

As part of the *Café Insights* series of interviews with inspiring speakers, The Insight Bureau recently caught up with Dr Parag Khanna, a leading global strategist, world traveler, and best-selling author. He is Managing Director of FutureMap, a data and scenario based strategic advisory firm, and is a Senior Research Fellow in the Centre on Asia and Globalisation at the Lee Kuan Yew School of Public Policy at the National University of Singapore.



Andrew Vine (AV) Well, hello, and welcome to another in the series of Café Insights. I'm Andrew Vine, Managing Director of The Insight Bureau, and today, I'm in conversation with Dr Parag Khanna. How are you?

Parag Khanna (PK) Hi, Andrew.

AV Good. So, nice to see you here at the Fullerton Bay Hotel. So, this isn't the first time we've done one of these recordings. But you know what, the world keeps changing, so here we are.

PK Yeah, here we are!

AV You're a geo-strategist, you're an author, you've been a Fellow of the Lee Kuan Yew School, you're now the managing partner of FutureMap, a big thinker on the forces that are changing the world... so that sounds like an awesome job title and a job description, but what keeps you busy?

PK [laughter] It does keep me busy. But as you said, the world is changing, but I have seen, to reflect a little bit, a validation of a lot of the things that I've been working on for the last 10 years. For example, the intersection of globalization and geopolitics; what we're seeing now, especially with the divergence across monetary policies in the major economies, is that you can no longer treat the world as if we are in a united response to the financial crisis with fiscal stimulus being coordinated and so forth. You can no longer take for granted that the major powers are going to act with some degree of deference towards each other, so you're seeing geopolitics and globalization collide again.

And that was really the principal theme of my first book that was published 10 years ago, called *The Second World: Empires and Influence in the New Global Order*, so I was picking up on that and the confidence of emerging markets, especially in Asia. Their ability to start to call the shots in their own affairs - whether it's the Iran or Saudi Arabia, Indonesia of the world; Russia; countries that took up entire long chapters of that book - are really expressing themselves today very physically and manifestly. So, I actually go back, and I see a lot of other people going back and looking at my descriptions of those countries, to get grounded in what they're seeing today in the world. So, the old is also the new, as much as there is a lot of change.

AV Well, I was going to ask you, looking back, how you see the world has changed, because I think -- once upon a time -- we were all pretty good amateur economists, but the world's got more complicated!

PK It is simply not enough to be an economist, or to know geopolitics, or to know technology or to know public policy or science. Today you will not get any prediction right in this complex world unless you know a sufficient amount about all of those areas. So, I have called it the triangle - I look at geopolitics, geo-economics, and geo-technology, a term that I coined myself about 7 or 8 years ago. What I notice is that political scientists know too little about economics; economists and political scientists know too little about technology; and technologists, as we've seen in the last few years, don't really understand public policy very well and don't gauge the public and their response to their innovations very well.

So, you have to have a sufficient grounding in politics, economics and technology in the intersection of those forces. That was a major theme in my book, *Hybrid Reality*. It was a major theme in *Connectography* as well and what occupies whatever spare time I have is managing to maintain a sufficient grounding in the technological trends and innovations, the breakthroughs - how they're affecting economic models. So, for example, obviously labour automation; artificial intelligence; which jobs are being lost; which jobs aren't being lost - how does that affect the macroeconomic planning and the economic cycles? How does the inequality that results from that, affect the politics, and what are the politicians doing about it and how well do they understand the technology and economics? As you can see through that one simple example, you must understand at least these three forces, and then you have to layer in the impact of climate change, for example, which I also look at quite a bit.

AV Yes, so your recent book, *Connectography*, was looking very much at -- not just in this part of the world, but especially important in this part of the world -- how the new corridors of business opportunity and power is going to be channeled.

PK *Connectography* was published the year that the Belt and Road Initiative was really announced and took off, and the Asian Infrastructure Investment Bank was announced. But I wrote that book based upon 20 years of experience of traveling in every country that ends in "stan" [laughter], from Kazakhstan down to Pakistan, through Afghanistan and Uzbekistan and so on and so on, not to mention Iran and others. So, I was already very well versed in how China uses connectivity as a form of brand strategy, again - engineering technologies, economic deals based on trade complementarities and on obviously the sort of excess capacity they have in certain industries, but how that has geo-strategic ramifications. Today, every day's headline is filled with stories about what are the consequences of debt to China in Pakistan and in other countries in Asia. I've been looking at that for almost 20 years, Andrew.

So, *Connectography* was written looking backwards at that, and clearly, it's an expression of that trend that we're seeing today. I have another book coming out which is a sequel in a way to that, called *The Future Is Asian*, and that book is basically a Belt and Road bible - it's your one-stop guide to understanding how, not just Chinese, but the asianization of Asia, as I call it, Asia turning to rekindle

precolonial connections from the Arab and Iranian world to the Russian and Turkic realms to South Asia, Southeast Asia, Northeast Asia, greater China - integrating through infrastructure, through trade, through investment, through diplomatic organizations. I've doubled down on that; mapped it all out again with maps and graphics and data, really showing how Asia is the real area where we're seeing the traditional factors of optimization of land labor, capital supply chain integration, infrastructure investment, really taking off, and how that's very good for Asia and how that leads us to a very different world view than presently what you're hearing out of London and Washington.

AV

So, it's like a new form of globalization; it's not that globalization is dead, it's changed.

PK

Right. And so, I have really been one of the pro-globalization academics and almost activist or evangelist, not because there is really any debate to be had, because, by the numbers, you cannot be pessimistic about globalization. If you are, it's because you really are not talking about globalization - you're really talking about whether or not there is an American dominance of globalization. But globalization is greater than irrrall of us - that's really one of the fundamental theses that I represent - and now there is an Asian driver to globalization that is, again, almost irreversible if you look at the medium and long term. If you look at bilateral trade flows between Asia and Europe for example - again, through Belt and Road or otherwise - you could not deny that now the Euro-Asian trade access is far larger than the Transatlantic trade access. Right? And every time I put a map of one of the charts in the books up on Twitter and Facebook and Instagram and LinkedIn, people are like, "Wow, this reality is staring us in the face." So, yes, Asia is driving globalization, without a doubt, but Europe is still very central to it.

AV

And when you say Asia, do you really mean China? Or is it much broader than that?

PK

No, I'm glad you asked because, again, one of the fallacies and oversights of all of the books about Asia over the last 10 years has been that they're not really about Asia; they're about China. And China is the most important player in Asia but remember that China represents less than one-half of Asia's population (it's about a third); it represents about half of Asia's GDP; it represents less than half of the inbound foreign investment destination in Asia; it represents less than half of the outbound capital flows from Asia. And, of course, it is older than the rest of Asia. South and Southeast Asia have a greater population than China, and are younger, and are now growing as quickly.

So, if you want to properly talk about Asia, you can allow for some degree of sino-centricism, but you cannot hold China to be synonymous with Asia. So never has there been -- otherwise I wouldn't have written this book -- there has not been a book that treats Asia in a holistic way by the numbers, economically, econometrically, and politically and geopolitically the way I am doing in this book. So, for all of the multinational companies whose Asia strategy has been a China strategy, that are now waking up every day and saying, "Oh, my God, what's my

Asean strategy; what's my India strategy; what's my Belt and Road strategy?" this is what I'm giving them.

AV Good. And we get to look forward to this book in January I think, is it?

PK Yes.

AV Great. Okay. As we are sitting here and I'm just thinking there's so much going on, what can we distill? What are the couple of things perhaps that we should be *concerned* about? What could set us off for a less optimistic future?

PK Look, there's a lot of volatility emerging in the geopolitical environment as a result of the Trump presidency but also looking at - because of domestic political factors elsewhere - the greater inequality, heightened populism, rise of nationalism, competition for economic gains - are legacies of territorial conflicts from the 19th and 20th centuries like the South China Sea, China and India. So, look, there is volatility in the system that could escalate, without a doubt. So, a couple of those scenarios worry me, but I try to be very progressive. I've written some articles very recently in major journals about how to tackle outstanding territorial disputes in Asia through specific kinds of arbitration and so on. So, I'm worried about those things for sure. So that's one concern. The economy worries me in a number of ways. We are in uncharted territory when it comes to the debt to GDP ratios but I think we have to dig beneath the headline figures and look at the composition. The way in which the government debt is tackled versus corporate debt versus household debt are quite different, and so depending on the Asian economy or the western economy that we're calling into question, there's different degrees of risk built into the system and the ability of that risk to cascade internationally. But of course I'm worried about those issues as well.

AV And, finally, the prospects of a trade war seem to be worrying us quite significantly right now.

PK Right. So, I spent a great deal of time in *Connectography* talking about what I call "tug of war". We're always in a trade war, but it's a tug of war. And we've been in a tug of war for a long time, and a tug of war is two dimensional"; it's about capturing the greatest market share and volume of production in certain industries and it's vertical in terms of trying to move up the value chain and become more autarkic in key technological areas. And that's what Made in China 2025 is all about.

So, I've been calling this tug of war for a long time, and we've always been in the tug of war. It's not a trade war, because there is not going to be a cessation of globalization - we're competing within an active globalization playing field, if you will. So, I don't like the term trade war; I prefer tug of war, and what's happening is that it's not really the US and China alone in a bilateral zero sum win or lose thing. It's a global arbitrage game, and you can clearly see already, American allies and partners like Canada, Mexico, and other countries that joined the TPP agreement, saying if the US is going to lose market share in soya beans, we're going to make up that market share. If the US is going to lose market share in

auto parts, we're going to pick that up. It's Europeans saying, if the US is going to have tariffs on its goods entering China, this is a great opportunity for European industrials, so they're going back to China and trying to strengthen their market access, and with Japan and eventually with India. So, I believe in, again, a holistic view in which you don't actually just take two players in the system, but you look at the entire system and look at the arbitrage going on, and you get a very different picture of who the winners and losers are. And that's how tug of war operates.

AV

Parag, it's great to see you again. Thanks very much for sharing your thoughts and I look forward to reading the book.

PK

Thank you, Andrew, always great to chat.

Parag Khanna, a leading global strategist, world traveler, and a best-selling author, including a trilogy of books on the future of world order. He is based in Singapore.

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