

EUISS ANNUAL CONFERENCE 2022 AND 20TH ANNIVERSARY

Speech by HR/VP Josep Borrell
The global impact of the war in Ukraine:
The tsunami after the earthquake?

9 June 2022, Hôtel de la Ministre, Ministère de l'Europe et des Affaires étrangères,
37 quai d'Orsay, 75007 Paris

[Editorial note: this is the speech that HR/VP Borrell wanted to deliver at the Annual Conference of the EU ISS to mark its 20th anniversary. Due to COVID-19, he was regrettably unable. We are hereby sharing the text as prepared.]

Dear colleagues,

I am really sorry that I am not able to be with you in person. Today is such an important occasion: to mark the 20th anniversary of the EU Institute for Security Studies, the EU's think tank on strategic issues.

The Institute plays a vital role in nurturing EU foreign policy with sharp analysis and research. I am an avid consumer of its products!

I want to talk about 'the tsunami after the earthquake'. Russia's war against Ukraine is an earthquake with dramatic consequences, most directly for the people of Ukraine. At enormous cost, they are defending their country, democracy and sovereignty. As you all know, the EU is fully mobilised to support them with:

- sanctions – with the 6th package centred on oil ban for 90% at end 2022 plus insurance.
- military support – so far €2 bn from the European Peace Facility and more to come.
- financial support – €9 bn in macro financial assistance.
- political support: we are isolating Russia and EU leaders will take decision on granting Ukraine candidate status later this month.

My key message is this: we have to see this through and ensure victory for Ukraine. To this end, we need to be ready to commit for the long-term, also when attention fades and costs go up: we have to be ready to pay the price of freedom.

The war is sending shockwaves to neighbouring countries: am sure Minister Nicu Popescu will set out what is at stake for Moldova.

But crucially, the war is also affecting people far away from the field of battle, with ripple effects throughout the world. Eventually these could create something of a tsunami at global scale.

Today I want to focus on these global ramifications. For the sake of argument I will group them into two broad categories or 'risk scenarios'. Not to make precise predictions but to think through some trends and policy choices.

Looked at through a geo-political lens, the war risks creating a bipolar world of permanent competition and even confrontation. Between the US, Europe and the like-minded on the one hand and Russia plus China on the other side. And with a group of hedgers and 'swing states' in the middle.

Rather than inter-dependence and globalisation bringing us together and creating 'one world ruled by global governance', we face growing fragmentation, where everything gets weaponised between rival blocs.

Multilateral cooperation risks getting even harder, to the point of paralysis, even on global threats and global commons like climate change, bio-diversity, the pandemic etc.

Using an economic perspective, the war risks creating a geo-economic storm. We already have a major food and energy crisis, plus rising inflation and lower growth. This could lead to a period of stagflation or even an outright recession, deepening global inequalities.

The backdrop and hence the capacity of governments to handle these economic waves, is conditioned by the still-lingering effects of the pandemic i.e. a lot of debt and no fiscal space.

As ever, economic tensions risk leading to political and security crises, radicalisation and uncontrolled migration – at Europe's border and further afield.

Let me say a bit more about each scenario, to sketch out briefly what each entails and what we can do about it.

Russia's brutal violation of Ukraine's sovereignty is the latest case in point of a long-standing Russian campaign. At least since 2009 (the Georgia war), Putin has acted to undermine the European security order. What he has attacked is so fundamental for European security that he must fail in his war of choice.

But the ramifications are broader, indeed global. This war takes place against a backdrop of a wider revisionist effort of both Russia and China. What is at stake is the UN-mandated fundamental equality of states and respect for their sovereignty. Or, whether they succeed with their hierarchical worldview where big powers are entitled to historically justified 'spheres of influence'. As I said at the Munich Security Conference: their joint statement of 4 February and their 'no limits' partnership was, at heart, a revisionist manifesto.

We tend to focus more on the internal repression inside Russia. But in China too there is a clear process of centralisation underway, with less space for a plurality of views. And on the foreign policy

front, key concepts such as 'peaceful rise and coexistence' are gradually giving way to attempts to re-define multilateralism and put China at the centre of geopolitical power structures.

Meanwhile in the US, we also see that Democrats and Republicans, who disagree about pretty much everything, do agree that the strategic competition with China is the primary goal for US grand strategy for decades to come.

Put all this together and you see strong forces driving a logic of binary choices: autocrats vs democrats.

What would be the consequences internationally? A world that is increasingly organised along two rival camps would mean that multilateral cooperation suffers: even more paralysis in the UN Security Council; less trust and even fewer results in the G20, the WTO or the WHO.

A world where security competition is pre-eminent, also means less scope and less money for cooperation on global commons like the climate change, bio-diversity or things like the Arctic, the oceans or outer-space.

Finally, a world of binary security competition could marginalise respect for human rights and good governance. This means that decades of EU efforts to support nascent democracies around the world would be at risk.

I want to be clear: this is NOT the outcome that we Europeans want or seek. And whether this scenario happens depends on many factors and choices including ours.

But the risks are certainly there that the Ukraine war - especially if it lasts for months – could tip over into a harder form of geo-political competition and rival blocs.

Now, let's look at the war through an economic prism. Here, the ramifications are equally worrying. This audience knows well about the enormous increases in the prices for food, energy and fertilisers.

The FAO food price index has increased by 40% this year and reached an all-time high this month. Oil is at \$120 a barrel and gas prices in Europe, already sky high before the war, have roughly doubled again. For fertilisers the increases are even more frightening.

It is Russia's plundering and its blockade of the Black Sea that are hurting the availability and affordability of food. Right now, about 20 million tons of Ukrainian wheat cannot reach global markets. And if Ukraine cannot export what it has in its silos, the new summer wheat cannot be harvested. Alarmingly, former President Medvedev talked in April of Russia using food as a 'silent weapon' to reward friendly countries.

From his side, UN Secretary General Antonio Guterres has warned about a "hurricane of hunger", hitting especially the countries in the Sahel, the Horn of Africa, eastern DR Congo as well as MENA countries like Egypt, Yemen, Syria and others.

The World Food Program estimates that by this Summer the number of people in acute hunger will rise by 47 million, from a pre-war baseline of 196 million. It is good to realise that we spend 15% of our disposable income on food; but for developing countries the figure is normally 40%.

All this is happening when the world has not recovered yet from a pandemic that had already deepened inequalities, within and between countries and overwhelmed the fiscal 'space' of many developing countries. With interest rates rising everywhere, the IMF warned that 60% of low-income countries are at risk of debt distress.

Faced with the choice of feeding their populations or paying their international creditors, many governments will opt for the former. Sri Lanka is in the middle of an economic crisis: it was the first country since the Russian invasion to default on its debts, but will not be the last.

If governments don't manage to handle the food and energy crisis this will inevitably affect social stability, security and create migratory pressures.

In other words, we risk facing a 'perfect storm', with geo-political and economic tensions rising and reinforcing each other. Put together this represents a major test for the capacity of governments to cope, individually and collectively.

As ever, the question is: what to do? Let me end with a few thoughts to open the debate and hear from colleagues.

- The longer the war lasts, the worse the global consequences will be. So the best way to avoid these worrying scenarios is to invest massively in ending the war as quickly as possible. Principally by enabling Ukraine to defeat the Russian aggression. This means keeping Ukraine militarily supplied and economically afloat. This the priority of all priorities.
- On the risk of risk of the world splitting into two rival camps: we should be clear that our stance is about upholding the sovereign rights of all, not about "the West" against Russia or the Rest. A world where the illegal use of force is normalised is a dangerous world for all.
- We should certainly counter Russian and Chinese attempts to re-define core international principles and challenge the established rights of states and individuals. But it should be possible to do so without paralysing multilateral cooperation on the global commons – there is only one climate and somehow both China and Russia need to be part of the solution to prevent runaway climate change.
- We should be working not just with the 'already like-minded', but also with those 'hedgers' and 'swing states' that do not always or fully share our views. The UN votes in March were a telling sign: we need to find ways of cooperating and doing deals with a large number of states and people that are not 'like-minded' but not with Russia/China either...
- On the second set of risks, let me focus on the food crisis in particular. Here we need a response that matches the scale and urgency of the problem.
 - Keep Ukraine producing/ and exporting as much as possible;
 - Keep global markets open so avoid unilateral closures and 'food diplomacy';
 - Adopt a Team Europe approach to scale up food security support, especially through the UN system.
- Last: we have to get better at getting our messages across. In the global battle of narratives, if you don't manage to tell your story, others will.

The war against Ukraine is changing Europe and the wider world. Citizens demand that the EU steps up its game and addresses these ramifications. It is up to all of us, Europe's strategic community to make sure that we deliver.

Thank you very much.