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North American and Arctic Defence and Security Network

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January 21, 2026

"Values-Based Realism," Middle Powers, and a New World Order: Prime Minister Carney's Davos Speech

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It is a rare occasion, as academics, that we are content to leave a document to speak for itself. In this case, we anticipate that Prime Minister Mark Carney's speech at the World Economic Forum in Davos on 20 January 2026 will be remembered as one of the most profound, courageous, and important speeches by a Canadian political leader on the international stage. While many Canadian news sites have already posted transcripts of the speech, we are doing so here as a *Quick Impact* to help facilitate its widest circulation amongst and beyond our network.

NAADSN has previously highlighted the enduring resonance of Louis St. Laurent's Gray Lecture, delivered in 1947, as a framework to understand Canada's foreign policy and role in international affairs rooted in a rules-based international order. Just as St. Laurent's speech proved pivotal in rationalizing and shaping Canada's approach to global political engagement and its commitment to multilateralism in the Cold War and beyond, so too may Carney's on the responsibilities of middle powers in the new multipolar world order.

Prime Minister Carney's remarks

It seems that every day we are reminded that we live in an era of great power rivalry. That the rules-based order is fading. That the strong do can what they can, and the weak must suffer what they must. This aphorism of Thucydides is presented as inevitable – as the natural logic of international relations reasserting itself. And faced with this logic, there is a strong tendency for countries to go along to get along. To accommodate. To avoid trouble. To hope that compliance will buy safety. Well, it won't.

So, what are our options? In 1978, the Czech dissident Václav Havel, later president, wrote an essay called The Power of the Powerless. And in it, he asked a simple question: How did the communist system sustain itself? And his answer began with a greengrocer. Every morning, this shopkeeper places a sign in his window:

"Workers of the world, unite!" He does not believe it. No one believes it. But he places the sign anyway – to avoid trouble, to signal compliance, to get along.

And because every shopkeeper on every street does the same, the system persists. Not through violence alone, but through the participation of ordinary people in rituals they privately know to be false. Havel called this "living within a lie." The system's power comes not from its truth but from everyone's willingness to perform as if it were true.

And its fragility comes from the same source: When even one person stops performing – when the greengrocer removes his sign – the illusion begins to crack. Friends, it is time for companies and countries to take their signs down. For decades, countries like Canada prospered under what we called the rules-based international order. We joined its institutions, we praised its principles, we benefited from its predictability.

And because of that, we could pursue values-based foreign policies under its protection. We knew the story of the international rules-based order was partially false. That the strongest would exempt themselves when convenient. That trade rules were enforced asymmetrically. And we knew that international law applied with varying rigour depending on the identity of the accused or the victim.

This fiction was useful, and American hegemony, in particular, helped provide public goods: open sea lanes, a stable financial system, collective security, and support for frameworks for resolving disputes. So, we placed the sign in the window. We participated in the rituals. And we largely avoided calling out the gaps between rhetoric and reality.

This bargain no longer works. Let me be direct: we are in the midst of a rupture, not a transition. Over the past two decades, a series of crises in finance, health, energy and geopolitics laid bare the risks of extreme global integration.

But more recently, great powers began using economic integration as weapons. Tariffs as leverage. Financial infrastructure as coercion. Supply chains as vulnerabilities to be exploited. You cannot "live within the lie" of mutual benefit through integration when integration becomes the source of your subordination. The multilateral institutions on which middle powers relied – the WTO, the UN, the COP – the architecture, the very architecture of collective problem solving – are under threat.

As a result, many countries are drawing the same conclusions. That they must develop greater strategic autonomy: in energy, food, critical minerals, in finance and supply chains. And this impulse is understandable. A country that cannot feed itself, fuel itself or defend itself has few options. When the rules no longer protect you, you must protect yourself. But let's be clear-eyed about where this leads. A world of fortresses will be poorer, more fragile, and less sustainable.

And there is another truth: If great powers abandon even the pretense of rules and values for the unhindered pursuit of their power and interests, the gains from "transactionalism" will become harder to replicate.

Hegemons cannot continually monetize their relationships. Allies will diversify to hedge against uncertainty. They'll buy insurance, increase options, in order to rebuild sovereignty – sovereignty which was once grounded in rules but will be increasingly anchored in the ability to withstand pressure.

This room knows, this is classic risk management. Risk management comes at a price. But that cost of strategic autonomy, of sovereignty, can also be shared. Collective investments in resilience are cheaper than everyone building their own fortress. Shared standards reduce fragmentation. Complementarities are positive sum.

And the question for middle powers, like Canada, is not whether to adapt to this new reality. We must. The question is whether we adapt by simply building higher walls – or whether we can do something more ambitious. Now, Canada was amongst the first to hear the wake-up call, leading us to fundamentally shift our strategic posture. Canadians know that our old, comfortable assumption, that our geography and alliance memberships automatically conferred prosperity and security. That assumption is no longer valid.

Our new approach rests on what Alexander Stubb, President of Finland, has termed "values-based realism" – or, to put another way, we aim to be both principled and pragmatic. Principled in our commitment to fundamental values: sovereignty, territorial integrity, the prohibition of the use of force except when consistent with the UN Charter, and respect for human rights. Pragmatic in recognizing that progress is often incremental, that interests diverge, that not every partner will share all of our values.

We are engaging broadly, strategically, with open eyes. We actively take on the world as it is, not wait around for a world we wish to be. We are calibrating our relationships, so their depth reflects our values. We are prioritizing broad engagement to maximize our influence, given the fluidity of the world at the moment, the risks that this poses, and the stakes for what comes next. We are no longer just relying on the strength of our values, but also on the value of our strength. We are building that strength at home.
Since my government took office, we have cut taxes on incomes, on capital gains and business investment, we have removed all federal barriers to interprovincial trade, we are fast-tracking a trillion dollars of investment in energy, AI, critical minerals, new trade corridors and beyond.

We are doubling our defence spending by the end of this decade and we are doing so in ways that builds our domestic industries. And we are rapidly diversifying abroad. We have agreed a comprehensive strategic partnership with the EU, including joining SAFE, Europe's defence procurement arrangements. We have signed twelve other trade and security deals on four continents in six months. The past few days, we have concluded new strategic partnerships with China and Qatar. We are negotiating free trade pacts with India, ASEAN, Thailand, Philippines and Mercosur.

We're doing something else. To help solve global problems, we are pursuing variable geometry– in other words, different coalitions for different issues, based on common values and interests. So, on Ukraine, we are a core member of the Coalition of the Willing and one of the largest per-capita contributors to its defence and security. On Arctic sovereignty, we stand firmly with Greenland and Denmark and fully support their unique right to determine Greenland's future.

Our commitment to NATO's Article 5 is unwavering. We are working with our NATO allies (including the Nordic Baltic 8) to further secure the alliance's northern and western flanks, including through Canada's unprecedented investments in over-the-horizon radar, in submarines, in aircraft and boots on the ground, boots on the ice.

Canada strongly opposes tariffs over Greenland and calls for focused talks to achieve our shared objectives of security and prosperity in the Arctic. On plurilateral trade, we are championing efforts to build a bridge between the Trans-Pacific Partnership and the European Union, which would create a new trading block of 1.5 billion people.

On critical minerals, we are forming buyer's clubs anchored in the G7 so that the world can diversify away from concentrated supply. And on AI, we are co-operating with like-minded democracies to ensure we will not ultimately be forced to choose between hegemons and hyperscalers.

This is not naive multilateralism. Nor is it relying on their institutions. It's building coalitions that work, issue by issue, with partners who share enough common ground to act together. In some cases, this will be the vast majority of nations. What it's doing is creating a dense web of connections across trade, investment, culture on which we can draw for future challenges and opportunities.

Argue that middle powers must act together because if we're not at the table, we're on the menu. But I'll also say that great powers, great powers can afford for now to go it alone. They have the market size, the military capacity, and the leverage to dictate terms. Middle powers do not. But when we only negotiate bilaterally with a hegemon, we negotiate from weakness. We accept what's offered. We compete with each other to be the most accommodating.

This is not sovereignty. It's the performance of sovereignty while accepting subordination. In a world of great power rivalry, the countries in between have a choice: compete with each other for favour or to combine to create a third path with impact.

We shouldn't allow the rise of hard power to blind us to the fact that the power of legitimacy, integrity, and rules will remain strong – if we choose to wield them together.

Which brings me back to Havel. What does it mean for middle powers to "live the truth?" First, it means naming reality. Stop invoking "rules-based international order" as though it still functions as advertised. Call it what it is: a system of intensifying great power rivalry where the most powerful pursue their interests using economic integration as coercion.

It means acting consistently. Apply the same standards to allies and rivals. When middle powers criticize economic intimidation from one direction but stay silent when it comes from another, we are keeping the sign in the window. It means building what we claim to believe in. Rather than waiting for the old order to be

restored it means creating institutions and agreements that function as described. And it means reducing the leverage that enables coercion.

Building a strong domestic economy should be every government's priority. And diversification internationally is not just economic prudence; it is a material foundation for honest foreign policy. Because countries earn the right to principled stands by reducing their vulnerability to retaliation.
So, Canada, Canada has what the world wants. We are an energy superpower. We hold vast reserves of critical minerals. We have the most educated population in the world. Our pension funds are amongst the world's largest and most sophisticated investors. In other words, we have capital, talent, we also a government with immense fiscal capacity to act decisively.

And we have the values to which many others aspire. Canada is a pluralistic society that works. Our public square is loud, diverse, and free. Canadians remain committed to sustainability. We are a stable and reliable partner – in a world that is anything but – a partner that builds and values relationships for the long term.

We have something else: We have a recognition of what is happening and a determination to act accordingly. We understand that this rupture calls for more than adaptation. It calls for honesty about the world as it is. We are taking the sign out of the window. We know the old order is not coming back. We should not mourn it. Nostalgia is not a strategy. But we believe that from the fracture, we can build something better, stronger, more just.

This is the task of the middle powers, the countries that have the most to lose from a world of fortresses and the most to gain from genuine co-operation. The powerful have their power. But we have something too – the capacity to stop pretending, to name reality, to build our strength at home, and to act together. That is Canada's path. We choose it openly and confidently. And it is a path wide open to any country willing to take it with us.