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The World in 2030

Fragments of the imagination

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Summary

- This report will try to flesh out the parameters of the emergent world order of 2030
- In part 1, we explain how Liberal World Orders (LWOs) of the past collapsed and the causes, and show there are worrying parallels with today: a relative decline in hegemonic power
- In part 2, we define the dimensions of hegemonic power --economic/financial, military, and cultural-- and quantify and project them to 2030 for a group of leading states to see which show hegemonic potential
- Crucially, we argue for the US to remain hegemon it needs to turn rule-breaker rather than rule-maker and rule-taker
- In part 3, our results show 2030 is still likely to see US hegemony, but its relative position will be weaker in some key respects
- China may opt, or be forced, to decouple to retain primacy among a subset of countries
- Europe will strive for strategic autonomy but will only have limited success
- The potential pro-US camp should dwarf the pro-China camp in terms of economic and cultural power, but militarily the gap will become smaller: a parallel to the Cold War
- Overall, however, the world is likely to become increasingly fragmented

"Someone remarked that the best way to unite all the nations on this globe would be an attack from some other planet. In the face of such an alien enemy, people would respond with a sense of their unity of interest and purpose. We have the next thing to that at the present time."

John Dewey, philosopher

(Liberal World) Order of Events

This report will attempt to do three things in turn:

1) It will try to **ascertain if the so-called Liberal World Order (LWO) can manage the strains it is currently under, or if it is likely to have broken down by 2030**, as happened twice in the 20th century.

To do so, we will take an historical and structuralist approach, examining previous collapses in the world order and their immediate drivers. We will also look at a selection of critical data points to see if they flag similar threats today.

2) It will then attempt to answer the question as to if the LWO were to fail again, **whether we will face a unipolar, a bipolar, or a fragmented world a decade hence**.

This will be done via looking at hegemonic theory across three crucial dimensions (economic, military, and cultural), for a variety of key states, and then using quantitative methods to allow us to both project and rank them under various scenarios.

3) It will try to **flesh out what the parameters of the likely emergent world order of 2030 will look like** via maps and relevant graphs.

Obviously, these are all ambitious goals, and readers' time is limited. Those who merely wish to see the conclusions showing what we believe the world may look like in 2030, can jump ahead to section **3.0**.

For those who just wish to see what this looks like graphically, jump ahead to section **3.3**.

Those who instead wish to focus primarily on the determinants of our arguments for what the shape of the 2030 world would most likely be (e.g., unipolar, bipolar, or multipolar) can start reading at section **2.0**.

Readers who wish to follow the entire flow of the argument encompassing if/why the LWO is under pressure are encouraged to continue on from here.

"Everybody has a plan until they get punched in the face."

Mike Tyson, athlete

1.0 Or-der, Or-der!

If John "Or-der, or-der!" Bercow were Speaker of a global House of Commons, he would be red in the face at the challenges to his authority today: we face serious strains to the Liberal World Order (LWO).

This can be defined as **a rules-based order that is supported by a multilateral framework of international institutions that significantly shape the international system.**

The LWO is also **liberal** due to freedoms it cements in a consistent, predictable rule of law, as opposed to the inconsistent, unpredictable, and illiberal rule by law.

Notably, as the Council for Foreign Relations had already written back in 2018, "[Liberal World Order, R.I.P.](#)" That is a message many have since repeated, and with good reason.

We have **conflicting geopolitical claims** in the South China Sea; on the China-India border; and in the Eastern Mediterranean. We have the Syrian, Yemeni, and Libyan civil wars. There is Russia's absorption of Crimea and its de facto partitioning of eastern Ukraine; and the reality of 'One Country, Two Systems' for Hong Kong. There is also the risk of Hard Brexit.

Politically, **illiberal states such as China, Russia, Iran, and Turkey are increasingly powerful actors.** In 2019, Putin claimed liberalism was obsolete, and Xi Jinping underlined China "[must never adopt constitutionalism, separation of powers, or judicial independence.](#)" Populism and illiberalism are rising in the West too; [democracy's appeal is fading](#); and **the UK threatened to break international law** by unilaterally altering the signed EU Withdrawal Agreement.

As China's role in global institutions grows, the Trump administration has moved the US to a **more unilateralist foreign policy**, leaving the WHO and sanctioning officials of the International Criminal Court, for two examples. It has also effectively paralyzed the WTO.

Economic protectionism is rising; the US and China are talking about a decoupling entirely; and extreme central-bank monetary policy in Western economies, joined with fiscal policy, is also dragging us towards more illiberal forms of political-economy (see [here](#) for more).

In short, **if the LWO is not dead, it is certainly gravely ill.**

"Sic transit gloria mundi"

Papal coronation ceremony

1.1 A decade hence

Let us begin with the first question: can **the LWO survive the current strain it is under?**

The first thing to stress is this: **orders, liberal or otherwise, do not last forever.**

If they did, then we would today be Romans or subjects of the Mongols, for example. Instead, orders rise and fall, wax and wane, again and again. If philosophy does not teach us that then history should.

While 2030 is not that far away in the grand scheme of things, tipping points can be reached more quickly than many can imagine.

Who would have thought back in 2010 that the UK would not be in the EU in 2020? Likewise, back in 1981 very few would have predicted that the Soviet bloc was just a decade away from total collapse?

More relevant to today, in 2000 the US was acknowledged as the sole global 'hyper-power'. Yet in 2010 its economy had stumbled following the Global Financial Crisis, and in 2020 the press wonder when (not if) China will overtake it as the world's leading economy and military power.

The second thing to stress: **it is easier to see orders as eternal than to look for where and how they may fail.**

After the end of the US-Soviet Cold War in 1991, academic Francis Fukuyama hubristically predicted "The End of History". He argued the world had recognized the supremacy of liberalism in organizing both internal and external affairs, and all countries would take the path to modernity via the liberal route.

Within 10 years, the US was in a War on Terror against Islamic fundamentalism and invading Iraq without any supporting UN resolution (a huge blow to the idea of the LWO, as well as to US global prestige, geostrategy and economic strength).

10 years after the second Iraq War, a humbled Fukuyama argued: "Globalisation is killing the US middle class [and] having a troubling effect on the US political system." In 2017, he added "25 years ago, I didn't have a sense or a theory about how democracies can go backward. And I think they clearly can."

Our **LWO is not the first iteration of such – and if it fails, it won't be the first to do so.** Let's look at an earlier LWO's foundations to compare them with those of today.

"A dull, decent people, cherishing and fortifying their dullness behind a quarter of a million bayonets."

George Orwell, author

1.2 The LWO pre WW1

"The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole Earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep.

He could at the same moment and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share--without exertion or even trouble--in their prospective fruits and advantages.

Or he could decide to couple the security of his fortunes with the good faith of the townspeople of any substantial municipality in any continent that fancy or information might recommend.

He could secure forthwith, if he wished it, cheap and comfortable means of transit to any country or climate without passport or other formality.

He could dispatch his servant to the neighbouring office of a bank for such supply of the precious metals as might seem convenient — and could then proceed abroad to foreign quarters, without knowledge of their religion, language or customs, bearing coined wealth upon his person.

He would consider himself greatly aggrieved and much surprised at the least interference.

But most important of all, he regarded this state of affairs as normal, certain and permanent — except in the direction of further improvement.

Any deviation from it would be seen as aberrant, scandalous and avoidable.

The projects and politics of militarism and imperialism, of racial and cultural rivalries, of monopolies, restrictions and exclusion, which were to play the serpent to this paradise, were little more than the amusements of his daily newspaper. They appeared to exercise almost no influence at all on the ordinary course of social and economic life, the internationalization of which was nearly complete in practice."

Keynes, *The Economic Consequences of the Peace*, 1920

The above passage underlines that 100 years ago, our economy was: (1) global; (2) well, if unfairly, ordered; and (3) was expected to stay that way by everyone involved in it.

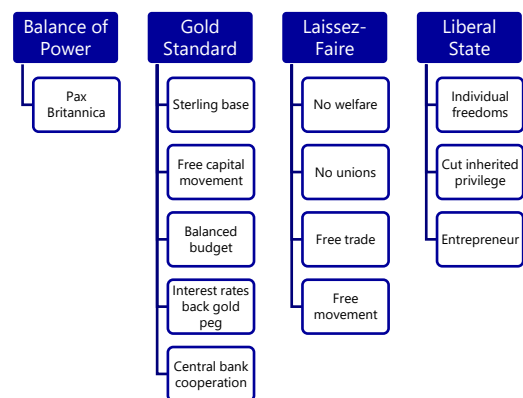
"Industrial civilization will continue to exist when the utopian experiment of a self-regulating market will be no more than a memory."

Karl Polanyi, sociologist

1.3 Its four pillars...

As Polanyi (1944) notes, the foundation of the pre-WW1 LWO was four pillars: naval power; gold; laissez-faire; and liberalism. These provided:

- Physical security (via the *Pax Britannica* and its navy);
- A global currency, gold, for which sterling stood in;
- Free movement of capital to support it;
- Tight fiscal and monetary policy to back gold;
- Central bank co-operation to maintain the system;
- No welfare state, to keep the budget balanced;
- No unions;
- Free trade;
- Free movement, at least for some; and
- More entrepreneurs and fewer aristocratic rent-seekers



This liberal world order had lasted almost a century as of 1914, as Keynes' description captured it.

True, there were concerns over the risks of a war in Europe, but these were brushed aside. As British author Norman Angell wrote in *"The Great Illusion"* in 1909:

"International finance has become so interdependent and so interwoven with trade and industry that the intangibility of an enemy's property extends to his trade. It results that political and military power can in reality do nothing for trade; the individual merchants and manufacturers of small nations, exercising no such power, compete successfully with those of the great."

Then Europe stumbled into war anyway - and the LWO fell with it. After WW1, it was partially restored but never recaptured its earlier heights; and it came crashing down once again in the 1930s.

So two failures in under 20 years after a century of success: how and why?

"It is the soldier and the army, not parliamentary majorities and decisions, that have welded the German Empire together. I put my trust in the army."

Kaiser Wilhelm II

1.4 ...and its big failure

Simply, the four-pillar system failed.

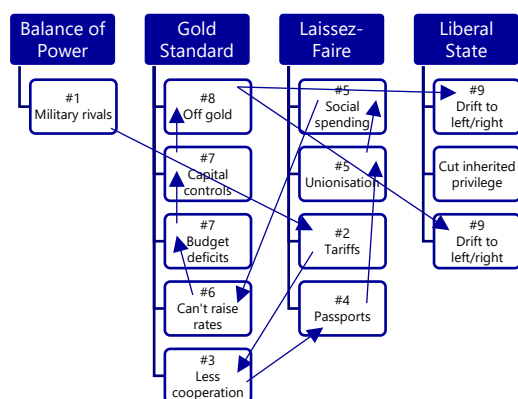
The first pillar to crack was UK hyper-power. Germany, the US, and France all emerged as challengers first to the UK economy and then to its military (marked #1 below).

In response to this there was new protectionism and a 'race for empire' (#2); central bank co-operation deteriorated (#3); and those pressures partly led to WW1, at which time passports were introduced (#4).

After WW1, governments had obligations to those who had sacrificed for their countries: small government and laissez-faire had to be abandoned, and unions grew (#5). However, states were saddled with enormous war debts and the rigid budgetary restrictions of the gold standard, while society would not allow taxes to be raised further (#6).

This was papered over with borrowing from the US during the 1920s – until the Wall Street Crash of 1929. Capital controls followed (#7); then in 1931 the UK abandoned the gold standard (#8), followed by the US. **This led to the global economy splitting into rival political and currency blocs.**

In Europe, democracy was widely seen to have failed, and many countries spiralled to the far left or right (#9). The stage was then set for the total war of WW2, which was as far removed from liberalism as could be imagined.



In short, **a liberal world order that had lasted 100 years tumbled because just one its pillars --British economic and military hegemony-- was no longer sustainable.**

One hopefully starts to see the importance of looking at what seem like the 'irrelevant' foundations of hegemonies and hegemonic systems.

"We are not going to achieve a new world order without paying for it in blood as well as in words and money."

Arthur M Schlesinger Jr., intellectual

1.5 LWO 2.0; and 2.5; and 3.0

LWO 2.0, set up by the US and UK after WW2, was designed to ensure *no* repeat of the instability that had led to war.

Under Bretton Woods, the economy was now **heavily regulated**. The state played a large role, as did labour unions, while capital was much more heavily constrained both locally and internationally: interest rates were regulated, and exchange rates were fixed.

Part of the reason for this approach, moreover, was that the LWO 2.0 was *not* global. Rather, it applied to only a *subset* of states in a bipolar world split between the West, communist ideological opponents, and a bloc of so-called "unaligned" countries.

The LWO 2.0 Bretton Woods system was a success, although it also saw many major wars (e.g., Korea, Algeria, Vietnam, Arab-Israeli, Indo-Pakistan) and periods of civil unrest (e.g., 1968).

It ultimately broke down in 1971 when the US was forced off the gold standard for the second time in under four decades: it could not afford to run huge fiscal deficits for social spending and wars *and* maintain its peg to gold.

Yet the LWO did not collapse: it adapted. The global reserve currency shifted from gold to the US Dollar. This relieved pressure on the US economy and gave birth to its present exorbitant privilege: the US could now run vast fiscal and trade deficits, and foreigners would have to cover them with the USD they earned from exporting to it. **This was LWO 2.5, in a world still split by Cold War.**

Market-friendly neoliberal reforms were then introduced that boosted US GDP growth rates via borrowing. The burst of growth, along with a new arms race, could not be matched by the Communist bloc: the Berlin Wall fell in 1989 and the USSR collapsed in 1991, ending the Cold War.

Globalisation then proceeded in full force: there were no longer Western and communist and non-aligned states, just developed and emerging and frontier economies. **This was LWO 3.0 under a unipolar US hegemony.**

Importantly, then, **we should not conflate today's LWO with the entire period since 1945.** The current LWO is only 30 years old, not 75, and is arguably closer to its 1929 counterpart in some ways, in terms of overall openness, than to its supposed 1945 roots. **That leaves it vulnerable.**

"We're an empire now, and when we act, we create our own reality."

Karl Rove, political advisor

1.6 Pillars...of salt(?)

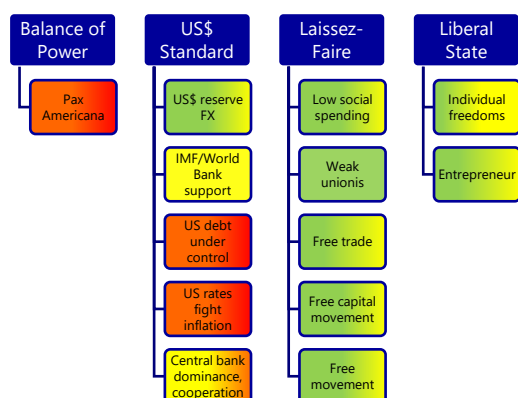
The four pillars of the LWO 3.0 are as below:

The **balance of power** is the *Pax Americana*: America now rules the waves and keeps sea lanes safe for global trade.

International trading is based on the **USD as reserve currency**, supported by the IMF/World Bank, the assumption US debt is manageable, the Federal Reserve fights inflation, and central banks co-operate.

Domestically, the system is **laissez-faire** with weak unions, free trade and capital flows, and relative freedom of movement.

Politically, the system is justified by **liberalism's** freedoms, and the entrepreneurial opportunities it offers.



All four pillars are cracking again (colour-coded above)

On **the balance of power**, China and Russia present an **increasing military challenge** to the US, as well as being seen as "revisionist" ideological opponents. The two are cooperating with opportunistic likeminded powers like Iran and Venezuela, presenting a larger strategic challenge for the US. China is also building a geostrategic infrastructure network (the Belt and Road) to lock these gains in. By contrast, many traditional US allies are failing to increase their own military spending, and until recently the US has shown arguably misguided geostrategic thinking.

Economically, US growth is slowing, productivity is low, and the inability to bring public debt under control and the Fed showing it is unwilling to raise rates immediately even if inflation were to rise bring questions over the *long-run* viability of the USD as a global reserve currency. Gold and cryptocurrencies are a proxy for these sentiments.

There is also a question of **how long global central banks will continue to cooperate** as they shift to using

extraordinary monetary policy to support fiscal policies, and as those governments grow more sympathetic to elements of protectionism. Will central banks drift into a 1930's style race-to-the-bottom combination of monetary financing and currency wars?

Likewise, will the Fed refuse to offer USD swap lines for economies that need them in a crisis if their government is at geopolitical odds with the White House? Also consider the PBoC's steady efforts to set up its own international payments system (CIPS) and to shift trade to CNY.

Within the US, we see a **political backlash** against low social spending; against free trade; against free flows of capital (to China); and against free movement (i.e., immigration).

There is also **pushback against the ideological and moral underpinnings of liberalism**. There are demands for 'social justice' to produce more equal outcomes, questioning of all institutions, and **US history**. Some see **China as more democratic**. The appeal of entrepreneurship is fading as **intergenerational socioeconomic mobility** declines. Many of the young now **oppose capitalism**. Turchin (2010) had long pointed to significant risks of civic breakdown as inequality and polarisation rose.

Moreover, critics allege US multinational firms, and Wall Street, are more interested in business with illiberal political economies like China than in supporting US liberal values. (For example, Mike Bloomberg's recent presidential run saw him unwilling to differentiate China as being **undemocratic** compared to the US). While that supports *part* of the LWO, trade, it also undermines another pillar.

Importantly, previous LWO collapses were caused by world wars. The decline in relative US military power today is an eerie echo of how the increase in German military spending ended up toppling the pre-WW1 British order.

However, even absent such an obvious trigger, other key LWO pillars are also under stress: from the reserve currency to the central-banking framework, to the openness of markets, to the very legitimacy of the system itself: LWO 1.0 did not face such broad-based threats.

In short, an historical-structuralist argument suggests **LWO 3.0 is unlikely to survive intact through to 2030**. The issue is then *how* it changes.

Absent a major war, the risk is arguably not of collapse as in 1914 and 1939. Rather, the greater likelihood is **systemic fragmentation**, as seen in the *early* 1930s, as countries try to deal with the polarisation and inequality produced by the LWO, and by the US stepping back as its support.

There are many indications this is already happening.

"The Internet, and the computers that made it possible, came from a rather dark place, much more missile than ballet, and they might yet return there."

Scott Malcomson, author

1.7 LWO...ver and Out?

The era of Covid-19 has seen a previously-unthinkable collapse in international connectivity, as tourism has collapsed. The idea of a fragmented world suddenly seems far more tangible to us all. Even if one hopes that there will be a gradual return to normal, the shock that this crisis has induced is likely to lead to lasting changes in activity: a shift from a globalised 'just in time' to a more localised 'just in case'.

Even pre-Covid, the decline of multilateralism was already apparent when looking at new and cumulative notifications of Regional Trade Agreements (RTA's) in force (see Figure 1). The high point of new RTAs was behind us before 2020.

There are exceptions, such as the economic normalisation between Israel and some Arab/Muslim-majority countries, and between Serbia and Kosovo. However, for the most part trade deals are being renegotiated (e.g., NAFTA into the USMCA), trade relations are becoming more distant (e.g., the UK and EU), or are deteriorating rapidly (e.g., the US and China).

Another key indicator the LWO is being eroded is the increased dysfunctionality of international organisations, especially by the US, which was their architect. The body responsible for world trade, **the WTO, is effectively now toothless** after the US blocked the appointment of judges to the appellate body needed to hear complaints from member countries. The US has also ceased its contributions to the WHO.

The same holds for key international treaties: in 2017, the US left the Paris Climate Agreement; in 2018, it stated it would leave the [Intermediate-Range Nuclear Forces Treaty](#); in May 2020, it withdrew from the [JCPOA](#) to deal with Iran and declared it would leave the [Treaty on Open Skies](#). The New Strategic Arms Reduction Treaty ([START](#)) meanwhile expires in February 2021 and will not be renewed by the US.

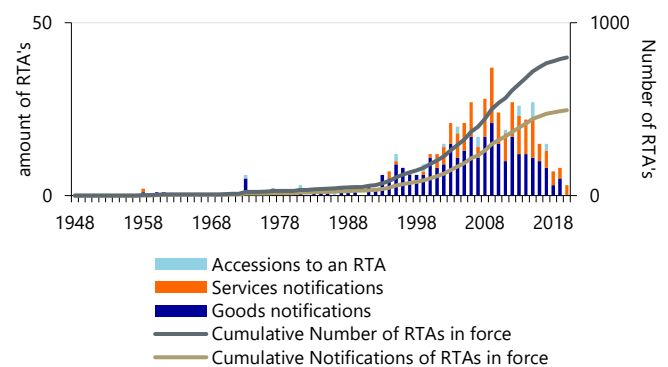
At the same time, **China has created its own parallel institutions** to LWO bodies. Alongside the World Bank China has its Asia Infrastructure Investment Bank; alongside the global SWIFT payments system China has set up the Cross-Border International Payments System ([CIPS](#)) – with potentially huge global consequences that will be explored ahead. Both are part of China's Belt and Road Initiative (BRI), which its critics allege is a **proto China-centric world order**.

The US has been responding to these initiatives, but still in mostly unilateral or loose coalition fashion rather than via a multilateral approach.

Meanwhile, in technology we see **rising risks of the internet becoming balkanised 'splinternets'**: the US is proposing a new 'Clean Network' to protect data privacy and China, already behind a Great Firewall, counters with its own 'China Network', leaving Europe stuck in the middle. Indeed, at the time of writing [over 30 countries impose their own national or regional data sovereignty standards](#), a move away from the LWO assumption of one-size fits all.

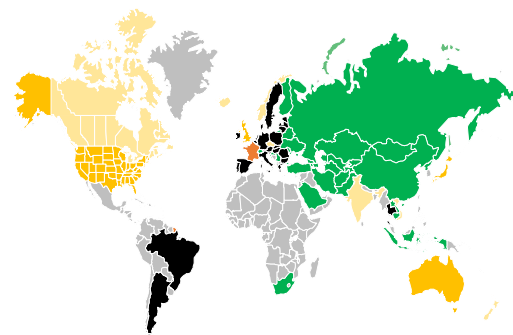
This tech threat --particularly when combined with a new payments system and trade frictions-- has **very clear echoes of the kind of global fracture that last occurred in the 1930s**, as previously shown, and which was then sustained during the bipolar Cold War from 1945-1991.

Figure 1: RTAs well past their peak



Sources: RaboResearch, WTO

Figure 2: My way or the Huawei



"Unprecedented changes are taking place which have not been seen in the past 100 years."

Xi Jinping

1.8 Hegemon or hedgehog?

Importantly, however, there are many reasons to believe **China might not become the superpower many predict**, and may see a relative decline before it reaches hegemonic status. Indeed, **it has many strategic weaknesses**:

- Geography is challenging. The interior is landlocked, something the Belt and Road (BRI) aims to address at huge cost. Sea access can also be 'bottled up';
- Resources relative to needs are low;
- A loss of exports would remove the key trade surplus;
- Growth is likely to decline rapidly ahead;
- China can still get stuck in the middle-income trap;
- Its ageing population has no easy or cheap solution;
- Military power is growing rapidly but is yet untested
- High debt-to-GDP correlates with declining power;
- Much of the economy is focused on a property bubble;
- Productivity is negative on some measures;
- Can Chinese technology lead if the US decouples? China is talking about a new 'long march there'; and
- Its currency plays a minimal global role.

For hegemonies, the above issues are correlated: slower growth means less easy money for the military, or more debt, which is a burden; fewer young people and single-child families mean fewer soldiers; resource shortfalls mean greater reliance on the world; that means the need for more, not less, power unless a new world order has been constructed - which is very costly and requires *relative* power vs. all rivals up front.

There are few positive examples for how the growth, debt, and demographic issues can be overcome; **there are even fewer where all issues can be successfully resolved while allowing** for hegemon status.

A further irony is that China's steps towards trying to build its own order must mean toppling the current LWO – which **has been incredibly helpful to its development success**.

The US patrolling the seas has meant China did not need to; the world's open markets have meant Chinese exporters could flourish, and Western technology could flow to it; the world's liberalism allowed China an open platform to present itself as an alternative development and political-economy model.

Moving away from the LWO would mean China needing to provide a new system, and paying the costs on all fronts, all of which would make resolving its pre-existing problems

exponentially harder: the partial alternative is to increasingly 'decouple' and isolate itself.

Moreover, **China would have to simultaneously presume that the US will passively allow it to do so – and one simply cannot expect such a neutral backdrop**.

Quite the contrary, in fact. The US is *already* pushing back against China on multiple fronts, and Beijing is openly talking of Cold War, preparation for "a protracted war", of economic decoupling, of the 'USD weapon', of "internal circulation" to look inwards more, and even of a willingness to fight a regional war against the US should it be provoked.

As such, **the arguments for China being forced to become a more defensive 'hedgehog' are as strong as for it becoming an outward looking global hegemon**.

China's growth model, while having driven its rapid economic ascent, is fundamentally flawed, being quasi-command and *supply-driven*. This means investment and output can grow, and do --along with rising debt and the local money supply-- but final consumption cannot keep the same pace with over-production.

This model is protected by a 'firewall' of capital controls, a loosely-pegged exchange rate, higher nominal rates than prevail abroad, and a trade/current-account surplus, derived from its excess supply.

Reforms to increase final demand need to be structural: but these are incompatible with state control, and would imply a major recession as excess supply was removed; they could also threaten the current account surplus, and then currency stability.

Trade wars also risk China's trade surplus to be removed, which would make it a net borrower from abroad, and impose higher borrowing costs and a less stable currency.

China's strategic choice would ideally be for the world to accept its currency as a global reserve like the USD, allowing it to transition towards hegemony despite having built (money) supply so far ahead of demand: yet this Rubicon is *very hard* to cross with capital controls in place and as net *exporter* - and yet until it is crossed, China remains trapped within the USD system.

China can try to build its own CNY-zone – although how this will deal with its structural excess supply is unclear. Historically, this was achieved elsewhere via imperialism.

To flesh out these arguments, let us now look more closely at the key concept of hegemony and what it entails.

"The capacity to know when to use hard power, when to use soft power, and when to combine the two, I call smart power"

Joseph Nye, academic

2.0 Hedging on hegemony

The concept of hegemony is, ironically, a contested one within a broad family of theories of interstate relations and power transition theories. For our purposes, however, a broadly accepted definition of a hegemon is:

A single power's possession of simultaneous superior economic efficiency in production, trade and finance. Furthermore, a hegemon's superior position is considered the logical consequence of superior geography, technological innovation, ideology, superior resources, and other factors. Moreover while this is often overlooked, **we recognise that hegemony by necessity also requires a military component.**

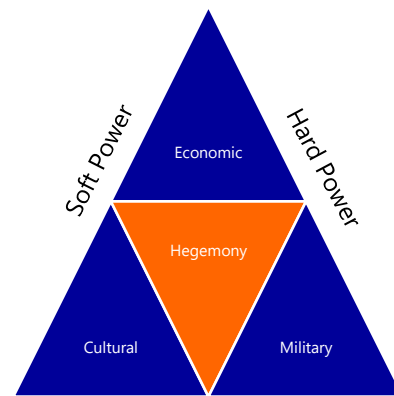
This is the world of **realpolitik**, or realism, a concept antithetical to the liberalism and idealism of the LWO, but far older than it. Think of Thucydides' Melian Dialogue, for example, where the Athenians tell the Melians: "the strong do what they can and the weak suffer what they must."

Realist studies naturally have a strong focus on the military and economic aspects of hegemony. However, **there are many different kinds of strength**: ancient Greece was militarily eclipsed long ago - yet its cultural legacy obviously lives on.

As we shall show, finance is arguably one of them. Moreover, a **neo-Gramscian** focus also applies hegemony to culture, sometimes also referred to as "soft power": in this case who has the power of ideas, and why, and to whose benefit? This cultural hegemony seem particularly appropriate in the consumerist, on-line world of the 21st century.

Indeed, **the US is widely regarded to have won the Cold War against the USSR with its culture as much as with its (largely unused) military muscle**: *"There is more power in rock music, videos, blue jeans, fast food, news networks and TV satellites than in the entire Red Army,"* as French philosopher Régis Debray stated in 1986.

Methodologically, we will therefore work from **hegemonic stability theory** (Kindleberger), which defines **three different dimensions** that determine whether a country can be considered a hegemon: **economic, military, and cultural or 'ideational'**.



"Smart" Power?

We will attempt to quantify and project all three dimensions out to 2030 for a variety of key states by drawing on a multi-disciplinary approach, in order to then sketch out the most likely parameters of the emergent international system.

The number of global --or regional-- hegemons we predict using this approach should answer whether the world of 2030 will be unipolar, bipolar, or fragmented.

The framework we use also allows for 'what if' scenarios, which we will also include to show the importance of certain debates taking place today.

Specifically, we will cover current G-20 members, with the European members consolidated as the Eurozone, alongside states with relevant power 'prospects': Iran, the UAE, Israel, Pakistan, Thailand, Vietnam, and Nigeria.

Of course, few of the above states have any pretensions or potential to being hegemons: yet we will also cover them because of the potential many have for becoming or remaining *middle-order powers*. That also matters in drawing up the parameters of the future world order.

Indeed, **a large number of middle-order powers and either one, or no, hegemon can also mean a fragmented world ahead**, depending on their relationships to each other.

As such, we will pay particular attention to the constellations of forces that could arise, and what this implies in terms of global hegemony and international relations between key actors. In short, this is necessarily a dynamic and not a static process.

However, let us first examine the three dimensions of hegemony in more detail.

"It's not just the economy, stupid."

Michael Medved, journalist

2.1 But it is partly the economy

The simplest place to start is to underline the importance of economic power. Obviously nobody can be a hegemon without it – or at least not for long. However, there are disagreements over how this can be measured.

The simplest way is to consider the relative size of GDP: the country with the largest GDP "wins". Except imagine a large, services-based economy versus a smaller opponent with heavy industry: which would be the more capable of using its economy towards physical hegemony?

More military-minded is a so-called Power Index, for example the Composite Index of National Capability (Singer, 1961) measuring *elements* of demographic, economic, and military strength. This is defined:

$$\text{CINC} = (\text{TPR} + \text{UPR} + \text{ISPR} + \text{ECR} + \text{MER} + \text{MPR}) / 6$$

Where TPR is total population compared to the world; UPR is the urban population; ISPR iron and steel production; ECR energy consumption; MER the military expenditure ratio; and MPR the military personnel ratio.

Obviously, this is a Cold War relic. Iron and steel, while important, are hardly the key indicators of national strength that they once were. It also overlooks all of the facets of economic 'soft power'.

Beckley (2018) proposes another alternative: *GDP times GDP per capita*, which he calls 'National Power'. He suggests this is a more accurate predictor of victors in historical conflicts, and that higher GDP per capita is a key indicator of higher power relative to lower. In short, power grows exponentially as an economy grows *and* each citizen grows richer.

Even this overlooks technology, although presumably an economy does not grow for long without it. It also overlooks supply chain/resource strengths and weaknesses – though the resource- and population-poor hegemonic UK showed these can successfully be overcome.

Our methodology averages 'GDP power', 'national power', and a *modified* CINC where military components are removed and seven key ratios vs. the sample group are averaged: total population; urban population; value-added manufacturing; R&D as a % of GDP; high-tech exports; net FDI outflows; and foreign aid outflows.

However, even including the latter two factors, **this still largely ignores one crucial component of hegemony:**

the financial one. Its relevance only grows as central bank power does, and as US threats to other countries over access to the USD are increasing: this must be captured.

Crucially, the UK cemented hegemony as the world's largest *creditor*, and the US has sustained it as the world's largest *debtor*. Although rising debts can indeed lead to a loss of hegemony, as we showed [here](#), in historical great power competition, the ability to *carry* a large debt burden is key – and that links up to finance. Crucially, we look at three financial variables by national currency:

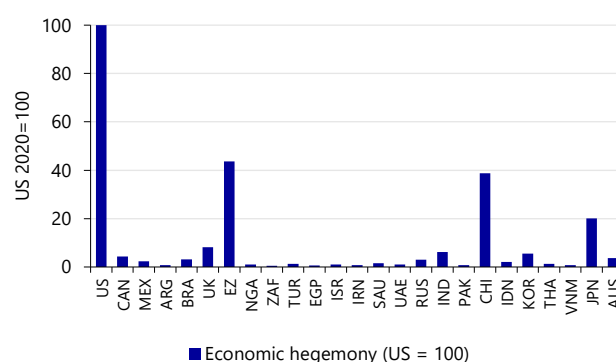
- **Share of global FX reserves;**
- **Share of SWIFT FX transfers; and**
- **Share of global non-resident debt outstanding**

We then take the average of these three and add it as a simple multiplier to the economic power already described. (e.g., a 50% share of all three on average increases raw economic power by 50%.)

Obviously, this means **larger economies with more important currencies have far more hegemonic power:** *which is precisely the case.* By contrast, small economies have little hegemonic power regardless of their currency. Even a very large economy like China currently falls well short of its hegemonic potential on the financial side – as it [recognises](#).

True hegemony comes from both economic and financial dimensions rather than just GDP – though of course rising GDP can help see a shift towards financial hegemony over time.

Figure 3: America is Great Already



Source: World Bank, IMF, SWIFT, BIS, Macrobond, Rabobank

Figure 3 shows the US remains so due to its large economy *and* its financial power, via the USD. However, both Europe and China could potentially close the gap if the USD were to see a sharp relative decline in its global role.

As noted already, this is a dynamic and not a static process: **the US realises this backdrop as much as Europe and China do.**

"We want you! We want you! We want you for a new recruit!"

The Village People, 'In the Navy'

2.2 Bang! Bang!

We have already noted the importance of military power for hegemony. This should be self-evident, but this has not always been the case. The EU and Japan had both until recently come to believe that military muscle was something akin to a vestigial organ like an appendix, which could be removed.

The raw realpolitik of Ukraine and the South and East China Seas shows that the military is still at the heart of true power, even if the Soviet Union showed it also requires both a brain and a (full) stomach. Now that US hegemony is under question, or at least US commitment to providing the defence umbrella that both the EU and Japan could shelter under, there has been a need to reassess – although Japan is much further down this path than most of Europe.

In trying to measure military power we have taken a relatively simple approach.

We look at **the ratio of defence spending to the total sample group**. This is important, but like 'GDP power' for the economy is a very raw measure, as expenditure can be salaries or pensions. Second, we look at **military assets and overseas bases as a share of the total**.

We also then weight the total for two things. The first is aircraft carriers (including hybrid as well as 'pure' platforms).

Despite questions from military strategists over the efficacy of such assets in a modern war, these are perhaps *the* symbol of hegemonic power projection, allowing for airpower to be sent to virtually anywhere in the world.

It is also important to have more than one solitary carrier, particularly if the only one is prone to breakdowns, or is not even seaworthy, as is the case with three current militaries who possess one. We weight for those having more than three such resources available.

We also weight higher for countries that possess nuclear weapons, and higher again for those that have the so-called 'triple platform' capability of land, sea, and air launch.

It is an unpalatable fact that even with the awareness of the dangers of Mutually Assured Destruction, possessing a substantial nuclear capability necessarily lifts a country

closer towards hegemonic status, or to being able to resist the hegemonic demands of others.

We then have a further coefficient based on rankings of 1-5 for the scale of a military's national defence industry complex, given that one cannot always rely on imports at times of crisis; of its weapons technology quality --because one modern jet or tank can easily destroy many older models-- and which also encompasses drones and cyber capabilities, etc.; and of the command structure and the decision-making process structure, which is often overlooked but vital in practice.

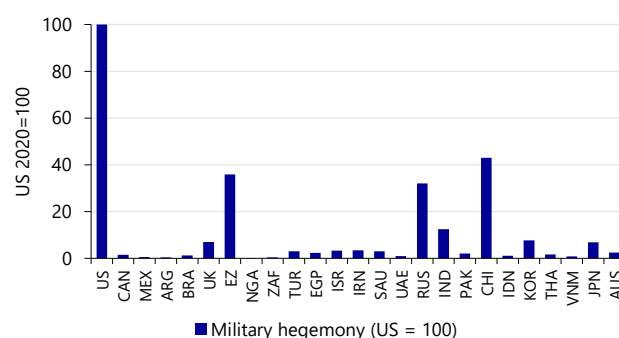
The results for 2020 shown in Figure 4, again with the US as hegemon at 100, are still clear: the US absolutely dwarfs all other countries militarily, which should not come as any surprise. For example, it has over 90 overseas military bases: Russia has only 15, and China has only 4.

What can also be seen is that Europe, particularly due to France, has a powerful combined military. However, combat readiness is a different matter, as is the crucial question of *willingness* to use force to be a hegemon: France has no such qualms, but Germany, partly because of its history, prefers to remain a purely economic EU hegemon. *On how quickly could this change if needed and *desired*, history again suggests rapidly, however.*

Meanwhile, China has also now exceeded Europe's military level and has reached nearly half that of the US: Russia, to which Europe is roughly equivalent at a stretch except in the number of nuclear missiles held, is not far behind. Note Russia is still ahead of China in some key military technologies, such as fighter jet engines.

Middle powers like the UK, Turkey, Egypt, Israel, Iran, India, Japan, Korea, and Australia are potentially also of importance if considered together – something we will discuss in greater detail as we look ahead to 2030.

Figure 4: Bangs and bucks



Sources: World Bank, GlobalFirePower, Rabobank

"What Gramsci is all about is hegemony: you win the battle of ideas and it dominates."

John McDonnell, politician

2.3 Tonnes of Gramsci

Culture or soft power is difficult to measure. The global [SoftPower 30 Index](#), as one example, covers a country's digital infrastructure; the global reach and appeal of cultural outputs; the attractiveness of its economic model, business friendliness, and capacity for innovation; the level of human capital, contribution to scholarship, and attractiveness to international students; the strength of its diplomatic network and contribution to global engagement and development; and its commitment to freedom, human rights, and democracy, and the quality of political institutions

However, this gives odd results from a hegemonic perspective: it says France is the top global cultural power, followed by the UK, Germany, and Sweden, and only then the US, which hardly captures the reality of whose elections and fashions are followed closely by whom.

Moreover, the above approach is rooted in a liberal Western assumption of the universality of its cultural model. **Part of the threat to the current LWO lies precisely in its rejection by illiberal states** and the alternative promotion of a 'civilizational state'.

Contrary to the Westphalian concept of a sovereign nation state, onto which liberal democracy has been grafted as part of the LWO, a **civilization state** is not defined by its (current) borders but rather by ethnic and/or cultural/religious dimensions that see its adherents regard themselves as *sui generis*. The concept emerged in the 1990s to describe China's unique socio-political entity. Since then it has been shown to also resonate with Russia, Turkey, and India, as well the concept of an Islamic *ummah* (or community), both Sunni and Shia.

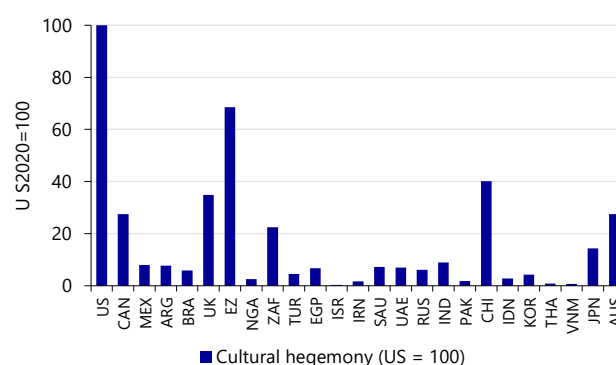
As such, we avoid governance measures and instead look at **cultural output** (the share of books published and movies produced per year), the **share of patents in force** to show innovation, and the **number of embassies and consulates** that a country maintains compared to the group average. (We disregard the number of Chinese Confucius Institutes, as well as Alliance Francaise and British Council, etc.)

We also consider **language** via the share of native speakers in the group *and* the number of countries in which it is spoken. A large number of speakers grants influence, but so does dispersal. (We do not consider the difficulty of the language vs. English, but this is arguably a factor too.)

We also add a coefficient related to **economic power** to reflect that richer countries are seen as culturally more powerful than otherwise equivalent poorer ones. The ratio of **tourist arrivals** to the global total is another indicator of cultural attractiveness; so is the share of international students; as is the number of universities in the global top 5,000 ranked institutions.

We also weight **net migration** per year as a % of the population heavily, as more influential cultures should see more immigrants than emigrants, all things being equal. Lastly, we look at **the legal system** used by each state as a share of the total group GDP to show that soft power. Overall, these give a *proximate* indication of the potential for cultural hegemony.

Figure 5: Hollywood, not Bollywood or arthouse, rules



Source: Rabobank

Clearly, **the US is still predominant** – and that is before one considers that the term "social media" and its global giants (outside China and Russia) are US creations. However, Europe is a close second, and China ranks solidly as a regional/civilizational cultural power.

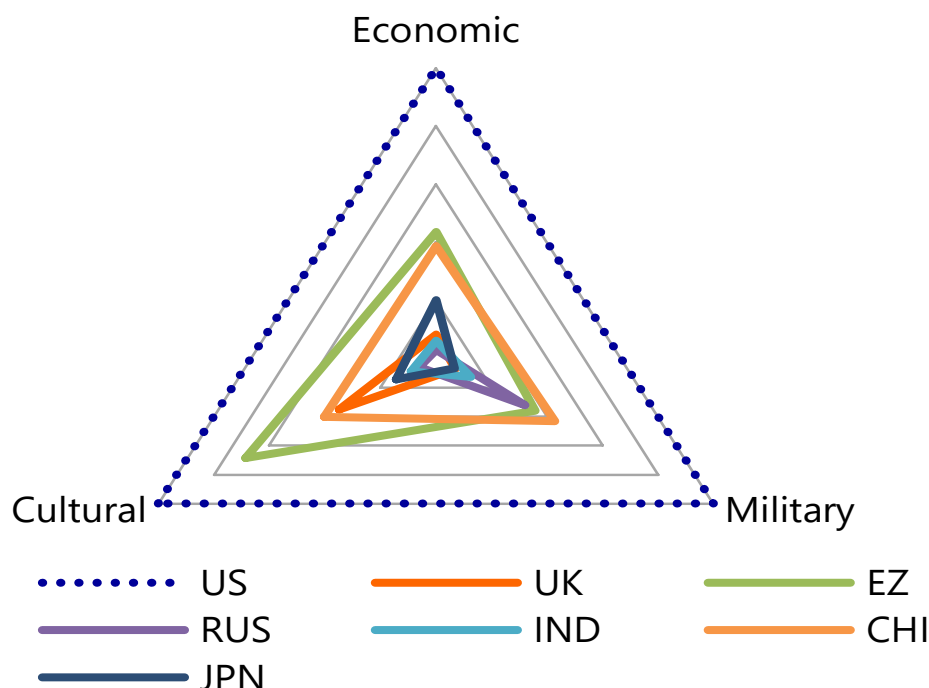
However, **global opinion of the US has slipped markedly in public opinion polls in recent years – as indeed has the appeal of Western liberalism as a whole.**

As in the 1930s, the West is seeing relatively lower and less equal economic growth alongside increasingly divided societies, with lower social cohesion and political polarisation. Many of these are arguably self-inflicted wounds reflecting unresolved structural gaps between winners and losers from globalisation.

However, Gramscian literature on counter-hegemonic strategies explain that attacking the ideational dimension of an existing order is the most effective first step before undermining the material dimension of that current order.

In short, **there is a strong strategic benefit in undermining the legitimacy of a rival culture**, or its own self-legitimacy, which needs to be considered for our projections for 2030.

Figure 6: The scale of US dominance in 2020



Source: Rabobank

"Our enemies are innovative and resourceful, and so are we. They never stop thinking about new ways to harm our country and our people, and neither do we."

George W Bush, US President

2.4 A vision of 2020

Let's summarise the 2020 starting point for our projection shown in Figure 6 above.

Given we have categorised hegemony as a triangle of three sides (economic, military, cultural), we can display the results --where the US is again the benchmark 100 as the hegemon-- as below. While these are only indicative, not absolute, we believe that they capture the essence of the relative state of three aspects of hegemonic power today.

Simply put, **the US is hegemon in all three dimensions.**

China rivals it only to some degree both militarily and economically, while being weak culturally; Europe rivals it to some degree economically and culturally, while being far weaker militarily. We can break these data down by country/bloc to show the results in more detail.

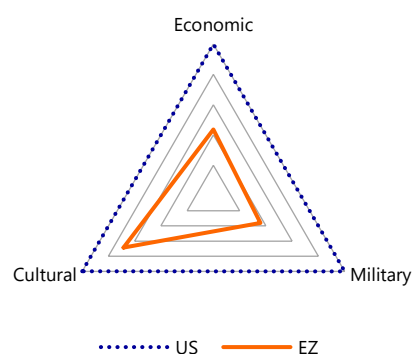
Looking at each of the closest rivals to the US hegemon in more detail, Europe's relative military weakness should be abundantly clear: it's a third of that of the US, at very best (and the reality is currently far worse in terms of forces immediately available, *and* the political will to act).

It is also less than half the size of the US in terms economic hegemony given its own reliance on the US market, and in particular the Eurodollar market (explored in more detail [here](#) for those that are interested).

Culturally, however, Europe is in a relatively better, if still secondary position, with around 70% of the influence of the US in total.

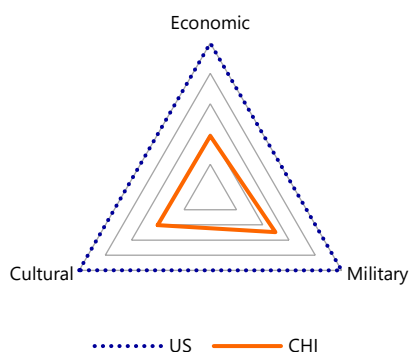
In short, Europe's power is substantial, but heavily lopsided in terms of what would be needed to ever consider being anything other than a *regional* hegemon.

Figure 7: Eurozone vs. the US in 2020



Source: Rabobank

Figure 8: Hegemon and pretender



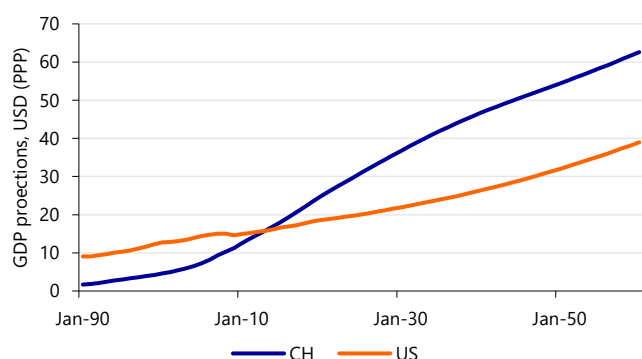
Source: Rabobank

For China, **economic power lags well behind the US – again because of the Eurodollar issue.**

In raw economic terms, China in 2020 is arguably around half of the US economy; when one includes the gap in relative global financial power, due to the lack of internationalisation of CNY, China's reliance on the US-centric SWIFT network, and its low share of global FX reserves among other countries, this slips considerably and China is only 40% of the US.

That is a far cry from the image put forward in the popular press, or if comparing nominal GDP on a Purchasing Power Parity (PPP) basis, as the IMF does.

Figure 9: This is NOT how one predicts hegemony

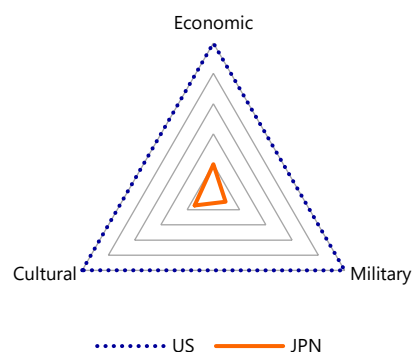


Source: Macrobond, OECD

China's military power is far more significant, if entirely untested, but again vastly lags behind that of the US: it is only around half of its level, albeit rising fast, and in areas like nuclear weapons and aircraft carriers, cyber and drones.

Moreover, unlike Europe, **China's cultural power, despite a huge population, falls very far short** due to the relatively low level of Chinese speakers in other countries outside East and Southeast Asia, where it is again a minority rather than majority language in most other countries. Again, it is only around 40% of the US level at best.

Figure 10: Hegemon and 1980's pretender

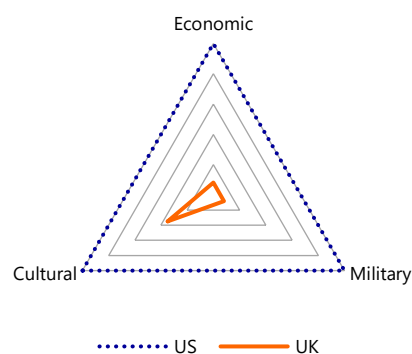


Source: Rabobank

Out of interest, one can also see from Figure 10 how the US compares with a country --very wrongly-- seen as a potential rival to it back in the 1980s, Japan. There is no sign whatsoever of Japan overtaking the US economically, as some claimed was inevitable four decades ago – and Japan was, and is, still under the US defence umbrella.

This underlines the true difference in scale between so-called 'middle powers' and the actual global giants

Figure 11: Hegemon and former hegemon



Source: Rabobank

Finally, Figure 11 shows the relative power gap between today's hegemon, the US, and the global hegemon of 100 years ago, the UK.

How far power has shifted in just a century! The UK today retains cultural significance, but its economy and military are a fraction of the US, with no realistic possibility of this changing.

"Peace, commerce, and honest friendship with all nations...entangling alliances with none."

Thomas Jefferson, US President

2.5 Friends with benefits

Of course, despite US hegemony and its recent drift towards unilateralism, **we still live in a world of alliances**. It is important to underline the relative scale of various actual and potential coalitions of countries as a starting point for thinking about 2030.

Alliances can obviously act a force multiplier: *"We are stronger together"*, etc. Indeed, the network effect and collaborative comparative advantage can be extremely powerful, e.g., between a hypothetical group of countries with high technology, a strong military, a large productive economic base, natural resources, and a large population.

In many ways this simply replicates the effects of a market economy - and indeed a market economy can conversely be seen as overlaying what, in its substrata, is actually a realpolitik constellation.

However, **not all alliances are equally useful or productive**. Language, culture, and values arguably need to be compatible for one to be sustainable in the long run: without that, everything is more transactional. An alliance of geographically and politically disparate states, even with common interests or enemies, is no foundation for long-term success.

Second, alliances must be fair. Arguably, one cannot dictate a free-market economy with no redistribution within an alliance and expect it to last given the socio-economic polarisation it inevitably causes.

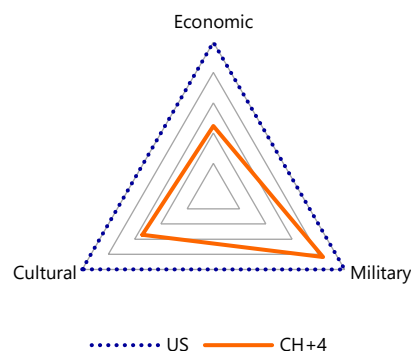
Why should one country be stuck at the bottom of the value chain when others dominate this area? Why should just one socioeconomic demographic suffer for the greater good of the alliance as a whole? This can start to create grounds for previously-successful alliances to fracture.

History shows such realignments can occur quickly – both in terms of coming together and in terms of falling apart.

All of these factors and more need to be considered when thinking about alliances – including the most successful in world history to date, the post-WW2 'West'.

Crucially, comparing the US with the combined resources of China, Russia, Pakistan, Iran, and Turkey (which while a member of NATO, may opt for a more independent policy), one sees **the hegemon is already nearly matched militarily**. Economically and culturally, however, the US still eclipses them all. (Figure 12.)

Figure 12: So near and yet so far

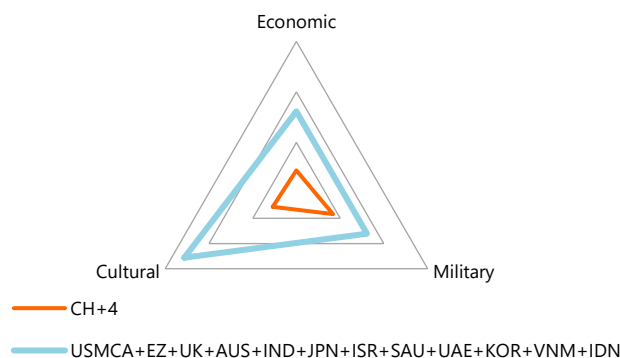


Source: Rabobank

However, let's also compare 'China +4' with the US(MCA) plus Europe and the Anglosphere, and the constellation of states moving closer to the US in response (India, Vietnam, Japan, Korea, Indonesia, Saudi Arabia, the UAE, and Israel). (Figure 13.)

This alliance dwarfs the 'China +4' powers, which makes Europe a key player at the margin.

Figure 13: More than seven dwarf the others

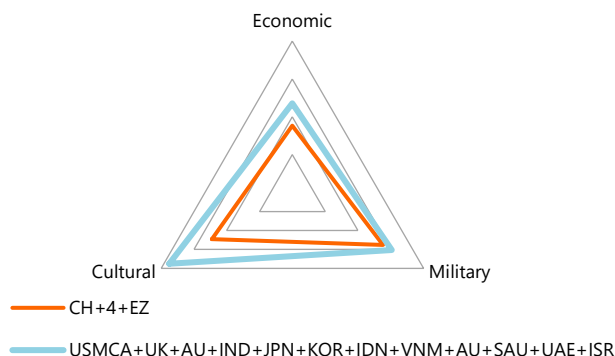


Source: Rabobank

Let's then flip to unite most of Eurasia by linking China +4 with the Eurozone - clearly an overture being made to Europe by Beijing. (Figure 14.)

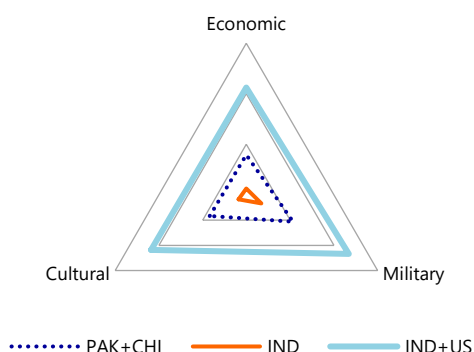
As can be seen, **this is a military stalemate, close to a financial draw, and while short in cultural terms, still big**. That bears serious consideration, geopolitically.

Figure 14: 'Draw'-ing a pretty picture – for some



Source: Rabobank

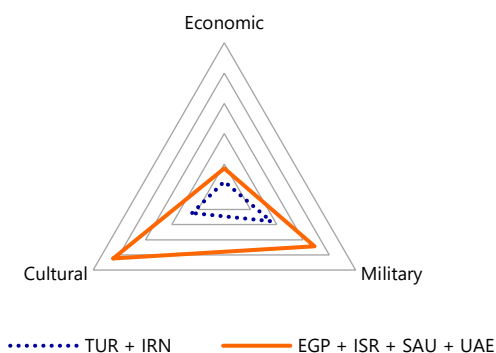
Figure 15: Balanced imbalances



Source: Rabobank

Meanwhile, in South Asia, China and Pakistan dwarf India; but India and the US dwarf China and Pakistan.

Figure 16: Don't want to be stuck-in-the-Middle-East

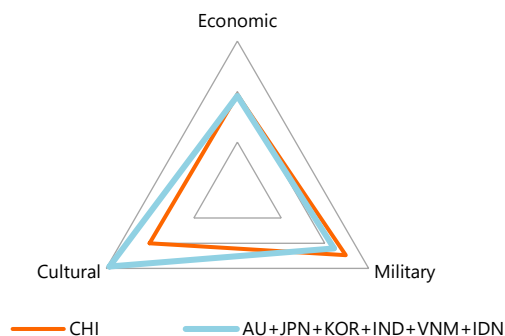


Source: Rabobank

In the Middle East, Turkey and Iran combined are outweighed by the combined power of Egypt, Israel, Saudi Arabia, and the UAE, the latter three of which are likely to move towards significantly closer economic, military, and cultural cooperation ahead.

In short, we have **interesting balances of power in various intersecting points.**

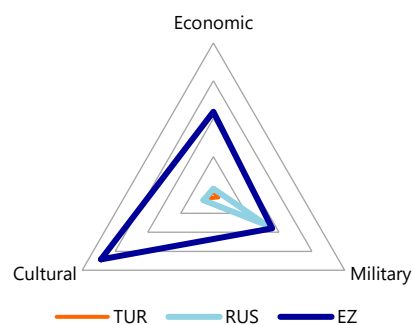
Figure 17: The Indo-Pacific Drama-rama



Source: Rabobank

Likewise, the balance of power in the Indo-Pacific shows that a coalition of most regional middle powers is roughly equivalent to China alone.

Figure 18: The not-so-far east



Source: Rabobank

In the Eastern Mediterranean, the balance is as above: Europe combined is militarily able to stand up to Russia, the number of nuclear weapons aside, and is a far larger economic and cultural power. Turkey is dwarfed by both. **Europe, of course, acts vastly more tentatively than this balance of power would ever suggest.**

Figure 19: Taking back control



Source: Rabobank

Brexiters might want to look at Figure 19 on relative strengths across dimensions with the EU.

"If your tank battalion has the choice of a good highway or a bad road, take the bad road"

Edward Luttwak, strategist and historian

2.6 Radar love

Let's now start to project forward to 2030. This first requires consideration of **hegemonic order theory** in order to understand what can likely be expected to happen. The answer is, it depends on which school of thought one belongs to: liberal, neoliberal, realist, neorealist, Long Cycle, or Marxist. These vary in their interpretation of why, when, and how hegemonic systems change:

- Liberals say hegemons act out of enlightened self-interest;
- Neoliberals say hegemons create stable, sticky institutions that benefit all at lowest cost;
- Realists argue that in an anarchic world, hegemons aim for power. Neo-realists argue that they aim for security;
- Hegemonic power transition theory argues challengers always arise to hegemons;
- Long Cycle theory suggests this takes place every 70-100 years, based on wave ideas from Kondratiev; and
- Lenin argued hegemons and their challengers are linked to late-stage capitalism devolving into imperialism.

A neoliberal might expect our institutions to last; a Leninist might expect an imperialist war. While all have validity, **we lean towards the realist school as it arguably explains current developments in the international arena best.**

In liberal theory, **hegemons create order, but need to be rule-takers as well as rule-setters** if that order is to be maintained. *Recent US actions are the opposite of this approach.* Neoliberal theory says the LWO's institutions are key – and sticky. *US actions are not in line with that either.*

However, they *are* compatible with hegemonic transition theory --that hegemony is challenged-- and Long Cycle theory --when it is challenged-- and, ironically, even elements of Marxist theory of over-supply as the cause. They are also compatible with **realist strategic logic.**

The US is being challenged by China *inside* the LWO.

While the US still has apex power in one dimension (financial), it has declined in others: political polarisation (cultural); and deindustrialisation and a shift of production to its rival (economic > military). **Its anti-LWO actions are thus a precautionary response to maintain its power, even at the cost of the institutions it helped build.**

Indeed, as even the conservative Atlantic Council now argues, **US technological superiority will be wasted without a strengthened defence industrial base.**

Specifically, the Council argues: *"In a defence and security environment characterized—not unlike the 1930s—by a great-power race to harness the military power of new technologies, **the US cannot let efforts to achieve technological superiority outpace the cultivation of an industrial base available to exploit this advantage.**"*

The parallel is made with Britain's invention of radar in 1940, making revolutionary new military capabilities possible; yet its factories had no spare resources to exploit it, and it was ultimately forced to share the discovery with the US, later referred to by American historian James Phinney Baxter III as "the most valuable cargo ever brought to our shores". To its critics, the LWO arguably institutionalises similar US strategic atrophy.

In other words, to remain hegemon, the US must turn realist rule-breaker, not remain liberal rule-maker and rule-taker.

That is a realist paradox flagged by Luttwak (2002), who argues **one often needs to do the opposite of what seems logical in order to succeed in grand strategy**, to which remaining hegemon pertains. As Luttwak stresses:

"Business-like 'linear' logic, which is right for commerce or engineering...almost always fails in the realm of strategy.

*Because its essence is the clash of antagonistic and outmanoeuvring wills, strategy usually proceeds by paradox rather than conventional 'linear' logic. That much is clear even from the most shop-worn of Latin tags: **si vis pacem, para bellum** (if you want peace, prepare for war), whose business equivalent would be orders of 'if you want sales, add to your purchasing staff,' or some other, equally absurd advice.*

Where paradox rules, straightforward linear logic is self-defeating, sometimes quite literally. Let a general choose the best path for his advance, the shortest and best-roaded, and it then becomes the worst path of all paths, because the enemy will await him there in greatest strength."

The key point is that **while the LWO may be under threat, the US desire to maintain hegemony is not** – and that needs to factor into a 2030 projection.

As such, **we must assume a realist, realpolitik world**, even if some global powers will aim to extend as much of the LWO as possible.

We must also assume Luttwak's logic holds true, and that tactics seen as unacceptable *under* the LWO may be required in order to allow those previously in favour of *all* of it to remain in a position to retain *some* of it.

"Peace, commerce, and honest friendship with all nations...entangling alliances with none."

Thomas Jefferson, US President

2.7 Open goals

We also need to ask **what is everyone else trying to achieve?** This is not Game of Thrones, but the answer goes beyond "GDP" or "markets". Indeed, we assume:

The US wishes to remain global hegemon as "the exceptional country", and will act accordingly;

Europe wishes to maintain the LWO, while reluctantly accepting the transition to an illiberal, realpolitik world that highlights its internal structural weaknesses.

China wishes to replace the US as de facto hegemon -- *without fighting it*—or, if necessary, to create an **alternative China-centric Eurasian order** around its Belt and Road, its own currency, and its own socio-political, technological, and regulatory standards.

Japan wishes to keep the US tied to it, and find allies, to deal with a rising China *without conflict*. So does South Korea, which also needs to deal with North Korea.

Russia wishes to have a seat at the top table, and to undermine US hegemony in doing so.

The UK needs to find a new role and new trading platform for itself as it leaves the EU.

India wishes to establish itself as a top-tier power and deal with its economic and geostrategic challenges.

Turkey aims to re-emerge as a regional (Islamist) power in North Africa, Central Asia, the Middle East, and Europe.

Iran aims for regional dominance of a Shia crescent and to undermine the US position, while removing Israel.

Saudi Arabia will lead a Sunni bloc with Egypt and the UAE, and Israel, against Iranian (and Turkish) influence.

Australia and Canada wish to continue the LWO as much as possible, while recognising that a risk mitigation strategy is also necessary on the economic and geopolitical fronts.

Southeast Asia and Africa wish to benefit from Chinese growth while not feeling threatened by China politically, but increasingly sees that neutrality may not be possible. Indonesia is likely to move closer to Australia and the US.

In short, an extremely volatile global backdrop of conflicting claims and aims is the assumed geopolitical backdrop as we shift back to our pyramid of hegemonic power.

"When you assume, you make an ass out of you and me"

US military adage

2.8 Eee-aww! Eee-aww!

Next we need to make economic projections for 2030. Obviously, making a 12-month forecast for inflation is extremely hard to do with any accuracy. Projecting the entire geo-economic landscape over ten years is either impossible...or not much different(!)

We make **several key economic assumptions**:

- **A structural decline in GDP growth** in almost all cases, as Covid-19 exacerbates pre-existing weaknesses of the post-GFC 'new normal'. That includes China;
- **Monetary and fiscal policy will remain extraordinary**: Japanification is to be expected. Lower for longer is now lower forever, and the [Modern Moneary Theory](#) of central bank deficit-financing will follow (giving the US a major advantage);
- **Populism and anti-globalisation will continue to rise**, and eventually subsume central banks, who are already back-stopping war-time levels of fiscal expenditure. Undemocratic technocracy may emerge in some places;
- **The US --and others-- will drift to mercantilist policy**. Supply chains are already shifting from 'just in time' to 'just in case', and combined with national security, technological, populist, and environmental pressures, this is likely to see significant on-shoring, to the detriment of previous net exporters and benefit of net importers;
- **US-China decoupling will accelerate**, more so as supply chains leave it for lower-cost producers or the West;
- **Global military expenditure will continue to rise significantly**, and the Cold War/19th century atmosphere in international relations become even more evident; and
- **EUR will see a slightly larger global role** vs. the USD than today, whose role will decline slightly, as will GBP and JPY.

Naturally, this geo-economic backdrop also entails assumptions on the path of the geopolitical environment, which we will also need to flesh out.

"It is fun to be in the same decade with you."

Franklin D. Roosevelt, president

2.9 Geopolitical Eee-awws

This report was written close to several, pivotal political developments: the 2020 US presidential election could see a marked shift in economic policy and geostrategy.

Moreover, looming US attempts to enforce sanctions on Iran over the heads of objections from even its own allies will also be instructive in terms of the limits of its hegemony.

Meanwhile, there are many geopolitical flashpoints evident: the India-China border; Taiwan; the South China Sea; the East China Sea; Iran; Belarus; Ukraine; Syria; the Eastern Mediterranean; and war between Armenia and Azerbaijan.

We are not going to try to forecast the outcome of these partially-correlated crises.

Neither are we going to ignore them and project forwards in a vacuum.

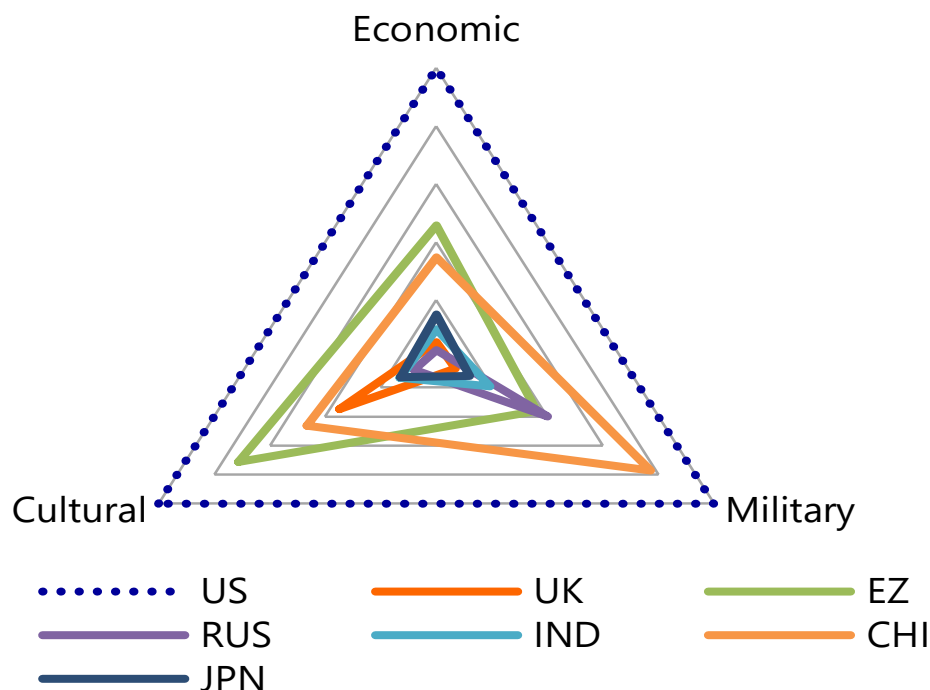
Instead, we see them as part of a bigger picture expected to emerge by 2030 - although perhaps even sooner:

- The US will increasingly **channel trade towards like-minded or geostrategically relevant countries**, e.g., to Vietnam and India. Trade will follow politics, as in the early days of the European Coal and Steel Community. This will mean winners and losers;
- **A loose grouping will eventually coalesce around the US**: the UK, Australia, New Zealand, Canada, Mexico, Japan, Korea, Indonesia, India, and the Sunni bloc in the Middle East. While they may continue to trade with China, they will try to diversify and deal with each other more;
- **China** will try to sell its own alternative governance model globally, extend its role in global institutions, and push ahead with "*dual circulation*", its Belt and Road, and internationalise its currency over the USD – but will only succeed in a very specific economic geography;
- **Opportunistic anti-hegemonic forces like Russia are likely to work with China**, while regional minnows like Cambodia and Laos will have little alternative;
- **Europe will aim for strategic autonomy** but will find this very hard to achieve without internal cohesion, the goodwill of the US, or military spending; and

- The US, China, the EU, and the UK will all try to **extend the extraterritoriality of their legal systems** to build or challenge hegemony, including in the digital realm..

While these assumptions are loose, they factor into the economic projections we make.

Figure 20: There is nothing new under the sun – 2030 looks like this



Source: Rabobank

"The only function of economic forecasting is to make astrology look respectable."

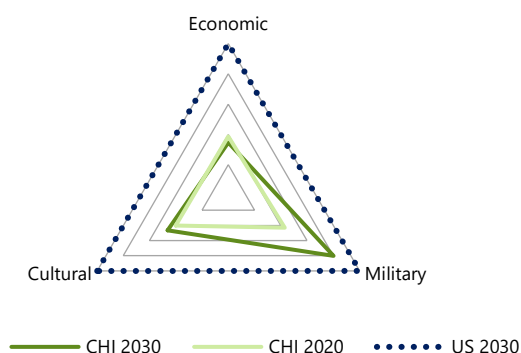
John Maynard Keynes, economist

3.0 And the results are in!

So what do we see in 2030? The simplest snapshot is shown in Figure 20 above:and the short answer is that **overall, we still have a global US hegemon**. *Quelle surprise?*

The US will continue to dominate economically, have an edge on Europe and China culturally, and remain ahead of China and Russia militarily.

Figure 21: Closer, but no cigar



Source: PEW, 2019 Global Opinion of China

However, this does not mean that there will not have been any relative changes. Let's start with China in particular.

Here see how the structural weaknesses already flagged play out in terms of hegemony when we project forwards.

Indeed, looking at the difference between 2020 and 2030, one can see that China's economic power actually retreats – if only very slightly; culturally, China is almost the same as it is today; and only militarily does it continue to close the gap with the US quite substantially. (See Figure 21.)

Why is this the case?

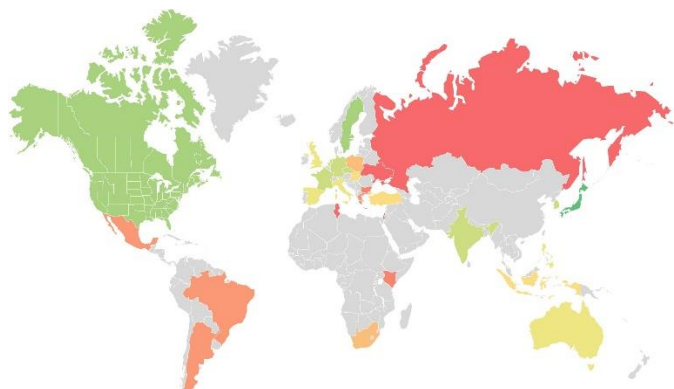
The cultural side is easy: **English will remain the global lingua franca, as will US popular culture**. The US and English-speaking world population will grow: China's and Chinese speakers will not.

While tourism, international student numbers, and even the ratio of top universities in the US may all slip, we do not expect China to gain significantly in such 'soft power' areas.

Importantly, **China's global public image has suffered in the post-Covid world** --see the [pre-Covid survey](#) in Figure 22- and is unlikely to improve as the US starts to vigorously attacks both its authoritarian governance model and alleged human rights abuses (e.g., [here](#)), and alleged expansionism, rather than just trade practices.

China's digital soft power will be co-opted or shut out of Western markets – meaning a global "splinternet".

Figure 22: Red is more favourable to China, green less



Source: Rabobank

Indeed, the US already alleges China (and Russia and Iran) are using Western social media in a Gramscian sense to foment political polarization and create instability: the recognition of this in 2020 makes strong counter-actions almost inevitable over the decade to 2030.

Meanwhile, global 'lawfare' --for example, US sanctions vs. China's Unreliable Entity List and Hong Kong's National Security Law-- as well as attempts to set Chinese standards for data and technology ("The China Network") are likely to create both **a fractured world economy, and one where far more countries choose the US than China.**

Crucially, our measure of the hegemonic economic power of the US is still far larger, and so can prevent China from being able to use its soft power to further increase its own economic power towards its goal of becoming hegemon. (See recent US actions against China's flagship firm Huawei as a key example, which have had an undeniably negative impact on the firm in some locations.)

Indeed, on the economic front, **Chinese growth will slow as decoupling takes place**, slowing its technological gains: by contrast, the US will rebuild an industrial supply chain for national security purposes. Regardless, China prioritises a military build-up: industrial over-supply makes this easier.

We assume CNY becomes more widely accepted as a global reserve currency, but crucially still *only among a subset of countries within parts of the Belt and Road*. As a result, under sustained US pressure, **CNY declines significantly vs. USD** as China's own internal contradictions play out.

There is even a possibility a future iteration of 'CNY' may not be fully fungible with USD, as today, capital controls aside, and is instead a purely digital currency used exclusively within a Chinese sphere of influence.

Theoretically, exporters to China could be paid in such digital CNY on the new CIPS payments system, which could

then only be used for purchasing Chinese goods from Chinese suppliers.

The importance of this FX assumption cannot be understated in considering the question of hegemony.

By contrast, if CNY were to eclipse the USD with a 40% share of global reserves, a 25% share in SWIFT, and a 40% slice of global debt --and if it were to appreciate in the process-- then the outcome in 2030 is entirely different. This would look much more like a new emergent hegemon in waiting. (See Figure 23 as a hypothetical example.)

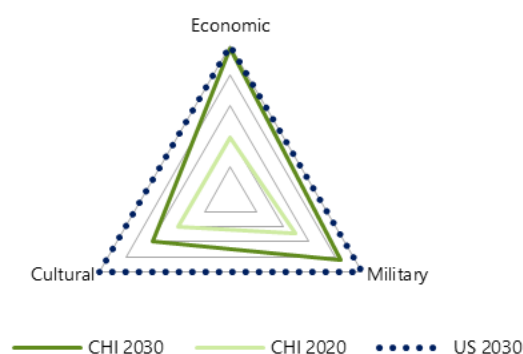
This is something the US is becoming increasingly aware of, and will therefore act in regards to: *the safest assumption is that if the USD is indeed ever threatened, that all future US policy issues would come to be seen, and dealt with, through this currency/hegemony lens.*

China may then prefer to retreat to the defensive perimeter of a CNY zone if it fails to dislodge the USD, raising the risks of the currency decoupling already alluded to.

It is not out of the question that other blocs would not also move forwards with digital non0fyly fungible currencies to ensure that they also flowed within the 'right' alliance.

This is exactly what happened in the 1930s, when the LWO collapsed and the global economy splintered into geopolitical currency blocs separated by high tariffs and differentiated clearing systems.

Figure 23: An alternative future: close to a new hegemon



Source: Rabobank

"It's a complex fate, being an American, and one of the responsibilities it entails is fighting against a superstitious valuation of Europe."

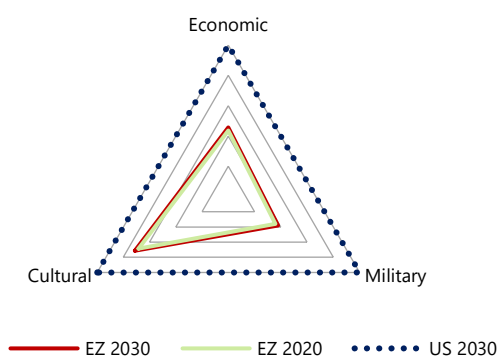
Henry James, writer

3.1 Stuck in the middle with EU

In the Eurozone, we see less dramatic changes ahead. As can be seen in Figure 24, **Europe will stand largely the same relative to the US as it does today.**

Given the many internal and external problems the EU has to overcome, this can actually be seen as an optimistic scenario.

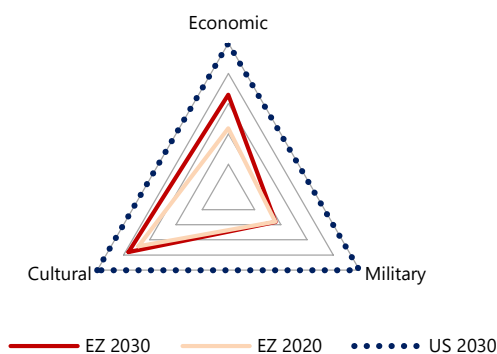
Figure 24: Plus ça Change, Plus C'est La Même Chose



Source: Rabobank

On the downside, an EU crisis would obviously be a severe challenge to this forecast. Yet there could be an upside too.

Figure 25: Besser und besser...in theory



Source: Rabobank

Should Europe use the growing global politicization of the USD --which is likely to be inevitable-- to offer EUR as a global funding/trading currency alternative, and so increase its financial power (to repeat: the share of global FX reserves, the share of transactions within SWIFT, and the share of global external debt) to approach that of the USD, and keep EUR/USD stable around 1.20, then the result could look something like Figure 25.

Again, the Eurozone is close to a match culturally, closes the gap economically, but still **falls far short militarily.**

Yet in neither of these two scenarios is Europe operating in open competition with the US. **Should the Eurozone decide to genuinely operate on its own, the outlook would obviously be much bleaker.**

As a net exporter to the US, it would be hit hard by any trade interruptions, which would be as inevitable as a politicised USD.

Indeed, the US would be able to leverage its huge internal market size to capture the most desirable parts of the European industrial value chain for reshoring to the US, for example, requiring high value-added auto engines rather than simple kit assembly within the States. Moreover, Europe would be much worse off in *many* other terms:

- **Financially**, via the Eurodollar market, to which European banks remain highly exposed, with the Fed holding the power;
- **Economically**, as Europe would not only lose exports, but have to run large trade deficits in order to see EUR replace USD globally, which would mean a complete shift in the Germanic economic model, and a matching increase in debt – the seeds of which may have been planted by the response to the Covid-19 crisis;
- **Economically**, as Europe would then have to cover the cost of providing its own security in areas such as the Middle East, the Eastern Mediterranean, and the Russian border;
- **Militarily**, as the US dwarfs Europe – imagine if it were a potential threat and not an ally(!);
- **Energy-wise**, which is related to security and economics, as the EU still lacks sufficient domestic sources; and
- **Technologically**, given Europe's failure to produce its own Silicon Valley to date.

In short, **it is hard to see how the Eurozone would fare well if aiming for true strategic autonomy** – at least not without enormous internal reforms to free up its fiscal, economic, governance, and defence frameworks.

Of course, the 'China option' would still be on the table as an alternative, and *on paper* would be more of a meeting of equals....except that this would almost certainly **presage a vigorous US response against both parties.**

That is because this Eurasian bloc is threatening enough that the US would try to stop it coalescing. The UK could potentially help the US here if it drifts in that direction, as it historically always did when acting vs. any consolidation of political power in mainland Europe.

For the EU, the China option would mean dealing with Beijing not Washington: is that a strategic improvement?

The EU Council President has stated “China does not share our values”, and that it is closer to the US. A bilateral trade and investment treaty may yet be signed, but the EU has also made clear “China needs to move” on genuine reforms first. However, Beijing’s announcement it will aim to be carbon neutral by 2060 and will prioritise green technology in its next five year plan (2021-25) --if believed-- **could perhaps see common ground on issues of sustainability.**

Geostrategically, Europe will of course try not to commit to either the US or China....but this does not seem a viable long-run strategy given its inability to stand alone.

Naturally, Europe can also try to reach out to middle powers to build an alliance. However, most are already ‘taken’ by either the US or China:

- Canada and Mexico will be tied to the US via the USMCA and realpolitik;
- Australia needs a firm security guarantee rather than just market access and LWO language;
- The same is true for India and much of the Middle East - and the US, Russia, and China are providing said security;
- Some of Southeast Asia also wants a security guarantee; other parts are already moving out of the European and into the Chinese orbit (e.g., Cambodia), and some countries may wish to remain neutral in a US-China clash, like Europe, but are arguably in no physical position to do so, or their economies are relatively small;
- Latin America is looking for an export market for its commodities, which the EU does not provide on the required scale; and
- Africa is more promising territory for Europe, particularly France, but there will be sharp competition for resources and influence from the US, Turkey, Russia, and China – all of whom can provide matching force projection that will again require a big step-up in Europe’s geostrategic engagement.

In short, **Europe can dream big: it is likely to stay the smaller sibling to the US, for better or worse.**

Indeed, a mild version of ‘Finlandisation’ is still more likely – unless external pressures provide the impetus for Europe to address its internal weaknesses – which while unlikely is not impossible.

“With the evolution of Us came the evolution of Them.”

Sam Killermann, author

3.2 “Us” vs. “Them”

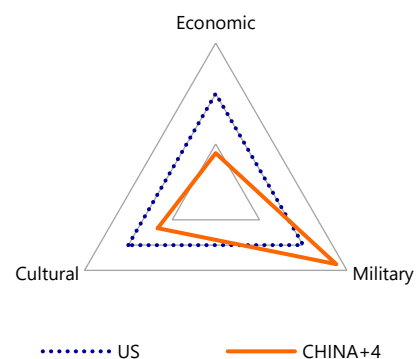
In short, using our methodology **we are still seeing US hegemon in 2030.**

Yet that does not mean it is a unipolar world: **we are clearly flagging the risks that China decides to operate increasingly within its own ‘sphere of influence’.**

This would encompass the nascent coalition evident today: Russia, Pakistan, Iran, less definitely Turkey, a number of smaller Asian states (Cambodia, Laos, likely Sri Lanka), some commodity-exporting African countries, and Cuba and Venezuela.

Looking just at the China +4 for simplicity, a 2030 “China Network” would look something like Figure 26 – *more than a match for the US alone in military terms*, but economically and culturally far weaker.

Figure 26: Big arms...and short legs



Source: Rabobank

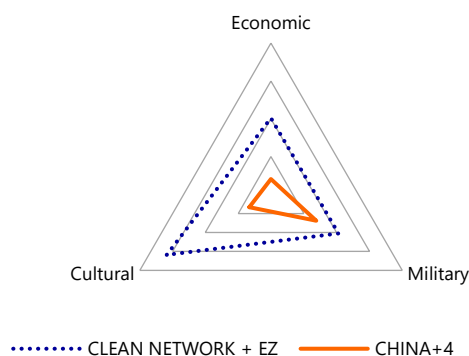
Of course, **the US would not be alone as hegemon:** in all likelihood it will have assembled a rival “Clean Network” that would dwarf the China +4 in all relative terms.

Notably, this includes the Eurozone --whose strategic lack of options was just underlined-- and the constellation of countries in the Indo-Pacific (from India to Australia) already mentioned. (Figure 27.)

Why, one might ask, would these Asian states opt for the US over China, especially when many have far more important trading relations with the latter?

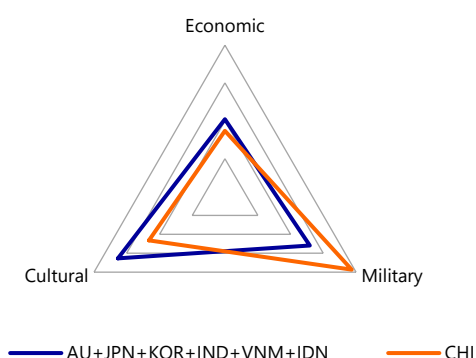
Crucially, in 2020, the Asian coalition above are a match for China militarily; in 2030, even with their rearmament continuing at the present pace, they arguably will not be, and the differential might grow further over time (Figures 28 and 29). This is particularly important for Asian economies reliant on maritime trade routes.

Figure 27: Keeping it very clean



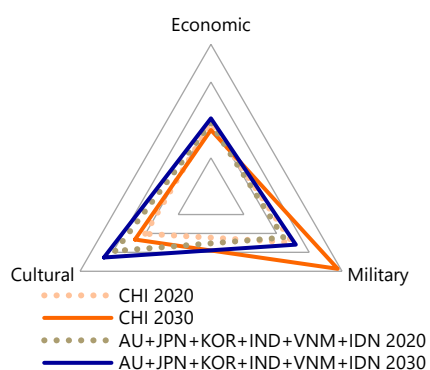
Source: Rabobank

Figure 28: Buy-in now or pay later(?) The face of 2030



Source: Rabobank

Figure 29: A call to arms with legs – 2020 vs. 2030



Source: Rabobank

In short, **out of a desire of future security they are likely to work together with the US in the “Clean Network”.**

China meanwhile will have demonstrated both part of hegemony theory *and* Luttwak’s paradoxical logic: by attempting to build up its own power so rapidly, it will have triggered the emergence of a new rival coalition to try to maintain the balance of power in the region – which the US will of course happily steward and contribute to.

“Somewhere between love and hate lies confusion, misunderstanding and desperate hope.”

Sharon Adler, author on Bipolar Syndrome

3.3 So, fragmented

This process, playing out globally, would likely see regional splits into broadly Chinese and broadly Western camps by 2030 – although the extent of the split is likely to be variable.

Today’s Middle East arguably provides some parallels.

Where we just have *divergent politics*, interaction can continue despite tensions – regardless of geopolitical differences between Israel and Turkey, Israelis are still very happy to use Turkish Airlines, which is happy to fly there.

An historical parallel is with the Dutch, who traded with the Spanish even as they fought for independence from them.

Where we have a *hard binary geopolitical choice* between the US and China, there will be compartmentalisation *in some sectors* – as has been the case up until now between Israel and much of the Arab world. Yet which is ironically changing as part of the US-Iran dynamic.

The other historical parallel is the last Cold War and its Iron Curtain restricting trade, travel, financial flows and even information.

More specifically, however:

- The West is *already* split: between the EU and the US, perhaps; within the US, it appears; and within the EU, quite clearly. A successful strategy vs. China would need to resolve all of these – yet that would only deepen the split with the other global camp emerging;
- Southeast Asia would see a split between Cambodia and Laos, on China’s side, Indonesia and Vietnam, on the US side, and Malaysia, Singapore, the Philippines and Thailand struggling (and likely failing) to maintain neutrality. This would hit hopes for deepening the ASEAN community;
- South Asia is *already* split between Pakistan, Nepal, Bangladesh, and perhaps Sri Lanka, with increasing Chinese influence, and India, Bhutan, and the Maldives.

Figure 30: The Utopian or Wall Street World Map - easy, isn't it?



Source: Rabobank

- The Middle East will see an emergent moderate Sunni bloc, and Israel, against Iran, Syria, Yemen, Hamas, and Hezbollah;
- Turkey's role remains undetermined, but it could potentially move away from the US camp despite being a NATO member at present;
- Latin America would be caught up in the familiar push-me-pull-you of US power and Eurasian influence: in this case, the Chinese demand for its commodities (unless a turn inwards reduces or redirects this to other sources); and
- Africa, in an uncomfortable parallel to the 19th century, would see a larger tug of war for influence between emergent local powers, the EU, the US, China, Russia, Turkey, and even India.

In short, the world of 2030 would look increasingly fragmented.

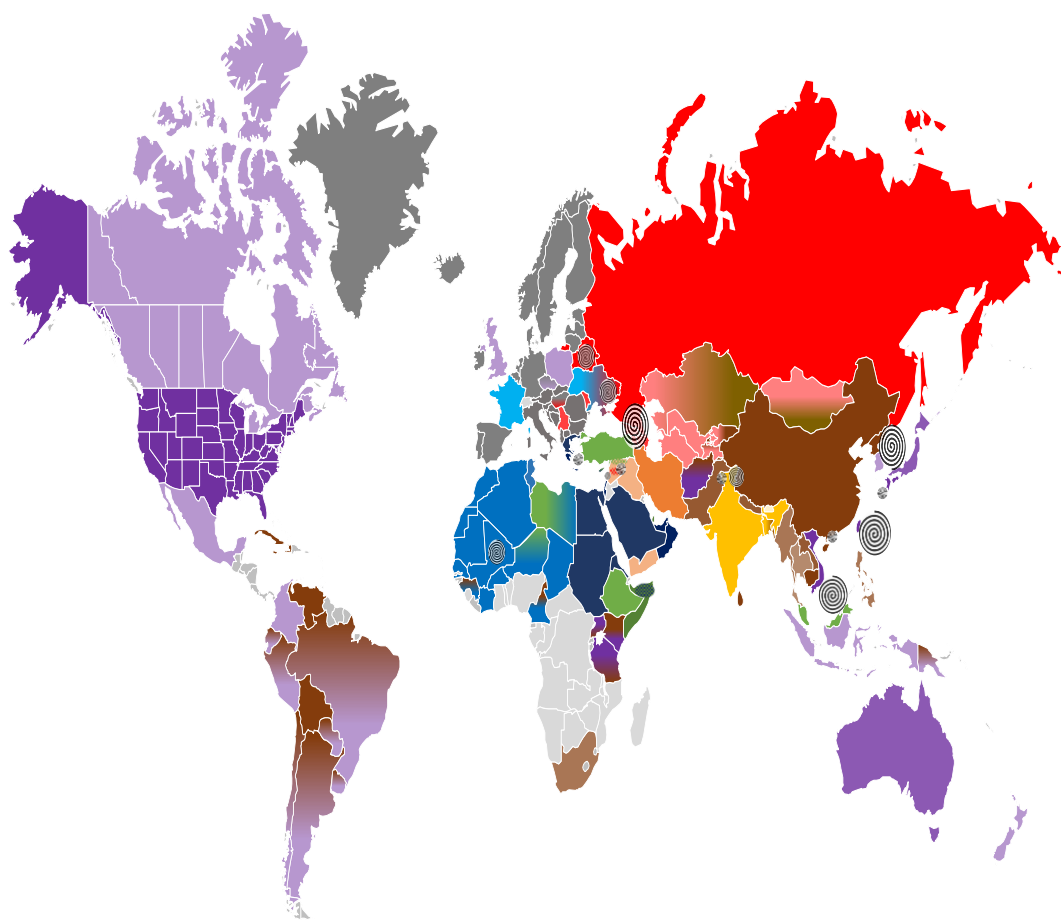
Let's try to portray this in a few different ways graphically to simplify our analysis as much as possible.

First, however, we need to recognise that **financial markets and businesses (and utopians) like to think of the world as looking like Figure 30** – borderless and united.

The reality of political influence/preferences in the world today looks more like Figure 31 on the next page.

It's a complicated world, and getting more so daily, with conflicting US, Chinese, and European interests intersecting across and within continents. .

Figure 31: The world of 2020 in real political terms



Source: Rabobank

Here we see the US in purple and the emergent set of largely Anglophone allies who are moving alongside its foreign policy most closely.

By contrast, we see China in brown, and its growing global influence, even in the traditional US sphere of interests, due to its economic heft.

Russia and its traditional central Asian allies are marked in red.

India and its immediate allies are marked yellow.

France is marked blue for the boldness of its own foreign policy and influence, in current contrast to the rest of the EU. Other blue areas are sympathetic to French interests.

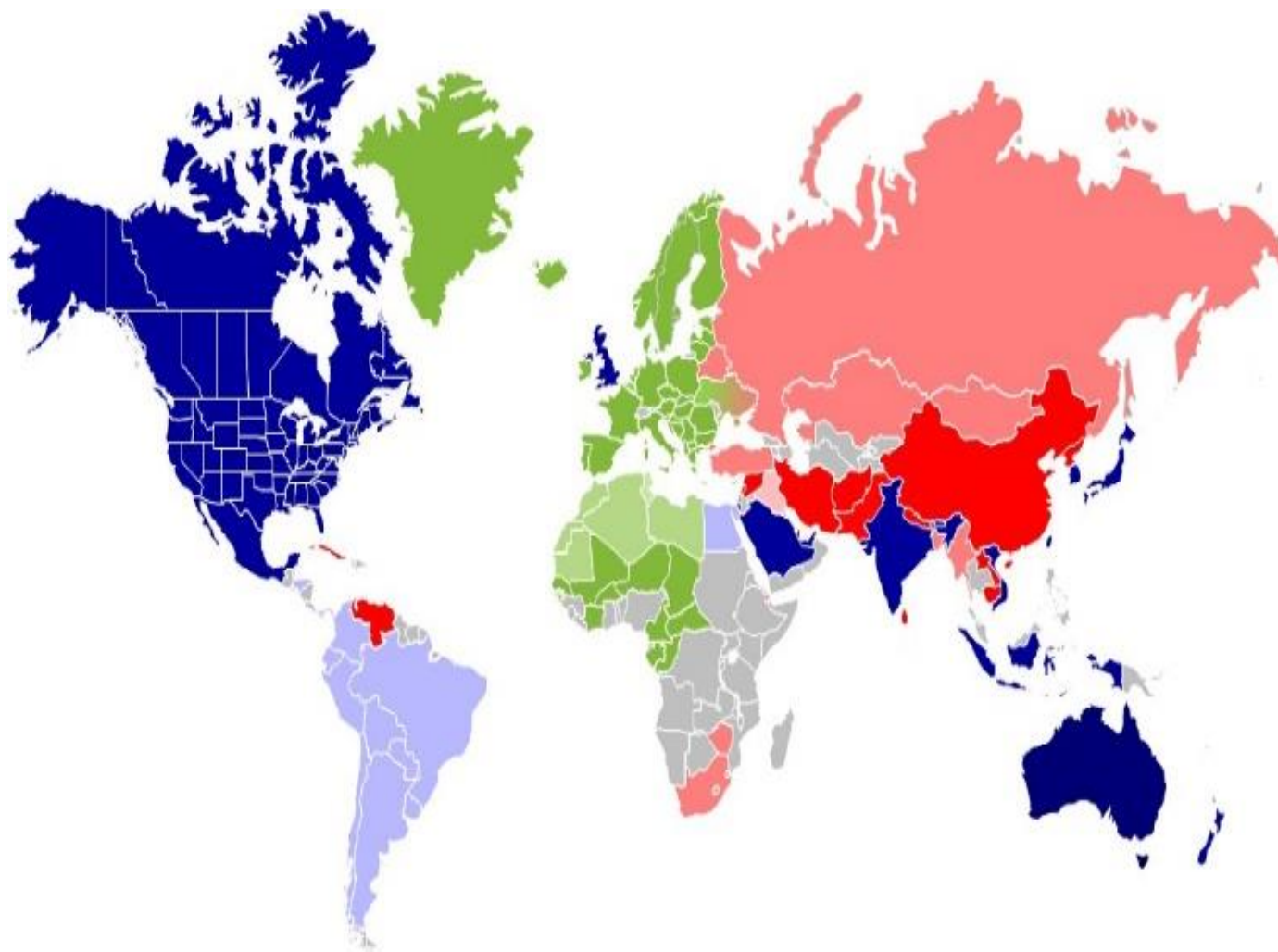
Dark blue represents Middle Eastern forces prepared to work with France against Turkish influence, which is marked in green.

Currently unaligned or floating countries are marked grey.

Of course, this is an oversimplification of the layers of policy issues over which countries can differ: but that also underlines the point that it is the borderless 'Wall Street World' which is the artificial concept

If we then take that base for our projected, fragmented 2030 world, the results are clear – or at least in one key respect: zones of currency influence (Figure 32).

Figure 32: Hypothetical currency blocs in 2030



Source: Rabobank

The USD is shown in blue. North America, most of South America, key parts of the Middle East, and South and East Asia will all remain 'blue' to a greater or lesser degree.

Notably, we have included Canada, Australia, New Zealand, the UK, and Japan on this list despite all having reserve currencies to a greater or lesser degree, as all will still fall within a USD *geopolitical* bloc: their trade will still mainly be invoiced in USD, for example.

The Euro is shown in green – and while this makes it look like a global player: (1) this is flattered by Greenland; and (2) it needs to be recalled again that the genuine strategic space for independent European action will be limited by the US.

Provided the EU does not exceed certain political limits, and as long as it does not actively work against the US in economic or foreign arenas, it will be able to strive for *some* strategic autonomy – but this will be limited for some key regards:

Europe could potentially play a larger role in Africa, for example, a continent which will remain a patchwork tapestry of competing interests, as already underlined.

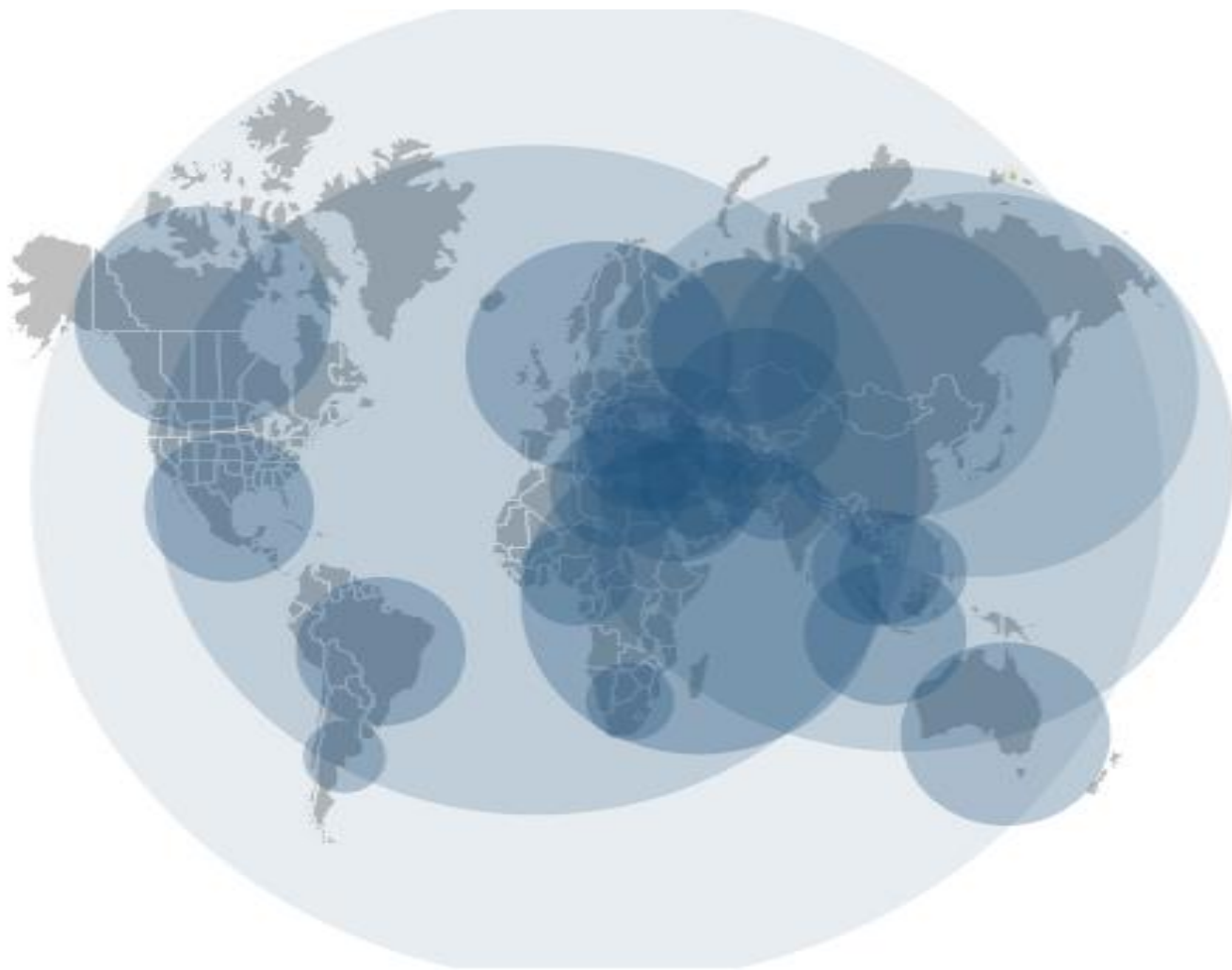
CNY is shown in red, and would be welcomed in Russia, Central Asia, parts of South Asia, the Shia stretch of the Middle East through to Turkey (potentially), as well as smaller ASEAN economies.

This looks like a vast swathe of the globe, but is actually a very small share of relative GDP. It is, however, perhaps resource-rich enough for China to be able to rely on as it decouples from the US.

Countries where the outlook is too mixed at present to be able to decisively divide into any camp are left grey – as one can see, the vast majority are in Africa, followed by South-East Asia. Already in 2020 we can see that there are relatively few of these.

Of course, this remains purely a projection, and the actual currency blocs seen could vary significantly.

Figure 33: The projected state of economic hegemony in 2030



Source: Rabobank

Economic Power in 2030

Figure 32 again speaks to the fragmented world we expect to see emerge.

However, we would prefer to be more detailed when assessing relative hegemonic standing in each of the three key dimensions.

Figure 33 above, also indicative, is based on the results from our hegemonic projections for the economy. For example, the largest shaded circle is the US, which is the benchmark economic hegemon, hence it covers most of the map. All other countries' circles represent their equivalent size relative to the US.

Of course, this does not directly capture the *exact* economic geography of their relative influence: the transpacific component is lost in the above graphic, for example, as are the specific links between some countries united by culture but separated by geography.

Nonetheless, **it is arguably a useful indicator showing the approximate hegemonic scale of the key players in 2030**, which was the point of the exercise.

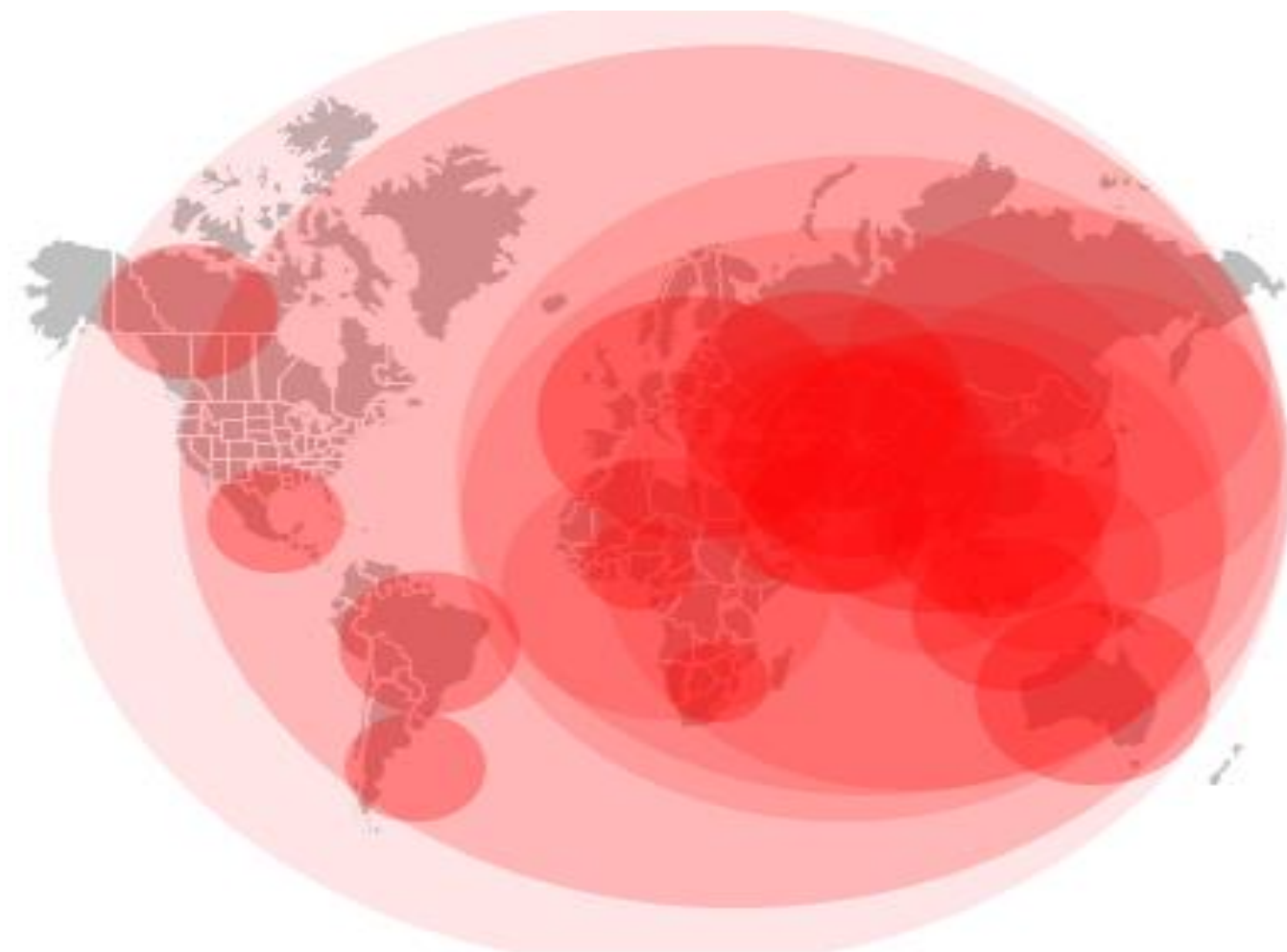
As can be seen once again, core economic power still rests with the US, but there will be a large concentration of strength across the Eurasian region, while Africa and Latin America both expand their footprints slightly.

One can intuitively see that *the cumulative total of other countries' economic power relative to the US exceeds that of the US itself*.

Indeed, **in 2030 we see that the sample group of countries we cover account for 153% of US power**. That is broadly unchanged from 2020.

It is also instructive in that it shows that being an economic hegemon does not mean that one is a majority of world GDP - far from it. All that it requires is to be an order larger both economically *and* financially than any other single rival or potential coalition of rivals. This was also the case back in the 19th century under the Pax Britannica, for example.

Figure 34: The relative military hegemonic power in 2030



Source: Rabobank

Military power in 2030

The equivalent chart of military hegemonic power shown above has some similarities with the economic one. However, one can hopefully see that the Asian and Western Eurasian region are a very 'crowded' space indeed. This will be a much more complicated situation than in 2000, when the US was the global hyper-power.

Importantly, *the sum total of military power in 2030 is seen as 277% of the US total, when back in 2020 it was only 218%.*

Of course, **part of this build-up is of military forces considered allies or strategically friendly to the US, rather than by its opponents – but not all of it.**

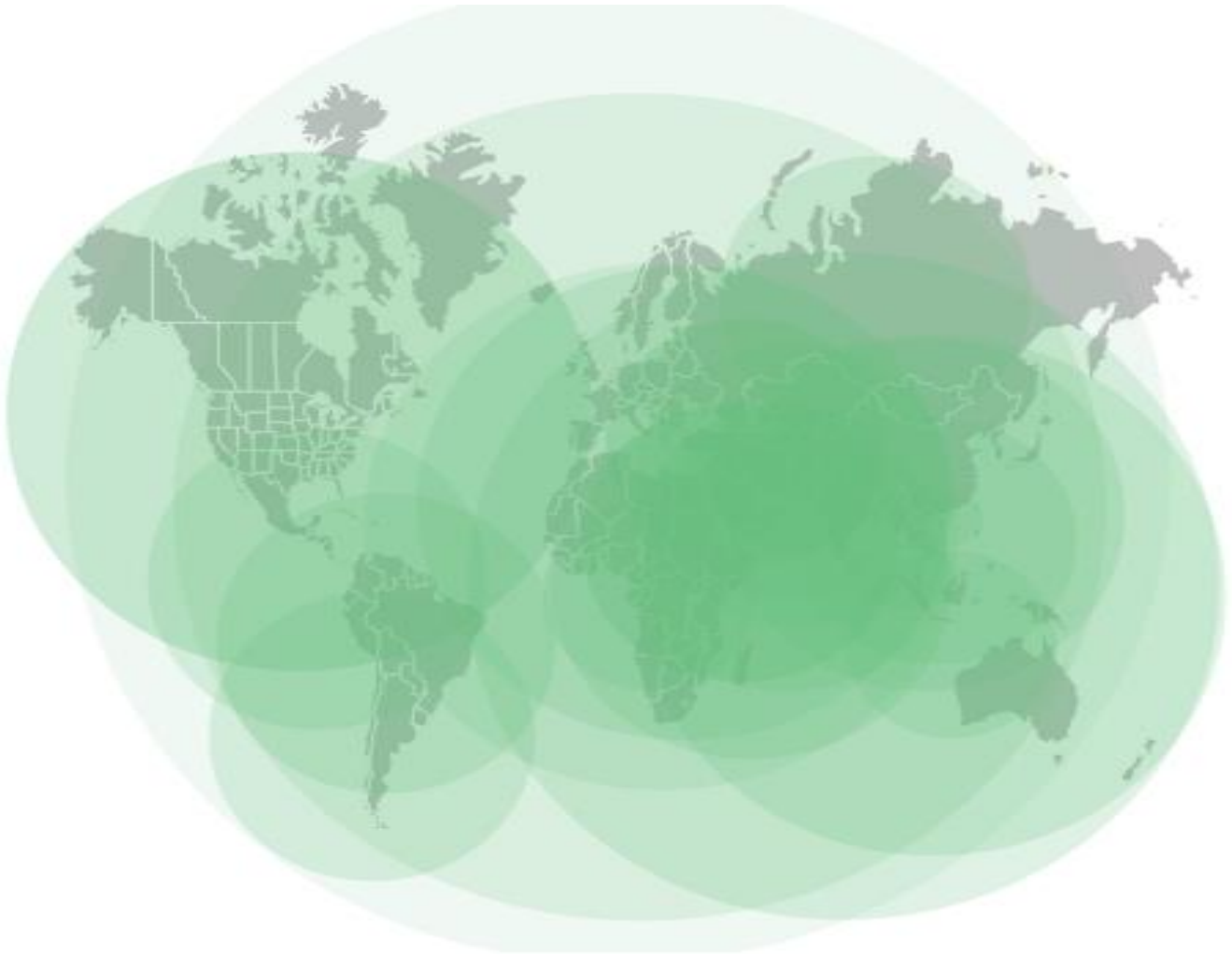
That percentage differential with the *lack* of change in economic power on the previous page underlines that the US economy alone can no longer provide the associated security guarantee desired by all of its allies against all possible threats: instead the US will be more reliant on such alliances contributing more forces to it.

This is an issue starkly evident in US calls today for greater spending in NATO, in Australia and Japan's surging defence budgets, and in the increased co-operation being seen between India, Japan, Australia, and the US; with Japan's request to join the Five-Eyes Anglosphere intelligence-sharing alliance; and with new friendships in the Middle East.

The same in inverse is seen in deeper military collaboration between Russia and Pakistan and China, and likely also with Iran. (Again, Turkey's future role is unclear, but the present political dynamic suggests it could also fall into this group.)

Importantly, **while the US will be reliant on these allies, it is not likely to be willing to either surrender economic advantage to them via trade and industrial / technological outflows on the same scale it has historically**; and it is most certainly not going to be willing to be restrained in the actions it sees as necessary to take to preserve its hegemony. There will be very little quid pro quo. (Again, this points to a realist world.)

Figure 35: The relative cultural hegemonic power in 2030



Source: Rabobank

Cultural Power in 2030

In terms of cultural hegemony, **in 2030, things are projected as less advantageous to the US**, as can be seen above – and indeed the more realpolitik its actions are, as just described, the more this will likely be the case.

Nonetheless, *China does not fill that global gap*, as already covered: “the Chinese dream” is unlikely to be a global concept in the way “the American dream” is – although the US will need to vastly improve its economic performance to ensure that it remains so.

In 2030, we project that the global group sample will be equivalent to 347% of the US cultural hegemonic power, up from 312% in 2020. However, much of this is ‘in-group’ -- countries that share US values-- and no other single global actor will likely be able to assemble the commensurate economic and military power to dislodge the US and its “ideation” from the top spot globally.

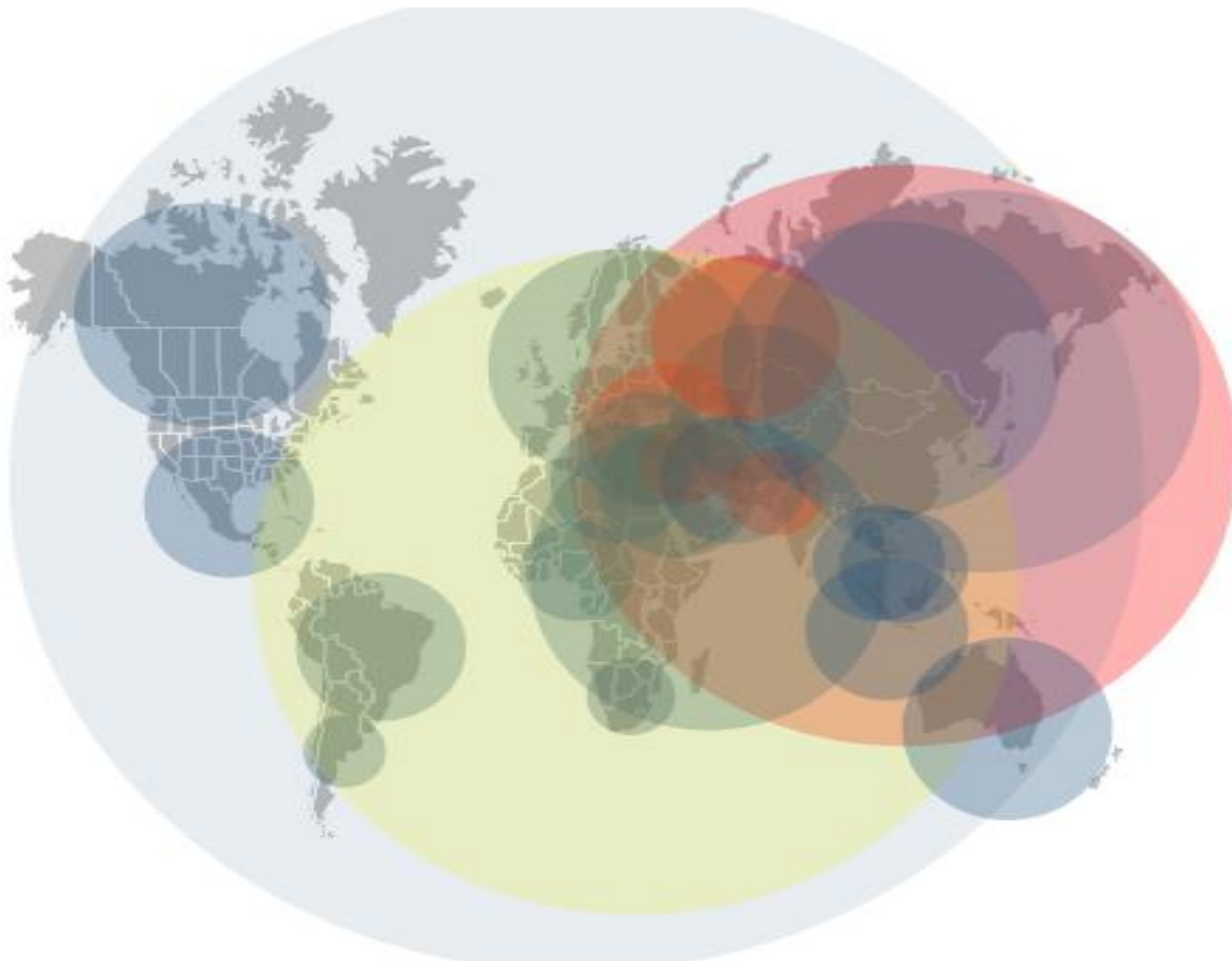
For Europe in particular, which will be a close second to the US in terms of cultural hegemony (at 69% of its total level),

the dangers within such concepts of “ideation” may ironically prove evident.

Europe, which in 2020 likes to think of the liberal world order as sacrosanct, and which sees itself as its apotheosis, may come to see itself as having equivalent hegemonic muscles in both the economic/financial and military dimensions.

It most assuredly does not, and any attempt to act in that regard would be geostrategically disadvantageous, as we have already covered earlier

Figure 36: Blue vs. red on the 2030 economy



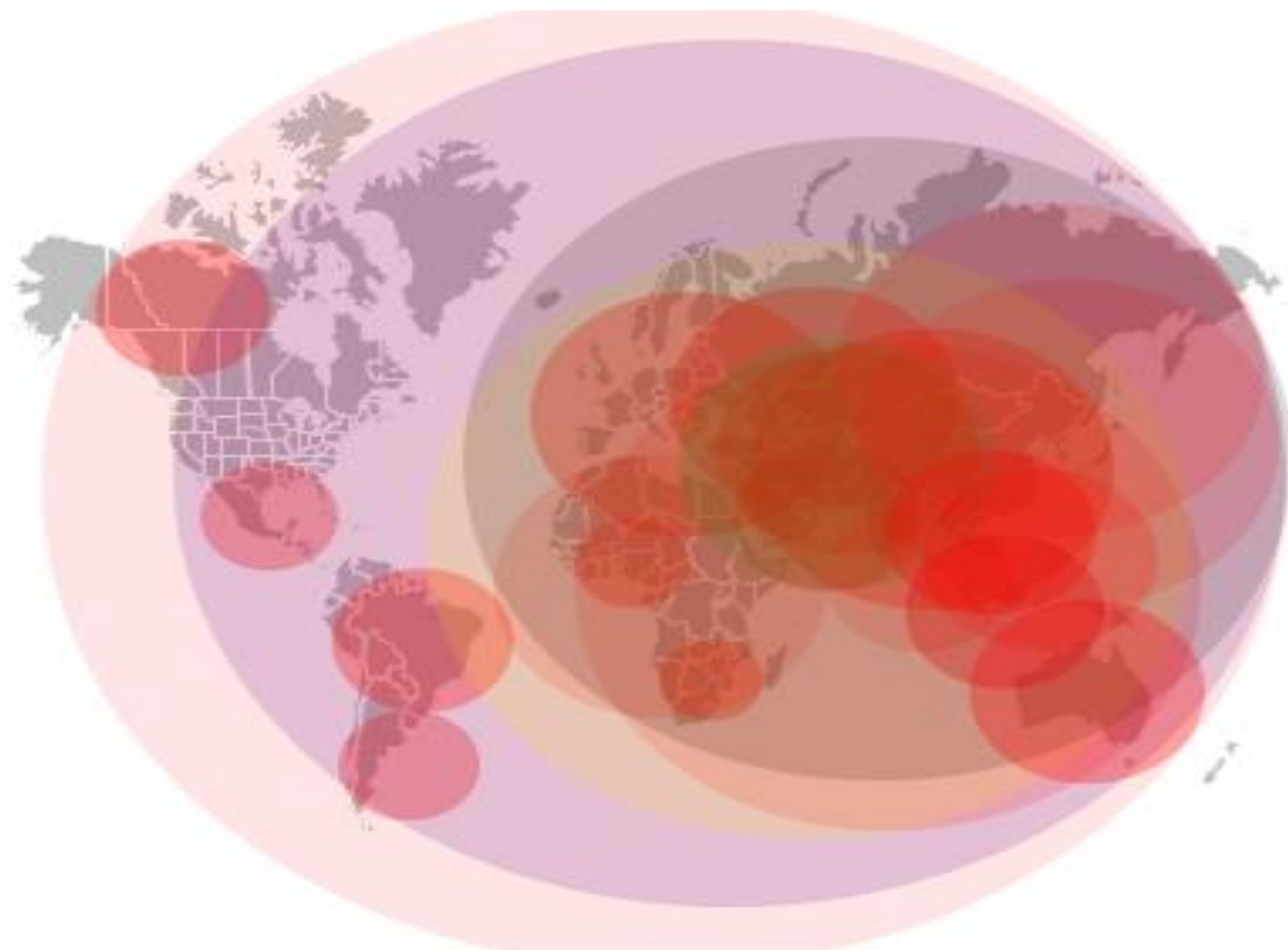
Source: Rabobank

Finally, let's look at the same relative hegemony graphics divided between the assumed US "Clean Network" (in blue) and the "China Network" (red) on the economy (Figure 36).

However, Europe is marked in yellow in case it opts for its own network.

One can see how fragmented the world begins to appear.

Figure 37: Red vs. purple on the 2030 military



Source: Rabobank

The same split into military camps is shown above with red for the US and allies, and purple for China and its allies. One can see that the purple reaches further, indicating that greater military parity between the two sides.

Likewise, however, Europe is marked in yellow in case of its own strategic ambitions. Moreover, given that Turkey is clashing with Russian interests in Libya, Syria, and now Armenia (and also against Iranian interests in the latter case), and yet also faces tensions with NATO allies, we colour this green to differentiate it too.

Russia itself is also coloured black to reflect that while it is co-operating with China closely for now, **this is arguably opportunistic rather than permanent.**

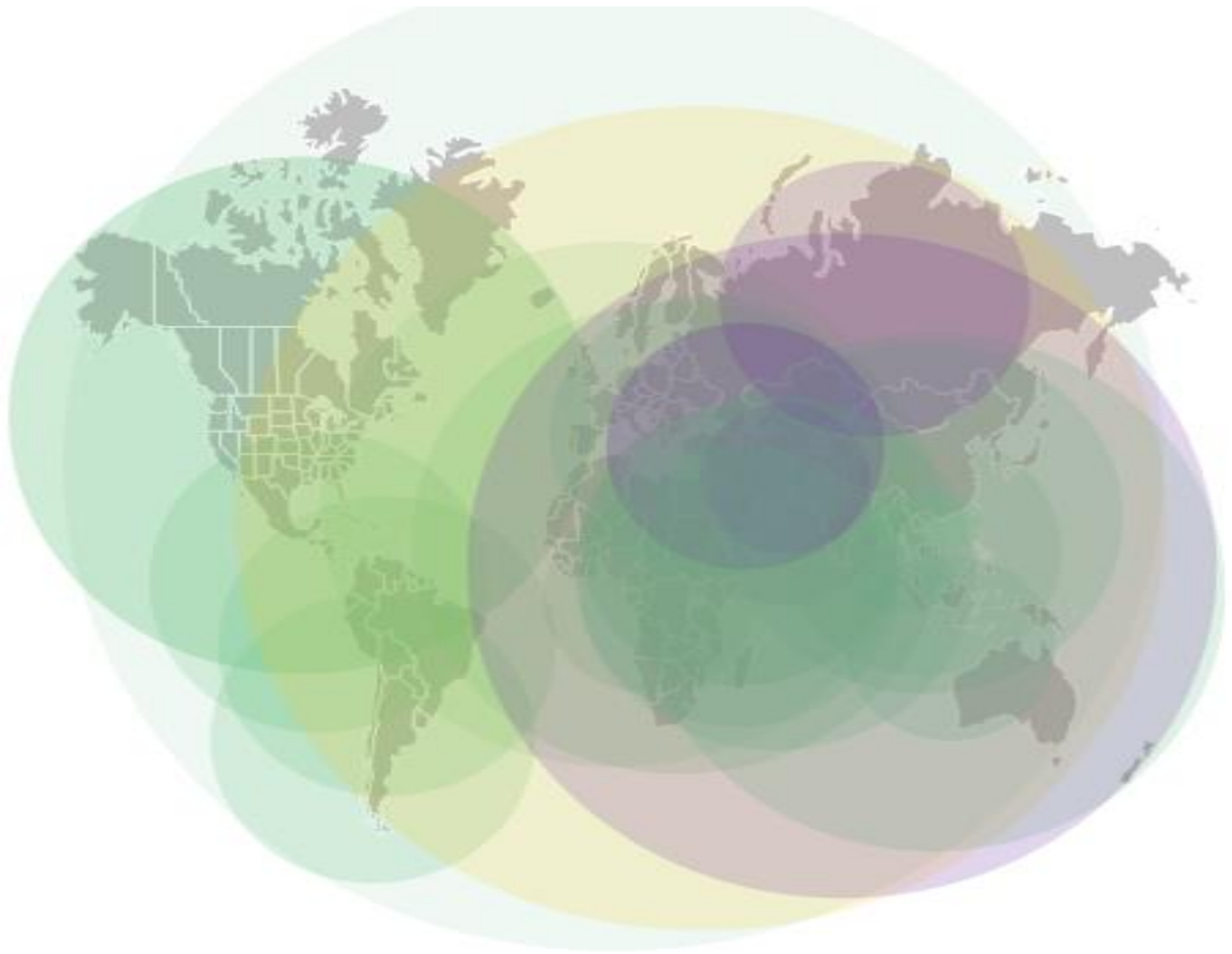
Despite public perception of a 'Dragon-Bear' alliance, there have been recent tensions over the required depths of technological collaboration in the military sphere between Russia and China (with Russia not willing to share technology in which it leads), and these reflect far deeper strategic distrust.

Indeed, while Russia --with its unique identity as neither an Asian nor a European power, but both simultaneously-- is happy to work with China to reduce US hegemonic strength, this is unlikely to mean that they will ever accede to a junior relationship under a Chinese hegemony.

This is certainly not the case given China still holds territorial claims against Russia, which have resurfaced in some forums in 2020, and also seeks greater influence in geography regarded as the traditional Russian sphere of influence in central Asia. (Russia is notably prepared to sell weaponry to India today, for example, even as India-China tensions escalate.)

In short, the picture is extremely complex, and fluid, but the balance of forces weighed against the US and its allies is likely to be significantly higher than at present.

Figure 38: Green vs. purple on 2030 culture



Source: Rabobank

Finally, on the cultural front, where Europe is strongest, we have used green for the US proposed 'Clean Network', yellow for Europe, and purple for the assumed 'China Network' powers.

Again, this does not mean the a Russian civilizational state would work smoothly with a Chinese one: but both could agree to cooperate against the West's presumption of the universality of liberal values such as human rights and democracy.

This certainly looks like a world where liberalism (and the LWO) will hold sway over far less territory than was the case two decades ago.

"We have no eternal allies, and we have no perpetual enemies. Our interests are eternal and perpetual, and those interests it is our duty to follow."

Lord Palmerston, politician

4.0 Conclusion

This report has been intended **to try to project the shape of the world in 2030**. We looked at history and saw that the current liberal world order could indeed repeat the failures of the 20th century due to the loss of its foundational pillars, in particular US hegemony.

We then used hegemonic theory and quantified and projected economic, military, and cultural power forwards to 2030 to see what the message it sent was.

The ultimate conclusion is relatively simple. As the Clingendael Institute in the Netherlands states:

"A global multilateral rules-based order, supported by a pro-active and interventionist US, is gradually being replaced by a more fragmented world, in which geopolitics and geo-economics are becoming the dominant factors and universal rules, norms, and values are increasingly questioned."

We concur.

Hopefully, we can avoid the worst-case scenarios being discussed around many political and geopolitical flashpoints. Even so, 2030 promises to be significantly more different from 2020 than 2020 was from 2010:

- Although our predictions partly depend on who wins the 2020 US election near-term, **the trend of disintegration of the LWO and an increasingly fragmented world in its place will remain constant**;
- President Obama already made the 'pivot to Asia'. **The US will focus more on the Indo-Pacific region** and less on Europe and the Middle East going forwards;
- **The EU openly states it will strive for strategic autonomy**: *"We can't rely on the superpower of the US,"* as Germany's Merkel already stated back in 2019. However, the 'strategic' part implies a long-term plan not yet evident - so does the 'autonomy';
- **The Middle East is rapidly realigning** in expectation of partial American withdrawal, with a new coalition emerging to work with the US instead of under it. This could reshape regional and global trade patterns;

- **China will continue to use the current LWO to advance its national interests**, and to build its own Belt and Road, along with whichever opportunistic forces it can. This will likely see it turn inwards and away from the US-centric global system;
- As such, **the US will have the incentive to obstruct it by becoming a LWO rule breaker where needed** – under what it now calls a policy of "principled realism";
- **China will then likely respond with a turn inwards**, or at least towards a subset of more like-minded countries;
- As was the case during the Cold War, **international institutions will lack effectiveness** in a fragmented world order; and
- **Trade, technology --and parts of finance-- will become more protectionist and balkanised**, especially in the field of high technology/dual-use civilian/military goods.

For all involved, these changes will present both risks and opportunities.

However, for those who cling to expectations of the LWO continuing indefinitely, the risks are exponentially higher.

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