

Executive Summary

Amid growing geopolitical tensions and rising economic uncertainty, many governments are no longer focusing on the absolute benefits of global cooperation, but are increasingly concerned that they are gaining less than others. Prioritizing relative payoffs may well spur lose-lose dynamics – jeopardizing cooperation and undermining an order that, despite its obvious flaws, can still help grow the proverbial pie for the benefit of all. The transatlantic partners and like-minded states now face a difficult balancing act. On the one hand, they have to brace for a much more competitive geopolitical environment, where relative-gains thinking is unavoidable. On the other hand, they have to revive positive-sum cooperation, without which more inclusive global growth and solutions to pressing global problems can hardly be attained.

In absolute terms, the period after the *Zeitenwende* brought about by the end of the Cold War was a story of success. The risk of great-power war seemed remote, multilateral cooperation flourished, democracy and human rights spread, and global poverty declined. The open, rules-based international order that emerged allowed the “pie” of global prosperity to grow substantially. The contemporary *Zeitenwende*, however, points in a different direction, as pessimism has crowded out the optimism of the early post-Cold War era. Amid increasing geopolitical rivalry and a global economic slowdown, key actors in the transatlantic community, in powerful autocracies, and in the so-called Global South have become dissatisfied with what they perceive to be an unequal distribution of the absolute benefits of the international order. From the perspective of many developing states, the international order has never delivered on its promise to grow the pie for the benefit of all. China, perhaps the biggest beneficiary of the liberal economic order, and other autocratic challengers feel that the United States is curtailing their legitimate aspirations and are forcefully pushing for an even bigger share of the pie. And even the traditional custodians of the order are no longer satisfied, as they see their own shares shrinking. In fact, people in all G7 countries polled for the Munich Security Index 2024 expect China and other powers from the Global South to become much more powerful in the next ten years, while they see their own countries stagnating or declining. As more and more states define their success relative to others, a vicious cycle of

relative-gains thinking, prosperity losses, and growing geopolitical tensions threatens to unroll. The resulting lose-lose dynamics are already unfolding in many policy fields and engulfing various regions.

At their extreme, relative-gains concerns take the shape of zero-sum beliefs – the conviction that another actor’s gains necessarily entail losses for oneself. This thinking is nowhere more pronounced than in autocracies’ quests for their own spheres of influence. In Eastern Europe, Moscow’s imperial ambitions have already resulted in war and undermined all visions for a cooperative security order for the foreseeable future ([Chapter 2](#)). The result is a lose-lose situation in which Ukraine risks losing the most, with its very survival as an independent country at stake, while Putin’s war is also taking a massive toll on the Russian population. And Europeans can no longer reap the peace dividend, having to spend more on their own defense and in support of Ukraine.

Many observers fear a similar escalation of violence in the Indo-Pacific ([Chapter 3](#)), where different visions of order are clashing in an increasingly zero-sum fashion. China’s growing militarization of its maritime periphery is already raising fears that Beijing is trying to convert East Asia into its exclusive sphere of influence. As a result, many countries in the region are seeking closer security ties with the US and are trying to reduce their economic dependency on China. But decisively reduced cooperation with China hurts both them and Beijing. Moreover, if great-power rivalry in the region escalates, everyone loses.

Everyone is losing from the escalation of violence in the Middle East ([Chapter 4](#)). The terrorist attacks by Hamas have caused immense suffering in Israel and dealt a blow to the country’s very sense of security. Israel’s response plunged Gaza into despair, marked by soaring civilian casualties, destroyed infrastructure, and a humanitarian emergency. The war may also upend the regional rapprochement that had gathered momentum and began shifting zero-sum mindsets among regional powers. At worst, the war could spread further, with Iranian proxies threatening to kindle a conflagration.

In the Sahel, a series of coups has also compounded lose-lose dynamics ([Chapter 5](#)). In Burkina Faso, Mali, and Niger, where military juntas have recently assumed power, Europe and the US have lost partners for promoting development, democracy, and good governance, fighting terrorism, and managing migration. The populations of the Sahel, in turn, are losing the chance for peace and democratic progress. Meanwhile, in Sudan, the deadly power struggle that succeeded the 2021 coup has provoked an epic humanitarian crisis.

Geopolitical tensions are also transforming globalization ([Chapter 6](#)). States around the world are increasingly pursuing economic security against coercion rather than maximizing mutual gains. As a result, capital and trade flows are beginning to fragment along geopolitical lines. “De-risking” economic relationships could reduce vulnerabilities and thus the potential for conflict among rivals. But a fragmentation of the world economy would also involve significant costs, especially for low-income countries.

Even climate policy ([Chapter 7](#)), the quintessential positive-sum area where everyone benefits from cooperation, risks becoming engulfed in geopolitical tensions. Although climate, economic, and geopolitical goals are increasingly aligned, the rollout of green technologies and progress to net zero could be thwarted by the tensions between China and the US, transatlantic disagreements over trade and subsidy rules, and divisions between low- and high-income countries, including over adequate climate financing.

Long a driver of global prosperity, technological progress is increasingly being instrumentalized by rivals ([Chapter 8](#)). China, the US, and others want to dominate strategic technologies such as semiconductors and artificial intelligence (AI). In doing so, they accept the fact that they will fragment the tech sector and incur the incidental welfare losses. Much-needed global regulations on AI and data security risk falling prey to the securitization of tech.

Rather than reforming the open and rules-based international order so that it better delivers on its promised mutual benefits, the international community is currently moving in the opposite direction. The transatlantic partners and like-minded states thus face a difficult balancing act. They must invest in defense and deterrence while selectively restricting the pursuit of mutual benefits to politically like-minded states; yet this must not result in a vicious cycle, where fears of unequal payoffs engulf ever more issues and positive-sum cooperation is limited to fewer and fewer states. Above all, the course corrections must not undermine transatlantic efforts to build stronger partnerships with countries in the Global South and jointly reform the existing order so that it works to the advantage of a much broader global constituency. But this is easier said than done in an election year that may even see the tangible benefits of close cooperation among democracies come under further pressure. There is thus a real risk that more and more countries end up in a lose-lose situation, which is no longer about who gains more, but only about who loses less.