



State of the World Summit Speech 2022

Ian Bremmer, Eurasia Group

Good morning.

Can one person change the world?

On February 24 of this year, Vladimir Putin gave us an answer to that question.

The invasion of Ukraine that he ordered... to the surprise of many of his own generals... opened a conflict that is shifting international politics, roiling the global economy, remaking relations between East and West... as well as the West and Global South... for years, perhaps decades, to come.

This still-expanding conflict was, and continues to be, the design of one man, but its effects have upended lives and livelihoods in every region of our still-very-much interconnected world.

I'll open with thoughts on the changes this war has wrought. But there are much larger questions to consider. The biggest of all centers on the entire international system. Where is all this going?

Our world is plagued with crises that are coming more often and more abruptly, and the current system is not yet equipped to respond. In particular, the world's most powerful nation – the United States – has become the most politically divided and dysfunctional democracy of all the G7 countries. And relations between America, still the world's superpower, and its most important emerging actor, China, are bad and getting worse. They're barely talking at all.

But in the final part of my speech, I will explain how, despite these two crucial obstacles to progress – US dysfunction and growing US-China confrontation – I see real opportunity for positive change... particularly in areas where multiple stakeholders have influence over what happens next.

The War

I open with Putin's war, and we must begin with its awful implications for Ukraine. Despite Ukraine's remarkable recent gains on the battlefield, this war continues to threaten its survival as an independent state. Russia still controls about 20 percent of Ukraine's territory, and though Ukrainian forces have launched a counteroffensive that has recaptured ground and shows promise, they are unlikely ever to evict Russian fighters fully. This week, Vladimir Putin's government is preparing to annex much of this occupied land into the Russian Federation.

Ukraine's economy will probably contract by 40 percent this year. International aid will help the government to pay its employees, including its soldiers, and finance its bid to continue the fight. But Russia's gains will permanently reduce Ukraine's GDP and long-term growth potential.

Ukraine will survive. Its process of integration into the European Union will keep the effort to rebuild and reform Ukraine's economy on track. But with no end to the fighting in sight, Ukraine will remain fully mobilized for war, its economy will continue to suffer, and Western commitment to Ukraine will diminish. US and European military



support won't continue at current levels beyond the next 12-24 months – and that reality will undermine President Zelensky's ability to negotiate an end to the war that's acceptable to Ukrainians who have already lost so much.

That will be Ukraine's biggest longer-term political problem. Despite confidence in Kyiv that the war can still be won... whatever that means... the near-term goal remains survival... and a better day in the longer-term future.

Now we turn to Russia.

Make no mistake: for Russia's future, the war in Ukraine is a catastrophe. Vladimir Putin's unwillingness to accept this reality makes the problem much worse.

President Putin intends to declare "victory" at some point, perhaps once Russia annexes enough of Ukraine's land to make the claim credible inside Russia. But one of Russia's stated goals when the invasion began was to "demilitarize" Ukraine. Instead, Russian and Ukrainian forces have now proven that Russia is not strong enough to accomplish that. Instead, Ukraine will remain much better armed, much more fully integrated with NATO forces, and much more determined to defend its independence than was imaginable before the February invasion. Last week, Putin has announced the mobilization of up to 300,000 reservists, and eventually that will matter for the balance of power on the ground. But it will take months to train and equip all these people for combat.

President Putin also hoped to divide America and Europe, and to weaken NATO's cohesion and sense of purpose. He has accomplished exactly the opposite. The US and Europe have not worked together as closely on any project since the Cold War's end. NATO is in the process of expanding to include Finland and Sweden, strengthening the Alliance's capabilities and instantly doubling the length of the borders Russia shares with NATO members. Germany is sharply increasing its defense spending. Putin has managed to provide America's Republicans and Democrats with an enemy they hate even more than one another.

Russia now faces hundreds of thousands of forward-deployed battle-ready NATO troops at a time when its military is struggling to recover from the loss of tens of thousands of its soldiers and a staggering amount of its firepower. Sanctions and export controls have tied Russia's military supply chains in knots. Export controls on high-tech parts will deny Russia the ability to restock its most modern weapons.

More broadly, Russia's economy is in real trouble. Yes, high commodity prices, the government's ability to bolster the ruble temporarily, Europe's continued dependence on Russian oil and gas, and the willingness of countries like China and India to buy unsanctioned energy exports at heavily discounted products have cushioned the near-term blow for Russia's people. Putin is correct that the coming winters will be difficult for Europe as it works hard to break its addiction to Russian energy supplies.

But Russia's president has proven to European leaders that they can never again trust him as a reliable commercial partner. They know they must absorb considerable pain in coming months to deny Moscow the ability to punish Europe again in the future. Once they have stopped buying Russian oil and gas altogether... probably by 2024... it will be Russia that faces lasting damage.

As long as Putin remains in power, there will be little reason for the US and EU to lift sanctions. He shows no signs of reversing course -- in the past week, he has only escalated – and next month, despite all the economic hardship, 27 EU countries will unanimously approve yet an eighth round of sanctions.

It's no surprise then that many of Russia's most ambitious and talented young people are leaving their country in search of a better life. Russia has suffered "brain drains" many times over the centuries. Each wave of exits has diminished the country's long-term potential. This exodus will gather speed.

At this stage, we're left to wonder whether Putin understands the depth of the hole he continues to dig for his country. His security forces have suppressed almost all public displays of dissent. Ordinary Russians know that participation in protests leaves them at the mercy of police who have a mandate to abuse them. Public use of the word "war" can send a Russian citizen to prison for 15 years.

But the successful crackdown on protest risks numbing his government to the pain and lasting danger of unrecognized public anger. Putin understands that public resistance is a danger. He saw it again with the surge in anger in several Russian cities – and thousands of arrests – that followed last week's mobilization announcement. Surely he now knows that the war's true costs – in Russian lives and long-term economic damage – can't be hidden forever.

In short, Putin hoped to strengthen Russia, boost the country's prestige on the world stage, and replenish public confidence in his leadership. It is increasingly obvious, even to ordinary Russians, that Putin has accomplished exactly the opposite.

The war's impact on the West has been nearly as dramatic.

For those of us who came of age in a time of Cold War, it is startling to realize that the Berlin Wall fell one-third of a century ago. Since then, Americans and Europeans have come to believe that the Wall, and the East-West conflict it symbolized, are now subjects only for history books.

One of NATO's early leaders famously said in the 1950s that the purpose of the Alliance was "to keep the Soviets out, the Americans in, and the Germans down." Since 1992, a European might reasonably ask why any of that remained necessary. The Soviets were consigned to the dustbin of history. NATO continued, but its purpose became a subject of debate. Americans and Europeans were freed to focus on their differences rather than on common values, interests, and threats.

On February 24, President Putin brought that era to an end. Russia's invasion threatens other countries that are now EU members and transforms European perceptions of Moscow's destructive potential. It reveals the continuing value of both security partnership with Washington and Germany's willingness to spend a lot more money on weapons. NATO is once again necessary, and G7 leaders have new problems to solve and plans to make.

Washington, Brussels, and London are in near lockstep on efforts to both punish Russia and degrade its military and economic capabilities. The pandemic and its economic fallout has bolstered unity within the EU, and the need for collective action to bolster European security, fundamentally redesign Europe's energy architecture, boost Ukraine's firepower, and absorb Ukraine's refugees have added more momentum to that movement.

Even Italy's new far-right, euro-skeptic government backs the EU effort to bolster Zelensky's government in Kyiv. And though the accession process remains a long and winding road, the unanimous EU decision to accept Ukraine and Moldova as candidates for Union membership – embracing the Russian invasion as a European war – speaks for itself.

None of this was possible before February 24. All of it is the direct result of one man's historic mistake.

And as is obvious here in Japan, this is not just a story about Europe. Russia's war boosted security concerns for all advanced industrial democracies. With a nervous glance toward Beijing... Japan, South Korea, Australia and New Zealand can see that what's happening inside Ukraine – and inside Russia – is directly relevant to Asia's security. This gives these countries new reason to renew their security partnerships with the American military superpower.

In short, Russia's war in Ukraine has created the crisis needed to bring unity where there had been only fragmentation in recent years, and the positive effects of this shock will continue long into the future.

And yet...

As we turn to a broader look at the current state of the world, we must recognize that Russia's war has added to the health, economic, social, and political stresses created by the pandemic to create yet more turmoil in the countries least equipped to absorb them.

The breakdown of global supply chains, the higher food and fuel prices exacerbated by the war, and the growing debt burdens all of this imposes on the cash-poor governments of many developing countries have created turmoil in 2022 – and they will create much more in 2023.

It is no exaggeration to say that the developing world's globalization gains of recent decades – first among them the creation of the first truly global middle class – have been thrown into reverse... first by COVID and now by the Kremlin.

The three decouplings

With that warning, I want to turn to a broader and longer-term question: What will replace our G-Zero world order, the continuing lack of credible and sustainable international leadership?

The last fifty years of world economic development have been defined by *globalization* – all the processes by which ideas, information, people, money, goods and services cross borders at historically unprecedented speed.

Globalization has generated an era of economic growth on a scale unmatched in human history. It has created opportunities and profit for multinational corporations, banks, and global elites. And it has lifted billions of people out of poverty and created the first global middle class.

But it has also created losers. Workers in wealthy countries who haven't been part of the transitions toward knowledge-based jobs in the 21st century digital economy... American and European factory workers, in particular... have gained much less than their peers in emerging countries. And they've come to resent the "globalism" – an ideological faith in the positive power of universal interconnectedness – that allows wealthy and powerful elites to write rules that benefit themselves.

Opportunistic politicians have recognized this backlash, and they've invented new ways to profit from it. The result is a pushback in many countries against liberalized international trade and the promotion of social values they see as alien to traditional culture.

We see this in the bitter opposition the American left expressed toward almost all proposed trade deals and in the tribalism that now drives the Trump faction of the Republican Party. We see it in every reference that Britain's Liz Truss or Italy's Giorgia Meloni make to "woke culture" and in the anti-capitalist rhetoric that animated the French left during elections earlier this year.

But we also increasingly see it in low and middle income economies as well. Xi Jinping's insistence on Chinese self-reliance and in Vladimir Putin's appeal to Russian Orthodox values as a shield against the liberal Western fetish for personal freedom.

That's why the new global buzzword is... *decoupling*.

The "aspiration for separation" is the natural consequence of a 'my country first' ideology, one that plays on both legitimate worries and nativist grudges to reject the idea that global interdependence is good for security and prosperity. In this view, safety can be found only in self-reliance... and outside influences are to be defiantly resisted.

But unlike globalization, a word that describes a single broad phenomenon, decoupling describes three separate processes that are very different one from another. These three decouplings will not end globalization, but they will fracture the global economy and, accordingly, change our geopolitical order.

The first decoupling separates Russia from the "West." It's the most abrupt of the three. It's also the most severe... and the most irreversible.

The most important lasting implication of Russia's invasion of Ukraine will be the near-complete severing of economic ties between Russia and the world's advanced industrial economies. Western multinationals have exited the Russian marketplace and unloaded their assets.

Most of Russia's business elite has seen its assets frozen. Russian banks are under sanction and cut off from the global payments system. Europe has finally come to accept that Russia will never be a reliable provider of energy. This decoupling between Russia and the West is near-complete and functionally permanent.

Russia is not entirely isolated. It won't become North Korea. Its natural resources remain far too important to the global economy for that. China, India and others will continue buying, if only at sharply discounted prices. The developing world still need Russian grain and fertilizer. Developing world strongmen will continue to hire Russian mercenaries and weapons – presuming Russia can produce them – to help keep order.

But the long-term impact on Russia that follows its decoupling from the West will be staggering. Its access to advanced technologies will be sharply limited, with dire implications for both Russian industry and the country's broken military. The Western aspirations of its people will be frustrated, except for those willing and able to take their talents elsewhere. Russia will be the first country effectively ejected from the G20, and its government will respond with new attempts to disrupt the status quo.

The result is a new Cold War—with elements of hot war. But unlike the conflict of the 20th century, this one will unite, rather than divide, Europe.

The second decoupling separates the West and Global South. As we move deeper into our crisis-plagued 21st century, US-China frictions and Russia's war will keep East-West conflict in the headlines. But emerging points of contention between West and Global South will also pose important threats and challenges.



Continuing interdependence leave America and China in the same boat toward a common destination. More on that in a moment. Unfortunately, many poorer developing countries, especially vulnerable to the world's political and economic turmoil and a source of millions of migrants and refugees desperate to escape, will find over the next decade they don't even have seats in the lifeboats.

The global pandemic has pushed already indebted poor countries into dangerous territory. Some 58 percent of the world's poorest countries are already in debt distress or at high risk of it, the World Bank warned us in June, and the danger is now spreading to middle-income countries. Broken supply chains, rising interest rates, and surging inflation combine with falling growth and fewer remittances to create conditions for a developing world debt crisis in coming years.

Russia's war has added price volatility for the food and fuel that *slows* rich-world economies but *devastates* poor ones. With an unstable stalemate in Ukraine feeding further uncertainty for years, that problem will widen opportunity gaps between West and South.

Finally, poorer countries are less well prepared to limit the harm done by erratic weather patterns, and other unpredictable results of continuing climate change over the next decade will add to the already catastrophic humanitarian, political, and economic storms created by mass flows of migrants. That's especially true in South Asia, North Africa, and the Middle East, where surging temperatures will more often test the limits of human endurance, and in Central America, a region already plagued with poverty and violent crime.

Wealthier countries will respond to these crises in coming years with steps designed mainly to protect themselves rather than to invest in the common good. High inflation and recession fears in America and Europe will reduce already limited political appetites for expensive investments in emergency management and debt restructuring in other regions. Concerns over continuing long-term threats from Russia will further distract Western leaders from existing conflicts and potential crises in Afghanistan, Yemen, and elsewhere. Investments in plans to limit climate damage will focus on disasters and dislocated people at home. Western-led institutions like the IMF and World Bank will have to make tough choices on where to invest resources made increasingly scarce by the swelling number of local emergencies.

India, now projected to become the world's most populous country in 2023, will align with the US and its Asian allies on efforts to contain China's expanding influence. But on the emergencies described above, it falls squarely in the global South. How will Narendra Modi's government respond in coming years to the many economic challenges his country will face? Or Brazil? South Africa? Indonesia?

These are incremental changes. None can afford to break their relations with the United States and the West. But all are increasingly tilting towards populism and protectionism to bolster their political support at home.

And that leads us to the final decoupling, the one now separating China and the United States.

For now, the Biden administration has little choice but to spend much of its time focused on Putin. But it's not the Ukraine-obsessed Kremlin that's challenging US power by becoming more economically influential and technologically dynamic. It is China's growing clout and rising hostility toward US influence that has many of America's policymakers and pundits, Democrats and Republicans, pointing a finger of warning toward Beijing.



It is unfortunate that the world's most important bilateral relationship consists of countries with competing political and economic systems. It's even more unfortunate that the pragmatism that allowed both China and America to profit enormously from globalization has broken down into acrimony and deep-seated distrust.

Worse still, public expressions of hostility toward the other government play well in the domestic politics of both countries. In America, Democrats and Republicans don't agree on much, but leaders in both parties insist that China poses global threats that must be contained. China's political leaders argue that the only way to overcome US containment strategies is to undermine US power wherever and whenever possible.

That's why, in both countries, the idea of *decoupling* has only become more popular over the past decade.

Washington now wants to spur strategic investment in semiconductors, not just to expand growth but to beat the Chinese. China's renewable energy investments push the Americans to go greener faster as part of a battle for market dominance. In both countries, sectors with national security importance – which in China includes social media and other information industries – are off-limits to potentially valuable investment from the other.

There is better news here: While the West's decoupling with Russia is near absolute, US-China decoupling is far more limited. It is true that trust between Washington and Beijing is now in shorter supply than in half a century. Americans fear China will threaten US security and prosperity by exporting its authoritarian system of government and state-directed way of capitalism.

President Xi Jinping shares Vladimir Putin's deep sense of grievance against America's claims to exceptionalism and its drive to make rules that others must follow. Yet, US and Chinese leaders know that problems much closer to home will occupy much of their attention in coming years. There remains a consensus within the US government that America still needs China's economy to remain strong. A dangerously destabilized China would create mutually assured economic destruction.

The Biden administration recognizes that already high inflation in the United States is exacerbated by tariffs on China, and the problem would grow worse if the US even signaled the intention to fully decouple. Biden may still try to remove at least some of these tariffs in coming years. If so, whatever its rhetoric, Beijing would welcome the new opening.

There is similar pragmatism within China's leadership. Xi would be happy to see Vladimir Putin damage Western confidence and drive a wedge between America and Europe, but he sees that Russia's headstrong president and his war have failed. Instead, Putin has brought the transatlantic partners closer together and raised fears over Taiwan that have Americans and their Asian allies making plans for the future.

More importantly, Xi knows the Communist Party's monopoly hold on domestic political power depends on continuing to meet the expectations of China's people for a continually rising standard of living. That, in turn, depends on continued robust commercial relations with the EU, the US, and Japan, which together buy nearly 40 percent of China's exports. That's a figure that has barely budged during Xi's decade in power. (Russia accounts for just 2%).

China remains America's largest trade partner in goods, its largest supplier of goods imports, and its third-largest export market. The US remains both China's largest goods trade partners and biggest export market. Business elites in both countries continue to protect the opportunities that US-Chinese commercial ties continue to create.



As important, other governments, even those most fearful of China's rise or resentful of America's sometimes arrogant use of power, want the US and China to compete peacefully and for the benefit of the entire global economy.

America's closest allies in Europe, Asia, and the Americas want no part of a great power conflict. Trade with China is too important to their futures, though they do want American protection against China's push for new terms of trade and investment. There is not, and is unlikely to be, a US-China Cold War because 21st century interdependence can't be undone by 20th century Cold War-style threats.

The US-China decoupling in tech and security sectors will intensify in coming years, but the interdependence that binds their fates together is becoming *more* important, not less. That is why, though globalization faces unprecedented stress tests, it would be foolish to bet against its long-term potential to generate more gains for those who participate in it.

Globalization today is not over. Nor is it being destroyed. It's adrift.

The next world order(s)

What does all this mean for the future of the global order?

First, the bad news. The United States, the world's most powerful country, is only becoming more politically divided and dysfunctional. I'd love to tell you that I soon see a brighter day ahead for American politics. I don't. Left-right differences in worldview are too entrenched; policy positions are too polarized. Only a catastrophic electoral defeat for one side is likely to change the current political calculus, and (for now) the nation is too evenly divided for that.

Nor will US-China relations improve much in coming years. Yes, economic and political self-interest in both countries will prevent a total breakdown in the relationship. But frictions are increasing. Bipartisan US hostility toward China, a surge of Chinese nationalism stoked by the Communist Party, tariffs, tech competition, the politics of the pandemic, and the Russian invasion of Ukraine have all worked to minimize the possibility that a new US-China alignment will help provide the world with better leadership.

So... there will be no G1 or G2 to replace G-Zero.

Now for the good news. When one or two superpowers set the agenda and make the rules in every important arena of the international system, you have a single global order. For better and for worse.

But what happens when the world isn't led by superpowers anymore? Tomorrow's geopolitics will be based not on a single global order, but on *multiple coexisting* orders, with different actors providing leadership to manage different kinds of challenges.

This is the way out of the G-Zero dilemma that we've been living with now for more than a decade.

Let's start with the **global security order**, the one area of international relations that hasn't changed very much. The United States remains the only country on Earth that can project military power into every region of the world. Despite China's much greater investment in naval capacity and a growing willingness to use it in East and Southeast Asia, America's hard power has no serious rival. For now, China remains a regional military power.



Ironically, Putin's invasion has bolstered American security power by reminding Europe just how valuable the transatlantic alliance can be. NATO has expanded, and its members will spend more on defense against Russia... not because Americans want them too, but because Russia has persuaded them that they have to.

America's Asian allies are also looking to strengthen military ties with Washington. China's increasingly bellicose foreign policy rhetoric has set teeth on edge from Japan across South Korea through India all the way to Australia. None of these countries wants China as an enemy. All want to profit from the commercial opportunities China can offer. But all are wary of too deep a dependence on Beijing's good will and want to keep American military power in the region.

Russia will actively push against this existing security order, but its reckless and self-destructive war in Ukraine, the unified Western response to it, and the economic implications of both have damaged the Russian military so badly that it will take decades to rebuild.

In years to come, Russia is more likely to behave like a "large Iran" than an "aspiring China." As its economy deteriorates dramatically, it will build the kind of intensified police state we see in Belarus. It will look for new ways to destabilize Europe and the United States... as Iran does via proxies in the Middle East. We can expect a deeper Russian investment in political interference, disinformation, an expansion of cyberattacks against soft targets, and even support for radicalism. And as Putin has done in recent days, he will use nuclear threats to try to blunt Western responses. Washington will continue to lead the response.

The **global economic order** is a different story.

Though there is little reason to doubt the continuing dynamism and resilient consumption-led growth in the United States, this is an area where we're moving much more quickly from a unipolar world toward a multipolar world.

Several different models are plausible. If China becomes the world's largest economy over the next ten years, and then extends its economic lead, Chinese investment abroad and international demand for access to the Chinese market will ensure a more multilateral trade order, with America's push for strategic competition tempered by the hedging of European and Asian allies (to say nothing of the American private sector) and a Chinese alignment for most of the developing world.

But I am not at all confident that this is our direction of travel. China's poor demographics, its large and growing debt load, as well as growing inequality and protectionism in the developed and developing worlds could stall China's growth and force its policymakers to turn inward. China's Belt and Road Initiative might well wither in this scenario, leaving dominant regional powers as the most important players on trade.

The US will remain economically dynamic, but Europe, India, Brazil, and many others will continue to help fuel global growth. And the European Union will continue to exercise important leadership on the setting of standards and the writing of rules that create boundaries for 21st century commerce.

The **climate order** is not being led at all by the US and Chinese governments, and that's highly unlikely to change in coming years. Instead, this system will be determined by a diverse set of countries, all of whom face a now universally recognized common problem. In short, the climate effort *has already become* multipolar *and* multi-stakeholder in ways that should give us more resilient confidence in our future.



Europeans leaders have set the pace on rulemaking and model-setting for how a post-carbon world of governance and society can function. Yet... though damage to Earth's atmosphere has so far been a product of industrial development in Europe and America... China, India, and the developing world will play the largest role in determining the level of carbon emissions in coming decades – and, therefore, in just how much damage humans will ultimately inflict on the planet we share. That is why they cannot and will not be denied their say in how the fight to limit climate change will move forward.

Crucially, this is also a struggle in which non-state actors – the UN, other international institutions, the global scientific community, philanthropic organizations, provincial and local political leaders, multinational businesses and banks, activist organizations, and even influential individuals have played a genuinely substantive role in advancing the international effort to reverse the damage that humans have done, and will continue to do, to the planet.

This multi-stakeholder order will remain in effect whether the world can limit global warming to 1.5 degrees Celsius... which looks increasingly implausible... or whether actors focus more on narrower, shorter-term concerns, pushing global temperatures higher, to 2.5 degrees (as now looks likely) or even more.

The difference between these outcomes is a matter of tens of trillions of dollars and hundreds of millions of lives. But whatever our trajectory, the global climate order will be a dramatically more multipolar and multi-stakeholder world than has ever existed in modern times.

Finally, there is the **digital order**, the biggest departure from geopolitics of the past. While the US, and allies equipped with its weapons, can still dominate most battlefields in the physical world, power in the digital world is much more diffuse. The US and China are still the dominant players here, but not as government actors.

Instead, it is the world's largest technology companies who have sovereignty and rule-making power in the virtual world. That's true for commerce, for security, and even for civil society.

This is the techno-polar world.

Nearly all the most powerful tech companies are headquartered in just two countries: The United States and China. But whether the techno-polar order evolves into a technology cold war, an open and competitive multipolar global order, or breaks down into completely separate technology company-driven virtual worlds will depend on the strategic governance models of these companies and how they choose to interact with governments in coming years.

If US and Chinese political leaders assert themselves effectively in the digital space, and if the tech companies based in each country then line up with their respective governments, a US-China technology Cold War becomes likely.

If the tech companies continue to pursue global growth strategies... and therefore refuse to align with governments, preserving the existing divide in the physical and digital fields of competition... we'll see a more multipolar globalist digital order.

But if the digital space itself becomes the most important arena of great power competition, and the power of governments erodes relative to the power of tech companies, *then the digital order itself will become the new dominant global order.*

And if that happens, we'll have to consider an entirely new set of actors – the technology companies – as the central players in 21st century geopolitics.

Japan

Let me now turn to what all this means for Japan. How is this country positioned for the four parallel orders I described?

In the **security** order, Japan has cemented itself as America's indispensable partner in Northeast Asia, largely thanks to former prime minister Abe Shinzo's leadership. Abe began championing a "Free and Open Indo-Pacific" years before the US adopted the idea.

Japan has also started to do two other things to improve its security, apart from strengthening the US-Japan alliance. First, it has been building up other alliances like the Quad (with the US, India, and Australia) and the new Japan-Australia Reciprocal Access Agreement. Second, Japan has been building its own defense capabilities year by year since 2015, when the Japanese constitution was reinterpreted to allow for the right of collective self-defense.

These moves have allowed Japan to work more effectively with the United States in helping to build a global security architecture of advanced industrial democracies that treats national sovereignty and self-determination as core rights that should be defended everywhere. The Ukraine crisis has only intensified Japan's resolve to realize this vision, as summed up in this warning from Prime Minister Kishida Fumio: "Ukraine today could be East Asia tomorrow."

In the **economic** order, Japan is less aligned with the United States. With the world's third largest economy but a much smaller population than #1 and #2 (the US and China), Japan still punches far above its weight. But with a declining population and a shrinking market, the country must open foreign markets to squeeze out every bit of economic growth if it wants to remain strong. That means Japan will want to continue to do business with China, which dwarfs the US as Japan Inc's closest trading and manufacturing partner. At the same time, Japan will strengthen multilateral trade to lessen its economic dependence on China. In fact, Japan is increasingly taking up the US mantle in balancing China economically, as evidenced by its role as the de facto leader of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) after the US withdrew from the project it once led.

The bad news is that despite Japan's embrace of a more ambitious trade agenda, Japan will struggle to generate increased productivity growth from its shrinking population. Technology can help with that problem, but it can only go so far. To boost structural growth, Japan must do two things it has remained reluctant to do: liberalize immigration to bring in more foreign workers and make all necessary changes to bring more Japanese women into the workforce and to keep them there. Unless it takes these steps, Japan will gradually lose much of its current economic clout—no matter how effective and intelligently diversified its trade policy is.

In the **climate** order, the opportunities for Japan are much greater. An active member of the developed nation "team" on the climate crisis (though certainly not its "captain"), Japan is using its alliances to position itself to become a climate leader. It has leveraged the Quad to advance clean energy security. It is also a member of the US's Mineral Security Partnership that seeks to coordinate critical minerals for clean technology between allied nations and away from Chinese dominance of this sector.

The country's own leading technological advantage in the hydrogen economy and solar PV technology is essential to the global energy transition and will prove a key asset for Japan in this sphere.



Finally, in the **technology** order, Japan shares US and European concerns about emerging threats from China. It was one of the first countries to become a victim of China's practice of economic coercion, and it has responded by pioneering the notion of "economic security," which Prime Minister Kishida elevated to a cabinet-level position.

Japan will continue to take measures to limit technology transfers to China, protect Japanese data, secure supply chains for crucial intermediate goods, and fortify key domestic industries such as semiconductors.

The biggest challenge here for Japan is that it has lost the technological edge it had decades ago and now doesn't have leading technology companies of its own to set global rules and standards. That's an enormous problem, especially considering how sorely an aging Japan needs to integrate more technology into its economy. Japan must develop intelligent and creative plans for how best to compete in a world that threatens to relegate its governments and companies to rule-takers rather than rule-makers.

The coming world is one that will be much less oriented toward growth and efficiency than it will be toward stability and resilience. That's good news for Japan, which has one of the world's strongest, most cohesive governments, with a deep commitment to democracy, the rule of law, and multilateralism.

Japan must be ready to seize the opportunities for leadership created by the splintering of the global order. But it must also be vigilant and honest about the difficult challenges that lie on the horizon.

I'll close this morning with this...

There are more crises to come. At next year's summit, I'm confident that we'll be talking about new conflicts and emergencies inside the United States, inside China, across Europe, inside Russia... and certainly in many parts of the developing world.

The growing problems of inflation and debt will generate anti-incumbent anger, and the risk of large-scale unrest, particularly in developing countries. The world will get hotter, weather patterns will become more erratic, and the impact of technology on our lives will grow more complex... and more dangerous.

But we will find the possibilities for progress embedded in these crises...

...and by "we," I no longer just mean governments. Policymakers in these fields are increasingly business leaders, journalists, activists, and citizens. In short, human beings.

As our G-Zero world becomes four new global orders, the number of us who have a stake in our world's future... and who have in our hands the ability to bring about positive change... is growing.

We must not waste these opportunities.

Thank you for listening.
