



## Global Outlook & Risk Radar – September 2019

One key challenge for companies and financial institutions today is the need to incorporate broad /long-term changes into operational risk and cyclical analysis.

TAC ECONOMICS has developed a range of tools and analytical research designed to combine such structural transformation with our quantitative tools on shorter-term risk and economic developments.



# TAC ECONOMICS Global Outlook & Risk Radar 2019-20

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In the following slides, we summarize the three major “game-changing” undergoing transformations:

- **A structural break in international trade developments**
- **Increasing and lasting tensions between the Us and China**
  - **The rise in populist regimes worldwide.**

All three are affecting world trade, globalization and government policies. They all increases global political risk, including the likelihood of frequent reversals and surprises, and a plausibility for more acute or violent confrontations.



# 2019-20 Global Outlook

## Key geo-economics trends: the end of global multilateralism?

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- ✓ Gradual depletion of gains from global integration

*The slowdown in world trade was inevitable (China, value chains, WTO), protectionist measures become commonplace as the WTO is marginalized, social and protection demands grow stronger.*

*The analysis suggests both more regional integration, and growing differentiation between products, services, and data / information.*

**World Export (% of world GDP)**  
Long-term trends 1820-2017



Sources: TAC ECONOMICS, World Bank, M.Fouquin

# 2019-20 Global Outlook

## Key geo-economics trends: US – China strategic tensions

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- Rising US-China tensions and the new division of the world

*The rise of tension is inevitable in a context of strategic rivalry and search for global power status. The medium-term timetable (technology catch-up versus aging process) imposed the American reaction.*

*The massive use of trade and economic and financial rules as instruments of this strategic rivalry increases uncertainty.*

|                           | USA    | China  |
|---------------------------|--------|--------|
| Total population, mn      | 323    | 1,379  |
| GDP 2018, bn \$           | 18,569 | 11,199 |
| Companies in Fortune500   | 121    | 119    |
| R&D spending , % GDP      | 2.7%   | 2.1%   |
| R&D spending, bn \$PPP    | 476    | 371    |
| Military spending, % GDP  | 3.2%   | 1.9%   |
| Military spending , bn \$ | 595    | 215    |
| Armed forces (thousands)  | 1,359  | 2,695  |
| Military aircrafts        | 13,398 | 3,187  |
| Aircraft carriers         | 11     | 1      |
| Diplomatic rep. worldwide | 273    | 268    |



# 2019-20 Global Outlook

## Key geo-economics trends: Populist regimes on the rise

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- Populism defined by modalities of exerting power; implications for corporates
  - *Over-simplification of issues and use of alternative facts / propaganda*
  - *Denigrating and weakening established institutions, medias, checks & balances*
  - *Establishing a direct relation between « the people and the leader », with intense personalization of power*
  - *Use and encourage violence as a legitimate way of dealing with problems*

### ***Implications for corporates:***

*usual ingredients of populist-driven economic policies*

*Benign neglect for fiscal issues, emphasis on infrastructure, domestic deregulation, protectionism / managed trade; likely benefits in the short run*

*Micro-management of macro problems, frequent policy reversals, interference with corporates / financial institutions, difficult relations with large international groups*

*Permanent contradiction between liberal and control policies, higher uncertainties for long-term investors, search for scapegoats*

Want to know more about how we can help your organization in assessing risks and putting in place the relevant policies?

Please contact us

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