

**Uncharted territory: Navigating a 'geopolitical recession'**

**Goldman Sachs Exchanges**

**Ian Bremmer, President, Founder of Eurasia Group,**

**GZERO Media**

**Jared Cohen, President of Global Affairs,**

**Goldman Sachs**

**Allison Nathan, Senior Strategist, Goldman Sachs Research**

**Date of recording: December 14, 2023**

**Allison Nathan:** Against a backdrop of tense US/China relations and the ongoing conflicts in the Middle East and Ukraine, Washington and Wall Street are increasingly worried about the same thing: geopolitics. So, what are the implications for companies and investors?

**Jared Cohen:** Every single business in every sector and geography finds themselves caught in the crossfire of geopolitics. That's new. Unless you were in the energy sector or the tech sector, you were largely immune from those geopolitical dynamics.

**Allison Nathan:** I'm Allison Nathan and this is Goldman Sachs Exchanges.

[MUSIC INTRO]

For this episode I'm sitting down with Jared Cohen, President of Global Affairs at Goldman Sachs, and Ian Bremmer, President and founder of Eurasia Group and GZERO Media. We'll be discussing the ways in which geopolitics are affecting the global balance of power and what that means for companies and investors.

Ian and Jared, welcome to the program.

**Jared Cohen:** Thank you.

**Ian Bremmer:** Thank you.

**Allison Nathan:** So, we're at a moment in time of elevated geopolitical tensions. US/China relations are tense. We have wars in the Middle East and in Ukraine and Russia. So, let's start with a question for both of you. We've always had geopolitical flare ups throughout history. So, is this time really different? And what makes it different? Ian, what's your view?

**Ian Bremmer:** This time is absolutely different. It's structurally different. It's what I consider a geopolitical

recession. And there are a couple of big reasons for that. The first is that the institutions that we have globally meant to create a level of governance no longer align with the underlying balance of power of the world. The rise of China. The rise of the global south. The comparative reduction in power of Japan and the Europeans, for example. And also, they no longer align with the policy needs for leadership.

I mean, the realities of so much of the world's security and economy being in a digital order that we have no institutional architecture for. Or climate change and responding to that energy transition that we have to build it basically from scratch. So, those are the two big structural reasons why you have so much more geopolitical tension.

And the big global leaders in the world that are underpinning the ability to create leadership, the United States, the incumbent, and China, the potential in waiting, as Jared and I have spent a lot of time talking about and writing about, really both have a massive credibility deficit. And so, that makes it harder to quickly pivot to response to the needs for new institutions and architecture that would

allow us to effectively respond to the geopolitical challenges we have today.

**Allison Nathan:** Jared, do you have anything to add?

**Jared Cohen:** I would echo Ian completely and he and I riff on this more than from time to time. I always like to ask the question, what's new? If you look at the last 20 years of hyper globalization, during that time the geopolitical center of gravity has been largely in the Middle East. The great powers and the most powerful countries in the world have been more or less predictable.

Then COVID happened. We reemerged from COVID. And all of the sudden the geopolitical center of gravity shifted from the Middle East to Washington and Beijing. We pivoted beyond the war on terror framework. And very, very quickly, United States and China accelerated in ending up in this tension that seems like it's going to get worse for longer.

One of the second order effects of that is every single business in every sector and geography finds themselves caught in the crossfire of geopolitics. That's new. Unless

you were in the energy sector or the tech sector, you were largely immune from those geopolitical dynamics.

A second thing that's new, great powers used to be more predictable. Ian and I write about something called the credibility gap. And what we argue is that when you look at the most powerful countries in the world, there's a set of expectations that come with that power around what a country like the US and China, for example, will do. What they won't do. What red lines they won't cross.

And all the other countries in the world, basically, make decisions based on a script that is meant to be highly predictable. What's happening today is both the United States and China have gone completely off script. We used to be able to count on the US and China having the economic interests drive the geopolitical outcomes. Now it's reversed. Domestic circumstances in both countries are driving geopolitical aspirations that, in turn, are impacting medium and long-term economic situations.

And so, when the entire world goes off script, you end up with these very volatile inflection points. And all of the sudden, forecasting becomes much more difficult.

Measuring these inflection points becomes more difficult. And the volatility and uncertainty around geopolitics ends up impacting business more than any other time in history.

**Allison Nathan:** So much to unpack there. Let's start with the Middle East. Jared, you've spent a lot of time during your career in the region and you are just back from the region. So, you've been there since October 7<sup>th</sup>. Tell us a little bit about what's going on on the ground there and how you see this evolving.

**Jared Cohen:** Well, first of all, I was in the Middle East when the war started. And then I just came back from another nine-day trip to the Middle East. I was in Qatar. I was in Bahrain. I was in Iraq. I went to the Iran/Iraq border where I was briefed on some of the Shia militia activities in Iraq and what Iran's doing with their proxies. I was in Jordan. And then I was back to Qatar.

Before October 7<sup>th</sup> when clients used to ask me what keeps me up at night, my answer was always the same. I said, "It cannot be the case that we spent 20 years obsessively fighting a war on terror. COVID happened. We went inside.

Reemerged. Decided that there was a new geopolitical thesis. And violent extremes just evaporated." I always believed that I would wake up one day and we would see the violent extremism is going to rear its ugly head again. I will confess, I didn't think it would happen in the Israel/Palestinian context. But here we are.

It's also interesting because it'd be very difficult today to imagine a major geopolitical crisis that's not a natural tributary of the US/China tensions. But the war in the Middle East and everything that's happened since October 7<sup>th</sup> is a point of volatility in the geopolitical context that is actually pretty separate from US/China tensions. But what we're starting to see is US/China tensions find their way into the crisis as the two countries are locked in a zero-sum mentality.

**Allison Nathan:** And is there anything you're watching in the region right now on how that's broadly going to evolve?

**Jared Cohen:** So, what's fascinating about the Middle East, it's kind of a tale of three countries right now. You have countries that are having an economic renaissance that post war on terror framework they view themselves as

sitting in the Middle East but as kind of global players: Saudi Arabia, Qatar, UAE as examples. You have countries that are not having as much of an economic renaissance. And they don't have the luxury of extracting themselves from the geopolitical baggage of the past. So, the Maghreb, Egypt, the Levant, the sort of heart of where this crisis is. And then you have countries where Iran is operating its various proxies.

And right now, if I look at the war in the Middle East, Iran feels to me like the big short and medium-term winner. Like, they have the Houthis in Yemen. They have Hezbollah in Lebanon. They have five Shia militias in Iraq, the largest of which is Kataib Hezbollah, which operates a territory five times the size of San Francisco. They're constantly stirring the pot in Bahrain. And they have the Bashar al-Assad regime in Syria.

And if you look at what they're doing in each of those locales, they're basically showcasing where they're present. And then they're creating a new normal around each of those proxies in terms of what they'll do today, what they're projected to do. And they're basically calling the West's bluff that there's a red line that is enforceable. They're



basically trying to show that any red lines that the West is articulating are ambiguous at best.

And there are parts of the region that feel like they can separate from this war that's a thing of the past. But when the war is all done or the tensions subside, they're going to wake up and they're going to find that Iran's presence in the region is much heightened.

**Allison Nathan:** Ian, what's your take on this resurgence of focus on the Middle East and what are the implications for the global landscape that you laid out at the start?

**Ian Bremmer:** Well, first, Jared's headline point that we all go away for the pandemic for three years and suddenly none of the structural conditions around violent extremism emanating from unresolved conflicts in the Middle East suddenly magically went away, that point deserves repeating. Right? You can try to pivot from the Middle East. The Americans can play less of a role than they have historically. Lord knows it's not as important strategically for the US on global energy production, for example, as it has been historically. The US is now the major producer, right? But that doesn't fix these problems.

And there has been progress. I mean, Jake Sullivan who Jared and I both know very well got pilloried for writing in a foreign affairs piece right before the war broke out that the Middle East had so much more stability. But I mean, that is true. I mean, Israel is in a stronger geopolitical position than it was before. There were the Abraham Accords. They're still in place. There was an effort to normalize with the Saudis. That's better than it had been.

Remember, the Saudis and the Iranians now talk together regularly. That was facilitated by Beijing. After the war broke out, who ended up talking at the highest levels? Mohammed bin Salman and President Raisi. And then they even meet in person. The Qatar relationship with the GCC was broken. Now it's been fixed.

So, it's not like everything in the Middle East has just suddenly broken either. That progress is also true. But the Israel war is a serious problem because while the Middle East was stabilizing, no one thought about the Palestinians.

Israel remains the most important ally of the United States

in the Middle East. But the tension in the relationship between that government and the Americans has become increasingly hot. And that's a problem going forward.

And the United States increasingly being stapled to this leadership in a way that American allies around the world absolutely are not on board with. And you've seen that play out, both in terms of regional security meetings in architecture with other American allies in the region. And also, with security council and general assembly votes, where the Americans and Israelis are every bit as isolated as the Russians were when they illegally invaded Ukraine a couple of years ago. That is a new reality.

So, a lot is playing out here that impacts the United States on the global stage. And by the way, may have an impact for Biden in his reelection campaign in 2024.

**Allison Nathan:** Jared, I feel the need to come back to you on some of the points, the very strong points that Ian just made. Do you see it in the same way in terms of the implications for the US?

**Jared Cohen:** Look, I think that one of the challenges

and quagmires of this war is everybody knows what needs to be done. And frankly, largely agrees on what the eventual offramp is. Nobody's willing to take the risk necessary to do that.

So, let's take the two-state solution. There's clearly a need for a real process, not a window dressing process. But right now, if you look at the headwinds that all the leaders are facing, no matter how you slice it and dice it, it breaks down at implementation. There's nothing new to say about the two-state solution. There's a plethora of plans on a shelf that have been hashed out for 50 plus years. It's a matter of political will.

But I think Ian's point about a new reality is worth double clicking on. There's another aspect of this war that I hear about from all the leaders in the Middle East that I talk to, and I hear about it from the Israelis, and that's quite alarming because it has implications far beyond the war we see today, which is the TikTokification of this war is creating a real dilemma for governments where they have to basically make national security decisions in the context of identity politics.

So, the vast majority of content coming out of Israel or coming out Gaza, coming out of the West Bank is coming from people themselves. It's making its way into the social media ecosystem. It's getting attributed by the crowd. It metastasizes and it gets algorithmically targeted to people in ways that harden and broaden their views. And we're seeing the evaporation of a geopolitical center, much like we've seen the evaporation of a political center in the United States and elsewhere. And that's creating a real dilemma for governments because we're entering a post-true geopolitical world where they have to make major decisions without being able to discern between fact and fiction.

Their intelligence services and all their sort of knowledge and apparatuses, they can't keep up with the way these events are playing out. And it's putting them in a very, very difficult situation. So, that's the second part that I would mention.

And remember, the 9/11 hijackers were radicalized by watching TV footage of what happened in Bosnia. It took several years to manifest itself in a 9/11. All of this footage is going to sit out there and it's going to sit out there like a

vulnerability on the sort of metaphorical balance sheet of the Middle East that performs very badly against peace and stability. And so, we're going to be dealing with the second and third order effects of radicalization, not just in the Middle East, but in Europe and elsewhere for many years to come.

And then the last point that I would make about Netanyahu, I agree with Ian. I think one of the things that's important to call out is so long as there are Israeli hostages still in Gaza, every Israeli citizen is no more than two degrees of separation from one of those hostages or one of the IDF soldiers that have been killed. And it both true that Israelis can be overwhelmingly supportive of getting those hostages home, supportive of the war, and not supportive of Netanyahu at the same time. Those two things can happen concurrently. And I think it would be a mistake to assume that if there's lack of support for Netanyahu, it translates into lack of support for the war.

If you look at the delegation of American officials going over to Israel right now, you have the secretary of state, you have the CIA director, you have the national security advisor. As Ian will echo, it's very unusual for a delegation

of basically the national security apparatus to together go over to meet with one of the closest allies. And what that tells you is right now the US feels like it has a pretty weak hand, or they wouldn't be showing up in that way.

And if you don't have a relationship between the United States and Israel that's lockstep in a context that's this turbulent, again, that's another attribute that tells us the entire thing has gone off script.

**Ian Bremmer:** I want to echo Jared's 9/11 point and expand on it going forward. For both the Israelis and the Palestinians, this war, after October 7<sup>th</sup>, with the worst attack on Jews since the Holocaust. And the level of anger, the level of feeling like, oh my God, after this, and we're not getting support from the rest of the world and the anti-Semitism is blowing up, we have to take this as far as humanly possible so that Hamas can never come back. We have to destroy them.

It is much more maximalist in position that is a unified position across the Israeli population. It's not just the settlers in the West Bank. It's not just the far right that's a part of Netanyahu's coalition. Those young boys and girls

at the music festival were some of the most progressive Israeli Jews you could possibly find that were brutalized, killed, and taken hostage by Hamas.

On the Palestinian side, most Palestinians don't believe the information about the brutality of the Israeli civilians by Hamas. They haven't gotten it. They think it's fake news. They think it's disinformation. And there's just been the first survey of Palestinian attitudes about Hamas since the war started. They managed to take the survey in the few days of the ceasefire that occurred. And you find that among Palestinians in the West Bank, 82 percent support Hamas. And among Palestinians in Gaza, over 50 percent support Hamas. Those numbers are way up since the war started. They're way up in supporting and justifying the October 7<sup>th</sup> attacks.

So, the populations of the Palestinians and of the Israelis have hardened and racialized so much. And just in the same way that it took years to watch 9/11 play out, this is going to be playing out for a very, very long time.

**Allison Nathan:** Let's pivot. And we have so much to talk about in the Middle East, I wish we could continue that



conversation for many more hours. But let's pivot to the US and China relationship which, of course, as you both have said, really had been the center of geopolitical focus prior to October 7<sup>th</sup>. Ian, you were just at APEC, which for our listeners, Asia Pacific Economic Corporation. A major meeting of countries and minds in the region. What were some of your takeaways from that meeting on where US and China relations stand right now?

**Ian Bremmer:** And more importantly, I was just in Beijing after that meeting with China's leadership. And I can be not upbeat, but certainly less dire than we both have been about what's happening between Israel and the Palestinians. And this is in part because the Chinese economic and geopolitical situation has gotten so much worse over the past couple of years.

I mean, after the end of zero COVID, Chinese economy has not bounced back. Chinese consumption is lower than people expect. It's one of the reasons why there's a lot of oil off the market by the Saudis in OPEC because the demand hasn't bounced. And the real estate concerns. The local debt concerns. It's a structural problem. It's a long-term problem.

This is even before you start talking about derisking and the industrial policy of the US and Europe and the capital flight and the reduced foreign direct investments into China.

So, China knows they need to be more friendly. And they need to be more engaging if they want to improve their economy. Also, geopolitically, the Chinese have really taken a whack for being too assertive. I mean, you now have the Philippines offering eight military bases to the United States. The Indonesians giving the Americans the highest level of diplomatic framework on balance with what the Chinese had. Japan now moving to 2 percent of GDP for their defense spend. South Korea engaged with the Americans and the Japanese in a breakthrough triad formulation that's every bit as robust as the quad that everyone talks about. The Europeans talking — von der Leyen — saying that the Chinese are an adversary, parroting US language about China. So, the Chinese understand that this is not the time for them to be assertive and push for more of a crisis.

And the Americans, President Biden, wants to stabilize the

relationship. And there's been a lot of effort from the US over the last six months to reach out on the economic side and on the security side to find a way not to create, you know, sort of an entente. Not to suddenly say everything is fixed. But rather, to try to create some stability in the relationship. And that has been successful.

And certainly, my trip to Beijing got overwhelmingly positive responses by the Chinese from what the Americans have been doing and in wanting to see more American CEOs, more Chinese students come to the United States, more high-level engagement between the two countries. And I think that that is not just a tactical shift for the next few months to get through sort of some really bad numbers. I think they recognize that this problem has been a long time in the making. And it will, therefore, be a long time in the solving.

**Allison Nathan:** Both of you in your joint written work and some of the conversations and statements have really questioned the ability of the US/China relationship to really drive the global order and global stability. So, I want to push back a little bit, Ian, in that sense. We've heard this optimism before. And it feels like there's just so much

daylight between the US and China in terms of how we view the world. So, can this optimism really last?

**Ian Bremmer:** That's why I said right at the beginning I don't think that this is about kumbaya US/China suddenly there's a new friendly relationship. The fact is the world's two most powerful countries don't trust each other. The Chinese have a state capitalist and authoritarian system. The Americans have an inefficient but still reasonably transparently well-regulated market and representative political democracy. So, you're not going to suddenly build friendship that is durable and lasting given that.

But what I am saying is that a relationship that had been in free fall for a few years and heading towards cold war, but not cold war, has now been stabilized. And set against the backdrop of what we see in the Middle East, what we see between Russia and Ukraine, NATO, that is comparatively welcome news. We're not heading towards a war in the next year over Taiwan, for example, no matter who wins elections in a couple of weeks.

And having said that, what Jared and I have been writing about and talking about, and I'm sure he's going to want to

weigh in on all of this, is that neither the United States nor the Chinese have the interests and the capacity together to provide the kind of leadership that will help ensure broader geopolitical stability or the creation of effective new global architecture going forth. Neither by themselves, nor certainly together. And that was the impetus for the latest piece of work that we've done together.

**Jared Cohen:** Just to build on what Ian mentioned. I mean, I would describe the current moment as a sort of shaky political equivalent of a ceasefire that's not likely to hold for very long. And I think part of that is the US relationship with China is a tale of two branches of government.

So, if you look at the executive branch right now, the Biden administration, they're clearly operating under the assumption that there's a mutual interest on both the China side and the executive branch in the US to just catch their breath to prevent that free fall which Ian is talking about.

The problem is there's no dialogue between the legislative branch and the Chinese Communist Party. There's a total

breakdown of political machinery for dialogue. As we get deeper into an election season, this is like the only bipartisan issue that Americans seem to agree on in the House of Representatives and the Senate. And I continue to think that both parties will try to out China each other. And I think the executive branch will be left trying to kind of manage increased turbulence from the legislative branch. So, I think that's point one.

Point two. Exactly as Ian mentioned, you have the two most powerful countries in the world, each buttressed by something the other one wants but doesn't have. Right? China has the high concentration of supply chains, many of which can't be diversified. And the US has the privileged position with the dollar. And both of them are just sort of stuck coexisting with each other. And neither of them can manage the international order on their own. Neither of them can compete with the other without relying on certain other countries.

What that does is it creates space for a whole category of countries that we call geopolitical swing states that economically benefit from sustained tensions between the US and China. And because they're needed by both, they

sort of swing on an issue-by-issue basis.

And the last point that I'll make is it's interesting, a potential conflict in the Taiwan strait gets all the oxygen. But I think the even more immediate vulnerability, by the way-- and it's vulnerability for both countries. The US has identified certain geopolitical aspirations to diversify supply chains that they've deemed strategically important. Critical minerals and rare earths elements, pharmaceuticals, energetics, micro electronics, etcetera.

In each of those supply chains, it is not clear to me where the line is between where the integrated economy stops and the diversified or decoupled or derisked economy stops. And that very large, ambiguous lack of understanding between those two is where I think the most miscalculation can happen.

And so, the concern is if the geopolitical appetite to diversify the supply chains gets ahead of the economic realities of what's possible, then there's a risk that you end up in a supply chain war. And China has any number of areas where if they were to choke a supply chain, and do it under the auspices of quality control or recalls, it could

have a profound impact on the US economy in an election year.

**Allison Nathan:** Ian, let me go back to something that you said about just the willingness and motivation of US and China to be global leaders, because that seems to be such a big concern today given all the global problems we are combatting. We, obviously, just saw the example with the pandemic. But there's also climate change. I would be interested in that context to hear what you thought of COP28 in the sense that there seemed to be some positive headlines coming out of that. But does that give you any comfort that there can be some global leadership?

**Ian Bremmer:** Yes, yes it does. And let's be clear that the announcements made at COP28 were probably the minimum requirement for us to say that we had a successful summit. Right? I mean, they really didn't hit that bar very high. But the United States and the Chinese in the run up to the summit were cooperating much more than we've seen in the last few years on, for example, methane emissions, which the Chinese hadn't been willing to do before. As well as talking through carbon capture coordination and standards. And that's something for the



two largest emitters that are out there.

Also, the fact that you saw at COP a willingness to say that there is a transition away from fossil fuels, which most of the major Gulf oil producers and gas producers were very reluctant to do before. You only had that statement on coal. Now you have all of fossil fuels.

Yes, it's a minimum statement. We're very far from that meaning that we're post carbon. But it's still better than it was before. But here's the most important point. Every year you have these COP summits you are incrementally moving in the same direction. And everyone is incrementally moving in the same direction.

The reason for that is because we all agree on what the problem is. We've defined the problem, collectively and globally. There's 1.2 degrees centigrade of warming on the planet today. There's 442 parts per million of carbon in the atmosphere. We've measured it. We know what it is.

So, unlike the Israel/Palestine war where the two warring sides have virtually no overlap in their understanding of the problem and of what's happened in the war, virally

none, which means they're going to fight a lot more going forward, here, everybody agrees on the facts. And the only question is how much are you willing to spend to deal with it? How much do you want the kids to pay for it as opposed to us? How much should the developing countries have to pay, even though they haven't globalized yet? Or should it be on the wealthy countries? And is China a wealthy country? Because they emit more per capita now than even the Europeans do. Right? I mean, that kind of stuff.

But those are second order, high quality problems to have compared to where we could be if we had no global response. So, we've actually built enough architecture at this point around a climate response, an understanding and response, that we don't need the same level of US and Chinese global leadership to ensure that we get to the right place. And that is a really, really big deal.

**Allison Nathan:** Interesting. Jared, do you have anything to add?

**Jared Cohen:** I think what Ian's saying is really important because if you look at how the world is convening around climate change, the good news for

COP28 and COP27 before it and COP29 after is the world is actually willing to show up multilaterally. Right? And, you know, there'll be criticism of it. It doesn't go far enough. But you do have a shared set of facts, or largely a shared set of facts that the world is operating off of.

I would argue that we have to keep investing in that. We should not take that for granted. It's not a given based on everything else that we see in the world that it will stay that way. So, we should preserve the investment we're making in ensuring that the entire world understands what's happening. So, that's point number one.

Point number two is more about headwind that I have a hard time getting my head around, which is for democratic societies where there are election cycles and term limits, climate change is the issue that all the young people care about. So, there's every incentive to talk about it and promise and raise expectations.

The challenge is when you're on an election cycle, there's not a lot of incentive to invest in doing anything about it because the fruits of that investment come long after you've left office. So, therein lies a bit of a quagmire for democratic

societies that I think makes it a little bit difficult to get the movement that you want.

But look, at the end of the day, the US/China relationship is central to anything meaningful happening on climate change. Not only are these the two most powerful countries in the world and the two biggest emitters in the world. They're also home to two of the most robust private sectors in the world. And the private sector's going to play an absolutely critical role in this.

**Allison Nathan:** So, let's take a step back. We've talked about a lot of themes driving our very confusing and complex geopolitical world today. So, Jared, what are your key messages for the C suite and investors in how they can be navigating this very complex world?

**Jared Cohen:** The first thing is I think we have to assume, or at least in my opinion, that the tensions between the US and China are at a minimum going to be steps forward and steps backwards for the foreseeable future. So, that's a tension that's here to stay.

They're going to have to find a way to navigate a lot of

ambiguity in the space because, again, the geopolitical aspirations in the short term are going to come at the expense of the economic outcomes in the medium and long term. And that puts business in a very difficult position.

Businesses are going to have to be much more thoughtful about what it looks like to operate on both sides of the geopolitical tension. They're going to have to get much more sophisticated at forecasting and looking around the corner. It's going to be very hard to do things kind of quarter by quarter. And businesses are going to have to build the geopolitical machinery in house to be able to navigate this.

The other thing that I would say for the C suite, and this is how I think about it Goldman Sachs, we have an enormous amount of expertise on all the issues in and around this tension. It's like a big puzzle that we have to put together around this sort of set of questions that we're asking about the future of supply chains, about the future of capital flows. And so, what I would encourage every business to do is-- because they're all asking the same questions. If you're a global business, everyone's asking the same questions.

So, businesses are used to talking about operational efficiency. They're used to talking about cost efficiency. There's an intellectual efficiency that I think businesses have to get better at as well because they're sitting on a lot of expertise that they can make use of. And so, that's another suggestion that I would have.

And then lastly, pay attention to the sort of pockets of predictability that exist in an otherwise uncertain geopolitical world. Right? If you look at these geopolitical swing states--

**Allison Nathan:** Which are what, by the way?

**Jared Cohen:** So, the wealthy Gulf countries: Saudi Arabia, Qatar, UAE. India, to me, is the ultimate geopolitical swing state. Countries like South Korea, Brazil, Norway. It's Japan, Australia. I don't go so far as to start lumping together the whole of the EU, but within the EU, France and Germany as individual companies.

So, geopolitical swing states are countries that basically in a world where the US and China are locked in these tensions, they have certain economic advantages, right?

They have a differentiated part of the supply chain. They have a differentiated amount of flexible capital. They're attractive for nearshoring or offshoring and friendshoring. They have leadership that has a unique vision for their country's role in the world. And these are countries that, in addition to all that, they have global agendas that are independent of Washington and Beijing. And they'll lean into both countries to maximize the economic opportunities. Like the geopolitical mantra of don't waste a good crisis.

**Allison Nathan:** Last thoughts from you Ian in terms of really the implications? And advice for companies and investors?

**Ian Bremmer:** Well, I mean, the one thing that I think hasn't been said and bears being said, I think it was back in 2001 that Goldman Sachs came up with the BRICS as a concept. Right? And that was talking about these new emerging markets that were going to be dominant economic players on the global stage. And we used to talk about these countries as developing countries, emerging markets. These were economics and market-driven concepts, all of them about the future of the world. They're countries that

are going to become more like the advanced, industrial democracies over time because they're going to get wealthier as globalization persists.

Okay, what's happened since then? Well, no one's driving globalization. It's not over. But it's not being driven. The biggest change is that geopolitics is the biggest driver of global organization, as opposed to economics. And we see that in how we think about these topics. So, for example, the BRICS now are an actual institution that are playing a geopolitical role primary, not an economic role, on the global stage. The global south has become the term of art in how to think about poorer countries in the world. Not because they're poor, but because they think of themselves geopolitically as other than the advanced, industrial democracies of the West. And they're annoyed about that.

And the ultimate geopolitical swing state, as Jared called it, is India. Why? Because not only are they the leader of the global south, but they also want to be a bridge to the West, which is critical. Imagine if India, the most powerful country in the global south had leadership like South Africa's Ramaphosa, how different the BRICS would be. How much more aligned with China. How much more we'd



be talking about the creation of an alternative, anti-Western bloc, right, than what we have today, which is actually much more ability to hedge geopolitically.

So, look, it's a very volatile time. It is not an explosively, only negative time. There's plenty of opportunity. There's plenty of resilience that Jared and I are unpacking. But the corporations and the investors must see these topics increasingly through a geopolitical lens. And Goldman Sachs and Eurasia Group and we've worked together now for almost 25 years, but much deeper now with Jared and the new institute, this is precisely why we're doing this. It's because this thought leadership is essential for the people that are making these decisions.

**Allison Nathan:** So much food for thought. Thank you so much Ian and Jared for joining us.

**Jared Cohen:** Thank you, Allison.

**Ian Bremmer:** Thank you.

**Allison Nathan:** Thanks for listening to this episode of Goldman Sachs Exchanges, recorded on Thursday,

December 14<sup>th</sup>, 2023.

If you enjoyed this show, we hope you'll follow us on Apple Podcasts, Spotify, or Google Podcasts, or wherever you listen to your podcasts. And leave us a rating and comment.

The opinions and views expressed in this program are not necessarily the opinions of Goldman Sachs or its affiliates. This program should not be copied or published without the express written consent of Goldman Sachs. Each brand mentioned in this program is the property of the company to which it relates and is not used to imply any ownership or license rights. Goldman Sachs is not providing any financial, economic, legal, investment, accounting, or tax advice through this program. Neither Goldman Sachs nor any of its affiliates makes any representation or warranty as to the accuracy or completeness of any information contained in this program.

This transcript should not be copied, distributed, published, or reproduced, in whole or in part, or disclosed by any recipient to any other person. The information contained in this transcript does not constitute a recommendation from any Goldman Sachs entity to the recipient. Neither Goldman Sachs nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this transcript and any liability therefor (including in respect of direct, indirect, or consequential loss or damage) are expressly disclaimed. The views expressed in this transcript are not necessarily those of Goldman Sachs, and Goldman Sachs is not providing any financial, economic, legal, accounting, 54 44 or tax advice or recommendations in this transcript. In addition, the receipt of this transcript by any recipient is not to be taken as constituting the giving of investment advice by Goldman Sachs to that recipient, nor to

constitute such person a client of any Goldman Sachs entity. This transcript is  
33 provided in conjunction with the associated video/audio content for  
convenience. The content of this transcript may differ from the associated  
video/audio, please consult the original content as the definitive source.  
Goldman Sachs is not responsible for any errors in the transcript.