The Clash of Civilizations and the remaking of Global Markets

- He postulated that people’s **cultural and religious identities** would be the primary source of conflict in the post-Cold War world.

Meanwhile, back at the ranch (Also in 1993!)
For a long time everyone assumed that this would mean clashes between East vs West and Judeo-Christianity and Islam… Western, Orthodox, Muslim, Latin, Japanese, Indian, Chinese, Buddhist, African.
The reality is that technology-driven convergence has meant vast swathes of cultural norms have become globalized.

Western or Eastern?
The new clash of civilizations is no longer driven by culture, religion and geography alone.

Today it is defined by a fight for economic influence and geopolitical power…

There is no going back from a technologically converged world, so he who would control the world must control technology.
The new Clash of Civilizations
In the post Cold-War world, global population has increased from 4.5 billion to a current 7.5 billion, of which the majority has been in Asia.
In a globally connected and consumerist world, the addition of billions more consumers has meant growing economic power and **a shift in the economic centre**.

Source: McKinsey Global Institute
The rise of Donald Trump is symptomatic of the USA’s shift away from the economic centre...but is he fighting the wrong war?
Likewise the UK’s decision to exit from the Eurozone. (Brexit)
Where are the biggest clashes?

- **A great geopolitical power competition**: Ground zero being the strategic offensive against China through tariffs, regulations and military posturing.

- **An accelerated arms race** between the USA, Russia and China, with implications for middle powers such as Turkey, and India.

- **Increased geopolitical risk for businesses** – Supply chain logistics will become more difficult. The US will lean heavily on allies to erect barriers to Chinese investment. (E.g. Huawei) while China’s determination to catch up will only increase corporate espionage and result in an overall more offensive U.S. policy.

- **A clash between the US and the WTO**: The US may precipitate a clash through the dispute settlement process as they seek to protect their own interests - they may not be supported by allies.

- **A Eurozone showdown**: Populist votes in the UK and Italy have shown the cracks in the system, and in 2019 these will come to a head.

- **The rise of the US as an energy giant**: This will cap oil prices but OPEC and Russia will work hard to prevent a plunge in prices.
“An election is coming. Universal peace is declared, and the foxes have a sincere interest in prolonging the lives of the poultry.”

- George Eliot (1819-1880)

English author and poet
Key global tactical assessments

- Ashburton is cautious on global equity outlook as US growth rates slow from above trend back to trend.

- Stimulus from China to support their own slowdown will mean a pick-up in activity in late 2019.

- **Keep the focus on quality, and earnings transparency, which at this stage means still favouring the US, and keeping some defensive positions in Japan.**

  **Risks are high**: Core inflation remains steady, US rates have peaked, but the higher oil prices and currency fluctuations will most likely **dampen future market returns**.
Thank you
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