

Masterclass: The World in 2025 - Part 1

Read Time: 10 minutes

In Part 1 of the two-part Masterclass series, “The World in 2025”, our distinguished panel of experts unpacked the big shifts in geopolitics, trade, economy and technology. It threaded together the primary drivers of complex change facing the world, much of it driven by the incoming Trump Administration’s new agenda.

Our stellar panel includes

- **Professor Yang Yao**, Director of the China Center for Economic Research and Professor, National School of Development, Peking University
- **Philippe Le Corre**, Senior Fellow on Foreign Policy, Center for China Analysis at the Asia Society Policy Institute, and Professor of Geopolitics and Asian Studies, ESSEC Business School.
- **Justin Logan**, Director of Defense and Foreign Policy Studies, Cato Institute.
- **Sundeep Waslekar**, President, Strategic Foresight Group and author of *A World Without War*.

The conversation was anchored by **Dinesh Narayan**, a columnist, author of *The Making of the Deep Nation*, and a contributor to Founding Fuel.

17 Takeaways from the Masterclass

Subhead: Donald Trump, China, and the new dynamics in geopolitics and geoeconomics

#1. China’s cautious optimism.

“The Chinese leadership sensed that there is a chance for Trump to stabilise US-China relations—at least not to deteriorate the relationship. Because it sounds like Trump is trying to cut some deals with China.” - Yang Yao

- TikTok was closed for 80 hours, but Trump [signed an executive order granting TikTok a 75-day extension].
- Many Chinese like Trump because of his domestic policies and because he's going to bring the United States back to the track of conservatism. And Chinese people are conservative, particularly on social issues.

#2. On US foreign policy, it's important to sift through the tangible changes, and what is just the day-to-day drama of a Trump Presidency.

“The United States spends over a trillion dollars per year on defense. And yet it finds that in Europe, in the Middle East, and in the Indo-Pacific, it can't seem to achieve its various

desiderata. There is this gap between American objectives and American resources that I don't think is likely to be squared by the allocation of greater resources.” - Justin Logan

- On trade and tariffs there's a lot of reason to think that there will be substantive changes. But on some of these things—annexing Canada or invading Greenland—there may be less here than meets the eye.
- Renegotiating with NATO and getting some changes in the transatlantic defense burden—this is a long-standing view that Trump has held publicly for over 30 years.

#3. In Europe, the voice of the allies in the transatlantic relationship is at stake.

“What is the credibility of the US voice when you say one day you're going to invade Canada, and the next day you're going to buy Greenland against the will of the Greenland people, and the third day you're going to deal with Panama and take it back. This is concerning because the voice of the Allies is at stake.” - Philippe Le Corre

- Europe is a lot about setting rules, and that's something President Trump doesn't like.
- It's also about preserving the environment. Something President Trump doesn't seem to care about—he withdrew again from the Paris accord of 2015. All the more reasons for Europeans to be concerned.
- Europe and the US are long-term allies, and perhaps Europe should convince the US Administration that these alliances are important, and that Europe can play a role in working with the Americans on preserving the rule of law.

#4. Fault lines are emerging within the Western Alliance and within the US.

“There are very clear indications that the new administration in the US will force Europe to buy more technology, more military and more energy from the US. To the extent that the European countries might have budgetary problems. Within the US we have to see how long will the West Coast, which is very prosperous, tolerate the kind of social re-engineering being done by the current administration.” - Sundeep Waslekar

Subhead: An era of conflict and informal, fragile truce

#5. International law is in peril.

“Agreement is an instrument to resolve conflict. And the very concept of agreement is being sabotaged. If you look at the major conflicts and the rhetoric, you will find that the countries which have a greater might, greater military power are undermining the agreements which they have signed themselves.” - Sundeep Waslekar

- Russia undermined the Budapest protocol when it attacked Ukraine.
- Israel undermined the Oslo Accords when it attacked the two Palestinian territories in Gaza and West Bank.

- The US, while it has not attacked Panama, President Trump is threatening to. He may be doing this to bargain for something, but he's indicating that he doesn't respect the agreement signed by the Carter Administration.
- If the government of a powerful country is going to ignore agreements signed by the previous governments, there is no predictability in international relations.
- This breakdown is happening in other areas as well—climate, trade relations, technology. For example, when the US imposed sanctions on the central bank of Russia—there was an unwritten understanding that the global financial system would not be jeopardised.
- One of the biggest challenges for global governance and international relations in this decade is, how can democracies and dictatorships have a working relationship.
 - The political scientists in the West think about how China can become democratic. No one is thinking about developing a working relationship.

#6. The world is facing an existential crisis—but the first spark will be in outer space.

- The Bulletin of Atomic Scientists reset the doomsday clock to 89 seconds, from 90 seconds last year. This is a copout. It should now have been closer to 60 seconds.

“The crisis will not occur in the Middle East or in the South China Sea, or in the Panama Canal. Whenever this crisis will be triggered, it will be in the lower geosynchronous orbit of outer space. We are moving from conventional battle to a high technology battle.” - Sundeep Waslekar

- The People's Liberation Army is recruiting a lot of electronics engineers.
- The US is strengthening its rocket force.

#7. In the Middle East, there's a fragile, informal understanding between adversaries.

“[Israel and Iran will take a few actions] to mollify their domestic audiences, but will not cross a threshold. This arrangement has been facilitated by Erdogan of Turkey. Which is why, when Iran launched its rockets twice on Israel, these rockets fell off in Jordan. While some Jordanians got injured, they didn't cross the Israeli border. This was all prearranged...”

“Turkey's role isn't so important to think about. Turkey is a player, and it's making a foothold in Syria. It's a part of a deal with Israel. It is much more important to see how the West can manage the relationship with what it calls autocracies.” - Sundeep Waslekar

- Iran and Israel have dismantled each other's empires.
 - Iran has very successfully halted Israel's plan of expansion—that is what the Hamas attack was about.
 - Israel's plan of expansion was to have an economic union with Saudi Arabia via UAE, Bahrain. Jordan etc.

- The Hamas attack—at the cost of the lives of 50,000 Palestinians—has not made it impossible for the Saudi and UAE regimes to enter into an economic union agreement with Israel.
- By finishing off Hamas and substantially weakening Hezbollah, it is a checkmate by Israel.

Subhead: The tech rivalry

#8. US curbs are a strategic mistake

- China has been demonstrating its competence at the cutting edge of technology
 - A 6th generation fighter which can operate in space
 - DeepSeek
 - Developing and stabilising more than 100 seconds of fusion reaction.

“What has been happening in China is just a natural result of China's economic growth... I don't think it was China's intention to compete with the United States. Like any large country—India, Brazil, South Africa, or Russia—it wanted to upgrade its own technologies. But then the United States says, Oh, China wants to overtake us, so we are going to restrict technological transfer to China. That served as a wake up call for China to deliver its own technology....

“The United States is making a strategic mistake. Of course it has hurt China because it's making China's technological progress more expensive. But it's hurting the United States more. And it's not good for the whole world. How can American politicians become so stupid?” - Yang Yao

- China has invested heavily into higher education and R&D. Compared with countries with similar income levels. China's higher education is much more advanced and is ranked within the top 50 worldwide.
- China produces more than 10 million university graduates each year.
- In the last 6 to 8 years, China's self-sufficiency ratios have increased in almost every high tech area, particularly in semiconductors.
- With the United States trying to shut down supply of high precision GPUs to China, China is going to deliver other ways to make other kinds of chips—photonic chips.

“The American story about how trade with China was going to go was something crudely along the lines of modernisation theory back in the 1960s. That as China grew and got wealthier, it would have a growing and thriving middle class, which would increasingly demand more and more political rights... and China would become a relatively more liberal country, which would defer to US desiderata in international politics. This prediction didn't turn out the way they intended.” - Justin Logan

- The two countries are deeply intertwined. Even as the Americans have looked to friend-shore and not be reliant on China, it's become clear that it's difficult to disentangle supply chains.

- The yard of things that the US is trying to isolate China from touching keeps getting bigger, and the fence appears not to be working.
- There's a fundamental unwillingness to grapple with the fact that as China becomes wealthier and more powerful, it's going to want—and demand—a greater political and security voice.

#9. Europe is more concerned about China's technological advance than Trump's statements. Europe continues to be the leader in regulation, whether it is climate, trade, or digital. But it has its own problems, including a lack of innovation and investments.

"China's car production, especially electric vehicles, is a serious concern in Europe, because this is the future of the European car industry we're talking about. The rise of exports from China and the value chains is quite amazing. From China all the way to Europe everything is integrated. It shows how powerful the Chinese export model is, and how weak the Europeans can be if they don't innovate." - Philippe Le Corre

- Many Europeans are more concerned about China's economic and trade rivalry than perhaps the statements by the newly elected US Presidents.
 - At the end of the day, there's huge investment from the US in Europe, and from Europe in the US.
- The report by Mario Draghi says that Europe needs about 800 billion euros every year to stay competitive.
- On the supposed end of multilateralism, there are a few poles around the world—there's India, Russia which tends to be closely aligned with China, Turkey, and Europe.

#10. AI and DeepMind were purchased by the big American corporations, and not developed in the US.

- Canadian scientists Geoffrey Hinton, Yoshua Bengio, and Yann LeCun developed AI.
 - China's Baidu made the first offer to Hinton after he developed the neural networks. But Google outbid Baidu.
- DeepMind was also developed by Demis Hassabis, Shane Legg, and Mustafa Suleyman in the UK. Hassabis and Suleyman are Arab migrants.

#11. Unelected tech oligarchs—the likes of Musk, Zuckerberg, Bezos, Ambani, Adani, and others—are influencing strategic relations globally.

"The American commitment to free speech is extreme, in comparison to the European, or certainly the Chinese conception of free speech... I don't like the government putting its thumb on the scale to say, that's gross, and we're not going to allow it. This is going to be a continuing debate, particularly vis-a-vis Musk and the X platform." - Justin Logan

"Let me just remind you that [the idea comes from] Voltaire. So the American view is probably based on the European view ... What people are concerned about is the fact that social media

has become a platform for anybody extreme to express themselves without any kind of regulation. It is influencing people to vote in a certain direction and to end up with populist leaders... Europe is trying to protect its citizens.” - Philippe Le Corre

“If you say something about Jews, that's trouble in the United States. It's not like in the United States you can say anything you want to say... Elon Musk's case is not about free speech. It's about using your business power, your money, to mix up with politics. It's oligarchy. Tycoons using their money and business power to swing parties for their own benefits is the reason for the failure of many countries.” - Yang Yao

#12. China's inward FDI is gradually trending downwards. What policies are on the anvil to reverse the decline?

“The decline of FDI is just a natural consequence. Chinese companies are coming up. Many [foreign] companies just cannot compete. Look at the car industry. Chinese car makers are getting ahead. China is now the number one in the world. Most international car makers are gone [or are] rethinking their positions in China.

The second reason is that the government is doing a lot of adjustments to the economy. So the economy has slowed down. That discourages further FDI coming in. China's domestic private investment is also coming down.

Yet, FDI is increasing in some segments, especially in high-tech areas.” - Yang Yao

Subhead: Migration and climate change

#13. Global migration has become the core of major political changes in the last decade. Living together and managing different races and peoples and religions is a real challenge in today's world.

- In the places where migration has become very politically electric, very sensitive, [it's because] communities of people have not assimilated. In the US, that's generally not a big problem [except in small towns] because of the demography. - Justin Logan
- Europe saw a significant shift to the Right because of migration of the Arab population after the Syrian crisis to Europe. Migration has played an important role in the shift to the Right in the United States. Even in India there's the whole question of Bangladeshi migration. Instead of regulating and managing migration, politicians are using it to create a sense of fear and consolidate their own political base. - Sundeep Waslekar
 - Brexit was fought on the basis of migration. Most of the people who voted for a relationship with the European Union were from London and the metropolitan areas who were interacting with migrants. Those who voted for Brexit or against the European Union were mostly from the rural areas.

- Even in the US, a lot of the people who are against migrations are the ones who have least exposure to migration.
- Another aspect of migration is climate change. In Africa we are seeing that already in Darfur and in Sub-Saharan Africa. And also in Asia. - Philippe Le Corre
 - Europe will be one of the centers of this migration, as it has always been.
 - 25% of the French people have had a parent born outside France, for example. France is the first Muslim country in Europe.

#14. Both Europe and China are at the forefront of climate mitigation

- If the United States wants to leave the Paris climate agreement, there's no reason why Europe should follow suit. It should continue to work with the countries that want to sort out the issues. In fact, there are people in the United States as well, who want to. On that aspect the Europeans and the Chinese are very willing to exchange, and to continue setting some kind of regulation to speed up the processes. - Philippe Le Corre
- China has two carbon goals: to peak its carbon emissions by 2030 and reach Net 0 2060. - Yang Yao
 - Europe's border tax [Carbon Border Adjustment Mechanism (CBAM) is a tax on imported goods that emit greenhouse gases], is a good move for humanity.
 - Many people say that's going to reduce China's exports to Europe. So what? Chinese products are still quite competitive in the European markets. For example EVs.
 - It will make China's own industry more efficient. When Europe and the US imposed anti dumping tariffs on China's solar panels, it restricted China's solar panel industry. But in the end it induced a huge technological progress in China.

Subhead: The big decadal shifts

#15. Demographic shifts are going to drive international politics in an important way. Not just China, but Asia more generally, will be the engine of demographic and economic growth.

- Ten years ago, no one predicted Donald Trump would be President twice. Politics and economics have a way of throwing curve balls at us. But demographics are harder to change. We have a general picture of the world for the next 20 or 30 years, and I think the demographic shifts are going to drive international politics in an important way. - Justin Logan
 - In 1991 Europe was 38% of world GDP and about 14% of world population. In 2023, it was 25% of world GDP and 10% of population.
 - By contrast, China was 1.6% of world GDP and 22% of world population in 1991 and in 2023, China was only 13% of world world population, but 17% of world GDP.
 - Africa's demographic relevance is also going to increase dramatically.

#16. The center of attention will be the Indo-Pacific, economically and demographically, but Europe can still play a role.

- Europe has the highest rate of savings around the world. That means it has money and can still invest in innovation. - Philippe Le Corre

#17. Geopolitics is going to be irrelevant. What's going to matter is the algorithm and water and carbon.

- Developing countries in Africa and also Southeast Asia could skip the fossil-based development model. We have the technology. We also have a huge amount of money. Why don't we just focus on this very [real] challenge instead of talking about geopolitics? - Yang Yao
- AI is the biggest threat to global security. A few days ago the US and China announced they would speed up to create artificial general intelligence. If they succeed, you will have technology out of human control. And in a few years from now, technology will decide a number of factors, including how your weapons are managed. - Sundeep Waslekar