

# ***PHP***

# **Global Risk Analysis**

# **2024**

PHP Global Risk Analysis Project

PHP Research Institute

(Summary)

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# English Summary of the “2024 PHP Global Risk Analysis” Report

## Introduction

This English-language summary presents the essence of the “2024 PHP Global Risk Analysis” report, published at the end of 2023 in Japanese by PHP Sōken (PHP Research Institute), the policy think tank of the PHP Institute, Inc.

The annual “PHP Global Risk Analysis” reports are the output of focused analyses by experts in a broad range of fields, from geopolitics and regional studies to international finance, global economics, energy, and cyber security issues. The 2024 edition is the thirteenth report in the series. The full report, published in Japanese, may be downloaded from the following URL:

<https://thinktank.php.co.jp/policy/8299/>

The full report in Japanese features a “Global Overview” describing the worldwide context for the various risks facing the world, along with detailed analyses of 10 global risks that will require particular attention from Japan in 2024. It includes explorations of the potential impacts and policy implications of each of these risks for the nation. This English-language version presents a complete translation of the “Global Overview” and lists the key analysis points for each of the 10 risks.

The ongoing conflict in Gaza, touched off by the October 2023 Hamas attack on Israel, has once again swung the nexus of global politics back to the Middle East. The United States has been pressed to address this burgeoning Mideast crisis, in close succession to the ongoing war in Ukraine, making it still more difficult to dedicate resources to the strategic rivalry with China, the most pressing issue America faces. The existing global order led by the United States is seeing its legitimacy shaken by the US position on the Gaza conflict, even as Russia and China continue to foment a dynamic pitting the West against the rest of the world. This challenge seems likely to become only more vigorous as time goes on.

All this said, American dominance remains evident in numerous realms, and the fate of the existing global order will still be determined to a major extent by the United States

itself. If Donald Trump makes his way back to the White House, American engagement with the rest of the world will inevitably undergo sweeping change. The US presidential and congressional elections in November this year will represent a severe test of whether the United States maintains the will to lead the international order.

National elections take place in 2024 not just in the United States, but also in Indonesia, Russia, India, and many other key nations, making this a year when more people than ever will head to the ballot box worldwide. Lai's victory in the Taiwanese presidential election in January will be particularly momentous in terms of its resonance with the US election later in the year and the impact it could deliver to the delicate balance among Washington, Beijing, and Taipei.

Humankind is also facing expanding challenges arising from its own activities on the planet. Environmental issues including climate change and loss of biodiversity are threatening human societies and adding complexity to energy issues and efforts to achieve a "green shift." And as the cyber domain extends to encompass an ever greater part of human activities and AI and automation continue to advance, further risk factors are coming into play.

The 10 risks in this report are not presented in order of importance or any other metric. They have been arranged so as to highlight the connections among them and to illustrate clearly for readers the overarching structure of global risks we face.

We hope that the thirteenth "PHP Global Risk Analysis" report will provide you with valuable insight as you take a careful look at the reality of our world today, helping you to squarely face the crises of our era.

January 2024

PHP Global Risk Analysis Project, PHP Research Institute

# 2024 PHP Global Risk Analysis

## Global Overview

### The Pax Americana Faces Serious Challenges

- Key global regions are threatened by violent confrontations.
  - Two wars are underway—in Europe, the ongoing Russian invasion of Ukraine, and in the Middle East, the fighting between Israel and Hamas in Gaza. At present, both of these remain limited, regional conflicts with no direct armed clashes between major powers, but there is a risk of escalation, and their impact is global in scope, reaching as far as East Asia.
  - The United States is intervening in the European and Middle Eastern conflicts via its supply of arms and application of sanctions, among other approaches. Its adversaries are taking advantage of its unwillingness to use force directly, though, while its support for Israel has exposed it to harsh criticism both domestically and abroad. American engagement on these two fronts is also constraining the US resources needed for a confrontation with China. The United States, leader of the formation of order in key world regions, is seeing its will and capabilities tested.
  - Both the Ukraine and Gaza theaters are seeing the deployment of new weapons and fighting methods as wartime innovation picks up speed. At the same time, countries are placing more emphasis on the importance of the nuclear weapons option.
  - The crafting of a new regional order in the Middle East with Israel at its axis has ground suddenly to a halt; there is no main scenario for moving forward.
  - The endgame for the Ukraine war remains uncertain. A Russian victory there would establish precedent for altering the status quo through force.
- Delicate dynamics are at work driving the international order.
  - The adversarial relations between the advanced democracies on one side and Russia and China on the other are increasingly fixed in structure, and competition for support from the middle powers is growing more intense. Moscow and Beijing are angling to spread a worldview pitting the advanced democracies against all other actors. Since the start of the Gaza conflict, the United States has found its narratives about the international order less persuasive.

- The administration of US President Joe Biden is pursuing a managed competition with Beijing, maintaining open channels while it continues to confront China by enhancing its economic and technological power, mainly via domestic investment and export and outbound investment controls, and strengthening its ties with allies and friendly nations.
- China, for its part, is taking advantage of various international crises to undermine American hegemony and advance the formation of a strategic environment in which it is not constrained by American power. Depending on the degree of its economic slowdown, China may take a more conciliatory stance temporarily. Russia will grow increasingly dependent on China as its own national power dwindles even more rapidly, and is likely to coordinate its actions with states like Iran and North Korea as a player rejecting the global status quo.
- US-led collective bodies like the G7, the Quad, the trilateral cooperative framework with Japan and South Korea, and AUKUS are increasingly in competition against those led by China and Russia, such as the expanded BRICS and the Shanghai Cooperation Organization. Swing powers like India, Indonesia, Brazil, Turkey, and Saudi Arabia will engage in accordance with their own national interests; the nations of the West will find themselves struggling with these swing powers due to gaps between their values.
- Nations around the world will begin hedging their relationships with the United States due to its growing unreliability, a process that will dramatically accelerate if Donald Trump takes the White House for a second term.

## Global Economic Systems in an Era of Strategic Rivalry

- Questions arise over whether the flourishing of state-led economies is hype or reality.
  - Many nations adopt increasingly protectionist trade policies, prompted by the backlash against globalization, concerns over security or competitiveness issues, worries about severed supply chains due to pandemic or other factors, the need to address the green shift and digitalization, and rising prices. The trend grows stronger toward what the *Economist* has called “homeland economics,” with governments interfering more frequently in markets via tools like subsidies and regulations.
  - The US government will boost spending aimed at reshoring manufacturing capacity and, together with its partners, seek to reconstitute supply chains that

are not dependent on China or Russia. Europe, too, will bolster its green and other industrial policies.

- China has seen its growth slow due to the failure of its zero-COVID policy and the restrictions it places on free economic activities. It is nonetheless gaining some degree of superiority by leveraging next-generation industries like electric vehicles and renewable energy. Continued arrests of foreign civilians in China on the pretense of national security can be expected.
- Economic coercion and sanctions are deployed more frequently, and restrictions are placed on trade on the basis of green or human-rights concerns. Arising as a new paradigm is “mutual dependence with strings attached,” with an emphasis on political considerations and relationships of trust. Corporate and investment decisions will increasingly have a high political risk premium baked in.
- Base Erosion and Profit Shifting 2.0 rules will be rolled out as a new international tax regime. Close attention will need to be paid to corporate tax revenue levels and the shifting global strategies of multinationals.
- Excessive government interference could produce inefficiencies or lead to rent-seeking. Efforts will continue to explore the ideal balance of roles between the market and government.
- Mutual derisking continues apace.
  - The economies of the West are pursuing derisking policies to reduce their excessive dependence on China, but removing China from the mix is proving difficult as the country continues to enhance its economic competitiveness.
  - Through its application of economic sanctions and unilateral monetary policy, the United States runs the risk of triggering a shift away from the dollar as the world’s reserve currency. The expanded BRICS framework will bring together China, with its economic clout, and nations providing energy, food, and other resources. Meanwhile, China is likely to recoup lost ground in its Belt and Road Initiative with a fresh focus on quality rather than quantity in this realm.
- Bifurcated societies take shape along lines between wealth and poverty.
  - Developing nations saw their public debt balloon rapidly during the pandemic, triggering rising poverty. They have suffered further blows from rising costs of food and energy. These weakened states are becoming fertile ground for the rise of armed groups and international crime. The nations of the West, meanwhile, are witnessing the reemergence of immigration and refugee issues as societal problems.
  - In the advanced economies, the middle class is declining, leaving a two-level structure composed of the wealthy and the poor. Societal classes that feel

threatened by globalization, automation and digitalization, and immigration will demand more exclusionary approaches, hindering their countries' international coordination efforts.

## Difficult Paths Ahead for the Anthropocene

- The great acceleration of human activity is set to collide with planetary boundaries.
  - Various human activities impose an inexorably increasing burden on the Earth. Extreme weather events grow more frequent, taking a heavy toll on business activities and the lives of people; effects will also be seen on insurance and other parts of the financial sector.
  - Extreme weather will produce instability in developing nations, degrading living conditions and triggering food and energy crises.
- Poor visibility can be expected in energy markets.
  - Geopolitical rivalries will combine with moves toward digitalization and the electrification of vehicles to foment heightened struggles for control over not just energy, but also key minerals, food, water, and other resources. Countries will increasingly resort to resource nationalism and the weaponization of strategic commodities.
  - Factors including the war in Ukraine, rising energy prices, and the difficulty of energy transitions are prompting a reconsideration of the need for rapid decarbonization. The outcome could be widespread inaction on the global environmental crisis.
  - The backlash against environmental, social, and governance awareness in the United States places corporations in a difficult position. Actions looking beyond the UN Sustainable Development Goals process will lack momentum.
- Potential side-effects emerge from human enhancement via technology.
  - Heightened reliance on artificial intelligence improves productivity, but jobs lost to AI also become a reality. AI-based surveillance of citizens and AI-generated disinformation reach levels demanding attention, while the technology is also rolled out in military applications. Controlling AI tech proves difficult, leading to increased levels of noise about the need for stronger international regulation of the field.
  - The rapid implementation of genomic techniques and automation technologies also becomes a source of new risks to be considered.



## Key Elections in a Year Representing a Historic Turning Point

- The 2024 calendar is crowded with major elections worldwide.
  - The US presidential and congressional elections in November will be the most closely watched. A return of Donald Trump to the White House would deliver severe shocks to the international political scene.
  - The January presidential and legislative contests in Taiwan, a focal point in Asia, may producing the possibility of a “twisted” situation going forward, with each branch of government controlled by a different party.
  - The Russian presidential election in March should unsurprisingly see Vladimir Putin reelected. It remains unclear whether Ukraine will hold its presidential contest.
  - India is slated to hold a general election in the April–May period. Other South Asian nations also go to the polls this year: Following general elections in Bangladesh and Pakistan in January and February, respectively, Sri Lanka is scheduled to hold its presidential contest by September.
  - The 2024 electoral calendar also features Indonesian presidential and general elections in February, elections for the Iranian Parliament in March and South Korea’s National Assembly in April, general elections in South Africa around May and in Mexico in June, and another June contest for the European Parliament. In Singapore, Prime Minister Lee Hsien Loong plans to step down at some point before the country’s 2025 elections. In Japan, meanwhile, Prime Minister Kishida Fumio’s term as president of the Liberal Democratic Party ends in September, opening the door to a possible general election here before the year’s end.
  - In this busy election year, risks are on the rise of election interference and disinformation, factors that threaten to shake electoral legitimacy as the root of democratic governance.

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## Global Risks 2024

### 1. Global Leadership Falters in a “Postprimacy America” Buffeted by Electoral Upheaval and War

- The outlook remains murky for the 2024 US presidential election
- Conflicts in Ukraine and Gaza continue to test American will and abilities
- Go-it-alone economic policy prompts counterparts to pursue derisking vis-à-vis US economy

### 2. Heightened Power Struggles in China Undermine Xi Jinping Administration, Push Beijing Toward Harder Line Internationally

- High-ranking officials’ power struggles and promotion-seeking degrade Beijing’s administrative capabilities as a whole
- Military tensions ramp up between China and the United States following the Taiwanese presidential election

### 3. Global Economies Fragment, Turn Inward, Boosting Costs and Dragging Growth Lower

- The “weaponization of economic dependencies” hampers efficiency and reverses the trend toward globalization
- Production capacity reshoring and other “homeland economics” policies drag national economies into mudslinging matches
- The existing economic order, built around the US dollar as the core currency, faces increasing challenges

### 4. Worldwide Impact of Middle Eastern Volatility Sparked by the Gaza Conflict

- China, Russia, and Iran seek to craft a new order as Israel and the United States are mired in an increasingly harsh Gaza situation
- Tensions emerge in the US-Israel relationship; Israel seeks to maintain tight ties with Washington via a fresh Iran-centered crisis

### 5. Russia’s War on Ukraine Continues Under Russian Narrative Spinning It as Facet of a Shifting Global Order

- The Ukraine conflict, entering its third year, trends in Russia’s favor
- Russia spreads a narrative painting its acts as a new anticolonialist push

### 6. North Korean Nuclear Tests Tip the Dominos Toward a New Nuclear Crisis

- Potential for new North Korean nuclear testing rises amid warming Moscow-Pyongyang ties
- North Korea angles for new peace-treaty talks with one eye on US presidential

election

- A potential nuclear crisis chain emerges via arms networks including Russia, North Korea, Iran, Hamas, and other actors

#### **7. Rapidly Rising Immigrant Flows Bring Right-Wing Resurgence, Instability to European Politics**

- Societies struggle to cope with illegal inflows of immigrants from the Middle East and Africa
- Far-right parties make advances and Eastern European states gain stronger voices, casting dark clouds over a Ukraine in need of further aid
- The European Union finds consensus harder to reach amid chilling France-Germany relations, impacting its diplomatic capabilities

#### **8. Uncertainties Rise as the Gulf Widens Between Ideals and the New Reality in the Energy Field**

- Oil-producing nations and major energy firms see fiercer standoffs between forces pushing for greener energy and those seeking to roll it back
- Green industrial policy leads increasingly to protectionism, while signs appear of course corrections toward more feasible policies
- Heightened risks appear of energy shortages as demand skyrockets for AI and data center operation

#### **9. Cyber Threats Reach New Heights, Seriously Impacting Foreign Policy and Military Affairs**

- Geopolitical factors lead to sustained increases in cyber espionage and cyber disruption as foreign policy tools
- Russia and North Korea enhance cybercrime collaboration, primarily in hacking that targets crypto assets
- Rampant increase in cybercrime enabled by AI

#### **10. Emergence of Autonomous Android Soldiers in Conflict Arenas**

- Rapid advances in AI and brain-machine interface technology enables production of autonomous android soldiers
- Potential scenarios could arise for Israeli deployment of such fighters as part of operation to cleanse Hamas tunnel network
- Concerns heighten regarding unchecked proliferation of lethal autonomous weapon systems (LAWS)

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