

What an Interesting World and What Happens Next?

Jonathan Pain



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Beware the prism through which you view the world

- My personal prism: I'm a globalist
- My core beliefs: I'm a meritocrat
- I celebrated the fall of the Berlin Wall and the ever increasing integration between economies and people



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The world is changing

- Rise of economic nationalism, decline of globalisation and the great decoupling
- In 2016 America had a choice between a documentary and entertainment
- In 2020 will they vote for a second season of reality TV?



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U.S National Security Strategy

December 2017

- *The United States will respond to the growing political, economic, and military competitions we face around the world. China and Russia challenge American power, influence, and interests, attempting to erode American security and prosperity. They are determined to make economies less free and less fair, to grow their militaries, and to control information and data to repress their societies and expand their influence.*
- *For decades, U.S. policy was rooted in the belief that support for China's rise and for its integration into the post-war international order would liberalize China. Contrary to our hopes, China expanded its power at the expense of the sovereignty of others.*



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The Great Decoupling and the new cold war

- *“America had hoped that economic liberalization would bring China into greater partnership with us and with the world. Instead, China has chosen economic aggression, which has in turn emboldened its growing military.*
- *Nor, as we hoped, has Beijing moved toward greater freedom for its people. For a time, Beijing inched toward greater liberty and respect for human rights, but in recent years, it has taken a sharp U-turn toward control and oppression.”*
- ***Vice President Mike Pence Hudson Institute 4 October 2018***



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Steve Bannon

- *“The mission of the “Committee on the Present Danger: China” is to help defend America through public education and advocacy against the full array of conventional and non-conventional dangers posed by the People’s Republic of China. As with the Soviet Union in the past, Communist China represents an existential and ideological threat to the United States and to the idea of freedom—one that requires a new American consensus regarding the policies and priorities required to defeat this threat.”*



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The China hawks are in control

- A rare consensus in Washington: contain, constrain and change China
- Peter-Death by China-Navarro
- Mike Pence, Steve Bannon, Mike Pompeo, Marco Rubio, Elizabeth Warren



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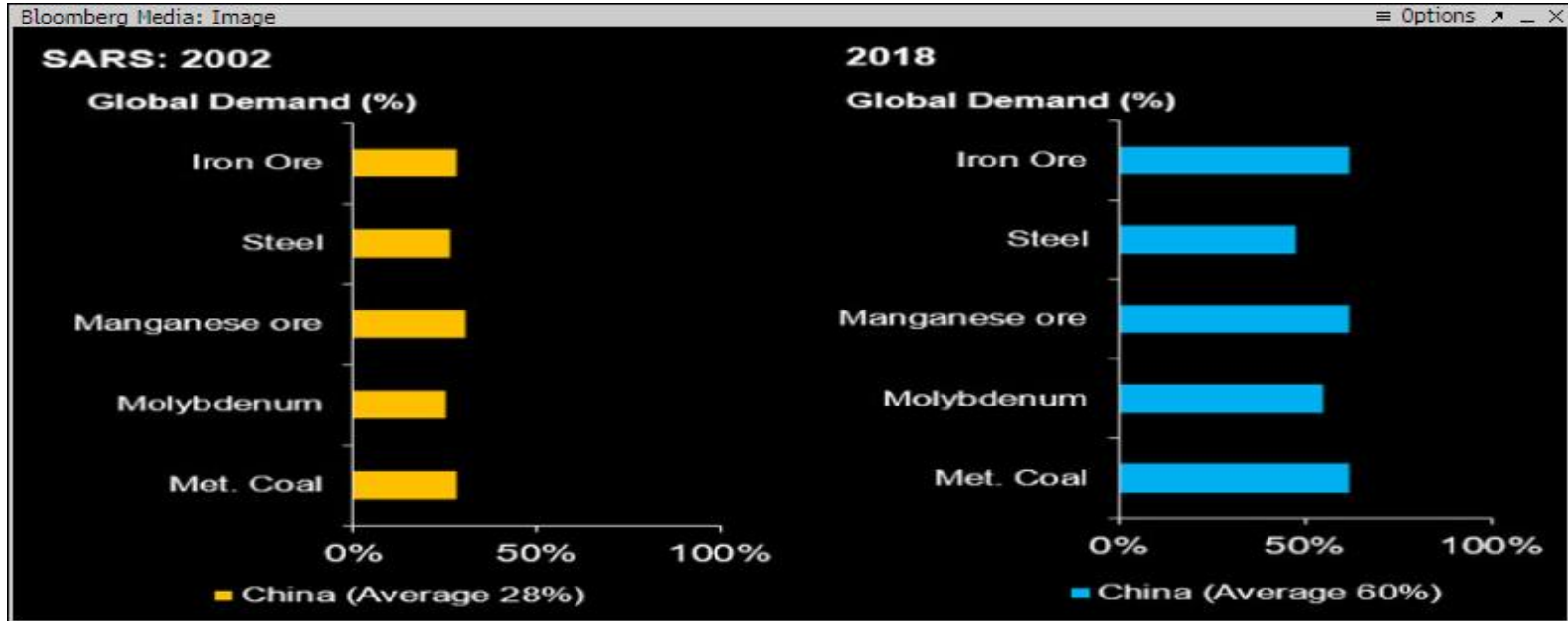
China

- This is not 2003!
- 4% versus 17% of global GDP
- \$1.47 trillion versus \$14 trillion
- 20 million tourists versus 134 million



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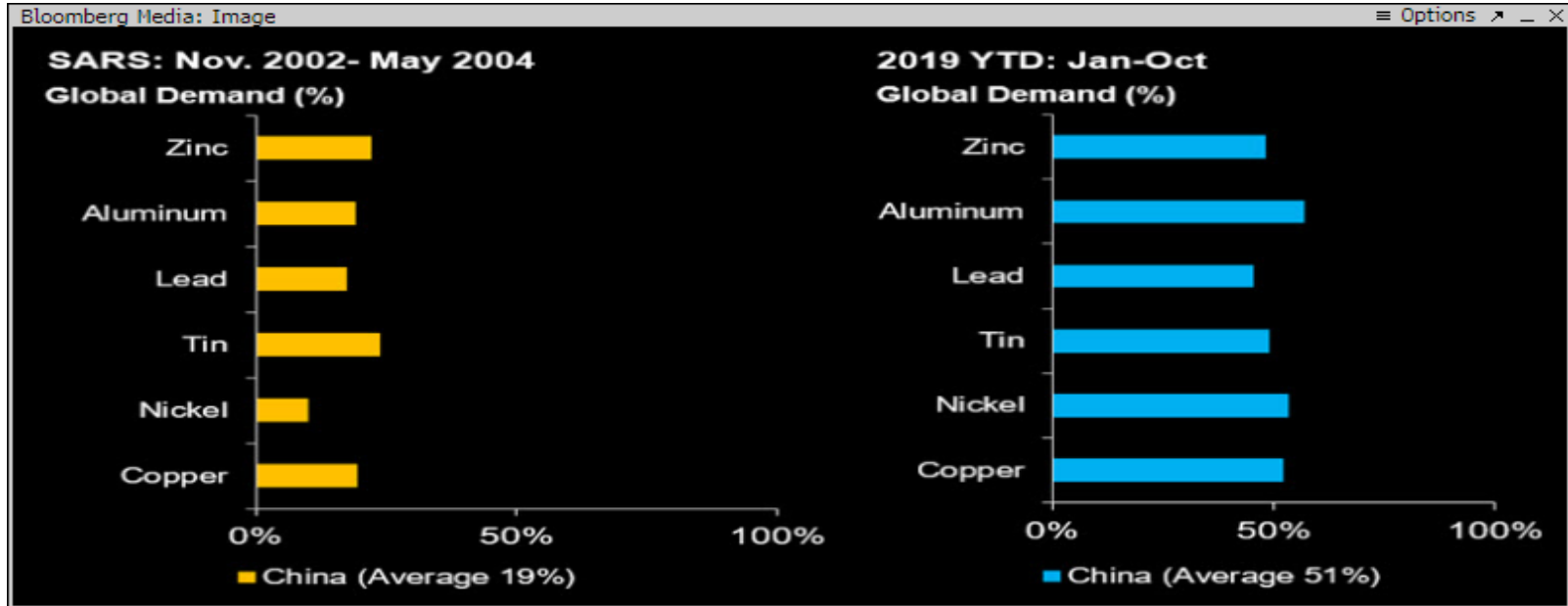
Seismic increase in consumption



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A voracious appetite



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The beating heart of global supply chains

- China is the world's largest exporter of intermediate manufactured products, producing approx 20-25% of all the components used in supply chains across the world



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Main economic engines shutdown

- Wuhan, a city of 11 million people and a critical transportation and logistics hub
- 14 provinces and cities have closed businesses until mid-February, equal to 69% of GDP!



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A lot of short-term pain!

- China will see a contraction in Q1 GDP
- The coronavirus has come at a very difficult time for China...Hong Kong...high corporate debt...trade war.
- China will stimulate as they always do...but



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USA

- Slower growth in 2020
- Fed to cut rates further
- Employment and housing strong
- Biden or Sanders to face Trump



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Europe

- Slow growth...and the German locomotive
- U.K outlook brightens
- Boris-no ifs or buts-Johnson
- Sitting in the Piazza Garibaldi in Parma



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Middle East

- U.S-Iran
- America stepping back
- Who steps in?



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The good news!!

- Vietnam: rising like a Phoenix
- Indonesia: 265 million...plus 25 million since?
- India: fastest growing major economy
- Pakistan 193, Bangladesh 162, Philippines 105
- The story of Singapore...from swamp to oasis



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The most significant...

- The most significant and defining economic phenomenon of our time, if not any time, is the rise of the Asian middle classes



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Australia

- A safe haven
- The tyranny of distance might be a blessing!
- Super-low rates to continue...QE?
- Coronavirus + bush fires versus low rates and housing recovery



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Western Australia

- You know the numbers: weakness in business investment, household consumption
- Your weakness is population growth: overseas versus interstate migration
- Your action plan: grow your population



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What's in your future?

- Some short-term China related pain
- A world class educational and tourism experience
- Too reliant on China...diversify!
- Go hard on showcasing your enviable assets



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What happens next?

- You've seen the evidence-what do you think?
- Decoupling and deglobalisation?
- Next few years could be challenging
- And, remember the most significant...



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