is why, as German Chancellor Angela Merkel once bluntly put it, “We Europeans truly have to take our fate into our own hands.” We must stand on our own feet.

For a long time, the debate about strategic autonomy focused mainly on security and defense. Some saw the discussion as an attempt to create alternatives to defense cooperation within the North Atlantic Alliance; and some even took it to mean that America’s commitment to Europe had been called into question, and that a greater decoupling might be on the way.

But there is no question that NATO has played an indispensable role in European security. Any consolidation of Europe’s security capacity should be pursued within the alliance. As successive US leaders have emphasized, Europe needs to increase its own contribution to defense, to militate against the perception that America alone is paying for transatlantic security. Although the Biden administration will bring a change in tone and a less confrontational approach, on the question of defense spending it will expect the same from Europe as its predecessors. America’s core geopolitical interests will not change.

Fortunately, the EU is already working on several tracks to strengthen the transatlantic partnership. Under the Permanent Structured Cooperation (PESCO) efforts, European NATO members are helping to address gaps in the alliance’s capabilities, and are working toward fulfilling by 2024 their commitment to spend 2% of GDP on defense. Equally important, the creation of a new European Defense Fund (EDF) represents an important step toward improving the capabilities of Europe’s military industry.

But Europe’s security challenges go beyond NATO’s traditional remit. From the Sahel and Libya to the Eastern Mediterranean, there is no shortage of crises that demand a strong European response. The task for the EU is to define a common position from which it can act in the interest of maintaining regional stability.

To succeed, Europe must develop its own framework for monitoring and analyzing threats, so that it can move quickly from threat assessment to operationalization and response. That is why we are now developing a Strategic Compass.

It is crucial for the strategic-autonomy discussion to expand far beyond the issues of defense and security. As the COVID-19 crisis has shown, issues such as public health and economic interdependence are no less important.

Strategic autonomy is the conceptual framework that Europe needs to understand these issues and how they relate to one another. Viewed in isolation, face masks and medicines are not strategic products. But the strategic calculus changes when the production of such items is concentrated in just a few countries. The same applies to the sourcing of

rare metals, social-media and other digital platforms, and technologies such as 5G.

To help member states navigate these and many other issues, the European Commission has proposed a series of new instruments, such as the mechanism that went into force last month to screen foreign investments in the EU. But achieving strategic autonomy also will require intensive leveraging of the power of Europe's single market. With its vast size and scope, the single market offers many instruments for safeguarding European interests with respect to critical infrastructure, foreign investment, state subsidies (from which certain foreign investors benefit), or dual-use (military and commercial) exports.

For example, we have become increasingly aware of the vulnerabilities introduced by an increasingly unbalanced economic relationship with China, so we have made reciprocity a core objective in our negotiations on an investment agreement. Europe has no problem with China's own economic development and the benefits this has delivered to its citizens. But we cannot allow China's international expansion to occur at the expense of our own interests and values. That is why we have settled on a dual approach, treating China as an important partner, but also as a competitor and a systemic rival.

Overall, the EU's overarching objective must be to strengthen its role and influence in the world, so that it is the partner of choice for every other country and world power. The concept of strategic autonomy is essential to this ambition. Strategic complacency is not an option.



## “SLOW DEATH OR NEW DIRECTION FOR THE UN?”

(Project Syndicate – November 19, 2020)



**Mark Malloch-Brown**, Mark Malloch-Brown, a former deputy United Nations secretary-general, is Co-Chair of the UN Foundation

*For most of its 75-year existence, the United Nations has struggled to strike a balance between its lofty founding aspirations and realities on the ground. But in today's fast-changing geopolitical environment, the organization may be facing its biggest challenge yet.*

LONDON – For much of its life, the United Nations has hidden behind the comfortable maxim that, “If we didn’t have it, we would have to invent it.” Now at the venerable age of 75 (old enough to have been a 2020 US presidential candidate), the organization still enjoys widespread approval in global opinion polls.

But beneath the surface, the UN faces difficulties that cannot be ignored. Judging by traditional and social media, the issues that the UN pushes tend to get little traction. Worse, when it comes to maintaining peace and security, the UN is often stymied by its dysfunctional Security Council, which itself reflects an increasingly divided world. Whether in Syria, Yemen, or Libya, progress toward securing peace has been glacial, with much more being decided on the battlefield than at the Security Council. These same divisions have also hampered human-rights advocacy, as has the recent election that awarded seats on the UN Human Rights Council to Russia, Cuba, and China.

Of course, the UN has always mirrored the world it represents. There was broad member support for a strong UN only in its initial years and during the early years of Kofi Annan’s tenure as secretary-general in the late 1990s. Otherwise, the UN has typically operated against strong headwinds; and now, a number of political and demographic changes are rapidly reshaping the UN’s world.

Today’s world is younger overall. US power appears to have peaked, and the global distribution of power is being redistributed to China and others. At the same time, the COVID-19 pandemic has ensured that the world will be poorer, just as digitalization has made it less equal.

With a charter that rests squarely on the liberal-democratic values of the winners of World War II, the UN has struggled to accommodate the changing global order. Under its current secretary-general, António Guterres, the UN has admirably continued to pursue gender parity and more diversity in its staffing. Still, too many top jobs remain in the hands of the founding member states. And, more fundamentally, the organization seems out of touch with the world beyond its doors.

China, the second-largest contributor to the UN’s assessed budget, has increasingly tried to assert global leadership on climate change and other issues, following America’s abdication under outgoing President Donald Trump. At the UN General Assembly in September, Chinese President Xi Jinping took an extraordinarily consequential step, pledging that China would become carbon neutral by 2060. Yet the same regime that has committed to environmental sustainability is also brutally persecuting China’s Uighur minority.

This points to the UN’s central dilemma. In terms of population, most of today’s world is under authoritarian rule, ranging from despots without even a pretense of democratic legitimacy to elected autocrats who have eroded democratic institutions and checks on their power.

With no choice but to contend with this increasingly undemocratic world, the UN’s challenge now is to fashion a practical, achievable agenda without betraying its founding charter and its commitment to human rights and other freedoms. It will have to tap into its current strengths. As a representative of “collective rights,” the UN is uniquely positioned to mobilize action on issues like climate change, which threatens poor farmers in developing countries as much as it does rich Manhattanites who are exposed to rising sea levels.

Likewise, the 2030 Sustainable Development Goals, which seek to tackle inequality and exclusion everywhere, remain an example of the UN at its best, as does Guterres’s call for “A New Social Contract for a New Era.” The UN provides an

indispensable global good by producing league tables of human development and organizing broad coalitions to achieve steady progress on key indicators of well-being.

But just because the UN is a leading voice for social, economic, and environmental justice does not mean that it should be given a pass on human rights. The organization has a duty to report human-rights abuses wherever it finds them. Though it should be smart about passing evidence on to others and issuing denunciations, it must remain fearless in its advocacy. Here, its best allies are civil-society groups and the few brave countries that are willing to defy narrow commercial or political interests to take on the likes of China, India, or Saudi Arabia.

By contrast, the UN probably will have to bow to the logic of the twenty-first-century cold war. The Security Council will remain ineffectual until it is reformed, which is a distant prospect. But there are ways around this paralysis. During the original Cold War, the UN, without reference to the Security Council, launched major initiatives to address humanitarian crises and to support new members emerging from colonial rule. UN development and humanitarian agencies often drew on their own mandates and international law to intervene when the circumstances required it.

Today, UN Special Representatives in conflict areas and UN Resident Coordinators elsewhere do much unsung good, working tirelessly behind the scenes to avert local conflicts, defend civil society, and address inequality and other root causes of political instability. This field-based UN thrives out of sight and out of mind, safely removed from the obstructive state-driven politics of the Security Council in New York City.

It is here that the UN's future will be secured or lost. In a younger, angrier, increasingly impatient world, a distant club of men in dark suits is doomed to irrelevance. Where the UN matters is on the ground, deploying its remarkable mandate to fight for those who need it most.

## ABOUT THE COUNCIL FOR THE UNITED STATES AND ITALY

The Council for the United States and Italy is a private non-profit organization, founded in Venice in 1983 by Gianni Agnelli and David Rockefeller, who served as honorary presidents until 2003. Marco Tronchetti Provera followed them as Chairman, then Sergio Marchionne until 2018. Domenico Siniscalco is the current Chairman, Gianni Riotta Executive Vice Chairman. The Council for the United States and Italy promotes and creates economic relations between Italy and the United States, linking them to Europe, Asia and Africa through knowledge and free trade. Its members are leaders in the economy, industry, finance, technology, services, consulting, law and culture - a team in which economic growth is viewed as promoting humanity and wealth as a cultural value to be shared.

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