

Message from the President

Thank you very much for your continued understanding and support for the activities of the Kajima Institute of International Peace (KIIP).

Since the Brexit referendum in 2016, the author has been concerned that we were perhaps seeing signs of a shift in the world economy from globalization to fragmentation and the formation of opposing blocs. The invasion of Ukraine by Russia, a permanent member of the United Nations Security Council, was a game-changing event. Since then, the author started to worry that we might see the collapse of the postwar international order underlying the world economy. In this context, to witness the United States, another permanent member of the Security Council, unable to exert a controlling influence over Israel while supporting it in the war in Gaza since last October, and coming in for harsh criticism at home and abroad as a result, has only heightened the sense of crisis the author has about the possible collapse of the postwar international order.

In particular, we are seeing a dramatic decline in America's international leadership, and it seems likely that the chaos and disruption in the international order will only get worse. Before the Israel– Hamas war, from October 3 to 25, internal disagreements split the majority Republican Party in the House of Representatives, as a drama played out in which Kevin McCarthy was removed as Speaker and replaced

by Mike Johnson. This process took over three weeks. During this time, the speaker's position was vacant and debates on emergency funding to enable aid to Israel and Ukraine grounded to a halt. The debate on additional military assistance for Ukraine in particular was put on hold for several months, and the emergency appropriations bill was eventually approved only on April 20. During that time, seeing that Ukraine lacked munitions as a result of the drying-up of US military assistance, Russia resumed its offensive, and since then has steadily retaken occupied areas that had been seized from its control by the Ukrainian counterattack. The divisions in American politics, and within the two main parties, are making it impossible to reach decisions in a timely manner, and this is undermining confidence in American leadership.

The United States has been unable to restrain Israel's excessive use of "self-defense" in its war against Hamas, or to control the reckless conduct of Prime Minister Benjamin Netanyahu, who is desperate to maintain his grip on power and avoid the latent threat of imprisonment that hangs over him. By continuing to provide military assistance to Israel, the United States not only invites accusations of double standards from the Global South. In the United States itself, the movement against support for Israel, led initially by Arab Americans, has spread to university campuses, and is rapidly developing into a

mass movement reminiscent of the anti-Vietnam War demonstrations of the 1960s. This is creating a growing tendency for young people, generally opposed to Donald Trump, to become disenchanted with the Democratic Party, endangering President Joe Biden's prospects of reelection. If Trump wins, it is possible that the United States, far from looking to strengthen its leadership in the world, will dramatically reduce its participation in the international order under an "America first" policy.

Based on a decision taken at a summit last August, the five BRICS countries plus Egypt, Ethiopia, Iran, and the UAE formed a new bloc of authoritarian states in January this year (with Saudi Arabia still considering joining), representing slightly less than half the world's population and around one quarter of its GDP. Of course, Brazil cannot truly be described as an authoritarian state (though it was ruled by a military dictatorship in the past), since it carries out trade and investment with advanced economies without sanctions. India too, because of its geopolitical importance, is part of the QUAD framework and avoids being regarded as an authoritarian state, despite concerns about issues including repression of its Muslim population and restrictions on press freedom. (The seven other countries in the bloc not including these two make up around one quarter of the world's population, and around a fifth of its GDP.)

But what explains this increase in the number of authoritarian states among developing countries? One persuasive answer, I believe, is the “political trilemma of the world economy” framework proposed by Professor Dani Rodrik of the Institute for Advanced Study. Rodrik argues that “democracy, national sovereignty, and global economic integration are mutually incompatible: we can combine any two of the three, but never have all three simultaneously and in full.” For example, if you pursue economic integration (globalization), this produces severe economic disparities; if you have democracy in this context, it will inevitably lead to divisions within nation states. This is what led to the Brexit vote in Britain, leading to a reversal of policy to dial back economic integration, and to the rise of the Trump presidency with its “America First” platform in the United States. Rodrik refers to the combination of economic integration and democracy as “global federalism.” Another possibility is to forge ahead with economic integration and to maintain the unity of the nation state by suppressing democracy while the dramatic income disparities caused by economic integration take place. This is the path followed by China and other so-called authoritarian states. Rodrik calls this combination of economic integration and national sovereignty the “golden straitjacket.” The final path is to practice democracy and defend the cohesiveness of the nation state, without carrying out economic integration. The EU is generally thought to correspond to this option. Rodrik calls this combination of

democracy and the nation state the “Bretton Woods compromise.” Rodrik’s categorizations are summarized in the following table.

Dani Rodrik’s Political Trilemma of the World Economy				
Three Types	Economic integration	Democracy	National sovereignty	Examples
Global federalism	○	○	×	UK, USA
Golden straitjacket	○	×	○	China
Bretton Woods compromise	×	○	○	EU

China has achieved great economic success, growing its GDP thirteen-fold over the past 30 years. Developing countries and the Global South have sought to emulate China’s example, hence the increasing tendency for these countries to become authoritarian states that suppress democracy and pursue economic integration, despite the economic disparity this brings domestically, in an attempt to escape from poverty and achieve economic growth. If this succeeds, people will accept economic integration as legitimate to a certain extent, despite authoritarian rule. In the developed economies, meanwhile, deep economic integration has led to economic inequalities and social divisions that threaten national unity, and the democratic process there has led in some cases either to a shift of national policy (Brexit)

or a change of government (Trump). This has brought back-pedaling on economic integration, in the form of reduced sharing of technical expertise and direct overseas investment in developing countries, and reduced market liberalization. This marks a policy shift from globalization to bloc formation (in the form of protectionism or economic security). In Japan too, economic integration with developing countries has resulted in a situation where non-regular employees without full benefits now make up approximately 40 percent of the working population, and Japan too now faces the prospect of serious divisions in the nation state. Although the government is trying to introduce new policies through the “new form of capitalism” framework, it is hard to shake the impression that democracy is not working to the same extent here as in countries such as Britain and the United States.

Is it likely that China, Russia, and Brazil, where per capita GDP is between \$10,000 and \$20,000, or the UAE, which has per capita GDP of around \$50,000 but a population of just 10 million, will replace the advanced economies in providing technical expertise, ODA, and market liberalization? Will this bloc really be able to support the economic growth of authoritarian states among developing countries and the Global South? If they are able to do this, authoritarian states among developing nations and the Global South will enjoy economic growth and their numbers will surely increase. However, since authoritarian

states are built on the violent repression of democracy, we should not necessarily expect them to be long-lived. And if they do not succeed, authoritarian states will fail to achieve economic growth, economic integration will lose legitimacy, and states may face regime change or civil war. In any case, it seems likely that the international order will become more fragile, through an increase either in the number of authoritarian or bankrupt states.

We face a mountain of time-sensitive challenges that require international cooperation, including climate change, preparation for the next pandemic after Covid-19, regulations on generative AI and autonomous weapons, strengthening of the nuclear non-proliferation regime, and the peaceful exploitation of space. For all these reasons, the turbulence and instability in the international order and the antagonism between democracies and authoritarian states needs to be resolved as quickly as possible.

In this context, KIIP, which marked its 57th anniversary last year, has established the following new study groups.

- Study Group on Nature-Based Solutions and Natural Water Cycles (Leader: Masayuki Komatsu, President, Ecosystem Research Institute)
- Study Group for Market Development in Southeast Asia (Leader: Bonji Ohara, Senior Fellow, Sasakawa Peace Foundation)

- Study Group on Japan-Sweden Cooperation on Climate Change (Joint Study Group with ISDP (Sweden). Leader: Masayuki Komatsu, President, Ecosystem Research Institute)
- Study Group on Lithuanian National Security (Joint Study Group with the Prospect Foundation (Taiwan) and ISDP (Sweden). Leader: Nobukatsu Kanehara, trustee)
- Study Group on Religion and Contemporary Society (Joint Study Group with PHP Institute. Leader: Masafumi Kaneko, Director, PHP Institute)
- The Society of Security and Diplomatic Policy Studies published three issues of its quarterly series *Security Studies*: Vol. 5-2: “The Nuclear Contingency Faced by Japan and the Future of Nuclear Deterrence, Arms Control, and Disarmament,” Vol.5-3, “Whither the United States as Hegemon?”, and Vol. 5-4, “What Is the Global South?”
- The Study Group on the Future of the International Order Based on Liberalism published a self-published pamphlet “In Defense of the Liberal International Order.” A Japanese translation is available on our website. The study group continues its activities.

Last but not least, two trustees stepped down from their positions at the end of fiscal 2023: Sakutaro Tanino (former ambassador to China) and Masao Oka (executive vice president, Kajima Corporation). I still remember vividly the force with which Mr. Tanino urged us to “put out a report that will have the same impact as the Club of Rome’s *“The Limits to Growth.”*” I am extremely grateful to Mr. Oka for his unflagging enthusiasm for the activities of the Institute, despite his heavy responsibilities as a senior executive at Kajima Corporation. I would like to express my sincere appreciation and gratitude to both these trustees for all their hard work over many years in support of the Institute and its activities.

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