

Letter 35

The World in 2040

"We are all interested in the future, for that is where you and I are going to spend the rest of our lives." Woody Allen

The CIA's report on the future of the world is always anticipated. Last year, when Covid broke out, many went back to the previous report, "The World in 2025", because it had predicted the outbreak of an epidemic and foresaw some of its consequences.

We are often asked to imagine the world in the next fifteen years. Certainly, we must bear in mind the final sentence in *Wittgenstein's* Tractatus, "**What we cannot speak about, we must pass over in silence**" and we must be modest. The process is uncertain but nevertheless useful. So, let us take advantage of this new CIA publication, "The World in 2040", to try to paint an impressionistic picture of our future. Let us use these reflections to form an opinion, because the CIA teams have identified 5 plausible scenarios.

The first scenario : the rebirth of democracies.

It is betting on a new golden age of democracies driven by the United States and its allies. The source of this optimism is the breakthroughs in technology, an acceleration of growth and therefore of wealth creation, an improvement in living standards, and an easing of social tensions in Western countries. Is this unrealistic? No, because it is the ambition of the proponents of MMT, Modern Monetary Theory: to inject liquidity today at low rates to finance growth-generating investments. The debt will thus be easily repaid, and growth will be revitalized.

On the other hand, innovation is stifled in China and Russia by the surveillance of the population, and many scientists from these countries choose to go westward.

The European Union and the United States are the winners in such a scenario. Many emerging countries are distancing themselves from China's unfulfilled promises, copying the Western model, and adhering to democratic principles.

The second scenario : a world adrift.

In this twilight scenario, international rules and institutions are ignored by both China and the major Western powers.

In support of this hypothesis, Western countries are recovering poorly from the economic consequences of the recent pandemic. Faced with high debt and an ageing population, they are having to cut back on investment in infrastructure, education, and research, and are experiencing weak growth, comparable to that of Japan in the 1990s. At the borders, there are waves of migrants fleeing from environmental disasters and conflicts.

Emerging countries are stagnating and turning to China.

China faces environmental and societal problems, but its social cohesion and centralized leadership enable it to achieve sufficient growth to overtake the US before 2030. It is taking advantage of the

economic difficulties of the developed countries to expand its influence in the world. China's aggressiveness in Asia increases the risk of conflicts with other regional powers over critical resources.

Such a scenario is reminiscent of *Allison's* famous book "*Destined for War: Can America and China Escape Thucydides' Trap?*", published in 2017. His thesis: when an ascending power threatens to supplant an established power, the danger is never far away.

The third scenario : competitive coexistence.

It is that of a virtuous emulation, beneficial to all parties. Between the United States and China, there is economic interdependence, a strong trade relationship, respected international governance, and a low risk of war.

Each bloc has realized that it needs the other to prosper. The West remains on the line of a liberal economy, while China maintains its closed state-run system but prioritizes growth and trade. Emerging countries are benefiting from global growth.

The fourth scenario : separate silos.

This is a pessimistic scenario, a world fragmented into rival blocs sheltered by protectionist barriers, with vulnerable emerging countries caught in the middle. Major global issues such as climate change are being neglected.

The economic stagnation of many emerging countries in Africa, the Middle East and South Asia is causing continued instability and waves of migration.

Sectors that were once dynamic, such as tourism, are facing difficulties. Large, resource-rich countries such as the United States and Canada are adapting more easily to this concept of self-sufficiency.

Many states are turning to forms of nationalism to unify their populations against the outside world. Technological innovation is atrophying because there is less trade and markets are smaller. Military expenditure is significant.

The fifth scenario : tragedy then mobilization.

It is that of a chain of events, tragedy and then mobilisation, of a depletion of resources, of a global rise in temperatures, of a fall in harvests, and of a global food crisis caused by climate change.

Developed countries, at the initiative of highly mobilized young people, are trying to help poor countries manage the crisis, overcome famine and then invest massively in the energy transition.

The European Union, then dominated by the Green parties, was at the helm and China, aware of its interest, joined in. The other major countries, the United States, Canada and Australia, eventually joined the movement. A new international cooperation is working.

Countries dependent on fossil fuel industries such as Russia and some OPEC countries are slower to commit because they want to continue to rely on fossil fuels, but they end up under international pressure.

Conclusion : "The ignorant says, the learned doubt, the wise thinking" Aristotle.

It is difficult to choose between these scenarios, but the CIA experts invite us to reflect. No peremptory

affirmation but several hypotheses.

The 2nd scenario, which is very dark, is not unfounded because it projects into the near future some of the trends observed in recent years: the structural slowdown in growth has been analyzed by economists like *Gordon* or *Summers* who speak of secular stagnation. The worsening of debt worldwide has been very rapid since the 2008 crisis and cannot continue, the frustrations of the middle classes are exacerbated by rising inequality and income stagnation, the migration flows, even if reduced since the peak of 2015, benefit the populist movements.

The 4th scenario is pessimistic, but cannot be excluded, if populists take power and, often, in our Letters we have denounced the harms of a withdrawal and the costs of protectionism. One thinks of the great German philosopher *Sloterdijk* in "*After Us, The Deluge*", describing modernity not so much as a break from the past as a divorce with the future.

The last scenario cannot be ignored but should be able to be averted because since the Covid crisis and the election of Biden, there has been an amplification of the mobilization of civil society, states and institutional investors to accelerate the fight against global warming.

Our inclination leans towards a combination of the first and third scenarios, one because it brings an optimistic touch, the other because it represents wisdom. If we want to believe in the effectiveness of structural measures, the European plan of €750 billion and the American infrastructure plan should bring about additional productivity and potential growth to the states and be financed at near zero interest rates. In other words, a combination of the two is not unrealistic, only because at the same time, populist regimes, from Brazil to India, including Turkey and the Philippines, have shown their inability to manage the crisis and, as a result, their leaders could be ousted in the next elections in 2022 and 2023.

In short, as Bergson noted, "*The future is not what is going to happen to us, but what we are going to do.*"

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