State of the World Summit Speech

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Part 1 – This is not a Cold War

We live in a time of unexpected crises.

The pandemic is making headlines, upsetting markets, and setting off yet another round of recriminations among governments that highlight yet again the dysfunction of the current international system. Some countries are again locking down. New political and economic pressures are creating conflict at international borders and filling city streets in every region of the world. 1.2 degrees of global warming has brought increasingly erratic weather events, as climate change disrupts tens of millions of lives. More people than ever are now on the move across borders in search of a safer and more prosperous future. US and Chinese leaders face challenges at home and from one another. Don't get me started on the Russians.

The shortcomings of our G-Zero leaderless world are made all the more obvious by our inability to help people left behind in Syria and Afghanistan, to resolve the years-long conflict over Iran's nuclear weapons, to defend the territorial integrity of Ukraine, to halt fighting in Ethiopia's civil war, to prevent one in Myanmar, and to bolster democracy in many countries where its foundations are under threat.

Including my own.

But today I want to step back from the tensions and turbulence of the moment to look at the larger forces that will shape our G-Zero world in years to come.

As 2021 draws to a close, the United States and China are confronting one another over all sorts of issues. In some cases, the competition between them will be zero-sum. The two governments will never agree, for example, on the future of Taiwan, Hong Kong, or the South China Sea. In other areas, like trade and investment, both competition and cooperation for mutual benefit are possible. In still other areas, like climate change, some level of collaboration is essential for the security and success of both countries and the world.

But let me begin today by disagreeing strongly with those who say these two countries are now locked in a 21st century Cold War... or that future conflict between them is inevitable.

It's true that US and Chinese leaders often behave as if they ARE fighting a Cold War, and if that behavior leads them eventually into confrontation, they will share responsibility for the profound (and unnecessary) resulting damage. A new great-power confrontation would undermine the interdependence that continues to expand both economies and protect each country's national security.

Fortunately, there is no US-Chinese Cold War, and I don't expect to see one.

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That's not because I predict that Washington and Beijing will become friendlier or decide to trust one another (heck, literally hours ago the White House announced a diplomatic boycott of the Beijing Olympics), or that I expect the two governments to publicly accept just how costly a new Cold War would become. It's mostly because both countries face unprecedented domestic challenges in coming years that will demand most of their attention and energies.

In short, both governments will be focused at home.

US Dysfunction

I'll start with the United States, a nation of contradictions. When COVID-19 struck the nation in early 2020, the US quickly led the world in infections, hospitalizations and deaths… and then it set records for the speed of production and distribution of state-of-the-art vaccines.

In January of this year, US stock markets surged to record heights just as a violent mob stormed the US Capitol in hopes of reversing the outcome of a national election the sitting President said, falsely, was stolen.

In February, a large storm left millions of people in Texas struggling for days without electricity, heat, or clean water… even as the nation's space agency was landing a vehicle on the surface of Mars.

The American capacity for invention is unparalleled.

Its politics are broken.

The United States remains the only nation that can project political, economic, cultural, and military power into every region of the world.

Its capacity for self harm is also a superpower.

Today, the greatest threats to American democracy grow in American soil. US politics has become hyper-polarized. Tribalized American media – on television, radio, and online – makes that problem worse each year by targeting politically like-minded consumers and feeding them hyper-partisan news coverage. Social media has amplified this trend.

Widening wealth inequality continues to separate white and non-white, urban and rural, more educated from less educated.

A deepening public mistrust of political institutions has set the stage for future fights over the legitimacy of American elections.

STATE OF THE WORLD

China's Challenges

China too will turn inward over the next decade. After 40 years of extraordinary growth, Xi Jinping's "China dream" has become a reality for hundreds of millions of people lifted from poverty. But the difficulty of extending and broadening those gains has become a towering economic, social, and political challenge for China's leadership.

China is still a middle-income country. To reach the level of wealthy nations, China would have to keep growing at 6-7 percent for at least another twenty years.

But the growth engines China has relied on to get this far are running out of gas. Job losses in the wealthy countries that have bought so many Chinese-made products have forced a reshoring of manufacturing away from China. Advances in automation and robotics have also cut into China's lower-wage advantage.

At the same time, China's past growth has increased living standards and raised Chinese expectations for continuing gains. Chinese Communist Party officials are right to worry about these trends.

China also faces a demographic cliff. Its population will begin shrinking in 2027, The labor force contracted by 40 million workers over the past decade, and the share of citizens over 65, now at 13.5 percent, will nearly double by 2030. These demographic pressures will drag on growth even as they force the Chinese government to spend more on financial security and health care for the largest population of elderly people in history.

Unlike the demographic shift in Japan, demographic decline is hitting China at a much earlier stage of its national economic development. President Xi Jinping's effort to address this problem by shifting China's "one-child policy" to a "two-child policy" and now a "three-child policy" has had little effect.

China also must contend with a growing debt problem and a fraying social contract.

President Xi has laid out an ambitious domestic agenda to make China technologically self-sufficient, and to create what he calls "dual circulation" and "common prosperity."

The idea of "dual circulation," introduced in the latest five-year plan, is an economic growth model that prioritizes domestic economic security over global market integration. Washington's moves to cut off leading Chinese firms like Huawei from key inputs and supply chains convinced Beijing that it must reduce its dependence on Western, especially American, suppliers. Beijing's new plan is to use China's huge internal market to develop indigenous tech manufacturing capacity and to meet more of its own energy and food demands. It's a move toward self-reliance to protect China's domestic economic resilience.

Xi's "common prosperity" plan aims to reduce income inequality by redistributing resources across regions, between income groups, and within a range of powerful sectors like finance, property, and technology. It's motivated by Xi's belief that entrenched inequality—of opportunity as well as outcome—is a long-term threat to Chinese growth and Communist Party control.

Finally, President Xi knows that financial stability is crucial to China's national security. In line with rebalancing efforts aimed at promoting high-quality and sustainable growth, Beijing is stepping up its regulatory campaigns to de-risk the financial sector and break the country's property addiction.

For decades, China's economy has been over-reliant on debt, credit expansion, and property investment for growth, much of it involving unproductive borrowers and speculative investments. To limit systemic financial risk and avoid a hard landing of its economy, China is now more than five years into a deleveraging campaign aimed at curbing the growth of shadow banking and cleaning up the banking system.

But as we've seen with indebted property developer Evergrande (with shares collapsing today as debt restructuring looms) and contagion to China's property sector, changing the model of implicit government support for firms once thought "too big to fail" comes with major financial risk.

While Xi will continue to stand up for Beijing's interests at home and abroad, particularly against challenges by outsiders, China's historically ambitious and risky reform plans will increasingly demand the leadership's full and undivided attention.

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There is some good news that comes from this US and Chinese self-involvement: The pre-occupation of US and Chinese leaders with their respective domestic challenges will create more space for European, Japanese, Canadian, Indian and other political and business leaders to work toward a more peaceful, secure, and prosperous world for all of us.

Just as Pacific Rim countries have moved forward with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership to lower trade barriers without the involvement of the US or China (and yes, it's a big missed opportunity that the US isn't a signatory, but much better for the world that CPTPP exists than not), and just as other governments have moved forward with climate action despite ongoing doubts about US and Chinese leadership or even cooperation in reduce emissions, so other actors—including inside the US and China itself--can fill many of the world's leadership gaps over the next decade.

The Techno-polar moment

Other governments are not the only actors stepping into the power vacuum left by a turn inward in Washington and Beijing. Technology companies are also becoming important geopolitical actors. We're now entering a world in which economic winners and losers, election outcomes, and national security will depend on choices made by both governments and the world's big tech firms. This is a techno-polar moment.

The idea is simple but transformative. The biggest tech companies will establish sovereignty in the digital world by creating the architecture that defines the digital space and its boundaries, the algorithms that determine what happens within that space, and the "terms and conditions" that decide who is allowed to operate in this world and under what circumstances.

Today, anything with a chip in it, anything that produces data is every bit as important as the physical world for how we spend money, digest information, interact with one another, and protect ourselves. Just as governments make the laws that determine what can happen in the physical world, technology companies have final authority in a digital world that is becoming more immersive and more expansive.

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The power of tech companies matters for the physical world too. Think for a moment about the unprecedented events of January 6, when protesters stormed the US Capitol. These are people who wanted to stop the democratic process of certifying a national election and who threatened to kill US elected officials. The US government has taken no action against the political leaders who incited this riot. Technology companies did. The sitting president of the United States was "de-platformed." Social media site Parler was shut down. Tech companies used the data they own to identify rioters.

Now think of the most important direct attack on the national security of the United States and its allies of the past year—the so-called solar winds hack. It was not the US government that identified and retaliated against the attackers. It was a technology company.

And here's a question: Who will do more to influence the outcome of next year's midterm congressional elections: The President of the United States or the CEO of Facebook? It is astonishing that we've reached a point where the answer to that question isn't clear.

This trend will play out differently within different countries. The Chinese leadership's drive for monopoly control of China's politics will make Beijing much more aggressive than either Europe (which is relatively effective at tech regulation) or the United States (which is not) in controlling private-sector activity in the digital sector. But even China's efforts will be limited by the realities of continuous borderless innovation…and a desire not to undermine companies critical for China's ability to compete with the United States.

What does all this mean for the next decade? That depends on the strategic choices technology companies themselves make and on which firms are most successful. And the most important choice these companies will make is how best to interact with governments.

Some of them will behave as "globalists" by trying to capture political processes and to reach consumers everywhere. Others will position themselves as "national champions" by aligning with individual governments and their goals. Finally, there are the "techno-utopians," companies that expect historical forces and technological innovation to allow them to replace governments in important ways.

To be sure, these companies won't make simple either/or decisions. Almost all will choose hybrid models, and all are capable of redesigning their business models as circumstances change.

And though American companies are more likely to choose globalism while more Chinese firms function as national champions, there will be exceptions in both countries. Apple and Google will continue to follow the more Silicon Valley, libertarian "keep distance from the government" model, but Microsoft and Amazon are already moving closer to becoming national champions. In China, Tencent and Huawei will stick closer to political orthodoxy while Alibaba and Bytedance try to preserve some operational distance from state priorities.

The biggest difference: the US / West will have techno-utopians – like Meta's Mark Zuckerberg, SpaceX's Elon Musk, and Ethereum's Vitalik Buterin – while China won't allow any.

Over the next decade, the ability of these companies to thrive with their respective models will decide how government and tech companies share power over the longer-term – and whether democracy or autocracy will have the longer-term upper hand.

In much the same way that democracy and authoritarianism now coexist uneasily, the near future will see these three models coexist as well, because the biggest tech companies still hold virtual monopolies over separate spaces (search, social media, communications, retail, cloud computing, and more). But as the Internet of Things moves toward the metaverse, and as tech companies converge to compete directly with each other over the collection and monetization of the data ecosystems in which we all live – health, home, transport, and commerce – we're likely to see one of these models emerge as most successful.

Adaptation, not surrender

What's to be done about this? Like the G-Zero, we must recognize this phenomenon will continue and accept that, at least for the coming decade, the world's most powerful tech companies will expand their influence over our lives and futures.

Governments won't be able to reverse this trend. They can raise taxes on these companies, add to their reporting requirements, and even curtail their operations. But the speed with which the tech giants innovate and expand their reach will outstrip the ability of governments to keep pace with change.

One of the most important lessons from the fight against climate change is that realism is a vitally important weapon. Just as some warming of the Earth's climate has become inevitable, and just as world leaders must make plans and invest to limit the resulting damage… and help others to limit the damage… so we will all need to *adapt* to a world in which tech companies play a larger role in our politics, our societies, and our personal lives.

Adaptation does not mean surrender. As with climate change, there are common-sense steps that lawmakers and regulators can take to limit the more immediate threats posed by disruptive communications technologies. First, they can ban political advertising on the major social media platforms to minimize the spread of political misinformation and raise the level of online discourse. Second, they can require social media companies to alter their algorithms to reduce the importance of domestic politics on their sites. Third, they can require that every user be verified as a real person to eliminate the bots and anonymous accounts that spread disinformation and discord.

These are modest first steps. More broadly, we need a global discussion on all the ways technology companies will play ever-larger roles in our lives. World leaders have been meeting each year since the mid-1990s to discuss climate change. The COP Climate Summit is now a global agenda setting event…and an action forcing one.

We need an annual UN Politics of Technology Summit bringing together private and public sector, engineers and social scientists, policy leaders and activists. As with rising seas and increasingly erratic weather patterns, we must create a global community to drive this agenda--taking action now to limit the harm that information technology companies can inflict on democracy and society.

This is an urgent priority, because disruptive technologies and the companies that create them are changing our lives much more quickly and decisively than climate warming can.

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The EU

To adapt to this new world, we need a historic surge in multinational cooperation and collaboration. The US and China must contribute to that project but, given the cross-border nature of the threats we face, we're all going to need more leadership from Europe.

The European Union, the most ambitious supranational governance structure ever created, has generated its share of frustration, mistrust, and cynicism over the decades. Many politicians and citizens of member states have accused EU institutions of creating rules that serve the most powerful states at the expense of smaller ones, that benefit multinational companies at the expense of small business, and that meet the needs of bureaucrats at the expense of individual liberty.

But the European Union has helped eliminate wars on a continent responsible for the two most destructive conflicts ever fought. It has helped all member states punch above their economic weight in relations with the United States, Russia, and China. It has offered citizens the once-unthinkable chance to cross national borders freely in search of better opportunities.

It has cleaned the air and water in countries whose governments might not be willing or able to spend on these projects. It has taken the lead on both climate and tech privacy standards. It has created a system in which wealthier countries can boost the living standards of poorer members. And it has sometimes helped rescue them from crisis. In short, the European Union has served as a model of cooperation for the rest of world.

Multinational institutions are easy to criticize, particularly by those who profit from the criticism. But they help safeguard the safety, dignity, and opportunities of people around the world. They protect human rights. They make war less likely. And they ease the burden on each individual government by creating a structure that supports collective responsibility.

For all these reasons, the European Union has a unique role to play in helping us adapt to technological changes that we can't forestall.

Gen Z

There are other reasons--closer to home--why I'm optimistic these challenges can be met – and why I think you should be too. Today, there are billions of people who understand the opportunities and threats that disruptive tech companies are creating much better than most of us who came of age during the Cold War can.

Generation Z – the 2.5 billion people around the world born between 1996 and 2016 – will see their impact on politics, culture, and the global economy surge over the next decade. They will be scarred by the pandemic and its lasting impact on education and jobs, to be sure, but even in a world of fragmenting power and communications, this is the most globally interconnected generation in human history.

It's always easy to make these "children are our future"-style arguments when we look for sweeping change but consider for a moment just how much childhood has changed over the past several decades. I grew up in the great American city of Boston in the 1970s with few realistic images in my head of other parts of the world. I knew my local friends. Mostly Irish and Italian, Dominican and Puerto Rican. We played stickball. And chess. I'm not complaining. But we weren't interacting with any kids in other places.

Today, young people in America, Asia, and Europe experience and share ideas, images, and music created all over the world. They're watching KPOP, playing Fortnite, and building friendships, in real time with kids everywhere.

In fact, the overwhelming majority of the world's on-line Gen Z citizens will come of age in developing countries. They will have their own expectations of government, of cross-border cultural engagement, and of what can and cannot be done.

These young people have a 360-degree view of the world that no previous generation has ever had, and are more aware that many adults have limited imagination about the problems they're leaving for younger generations. They're already a game changer when it comes to climate. Because they see the old folks making worse the future world that they will inherit. And they're not happy about it.

They'll matter even more in determining how we respond to new technologies. Their ability to find new purposes for the tools today's adults create – and to invent things today's adults can't imagine – boosts my faith in the future.

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2021 has been shaped by forces no one can control, and no one can ignore. The pandemic has left us more dependent than ever – in both positive and worrisome ways – on the new technologies changing the ways we live, work, and understand the world.

It has also taught us important lessons about realism, acceptance, resilience, and adaptation.

We are honored to live at a time that we can shape the world in our image.

We are humbled that we must change ourselves to keep living on it.

Thank you for listening.

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