Executive Summary

Transatlantic leaders seem to have come to a common conclusion: the world's liberal democracies are facing a new systemic competition. While they support a joint strategy for dealing with their autocratic challengers by strengthening cooperation with each other, they are only at the beginning of thinking about the best way to compete where they must – and to cooperate with competitors where they can.

At last year's Munich Security Conference, world leaders discussed a world shaped by "Westlessness" – as diagnosed by the Munich Security Report 2020. Unfortunately, various developments have vindicated last year's dire analysis. Not only did Western countries continue to exhibit a lack of joint action on crucial global issues, the past year also saw continued attacks on liberal-democratic norms in key Western countries, with the storming of the US Capitol as the most emblematic symbol of the threat to democracy.

But there is hope. In the midst of a global pandemic, almost exactly one year after a divisive Munich Security Conference 2020, the speakers at the virtual MSC Special Edition on February 19, 2021, including US President Joe Biden, German Chancellor Angela Merkel, French President Emmanuel Macron, and other world leaders all voiced their support for a new beginning in the transatlantic relationship and for revamping cooperation among liberal democracies to prevail in a new age of systemic competition. After what can be called an "autocratic decade," liberal democracies are now willing to push back to turn the "illiberal tide." President Biden, having declared that "America is back" and ready to lead, is stressing at every opportunity that democracies find themselves at an inflection point and need to prove that democracy is not a phase-out model but can deliver tangible benefits to the people.

While the United States, under President Biden, is bent on taking up its traditional role as "leader of the free world," a return to the status quo ante is not on the cards for the transatlantic partnership. Judging from their rhetoric, European leaders seem to have gotten the message, as few foreign policy speeches fail to mention the need for Europe to take on more responsibility. Yet in terms of action, critics are irritated by a general lack of European proposals to tackle the items on a long transatlantic to-do list. Some already fear that Europe is missing another opportunity to resurrect the West. America is back, but where is Europe?

After all, Europe has a key role to play. A shifting balance of power means that the US today does not need followers it has to protect. Rather, it needs capable allies with whom it can work together. As Europe will remain unable to provide for its own security for many years to come, it needs the United States as a "European power." Yet, for obvious reasons, the US will focus its attention on the Pacific theater. Europeans and Americans need to find a new transatlantic bargain that works for both sides.

Above all, as French President Macron argued at the MSC Special Edition, this will require Europeans to assume much greater agency at their own doorsteps: "We need more Europe to deal with our neighborhood." Yet it is precisely in its immediate neighborhood where the EU's desire to become more capable and autonomous most frequently clashes with reality. From the Maghreb to the Caucasus, the EU has shown a limited ability to assume a more proactive role and effectively protect its own vital interests. With Europeans being no more than bystanders in some of the gravest crises in their neighborhood, Eastern Europe, the Middle East, and North Africa have become prime examples of "Westlessness." Other powers have exploited this vacuum, pursuing interests that often run counter to those of the EU. In order to become a stabilizing force in its surroundings, Europe still has to tackle major deficits in the areas of capacity, strategic direction, and unity.

For Washington, the Indo-Pacific, not the European neighborhood, is the primary theater and hotspot for geopolitical competition. China's increasingly coercive behavior in what it sees as its backyard is foreshadowing how systemic competition could play out on a global scale. Yet the region also presents a prime example of increasing cooperation, as regional actors try to cope with the growing Chinese influence and the uncertainty of US engagement. Several European countries have also shown an increased interest in engaging in the region as they join a growing consensus that this is where the contours of international order in the coming decades will be decided. As strategic newcomers in the Indo-Pacific, European nations face the challenge of finding synergies with both the US approach and the approaches of like-minded partners in the region. While there is much common ground in areas like connectivity, supply chains, or the need to counterbalance Chinese influence in multilateral institutions, the transatlantic partners will also need to adapt to differences in interests and priorities with regional players.

Moving beyond "Westlessness" thus also means rethinking what has been known as "the West." While the liberal democracies of Europe and North America still form the core of the liberal-democratic community, they need to reach out to like-minded partners across the globe. Liberal-democratic cooperation among a broader set of countries – whether in formal institutions or in flexible frameworks – is seen as a prerequisite for successful competition with autocratic systems of rule. President Biden's proposal for a "Summit for Democracy," various calls for a democratic alliance on technology, or a strengthening of the D10, an informal group of the world's major democracies, are all examples for the renewed support for a globally oriented but value-based multilateralism. It remains unclear, though, how these initiatives relate to existing international organizations or initiatives such as the "Alliance for Multilateralism," promoted by France and Germany. And there is also the question as to whether it is wise to exclude nations that look for cooperation without subscribing fully to the liberal-democratic agenda.

Moreover, the leaders and the people of the world's major liberal democracies continue to disagree about how much competition, perhaps even confrontation, is needed to push back against autocratic assertiveness. While Russia and especially China are seen as major risks, as data collected for the Munich Security Index shows, many European countries are wary of opposing them economically or militarily. Many European leaders also fear that putting too strong a focus on the competition between democracies and autocracies will become a self-fulfilling prophecy, bringing about a new Cold War-like bifurcation of world politics, in which an economically attractive and increasingly self-confident People's Republic of China plays the role of a more powerful Soviet Union.

Yet despite their focus on the competition between different political systems, President Biden and his team have stressed that competition must not preclude cooperation, as none of the major challenges for humanity can be met successfully by mere coalitions of the willing. The Covid-19 pandemic has made painfully clear to everyone how interconnected our world is – and how cooperation is already hampered by increasing geopolitical rivalries. Two other global challenges – the climate crisis and arms races, both spiraling out of control – can only be met if there is at least a minimum level of global cooperation.

The past few years have seen the gradual unravelling of landmark agreements that limited the weapons arsenals of the US and Russia or helped build trust among the former Cold War adversaries. At the same time, other players have developed their nuclear and conventional military capabilities, and technological innovation is ringing in a new era of warfare, with profound new risks that lack regulation. While it is evident that arms control and nonproliferation efforts now require the buy-in of a much broader set of players, it is far from clear what a multilateral successor to the old arms control architecture could look like. To prevent a new, costly arms race between Washington and Beijing, China needs to be incorporated into regular and comprehensive strategic stability talks. And to find rules for the military use of new and emerging technologies – which not only determine the military risks of the future, but also shape the balance of power between liberal and illiberal norms – stronger coordination among the world's technologically advanced democracies is needed. However, the rules decided will only be effective if they have buy-in from states beyond the Western democratic core.

Broad-based cooperation is also needed to mitigate global warming. To this end, the international community must urgently step up collective efforts to move away from carbon-intensive pathways. At the same time, the energy transition itself, if not managed well, also has the potential to be highly disruptive. Yet with both climate and energy having become central domains of geopolitical rivalry, it is increasingly difficult to insulate the type of cooperation needed from the broader China-US competition. For that reason, the commitment of other players and collaborative formats gains in importance. But competition does not have to be all bad. If managed properly, it could even inspire a race to the top – spurring green investments and boosting bold climate action.

In fact, competition and cooperation do not only coexist. They condition each other. Whether states will be able to compete successfully will depend on their cooperative relationships with others. Likewise, the way competition unfolds will shape multilateral cooperation, its form, and its formats. To effectively tackle the most serious security challenges, the transatlantic partners must learn to navigate between these two "states of matter." Together with like-minded states, they need to seek the right balance: between competing against the illiberal tide where they must (to defend core values and interests) and cooperating with challengers where they can (to tackle shared risks and threats).

But this is easier said than done. Moving in between these two states of matter, agreeing on, and successfully communicating where and when to cooperate, where and when to compete, or where and when to do both at the same time is no small feat. Against the background of new levels of interdependence and the internationalization of almost all policy fields, such a strategy requires skillful statecraft, intellectual commitment, and appropriate decision-making structures on the domestic and the international level. The necessary debate about how to create these conditions and about how to design, communicate, and implement such a grand strategy has only just begun.