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Days of Futures Past | Episode 9

Parag Khanna, Founder & CEO, Climate Alpha and Founder & Managing Partner, FutureMap

This week on our *Days of Futures Past* series, we welcome Parag Khanna into the SmarterMarkets™ studio. Parag is Founder & CEO of Climate Alpha and Founder & Managing Partner of FutureMap. He is the author of seven books including *Connectography: Mapping the Future of Global Civilization* and *The Future is Asian: Commerce, Conflict, and Culture in the 21st Century*. SmarterMarkets™ host David Greely sits down with Parag to explore the influence of Asia and the new Asian values on markets, as well as to discuss the markets we'll need to build an increasingly connected future.

Parag Khanna (00s):

If you think about climate change and climate shocks and the destabilizing impact that has on our traditional, reliable patterns of commodities trade, right, supply and demand relationships, producer, consumer relationships, you're better off having resilience through a greater distribution or diversity of geographies of production and greater linkages among them to avoid single points of failure. And what applies to commodities applies to semiconductors as well. So generally speaking, there's a new mentality, which again, I think is a very healthy one that moves away from the just in time kind of model towards this sort of, you know, bit of redundancy, more connectivity, more optionality in global supply chains and that's a very healthy approach.

Announcer (45s):

Welcome to SmarterMarkets. A weekly podcast featuring the icons and entrepreneurs of technology, commodities and finance ranting on the inadequacies of our systems and riffing on ideas for how to solve them. Together, we examine the questions: are we facing a crisis of information or a crisis of trust, and will building Smarter Markets be the antidote?

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David Greely (01m 25s):

Welcome back to Days of Futures Past on SmarterMarkets. I'm Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is Parag Khanna, Founder and CEO of Climate Alpha and Founder and Managing Partner of FutureMap. He is also the author of seven books, including *Connectography: Mapping the Future of Global Civilization* and the *Future is Asian: Commerce, Conflict, and Culture in the 21st Century*. We'll be discussing the influence of Asia and the new Asian values on markets and the markets we'll need to build an increasingly connected future. Hello, Parag, welcome to SmarterMarkets.

Parag Khanna (02m 02s):

Thanks so much, David. Great to be with you.

David Greely (02m 04s):

It's great to have you here because you know, in this podcast series we've been discussing the history of commodity futures markets and what their lessons from history. We need to remember to build smarter markets for the future and we focus on building better smarter markets because we believe that they're critical to connecting people so that, that we can work together to solve the greatest problems facing us, including climate change and the energy transition and I'm really glad to have you here because you've thought and written extensively on the forces shaping our future and the idea that connectivity in your words, is the foundation on which that future will be built and so I'd like to discuss some of those ideas with you today to get a better understanding of the forces that will shape the future of our markets and to better understand the markets that we need to build to create that crucial connectivity.

David Greely (02m 57s):

And I'd like to start with some of the forces shaping our future, you know, with other guests in this series. A theme that's come up over and over has been that today's markets have been deeply influenced by the people in the places in which they developed and historically, you know, that was traditionally Chicago, New York, London, kind of like a US European Western centric evolution, but as

you wrote in your book, the Future is Asian and so I wanted to ask you first, you know, why is the future Asian and what does that mean to you. What do you see as some of the implications of that?

Parag Khanna (03m 34s):

Well, thanks so much for having me on the show and look forward to this discussion. That's a lot to cover from connectivity to Asia or the role of Asia in global connectivity. But in a way, that book is meant to be a contribution towards a field known as global history and in global history, you don't tell the story, if you will, of humanity collectively from the standpoint of any one geographical center. Obviously, global history or world history, for many of us is told from a Eurocentric point of view and the balance, the corrective to that isn't to simply tell global history from an Asian point of view, it's to use cross-cutting thematic like globalization, technology markets and so forth to which everyone contributed even though they were power dynamics and imbalances within them and I think by looking at markets, commodities and so forth, the way you do, you are yourself in a way, a lens into a neutral kind of global history.

Parag Khanna (04m 31s):

But that said, the power dynamics are shifting and within the global trends that we're gonna talk about, Asia is starting to play a much more prominent role, obviously not just on the receiving end, not just as a supplier, but also in many ways a producer, an innovator, a consumer, a driver, a shaper, a regulator, and so on and so forth. So the mere secular facts of Asia are obviously overwhelming, and I think they're pretty overwhelming for people who don't really stop to think about it in a day-to-day way. I, I dedicated that book to my 5 billion Asian neighbors, right. Well, simply my 5 billion neighbors because I happen to live in Asia right now. So they are my immediate neighbors. Now take that number, 5 billion, that is the majority of the human population. So therefore by definition, you, if you're sitting west of say, Riyadh, you know, you are, are actually in the minority of the human population.

Parag Khanna (05m 26s):

I am sitting amidst the majority. That's fact A, you know, fact B is the unbelievable density, you know, of the population here, right. It's not the entire rest of you are distributed across the entire rest of the planet. Meanwhile, the majority of the people are cheek by jowl here, almost contiguously saving for, you know, Indonesia and Japan and Australia is pretty statistically insignificant from a demographic standpoint, but in this very, very dense Asian triangle, largely concentrated between India, Japan, and Australia, but China being at the center of that triangle and then the proper geographical definition of Asia actually encompasses Russia and goes as far as the Gulf. So you do have this in enormous but contiguous historically very diverse mega region of Asia and that is now not only the preeminent demographic center of the world, but it's of course economically as well. More than 50% of global GDP and PPP terms represents, you know, most of the growth in the world, infrastructure investment and so on and so on and so on.

Parag Khanna (06m 32s):

So there's a secular way to tell the story that's not meant to be offensive and, you know, reverse orientalist, but simply matter of fact and that that is a very important point of departure and therefore everything else does flow from that. Whether we're talking about where goods are produced and consume, you know which preferences are gonna shape consumption behavior, which regulatory and political and diplomatic dynamics are gonna be calling the shots and making the rules. All of this, those things will flow logically from a proper understanding of, you know, where the, the, the center of gravity is, the, the world. And, and the key thing, just to wrap up on that point is that, you know, I called the book The Future is Asian because an editor suggested it. And my only pushback because I actually have to give him credit, it's a snazzy title, but I was like, but the present is Asian, right.

Parag Khanna (07m 22s):

And, and this is extraordinarily important so often in the last 20 years in our kind of, you know, western narrative. It's like, yeah, eventually sure, like China will be a big deal, you know, and then after that, at some point India will be a big deal that is wrong in the present today and already in the run up to my having, you know, written the book, the present was already Asian. The only question is whether or not you understood that and got it. And maybe you, not you in the particular, but in general, you know, understand that this is already true. It's not really the future, it's the present. The future will just be a lot more of that.

David Greely (07m 58s):

And I really liked your approach because you know, some of the books that I've read in looking, you know, with that sort of theme, it tends to be more the decline of the west and the rise of a new power kind of thing as opposed to, you know, when I read your writing, it was a little bit more of a rebalancing in a way that there was this kind of, the history that we're all familiar with, that we've lived through has been one kind of shape by an imbalance of power relative to the number of people in Europe and the US and now that's kind of more rebalancing over time and the thing I wanted to ask you, because I think one of the things that's really interesting in this

as well is, you know, when we think about, you know, some of the, the more western values that a lot of us hold dear, it's about, you know, the sanctity of the individual and you know, if we're really gonna believe that then as you said, over half the world is in Asia, so you're gonna have that natural rebalancing as the individual becomes more important hopefully globally if you believe in those values.

David Greely (09m 03s):

And I wanted to ask you, what do we need to understand about the history and values of the people of Asia in contrast perhaps to those of the people in the US and Europe in order to understand the influence that they will naturally bring to the markets of the future and what needs do they have that they'd want the markets to address?

Parag Khanna (09m 24s):

That's a great question and I think it's the right one. You know, seeing the world from the Asian point of view, which again is a consequence of the things we were talking about earlier. But the first thing is, I wanna underscore and reiterate your point. It is rebalancing, it's not decline, it's not absolute decline. The, the field or the theoretical approach that where I locate myself is multipolarity, you know, and, and kind of distributed equilibrium, sort of formalistic way of putting it. But the fact is that North America does not have to decline for Europe to rise you know, the overall pie is still growing and geography matters a lot and Asia is not gonna conquer north America nor Europe. We have a very, very solid, stable multipolar system in the world today. A lot of people would characterize it differently, and we can go off on a long theoretical and historical and academic tangent about that, but we won't.

Parag Khanna (10m 15s):

But the bottom line is that no matter what your perspective about whether it's stable, you must appreciate that it exists, that it's multipolar and that it's not going to change. So a you know, neither China nor India nor anyone else can defeat or subdue or eradicate America even if they wanted to and America is no longer going to dominate Asia any more than Europe is gonna dominate Asia, right? There's a lot of mutual penetration and intrusion across these regions, not less the, the robustness of America's, you know, alliance system in Asia, but there is a regional multipolarity. So, you know, the Asian view around this is of course that believe it or not, they want to be self-sufficient. And what's interesting there is that, you know, the, the, the what's characterized a lot of, if you could summarize in many ways the global political economy conversation through a geopolitical lens in the last decade, the two words that would probably come to mind would be America first.

Parag Khanna (11m 09s):

And so what I did with one chapter of the book is to call it Asia first because actually Asia has been practicing the kind of industrial policies, import substitution, you know, infant industry protection, very strong government subsidies for, for domestic industries and so on and so forth, the kinds of things that lead to or promote greater self-sufficiency for quite a long time. While those practices were of course, anathema in the Anglo-American kind of orthodox political economic discourse, which is kind of driven our post-war kind of thinking around globalization global markets. But Asia is not having any of that, right. Not at all and there's a very, very clear consensus among Asian societies, whether they are democratic or non-democratic, you know, whatever their, their political system, they more or less agree that the state can and should have a strong role in the economy and should practice or take advantage of whatever means of public private cooperation necessary to enhance their position.

Parag Khanna (12m 11s):

So Asia has had an Asia first attitude long before Donald Trump came along and said America first, and I think it's America that's now realizing that, oh, if you don't play the me first game, that's how you wind up getting your lunch eaten. And Europe, by the way, has been doing this all along because mercantilism is fundamentally, you know, European, you know, in innovation and America copied it from them. And now Asia copied it from Europe basically. And now, you know, the feedback loop, loop continues and then America's picking it up again. So I think that Asia's been very consistent about this and so when it comes to their preferences, it's sort of, well, how can we be as self-sufficient as possible and if you go back, I'll just close on this quickly, but the last 25 years from the Asian financial crisis of 98 through the GFC of 2008, through the kind of nationalism and protectionism of Trump and BREXIT and through COVID.

Parag Khanna (13m 01s):

So you've got four major episodes of the last quarter century, every one of which has taught Asians of all stripes and persuasions, whether they are allied or enemies, that by hook or by crook, they should actually geo economically converge even if they're geopolitical rivals and the culmination of that is of course, the regional comprehensive economic partnership, which is, was ratified about a year ago, and it's by far the largest regional trade area in the world and it encompasses countries that are bitter, bitter rivals,

but they all agree that they should pursue some degree of regional self-sufficiency in order to offset the kind of global demand shock that they experienced in 2008 and of course to, you know, reduce trade barriers and frictions, increased complementarities and in general be less vulnerable or hostage to, you know, the whims of Western politics.

David Greely (13m 54s):

And I found it fascinating in your books, how much of the, the trade is increasingly within the Asian region. You know, I think we, we got acclimated to Asia producing goods and sending them to the United States, sending them to Europe, and now it's much more within the region. How do you see that developing. Is that something that we'll just continue to see going forward?

Parag Khanna (14m 16s):

Right, so indeed, you know, Asia going from being the factory floor for the rest of the world to actually being the largest producer and consumer of its own goods and services is a pretty radical shift and you know, my kind of one way or one sentence punch line on this is, you know, Asia used to produce for the west and now the west produces for Asia, right and again, the shoe is very much on the other foot. Again, you see it in corporate profits, you see it with multinationals, just how much of their growth or just overall bottom line comes from revenue in Asia and how important it's again, both as a production and consumption center and just imagine what the market cap would be of companies if they fail to deliver on you know, profits in Asia. So I think that that is, is despite all the near shoring pressures and so forth, the fact is that our domestic markets still can't absorb, you know, sufficiently to, to, to drive the, the corporate growth story.

Parag Khanna (15m 11s):

So that, that is a huge shift in Asians, again, this was by design. This is not an accidental byproduct of, you know, having been pride open by western purveyors of capitalism the post-war decades. I mean initially sure, but after that it was by design, you know, and it's been that stealth design for quite a while. And let's remember that this is not their first rodeo. You know, Asian countries have been trading, civilizations have been trading with each other for the better part of 4,000 years, right you know, in some way, shape or form. And this is one of the reasons why, go back to historical across currents, and I talk about the return of the Afro Eurasian system, and students of the pre-colonial world know that the old silk roads, whether terrestrial or maritime, were very well mapped out corridors in, in the so-called Afro Eurasian realm that really is the set of regions that border the Indian Ocean.

Parag Khanna (16m 09s):

And the Indian Ocean again is of course, once again the largest corridor for global goods trade. And so the Afro Eurasian system, again, is not something that is in this long-term, you know, but still incipient process of reemerging. It is the thriving center of global trade today, right and it has been for a while, for like a decade. So in that sense, again, Asians are perfectly comfortable with this. And one of the spectacular achievements in all of this is that it's happened in such a short amount of time. After 500 years of colonialism, the Cold War, this almost instantaneous revival resurrection of the Silicon roads, of the Afro Euro Asian system has happened within a quarter century and this is despite the, again, the geopolitical frictions and the still the mutual unintelligible right, of many Asian societies with each other, it's a lot harder to do this in Asia than it is in Europe and yet still, which proves that it is literally a deep reflex amongst Asians to find ways to haggle, barter trade, you know, ply commerce with each other because they have literally been doing it for many, many, many, many centuries.

David Greely (17m 28s):

This revival of the connectivity between the region is, is really fascinating and I love the way you put it in the context of going back in these, these natural impulses. One thing I wanted to ask you about before we, we dive more deeply into that is when we think about, and I think you've called it new Asian values, I think often there's, and, and you pointed to this, the idea of the strategic role for government in building infrastructure and kind of laying out plans and the need to manage change a little bit to keep social cohesion as opposed to just kind of the creative destruction that sometimes gets embraced in the United States or Europe a little bit more. And you know, I wanted to get your thoughts on, because often when we look at it from a Western lens, you know, we automatically reflexively go into, you know, well that's communist or autocratic or, you know, too much government. How do the peoples of Asia, and I realize it's a very vast and heterogeneous group, right? How do they tend to think about that role of government in helping to shape change?

Parag Khanna (18m 34s):

Well, this was one of the most fun parts of the research that I got into was kind of what are the new Asian values. So I set out to, I almost had the phrase before I had the content, you know, I was like, I know that in the 1990s we spoke about Asian values and we know that it

was largely a cover for Confucian oriented cultural, you know, the politics of deference to corrupt authoritarian regimes in the name of Phil Piety and whatever the case may be and we know that that was discarded and, you know, laid bare by the Asian financial crisis. So around the time I got started on this project was, you know, 15 years after people stopped using the term Asian values and I was like, look, but Asia has clearly bounced back in a big way better than ever.

Parag Khanna (19m 25s):

So there is going to be a new Asian values. How else could you explain the kind of synthesis that is playing out you know, across the region and these threads weaving themselves back together again. So I set out to identify what they are, and we already talked about one of them, which is state capitalism, right. In just two words, state capitalism and so, you know, the, the, again, the role of government in the economy in, in, in many ways and you know, what you see is that whether it's state on enterprises or government link companies, as you, as they call it in Singapore and so forth, there's a lot of that going on. That doesn't mean greater efficiency, but it does provide for some degree of stability, right and indirection, and I think that's fine and again, the trade agreements that are crafted in this region allow for that in ways that more orthodox approaches, you know, don't, which is why you don't really see global WTO progress.

Parag Khanna (20m 15s):

You see a lot more regional progress. The second set of new Asian values is what I call technocratic governance, which is, you know, a deference still to the executive branch. A trust if you will, in an executive giving a kind of long-term leash to a leader to fulfill a mandate of national modernization and that you see all across the region, again, whether it's a democratic country or an authoritarian country, please do remember everybody there at home that more people live in democracies in Asia than in the rest of the planet, you know, put together, right. Don't, don't forget that, you know, Asia is not some kind of uniformly autocratic set of systems and societies far from it, right? And yet still, even in the democracies, there is this sense that, you know, look at Japan, it's effectively a one party system. The LDP is govern you know, modern Japan for decades.

Parag Khanna (21m 04s):

So there is a deference to a strong executive with that mandate. And, and that is not really in dispute, even in chaotic multi-party systems. You see a place like India where it's not really just about whether or not mode the himself is illiberal or you know, has authoritarian tendencies, it's that the society is willing to put their stock in a mission that one person may or may not fully represent or incorporate because that mission needs to be fulfilled, right and that that stems also from a certain degree of cultural confidence and coherence that they're starting to enjoy and they don't want constant flip-flops in party politics to undermine that. So it's actually something, there's something quite pragmatic about this value. So technocratic governance, two words, one value, you know, state capitalism, just two words, that's the second one. And the third pillar of the new Asian values is what I tentatively termed kind of cultural conservatism, which is another way of saying a kind of cautious approach to liberalism and cautious approach to democracy and human rights and those sorts of things.

Parag Khanna (22m 15s):

Now, I do not condone, you know, suppression of the rights of minorities or women's rights or curtailing freedom of the press. I don't personally, but what I can see is that you have this caution in Asian countries that says, let's be careful about rocking the boat. Let's not let's people yell, fire in a crowded theater. You know, let's be pretty strict about how we regulate the speech on the internet and so on and so on and so forth. And yes, does it go too far. Of course, you know, you've got Turkmenistan counts as an Asian country. North Korea is an Asian country, but you also have like, you know, New Zealand and Japan and you know, Taiwan and everything in between as well. But, and yet, so, you know, and you, you asked this in the preface to your question, you, you pointed out Asia is bewilderingly diverse, but I would submit to you as someone who spent, you know, I mean much of the last 40 years and certainly all of the last decade traveling around Asia, that whether you were in Israel or Russia or India or Bangladesh or Thailand or Vietnam or China or Turkey or Saudi Arabia, I bet, and, and, and, and this isn't hypothetical because I'm actually the guy who's gone to all these places and spent months and years on end interviewing people and looking at survey research and so on.

Parag Khanna (23m 34s):

You'd be shocked that despite the vast diversity of political regimes on the spectrum from North Korea to New Zealand, right, you will find that when you speak to the ordinary person on the street, that actually these six words will resonate with them. Technocratic, governance, state capitalism, and you know, incremental liberalization or whatever you wanna call it. That's it. Just those six words, I find a stunning degree of resonance with it. Does it speak for everyone. Not even close, but it actually resonates very strongly and you

would be hard pressed to find an alternative account of Asian commonality that fits under the rubric of new Asian values beyond those. So maybe you could say it's a thin veneer in some areas and thicker in others, but it is pretty battle tested.

David Greely (24m 26s):

I love that so six words that we all need to remember to understand these new Asian values and with that, I'd love, you know, your writing of course is not just regional, it's global and you've said you look at things from that global lens and perspective and I wanted to dive into this idea of a world that's being increasingly interconnected. I know, you know, we went through this towards, you know, the end of the 20th century with the internet is gonna connect us all. So we've had digital technology, but you, you know, you go back as well and put a lot of emphasis on physical infrastructure and the new silk roads and how people are connecting. So I wanted to get your sense of this idea that you wrote in your book Connectography that we are moving towards this global network civilization, right. In which connectivity is the most important asset, right. That will be out there. And can you explain what you mean by connectivity and why you believe it's so important for the future?

Parag Khanna (25m 24s):

So I'm definitely a connectivity determinist in the sense that, you know the arc of history is long, but it bends towards connectivity because that is a material fact, right? I mean, if you think about the last, you know, call it 7,000 years of human history, since we have any recorded evidence of settle of human settlements and infrastructure of any kind, by which we mean stone mounds, you know, and you play that story forward 7,000 years, that is one consistency, right. Is literally the physical capacity and deployment of infrastructure of various kinds. So to be a connectivity determinist is a principle position, but it's materially observable in looking at infrastructure. So that book is really about infrastructure, large with the capital I, transportation, energy communications, and then the phenomena of supply chains and markets that leverage that connectivity is really the story of connectivity.

Parag Khanna (26m 20s):

So I don't see how you cannot be a connectivity determinist in that sense and what's remarkable is that, again, we continue to invest trillions of dollars a year in that connectivity across all the borders of the world and this is despite the fact that we have more borders than we've ever had in human history. So we have more borders, we have 200 sovereign nations, but more connectivity. So the fact is that these are not antithetical or opposing concepts, which is typically the way people look at it. They say, oh, connectivity, this lofty idea of instantaneous collaboration and homily, you know, among peoples, and it's not connectivity is a battlefield, you know, and it always has been, whether it's Roman roads or Russian and British railways or even cyber war connectivity has always been a battlefield, but it also enables simply greater cross-border penetration so you can have more borders and more connectivity in the same time.

Parag Khanna (27m 14s):

And the tension between the two, the flow and the friction, as I call it, kind of borrowing from physics is to me the central dynamic in the world. Today, a border does not represent any kind of permanent barrier to anything. It represents one kind of friction in the same way that that investment investor regulations represent a friction or capital controls represent a friction, and a border is simply a type of friction. And sometimes it's strong, sometimes it's weak. That's all it is, even in the physical world, let alone in the regulatory world where it's far, far, far weaker than it's in the physical world, right? And that is the true impact of globalization. So that's a bit on the conceptual side, but the really important point is that connectivity matters more than size, right? Just like mass matters more than weight, you know, in, in physics, again.

Parag Khanna (28m 03s):

So, you know, a large empty space is not in itself a global power. Like Russia is not actually a superpower. It's a large empty space with a depleting demographic and military stock, right? It, you know, I measure countries, I weigh them again according to their gravity and centrality and global supply chains. So if you are not connected, you're not important. India and China have been of roughly similar size for the last couple of decades, but India was not important. Only China was important, right? So you needed to look at the gravity, right. The density China became the largest trading partner of the majority of countries on earth, well over a decade ago. India has about two countries that are its largest, you know, that have India as their largest trading partner and there its immediate neighbors. So connectivity is in fact the determining factor, right?

Parag Khanna (28m 55s):

In the importance of a society in the world. It's role in the global division of labor and the notion of the division of labor, which is a sociological concept, is way more useful in explaining the world and how dynamics operate in a supply chain in what you, you

paraphrase the global network civilization is a way more useful concept than simply looking at sovereignty, international law and static concepts of military power or even GDP size and you know, I'll give you just one anecdote. You know, if you go back to the Trump era and, you know, trade tariffs and, and you know, Trump hoping to prevent European countries from joining the Asian infrastructure investment bank or pursuing free trade agreements with China, or at least, you know, greater market access in China and so on and so forth. What, what I often got asked, like, if you could spend five minutes with Donald Trump, what would you say to him.

Parag Khanna (29m 47s):

And my answer was always the same as, you know, I don't think he's, you're particularly, you know, I think you would, you would, he would focus more on visual aids or, and so my visual aid would be a map, and the map would show that even though the United States was the world's largest GDP at the time, it only represents 14% of global trade, whereas Europe and Asia each represent about 35% of global trade and so that tells you a lot more again, about how it's not about size, it's about connectivity, you know, and that Europe and Asia began to trade more with each other about 1.6 trillion a year in annual exchange of goods and services, whereas the transatlantic relationship only represents about 1.1 trillion of trade a year. So you started to see in again, the gravity and the connectivity between Europe and Asia, that convergence going on across the Eurasian landmass about, you know, 15 plus years ago. And that's when I started to pick up on the story. And again, this is why the data overlay on geography tells you more than just raw geography itself.

David Greely (30m 54s):

And I love the idea in your book that perhaps we're looking at the wrong map in a way. Like we're all used to our, our map that has the country borders on it, and we conceive of the world as, as these countries. But it really, it's, it's not getting to the important things and perhaps the map we should be looking at for the future are these what you call the mega cities where people are increasingly concentrated, and then the connections between those mega cities, whether it's physical infrastructure, energy flows, digital technology or markets and financial flow movement and I was wondering if you could walk us a little bit through that idea that increasingly we should be thinking about the world in terms of these clusters, right, of mega cities and the connections between them and maybe, obviously probably the best way to be for people to read your book, but what should people be looking to, to understand tangibly the physical infrastructure, digital technology or market connections that are the most important to see right now?

Parag Khanna (31m 58s):

You know, a formal objective description of human society would be that we are a global urban network civilization, right. You know, if you looked at the planet as an agent based model, you were looking down from space, you know, an alien who didn't understand any human language, you would just see these 8 billion agents milling about concentrated in cities and traversing and connecting to those cities by way of infrastructure and sending digital packets of whatever it is, data or money, or again, you know, by ship or by plane moving themselves or goods. That's what you would formally see and the formal explanation of that is it is global, it's happening around the world. No location is excluded. It is urban. The majority of the human species lives in cities. It's clearly networked in so many ways and, and evolving, unfolding, accelerating, deepening and so that, that's the way I would characterize it.

Parag Khanna (32m 53s):

And the city part is key because, you know, we have had, again, urban life, again, urban human settlements for 7,000 years. We've had cities for 7,000 years. We know particularly, you know, in, in the, in the Mesopotamian realm, Damascus being the oldest continuously habited, large city in the world and so on. We've only had countries, even empires for a couple of thousand years, right. So the city has always been the continuously the sort of stable unit. The most fundamental political, economic, societal unit is not the nation, it's the city. It's always been the city and there's never been a successful nation or empire that was not fundamentally built on the prowess, centrality, you know empire building, infrastructure building that emerged from the key city, right. So it's always been about the city and a great empire is a collection of great cities, you know, and America has you know, well, you know, 40 major urban clusters, right?

Parag Khanna (33m 52s):

China is you constantly, you might even say recoding itself around these urban clusters in a way to become like America, right. A lattice network of thriving urban centers and that's what, that's how you build, that's part of empire building is having multiple pillars, urban pillars of your economy. So that's happening amongst fast growing large countries. It's one of the metrics I use in evaluating emerging markets, you know, is all of the foreign investment going just into the capital city. This is what I observed on kind of my first global tour for my first book about 18, 20 years ago, was that, you know, what I worry about in these markets is that when you have a fast growing almost trillion dollar economy and it's rooted on, centered on one city, that's bad news, that's a worrying sign. They're not sufficiently distributing, dissipating investment, you know, into, into, to growing second and third tier cities.

Parag Khanna (34m 47s):

And that that's problematic. So, you know, we can observe a lot about the changing patterns of flows. One thing is, by the way, you know, cities tend to accommodate each other's rise and build those networks with each other more readily than countries will, you know, step aside and allow for others to rise and again, you can see that happening today. There's a, a London view and a British view, right and New York view, and an American view. You don't generally want the, the viewpoint, the, the, the world view of your leading city to clash with the national view that that's a bad sign. You don't want that internal friction. You want alignment, right. You want the nation to be a springboard, a catapult, you know, for the interests of the city and where those diverge, again, you're gonna have a breakdown and that's happening in some places.

Parag Khanna (35m 30s):

Fortunately, you know, not by and large. So again, the nation and empire depends on the city, you know, more than more than the reverse. So we're seeing, you know, more regional convergence and integration. Again, that's an infrastructural story. Look at the high speed railways that are connecting across borders. It's happening, it's already happened thoroughly in Europe, obviously, and now it's happening in Asia, and you can see it in supply chains, trade networks, and all of these kinds of things. So we're moving towards a world that is very, very strong, rich, deep, powerful regions and the major cities in the nations of those regions are dealing more and more with each other. You have a lot more fluidity, mobility of talent, people, all of the regions now realize they want to be more anarchic, right, more self-sufficient. North America is the closest to achieving that. Europe is, is actually close behind on the energy side and Asia is getting there.

Parag Khanna (36m 24s):

But that said, you still have plenty of room for globalization because there's huge complementarities cost advantages, market access and so forth. So that is a kind of nested or layered way of, you know, envisioning where things are going and in some ways, because that picture may seem really kind of neat and tidy, it is the big level macro that that is what is happening that's not unwinding or reversing. That is literally what all of the unwinding and reversing that people think is happening is contributing to. So it's a very, very, very stable, you know, kind of evolution that we're actually going through right now.

David Greely (36m 59s):

And it's fascinating that, you know, you're getting these increasing connections within regions, between these mega cities but then on the other hand, you have this kind of a drive for Alta key between the regions. It's almost like, you know, the North America wants to connect first before it connects with the rest of the world, or Europe or Asia.

Parag Khanna (37m 20s):

And yet, by the way, of course again, the US China trade deficit ballooning, right you know, again you know, Tesla and Apple and, you know, every other company still dependent on China, even as they look to do China plus one strategies, right? So even de-globalization is still more globalization, you know, and again, even when you near shore you realize that, well, now I want to export more, right? I already command my home market, but it's not enough. All roads always lead to more globalization, even if you don't think so and it takes, I could bludgeon you with examples of how it plays out in reality, but again, it also just look at the numbers, you know, I mean, the volume of trade growth has held very steady, right. You know, 5, 6 trillion a year in global goods trade, global services trade is expanding at breakneck pace.

Parag Khanna (38m 17s):

And in 2022, the data shows estimated about 5 trillion. So we're almost at parity between the value of global goods and global services trade. And most economists who are the kind of in the globalization, naysayer de-globalization camp, literally tell a story that discounts pretty much half of global trade because they're basically just counting up, you know, or barrels of oil and, and dishwashers and cars that are being sailed around in containers. But that's not the entire world economy, is it. So, the full picture is staggeringly robust between these regions, even as every single one leader in every single one of them from dawn till dusk is promoting autarky. It's not actually what's happening.

David Greely (39m 05s):

I love the idea that there's, you know, when thinking about the connections between different regions, between cities, within regions and without, there's maybe four big buckets, probably more, but there's kind of the physical infrastructure, the, the ships, the supply chains, the high speed rail, there's the energy flows, the barrels of oil, there's the digital technology, the ability to connect over the internet and other forms, and then there's kind of markets or financial flows and I'm curious, like which of those categories do you

think were farther ahead on, and which do we need to make more work on if we want to create this globally network world. I mean, I think for physical infrastructure, my mind first goes to the Belt and Road initiative in China, and that seems like that's creating a lot of connections within Asia. But where do we need to do more work and where has it already happened?

Parag Khanna (40m 03s):

Well, you know, my answer is all of the above. Of course as a connectivity infrastructure determinist but to break it down more normatively, prescriptively, if you think about climate change and climate shocks and the destabilizing impact that has on our traditional, you know, reliable patterns of commodities trade, right, supply, demand, relationships, producer, consumer relationships, we really need to expand supply for critical, you know, commodities to cope with disruption and that can be geopolitical disruption as well. I mean, I think, I'm sure you've had many episodes touching upon the impact of the Russia, Ukraine, war on global food supply for, to take just one example, right, wheat and so forth. So you're better off having resilience through a greater distribution or, you know, diversity of geographies of production and greater linkages among them to avoid single points of failure.

Parag Khanna (40m 59s):

And what applies to commodities applies to semiconductors as well, right. So generally speaking, there's a new mentality, which again, I think is a very healthy one that moves away from the just in time kind of model, right. Towards this sort of, you know, a bit redundancy, more connectivity, more optionality in global supply chains and that's a very healthy approach. Now, each power may be taking that approach in the name of its own national interest, right. We are worried about China invading Taiwan, therefore we're gonna diversify and every power is saying the same thing. For like, for example, why did China do belt and road. It wasn't to be generous. It was to say, well, we are beholden to the passage of commodities and flows and goods outflows to the very narrow straits of Malacca, which is one kilometer south of where I'm sitting right now.

Parag Khanna (41m 49s):

And therefore we need to build more infrastructures to have overland transit routes, connectivity, route shipment routes, trade routes and so forth. So every country makes those investments in connectivity, and it's the name of its own national interest. But guess what it adds up to David is a more and more connectivity. And connectivity is dual use, multipurpose, right, ultimately, anyone can use it. It's all ultimately in many ways a non-rival good, you might say, right and you can see this in so many ways because whether it's a railway or again, you know, providing openness to shipping lanes, ports, all of these kinds of things, everyone winds up using them irrespective of who the first mover or investor was. You can see this with Chinese investments in Africa, right? Guess who uses it more than the Chinese in some countries now Indian traders, right.

Parag Khanna (42m 35s):

They're like, thanks China, right. That's the way connectivity ultimately works. And that's how even in, again, despite everyone pursuing their narrow national interest, me first, me first, me first, you get a system where actually you've built more connectivity and more resilience. So it's almost one of those things where I sort of say, don't talk about it. Just let it happen, right, because we'll be very glad that we built the resilience, even though we thought we were doing it just for ourselves. And the system needs that, right? The world system for its own, for our collective survival. We need that. So investments in connectivity or investments in resilience, it's, it's a mathematical fact. It's also, again, why I'm, I would say I'm an accidental optimist, right. In the end, you know this question that always gets asked, you're not optimist or pessimist. I'm like, you know what. I don't know. I'm, I know that I'm an accidental optimist. I didn't set out to be optimistic, but I see that this is, that mega trend is building this connectivity, connectivity leads to resilience. Therefore, I'm cautiously, accidentally optimistic.

David Greely (43m 36s):

And I think it takes the optimist to build the world of the future because everyone else would be too pessimistic to do it and so I wanted to ask and I wanted to ask you, maybe you've already answered this question, but the, the thought in the back of my mind was, you know, on the one hand we have all these forces that seem to naturally drive people to want to connect and then on the other hand, we've seen a world where there's been an increased focus on borders and kind of a reaction and I was curious, how do you see, how do you maintain that accidental optimism in a world where governments seem to be more restrictive of the ability of people to move and connect at the same time? People want to do more of that. Yeah. How do you see those colliding and playing out?

Parag Khanna (44m 20s):

Well, I simply look at what people do rather than what they say, you know and the, the two are miles apart on this issue because we have more human migration than ever in recorded history. 2019, we had reached a high point more than point more than a billion

people cross borders in 2019. You had a record number of, of expats in the world, you know, 275 million people and then it all stopped with COVID and I was finishing my book *Move*, which is obviously about human mobility and human geography at the time. And people said, oh, oh, bad timing for your book, buddy. And I said, you just wait. You just wait. And of course, here we are, you know, 2022, the world reopened and that pent up demand, you know, exploded. And guess what, you know, we're back on track. You know billions of people crossing borders, more expats than ever before. And the, the fundamental drivers of human mobility, which are labor shortages, demographic imbalances, wars, conflicts, genocides, expulsions of peoples and climate change, right. Those four or five forces are literally all an absolute hyperdrive.

Parag Khanna (45m 41s):

So how can you possibly reconcile that with the notion that, yeah, we're just gonna close our borders you know, like, how is that working out for you Britain? You know, have you found people to pick those apples. They didn't. So they had to fly in Uzbeks, right, to pick their apples. And of course, rather than have the kind of migration controls that Brexit was nominally associated with, you know, seeking to install, they have reduced restrictions so significantly, it is much easier today for a penniless migrant, you know, with at least a passport to legally enter the UK than ever before, right, but in fact, because they're so desperate with their labor shortages, Canada set the world's most ambitious immigration target some years ago to increase its population by 1% every single year, which translates into about 400,000 people and they were off by a little.

Parag Khanna (46m 33s):

They let in a million people last year, right, so for one thing, the notion that the mega trend political trend in the world is some kind of consistent uniform right wing backlash against migration, you know, in the name of populism, ethnic purity, whatever the case may be, is absolutely empirically bunk. The exact opposite is true and I mean, the literal exact opposite, right? America back to 850,000 legal, a lot more illegal too, migrants last year it had hit an a year of 240,000 at the time when you had both Trump and for both obvious reasons, compounding each other but boom, back to quadrupling that number overnight in America, be exceeding it in Canada, which has won 10th America's population. Germany record numbers, UK record numbers last year, Australia record numbers again, right, record numbers of Indians flowing out around the world, which is a some slight tangent, but it's something I go into in great depth in the, in the, in the, in the move book around the youth demographics of India and the labor shortages and the kind geopolitical collegiality, if you will, that makes Indians welcome.

Parag Khanna (47m 50s):

But anyway, you add it all up and climate change, right and you've got a world where literally, you know, we will exceed all records every single yearlong into the future of migration. So you take all of that and tell me that Victor or Bond matters. That's a good punch line, right, tell me that, that, that this imp of a man, you know, who only Tucker Carlson celebrates, right, tell me that his worldview matters in the face of the data that I'm dumping on you right now and neither he nor any populous figure is worth even the, the digital ether of a tweet compared to the reality of absolutely enormous, gargantuan, unprecedented volumes of human migration that are already underway.

David Greely (48m 42s):

Well, Parag, I want to thank you so much for being so generous with your time, your work, your insights. I know we've been covering an awful lot and I would advise anyone who wants to understand more deeply your thinking on these topics to go out and read one of your, I believe seven at this point, books on these, on these very important topics, before I let you go, I just wanted to ask you one more question and that's, you know, for the optimists in our audience, accidental or not, what can each of us be doing or trying to push for from either our governments, our markets, or our technology to try to make this more hopeful vision of a mobile and globally connected future, become our reality.

Parag Khanna (49m 22s):

Let's supply and demand, you know, be the operating principle for as many aspects of life as possible. You know, let's supply meet demand. That's how you achieve a kind of auto poetic homeostatic, you know, system, right and that applies for people, most of all, you know letting people move across borders, especially in the, at a time of impending, looming demographic deflation. You should really want young people in particular entering your country and staying your country and working and paying taxes and contributing to the tax base and so on and so forth and basically there are two kinds of countries in the world, those that have realized that they are in an all-out war to attract young talent and those that have not realized that they're in an all-out war for young talent. So realizing that, you know, 12 step program, you know, recognize, admit, embrace, whatever the case may be, but the more you realize what in a

way almost dire demographic situation you were heading into, the more you accept and embrace the logical consequence, which is that you should let people move, you know, let people relocate.

Parag Khanna (50m 37s):

And again, it becomes a humanitarian and ethical issue in the name of climate adaptation and it's absolutely an economic imperative when you think about just the dynamism that we need in our economies as we have these just, you know, huge percentages of the population that are aging and require elderly care and, you know support and so on and so forth. So there's very few scenarios in which investing in absorbing populations, you know, don't payoff obviously, we could go on a much longer tangent about what's happening in France right now and all of that, but again, they're, they still need migrants. They're just not investing in assimilating them the way they should and we've known that for a long time before the, the, the current riots, you know, began unfold. So it's not supply and demand, but with assimilation investments would be kind of my silver bullet for the world, you know, and, and at least that is something that is actionable. It's not dreamy or naive or utopian because there's lots of countries that actually do it right, and we should all be looking and learning from each other.

David Greely (51m 40s):

Thanks again to Parag Khanna, Founder and CEO of Climate Alpha, and Founder and Managing Partner of FutureMap. We hope you enjoyed the episode. Join us next week as we wrap up our series on the Days of Futures Past with our final guest, Josh Crumb of Abaxx Exchange and Clearinghouse. We hope you'll join us.

Announcer (52m 00s):

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Announcer (51m 51s):

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