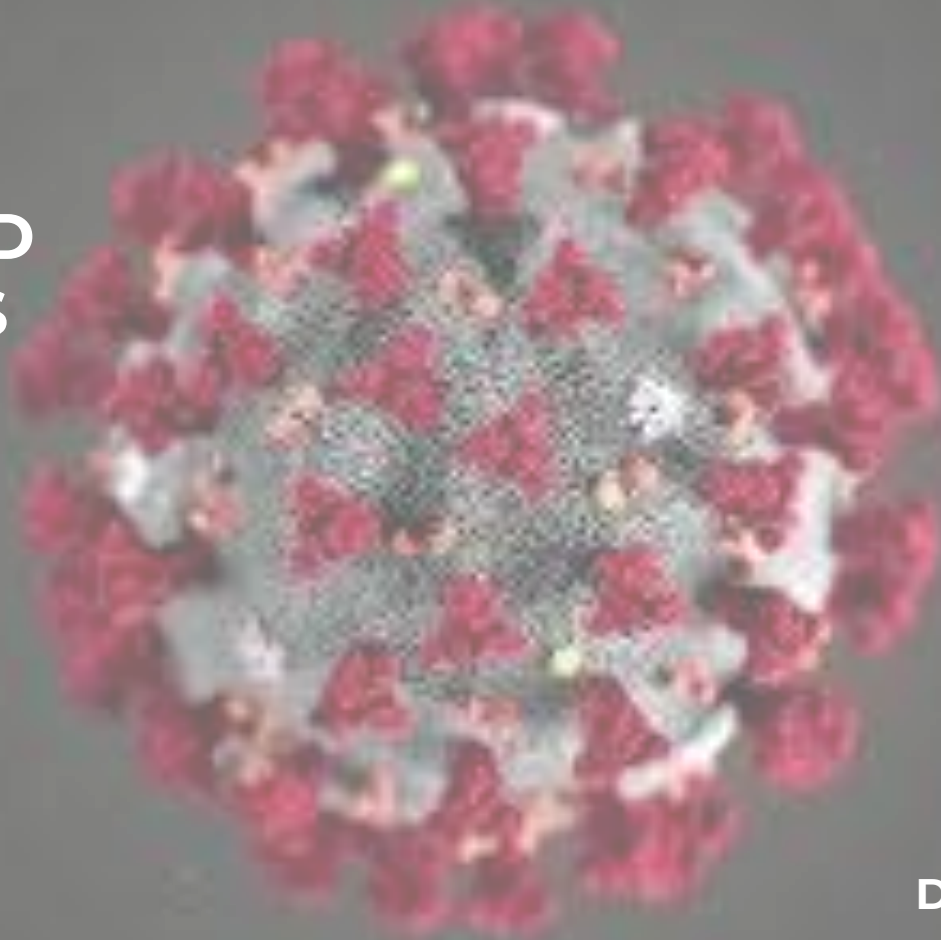


THE POST- PANDEMIC WORLD: TRENDS AND SCENARIOS



DR. PARAG KHANNA

Regionalization Displaces Globalization

North American Union

Trade war decoupling:
US-Canada > \$300B US-
Mexico > \$300B
(US-China: \$271B)

Drivers of near-shoring
towards regional self-
sufficiency: Cheap
energy, automation,
tariffs and tax incentives

Continental food-energy-
water nexus

The Next European Union

~70% internal trade but
divergence in PPP

No fiscal union but also no
Euro exits amidst Euro 3.2T
stimulus

ESM conditionality for
southern EU to access Euro
450B credit

France/southern in favor of
raising Euro 500B joint
Eurobonds

Asia for Asians

Internal trade above 60% and
rising; China-SK trade
rebounding; Japan pulling FDI
from China

RCEP ratification can offset
export demand shock

India looks East: Trade rising
despite abstaining from RCEP

Beyond the supercycle: West
Asia deep into Arab-Asian nexus

- After the global supply/demand shock, intra-regional supply chain integration
- “Make where you sell”: Diversification > Nearshoring
- US/EU strategic stakes in industries to avoid Chinese bargain takeovers

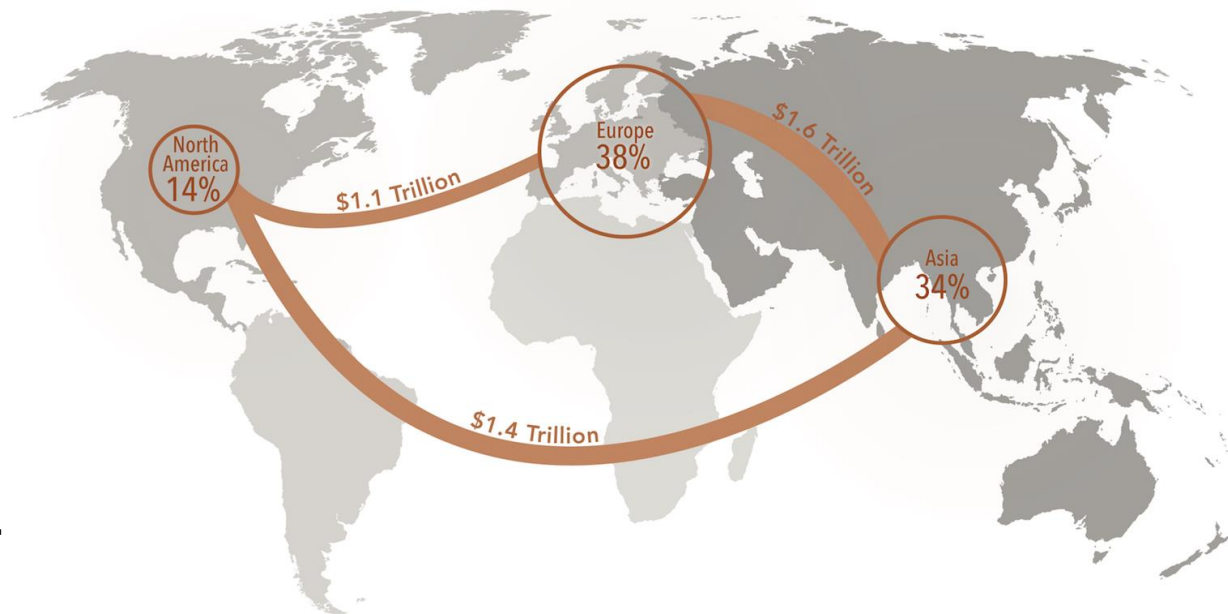
From Transatlantic to Eurasian: Global Trade's Shifting Center

North America least trade dependent region

Asia catching up to Europe in share of total world trade

Euro-Asian axis largest and fastest growing trade dyad despite lacking FTAs and infrastructure

Permanent substitution: Euro-Asian decoupling?



ANTI-CHINA BACKLASH DEEPENS

Short-term gains along the “Health Silk Road”

- 90 countries getting Chinese medical equipment; European inroads w/ Italy and Serbia
- Asian currencies and exports down; lower Chinese tariffs as a new “early harvest”
- Asian travel immunity and sequential opening



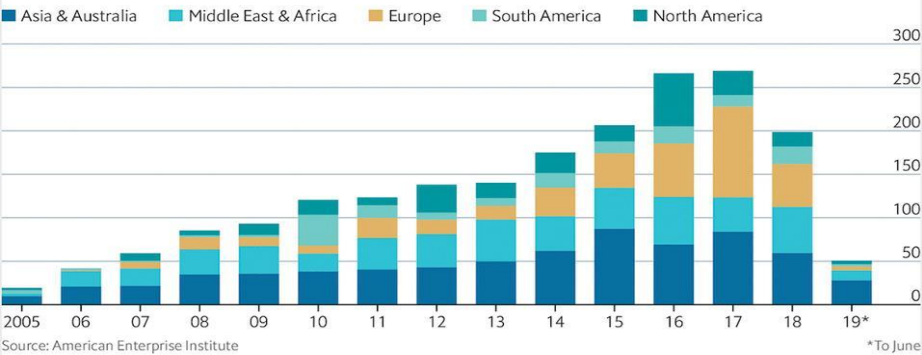
Who wins Eurasia? The return of multipolarity

- China's first mover advantage leads to an “infrastructure arms race”: EU, Japan, India, US-ANZ
- Expansion of concessionary finance offerings and dilution of Chinese influence
- Indo-Pacific Quad soft alliance and infrastructure networks



Going out

Worldwide Chinese investments and construction contracts, \$bn



The Economist

\$461 in disbursed and announced BRI lending since 2013 (esp. Russia, Indonesia, Pakistan, Iran)

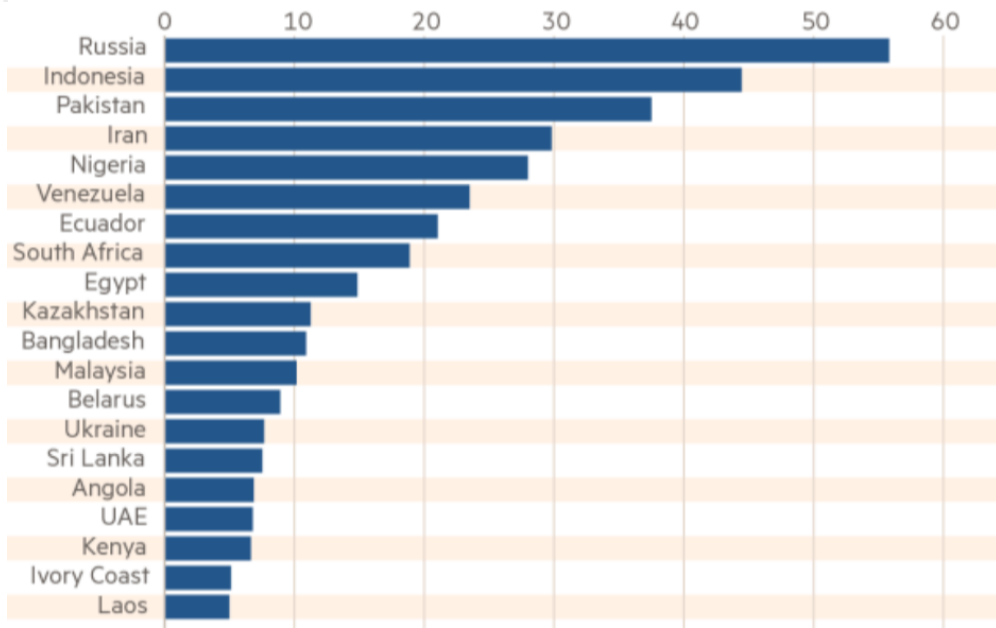
Huge write-downs expected from Africa and Lat-Am amidst commodities slump and coronavirus contraction

Suspensions rising: Countries seeking exit ramp from debt-trap diplomacy

Belt & Road 1.0, 2.0...3.0?

Overall decline in outward Chinese investment into construction projects predates Covid-19

Significant FDI reallocation away from US and EU towards Southeast Asia and West Asia



“Whatever it takes,” American-style: QE + Hyper-Keynesianism

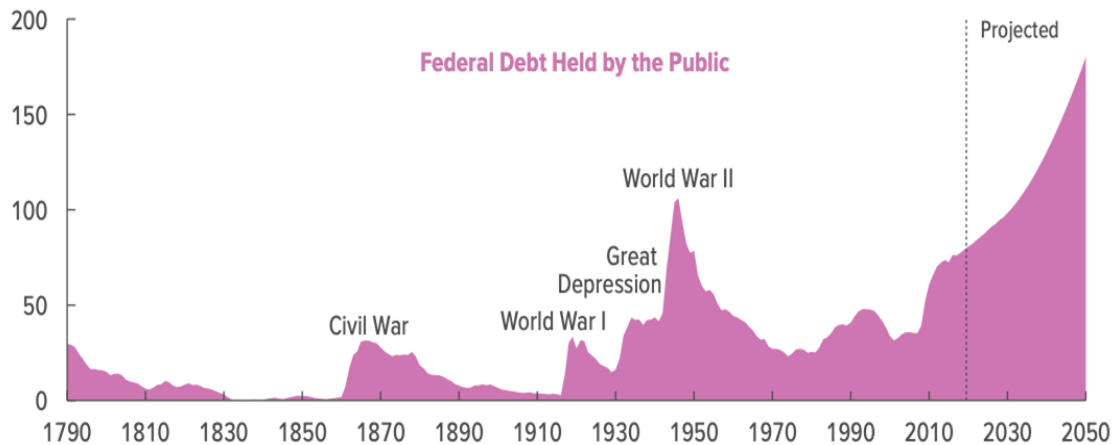
Return of the “Big State”

- Post-GFC QE+TARP: Fed balance sheet > \$6T; public debt < \$20T
- Obama Recovery Act: \$300B cumulative stimulus; 900,000 new jobs in clean energy
- Financial sector stabilizes and equity markets began record rally

What comes next?

- From disaster relief to “virus stimulus”: \$2T direct support and \$4T Fed lending; debt/GDP ~150%
- Long-term unemployment b/w 10-20% and rising personal bankruptcy
- Consumer/asset prices sagging w/ monetary easing: Great deflation + stagflation

Percentage of Gross Domestic Product



- Business investment retreats into forced savings, spurring “secular stagnation”
- Middle class precautionary savings
- Insufficient \$1200 relief cheques
- Calls for UBI, wealth taxes, higher wages, 4-day workweek
- SME factor: \$350B loan program for firms w/ <500 employees

Post-Human Productivity

Korea

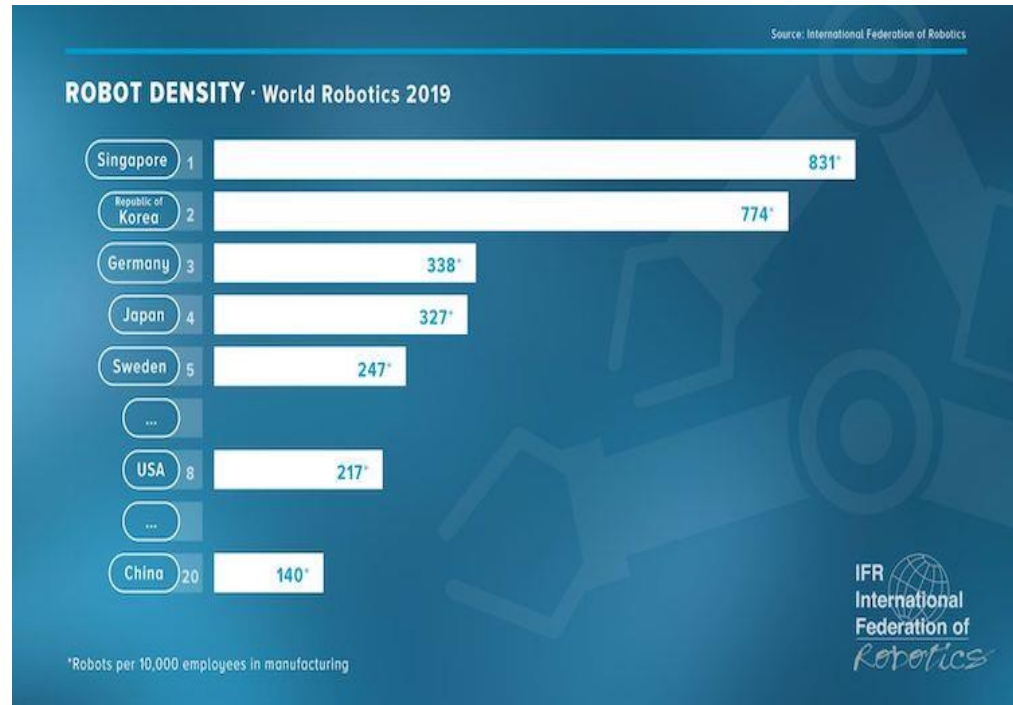
- Hyundai's triple whammy: car parts from Wuhan, sick workers in Ulsan, and global demand shock
- Samsung \$80B fund to spur automation in 2,500 companies
- HyosungITX doubling in revenue as it deploys smart factory solutions
- 2/3 of aging labor force in manufacturing at risk of unemployment

Japan

- Robotics leaders: Mitsubishi, Denso, Kawasaki, etc.
- Connected Robotics (cooking), Preferred Networks (room cleaning), SoftBank Robotics (Pepper), Paro (elderly care), Ascent (autonomous cars), etc.

Singapore

- Planning doubling of automation by 2022
- Smart Nation focus on 4IR across industries beyond healthcare, construction
- Replacing menial cleaning/delivery jobs
- EDB focused on FDI for automated electric cars



Accelerators of “robot density”:

- High R&D
- 5G deployment
- Aging population
- Export promotion
- Quest for productivity growth

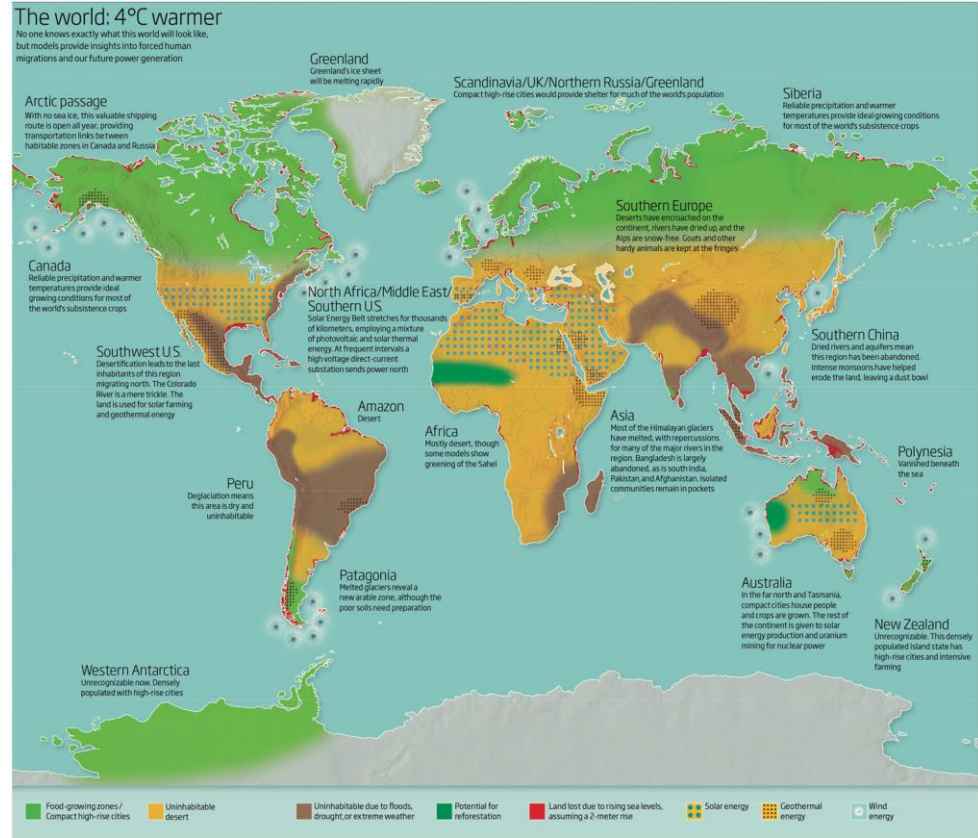
People on the Move: From Red Zones to Green/Blue Zones

Drivers of the next migration wave:

- (1) Demographic imbalances and labor shortages
- (2) Political upheaval
- (3) Economic crisis
- (4) Technological automation
- (5) Climate change
- (6) Pandemic

In search of the right latitude, altitude, and attitude:

- Food supply and security
- Ecological sustainability
- Fresh water supply
- Circular economy
- Healthcare availability
- Stable employment
- Migrant friendliness
- Affordability



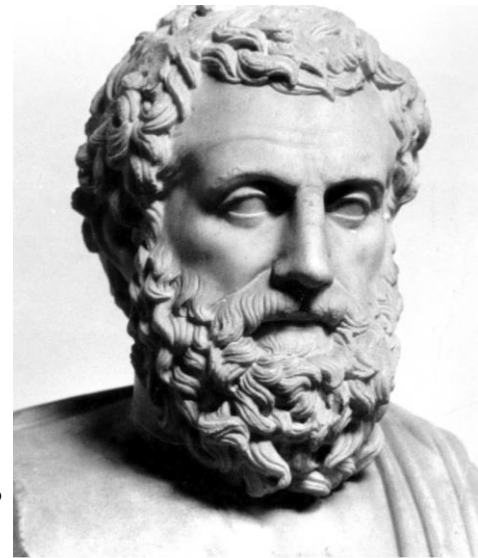
Having it All: Secure Connectedness



A New Global Morality? From Inertia to Action

What do we value? Questions to ponder

- Should we raise capital for “pandemic bond” payouts that come too late or fund pandemic preparedness?
- Should non-essential services (N) comprise the majority of GDP while essential services (E) are crippled?
- Should fiscal policy cut taxes for the rich or raise wages for truly “essential” functions (healthcare, education, childcare, libraries, parks, grocers, delivery, infrastructure, utilities, museums, community centers)?
- Do we need more malls or hospitals? Hedge funds or credit unions? FaceApp or vaccine research? Sports stadiums or vocational training centers? Empty hotels or public housing? Vacant malls or co-working/makerspaces?
- Should oil price determine our commitment to sustainability?
- Can we evolve From (nationalist) grand strategy to (globalist) global strategy?
- Can great powers converge on clean-tech, failed states, and migration?
- Can Eastern and Western governance fuse around technocratic administration, welfare states, and regulated capitalism?
- Can digital connectivity engender a new global social capital?





THANK YOU!

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