

To: Intugic clients and relationships

Re: The Age of Disquiet

"There is no middle east...there's tribes, there's villages...The nation state was created...in 1916...as Sykes-Picot...(split) the Ottoman Empire...(by) draw(ing) straight lines around it...(calling them) nations states. But this doesn't work that way...It starts with an individual, then family, then village, then tribe, then community, then religion, (and) lastly it's what this nation is... So...it's an illusion...to think that somehow we're going to get 27 different nations that have 110 different ethnic groups to align with political concepts..."
- Tom Barrack, US Ambassador to Republic of Türkiye, Sep 2025 (in all quotes - emphasis mine, except italics)

"We have a bunch of countries to fix- like Switzerland, Brazil, India; these...countries...need to...react correctly to America..open their markets, stop talking actions that harm America. That's why we are offside with them"
- US Commerce Secretary Howard Lutnick, Sep 28, 2025

*"Mexico is in a unique Geopolitical situation; (being) integrated into...North America (and) also part of Global South...I think the game is going to go much **more by Regions than Countries**...this is the new dimension"*
- Juan Ramón de la Fuente, Secretary of Foreign Affairs, Mexico, Sep 2025

*"You've asked why does (USA) buy Uranium from us, and bans others to buy our energy... the answer is simple and it was given back in the times of the Roman empire... we all know the phrase "Quod licet jovi, non licet bovi"... "**what's allowed to Jupiter is not allowed to bull**"*
- Vladimir Putin, President of the Russian Federation, Valdai Forum, Oct 2, 2025

*"Certainly the **definition of diplomacy is hypocrisy**. In other words, you could simultaneously condemn someone to do something you did, and that's what human beings do and nation states do too...International politics is not about fairness, it's about interest. ... United States and no other country exists to be fair to other countries. They're there to pursue their interests"*
- George Friedman, Chairman of Geopolitical Futures, Aug 2025

*Democratic regimes may be described as those under which the people are, from time to time, **deluded into the belief that they exercise sovereignty**, while all the time real sovereignty resides in and is exercised by other and sometimes irresponsible and secret forces. Democracy is a kingless regime infested by many kings who are sometimes more exclusive, tyrannical, and destructive than one, even if he be a tyrant.*
- "The Doctrine of Fascism", Benito Mussolini, 1932

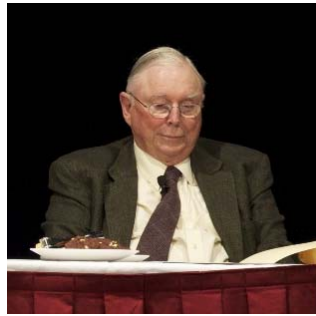
*"It is impossible as an American not to believe in the importance of democracy... But the Secretary of State also has to recognize that the national interest is defined by geopolitical factors, and that **no matter how pure our motives, we cannot abandon those geopolitical objectives.**"*
- Henry Kissinger, 2009

*"We need to find a firm footing within these treacherous damps...to frame a resilient Investment Strategy, from the ramparts of Geopolitics gazing over an Age of Disquiet...Our goal is to (deploy) the '**new fishing rod**' that we have developed (in this memo) to '**fish differently**' in global investment waters." (Page 2 & 32 below)*

A lot more water under the bridge

Before embarking on writing this memo, I read through my last 3 long-form memos to you, of Jun '18, Feb '20 and Jan '23, and a certain feeling of déjà vu hit me. Each of them could have been written with today's date and the thrust of the macro and geopolitical discussion would not be much different.

In that sense, while it has been over two and a half years since the last one, there seems not much to add to the combined 66 pages over the last seven years. And one of the reasons I have written to you every 2-3 years, and not every 2-3 days or 2-3 weeks, is - why write when there is nothing meaningful to add?



"I have nothing to add"

And yet, the geopolitical developments, especially over the last nine months, have resulted in so many inter-related ideas dancing Brownian in my head that a memo is the only way to organise them into useful thoughts.

The problem with geopolitics, however, is that it is a very slippery slope where as soon as one begins to peel through, one finds oneself in the domain of being conspiratorial.

It's a domain greased by such fantastical theories that maintaining balance here is more difficult than it is in the:

- domain of history (sleep inducing for most people leading to balance issues) or
- domain of economic theory (too academic for most people resulting in a state of blissful oblivion).

Yet, in the pursuit of a sound investment strategy, we need to find a firm footing within these treacherous damps, for what else would make this life worth living, but for the noble pursuit of investment management? Our ultimate quest is to frame a resilient Investment Strategy from the ramparts of Geopolitics gazing over an Age of Disquiet.

So let us begin. And we start with revisiting the memories of this classic exchange from a 1942 motion picture:

SAM
Hello, Miss Ilsa. I never expected
to see you again.

ILSA
It's been a long time.

SAM
Yes, Miss Ilsa. A lot of water
under the bridge.

He sits down and is ready to play.

ILSA
Some of the old songs, Sam.

SAM
Yes, ma'am.

Some of the old songs

Jun 2018:

About seven years ago, in June 2018, I wrote to you how the “*Continuously Rising Equity Market Valuations*” in India were a result of prior four years of “*Stable Macro + Promising Politics*”, despite a lagging corporate earnings growth (even though the promise of an “*Impending Micro Uptick*” always held strong).

But going forward, I held that the risks to equity returns came less from whether the “*Impending Micro Uptick*” will come through, and more from certain global factors “*whose negative contagion would be more than enough, several times over, to obfuscate any local factors*”.

I identified these global risk factors, largely emanating from US & EU, as:

1. Inequality → driving societal changes...to reverse global integration of trade, capital & labour
2. Trade → shift away from global supply chains as co-operating nations start competing
3. World Order → shift from “post-WW2 institutional architecture (WB, IMF, WTO, NATO, \$)”
4. US Macro → Rising US govt debt & its interest burden



While June 2018 feels like it was eons ago, it indeed was a time when G7 economies, especially the US and EU, seemed to be accelerating towards the end of the road – economically, socio-politically, and geo-politically.

But at that time, these risks were not a part of mainstream headlines. Even a tangential mention of de-globalisation or geopolitical reordering would invite the risk of being in a later-day ‘white-house moment’ (as alongside).

Feb 2020

Things had started heating up on each of the above three fronts by the time I next wrote to you in February of 2020. Remember, at that time, Covid-19 was still largely a China-only affair and had not meaningfully spread to the rest of the world.

In February of 2020, I noted that the “Impending Micro Uptick” was yet to arrive, and:

“while the Indian micro-economy continues to slide down, and the government watches it with indifference, the bigger concerns from an investment standpoint come from the fundamentally changing architecture of the political and economic ecosystem in the developed world.”

And what in 2018 were *mere risks* had **by 2020** created a *triple-inflection-point* raising the possibility of a:

1. New Political order Globalisation + GFC → Inequality → Populism → Deglobalisation + redistrib'n
2. New Geopolitical order US-China Rivalry (in Trade, Tech, Currency) → bi-Polar world order
3. New Economic order **Decline of: Free markets, Central banking, Economic logic**

I ended the Feb 2020 memo with:

“It is hard to say as to what we will see first:

- a crack in Geopolitics, or*
- accelerated adoption of socialism, or*
- collapse of the monetary system.*

In such an uncertain environment, owning risk assets based on valuation (vs value) would require one to be - proverbially - dancing closer to the door...(where)...the challenge lies in forecasting which door will be open when the music stops”

Jan 2023

And the last I wrote to you was in Jan 2023, mid-way through the Biden Presidency.

This trinity of the Biden-era...

- | | |
|--|-----------------------|
| (a) post-Covid fiscal stimulus, | (which began Mar '21) |
| (b) military support in Ukraine and | (which began Feb '22) |
| (c) inflation ¹ , and monetary tightening | (which began Jun '22) |

...Crystallised the three major global trends

- | | | |
|----------------|---------------------------------|--------------------------|
| 1. which I had | Identified as Risks, | as early as 2018, |
| 2. and had | Warned to be Inflection points, | by the time it was 2020, |

...Into a **convergence** of three powerful cyclical forces:

- | | | |
|------------------------|----------|--|
| • Geopolitical cycle | (500 yr) | Shifting power balance between East and West |
| • Socio-Economic cycle | (50 yr) | Shifting power balance between Growth and Distribution |
| • Economic cycle | (10 yr) | Cyclical economic Expansion and Contraction |

*"Wherein, **Geopolitical Cycle** is seeing an accelerating conflict bet'n West & East:*

- *With Russia in Ukraine, over financial, military, resources domains*
- *With China along technology, trade, financial, geographic lines*
- ...

*And the **Socio-Economic Cycle** is raising probabilities towards a shift in:*

- *Nature of Liberalism from "prod'n-led pvt" to "dist'n-led govt" sector*
- *Nature of Capitalism from shareholder to stakeholder(labour) primacy*
- *Nature of Globalism from optimisation-led-global to surety-led-regional*

*And the **Economic Cycle** stretched thin in US & G7 by the three horsemen of:*

- *Covid-19 Raised Twin Deficit + High Debt + Inflation to critical levels*
- *Ukraine Escalated geopolitics from China-trade-war to Shadow-hot-war*
- *Inflation Forced high rates amidst high indebtednes & recession outlook"*

I posited that managing this cyclical confluence would require focus on two key theatres:

- | | | |
|--------------------|--------------------|---|
| 1. "Geopolitics: | by breaking | Russia finances (ST) + China surplus (LT) |
| | which will require | <u>Wartime Fed + Semi-functional govt + Statecraft</u> |
| 2. US Treasury Mkt | by breaking | Liquidity (pivot) vs Liquidate spiral |
| | which will require | Picking from <u>2 equally bad choices:</u> |
| | EITHER | Restrain Liquidity, Allow Liquidations |
| | | i.e. liquidate the debt, save the currency |
| | OR | Provide Liquidity, Prevent Liquidations |
| | | i.e. save the debt, sacrifice the dollar" |

And I summarised that, *Overall, in current times:*

- *Geopolitics (not micro/macro) is driving sovereign decision-making*
- *Money & rates subservient to geopolitics, can no longer value assets*
- *Inv Strat must prioritise preservation vs growth (of purch power)*
- *Purch power is preserved in non-financial, non-counterparty assets*

¹ Inflation moved from 1.3% around inauguration day to 9.1% within 18 months and then a tad down to 6.5% in Jan 2023

Always be writing

Today, as the 3 forces, which I identified as ‘risks’ in 2018, ‘crossroads’ in 2020 and ‘converging cycles’ in 2023, have over the last 2-3 years, grown stronger and surer, the motivation for this current memo came from the tectonic developments of the last six months – involving:

- military actions trading off war with peace,
- economic actions fed vs treasury, production vs privilege, spending vs thrift, debt vs gold
- social actions re-allocating blame (immigrants, past govt), redistributing income (quote below)

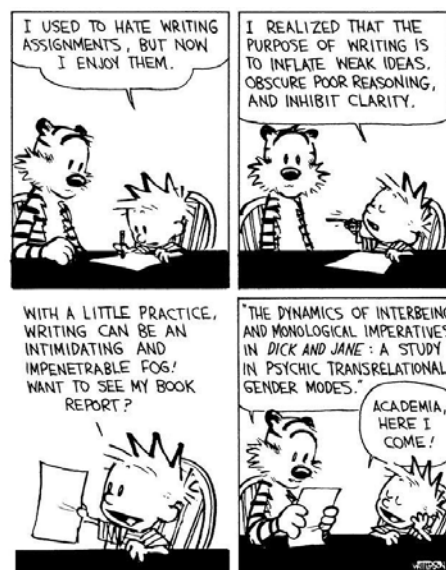
*“I am less concerned about a recession,
(than) about distributional aspects we got going here”*
- US Treasury Secretary Scott Bessent, Sep 2025

Of course, the motivation for this memo also received impetus from the fact that - amidst the onslaught of high-decibel cacophony which derives its spiritual anchor from a 33 year old motion picture’s mantra of “ABC”...



“Always be Closing”

...I also partly yielded to the sweet siren sound (in the absence of wax in my ears²) from my spiritual anchor - the spiky haired, worldly wise, first grader – who has always provided me direction through thin & thin...



“Always be Writing”

² "Therefore pass these Sirens by, and stop your men's ears with wax that none of them may hear; but if you like you can listen yourself, for you may get the men to bind you as you stand upright on a cross-piece half way up the mast, and they must lash the rope's ends to the mast itself, that you may have the pleasure of listening." - The Odyssey (Book XII), Homer

The Cycles Revisited

Let us start with taking a closer look at the three main cycles we identified before, and dive a bit deeper by expanding them into the following four cycles:

- | | | | |
|--------------------------|---------|------------------------------|-------------------------------------|
| • G - Geopolitical Cycle | 500 yrs | East vs West | wrt who decides rules of the world |
| • P - Political Cycle | 100 yrs | Centre vs State primacy | in aligning institutions with G & S |
| • S - Societal Cycle | 50 yrs | Capitalism vs Redistribution | cycles between merit and outcomes |
| • B - Business Cycle | 10 yrs | Growth vs Recession | as determined by credit cycle |

Hereinafter, references to G, P, S and B shall refer to the respective associations as above.

Geopolitical Cycle

The Geopolitical cycle is a 500 year cycle of shift in power balance between the geographic east and the geographic west. Within this period, the world may go through several 'orders' but there has been seen a certain similarity among western-led orders and eastern-led orders. It may also be noted that it is also possible to alternatively see this divide as a North-South one (as also headlined these days under the 'Global South' banner) wherein, in words of Will and Ariel Durant³ –

"The South creates the civilizations, the North conquers them, ruins them, borrows from them, spreads them: this is one summary of history."

Political Cycle

In my prior memos, I had skipped discussing the Political cycle, for it seldom behaves with absolute sovereignty, in and of itself⁴. In times of Geopolitical and Societal stability, the Political cycle just hums along. But when cyclical instability develops in either of those two domains, the Political cycle needs to adjust to accommodate that cyclicity. Halford John Mackinder⁵ captures it well -

*"The actual balance of **political power** at any given time is...the product, on the one hand, of geographical conditions, both economic and strategic, and, on the other hand, of the relative number, virility, equipment, and organization of the competing peoples."*

Societal Cycle

This is the classic cyclicity between growing the pie (which promotes merit but results in inequality) and dividing the pie (which is needed when inequality becomes so grave that unless it is re-balanced by way of equitable regulation, there would be revolutions.) I have discussed this at length in each of the previous memos.

"President Trump Is 'President for Main Street, Not Wall Street'" - White House Article, April 2025

Business Cycle

This is perhaps the most familiar cycle for the readers and is also commonly known as the credit cycle, as it makes its way through expansion and contraction of the economy (on real basis), of growth, recession and the like. With the US\$ going off the gold standard in 1971, the contractions, recessions and deflations have been done away with, on a nominal basis, but the ebb and the flow pattern cannot be wished away.

³ "The Lessons of History" by Will and Ariel Durant

⁴ This is quite contrary to popular perception which holds that democratically elected presidents and prime ministers on the one hand and God-given/self-selected monarchs/dictators on the other hand are the supreme and prime drivers of outcomes in a realm (which these days is taken to mean 'Nation State').

⁵ "The Geographical Pivot of History", 1904 (my note: "the one hand" is Geopolitical; "the other hand" is Societal)

Which Cycle is exhibiting the main shift today

Not 'B'

To start with, it is quite clear that the major shift at hand in these present times, is **NOT the business cycle**. Hence, a bottom-up fundamental approach to investing based on corporate earnings and its growth as source of investment alpha is unlikely to be super-effective, across asset classes.

While this may be crucified as heresy in the Church of the Great Oracle⁶, even He⁷ is known to have taken shelter from the storm whenever hardy gales have swept the lands – whether it was his bags full of argentum in the past (1997 – 2006) or buckets full of cash today (approx. - \$350 bn; 30% of AUM as of Q2 '25)

How about 'P'?

Furthermore, as briefly discussed above, the Political cycle merely enables either G - the Geopolitical cycle or S - the Societal cycle (or both, if they are turning concurrently – which is a rarity).

In and by itself, **P – the Political cycle is seldom a sovereign actor**. Usually, P:

- Follows S the Societal cycle, and
- Leads G the Geopolitical cycle

In general, the goal of P is to work through the concentration of power between centre and periphery, wherein:

- when new institutions need to be built – to accommodate changes in S and/or to lead to changes in G, control is taken over by the centre - usually by a strongman⁸ politician
- once new institutions are built & new steady state beckons, control is re-shared with states & periphery

*"Many historians and constitutional experts believe,
Trump's attempt to centralize power over American life,
differs from his predecessors' not only in degree, but in kind."
– CNN, May 2025*

Concurrent shift in 'G' and 'S'

So if the **main** cycle shifting today is not B or P, it leaves us with two choices - G and S. And what we are witnessing is a unique era when both G and S are undergoing a shift concurrently.

And if that were not enough:

- the top-down forces of G
- and the bottom-up forces of S
- have created such a push and pull on P,
- which by itself is supposed to lead G and lag S,
- that P has no choice but to also turn **concurrently**.

Hence we are led into times where each of G, P and S cycles is undergoing a cyclical shift concurrently⁹. This is quite a unique situation in history and may lead to profound consequences. And there are not many parallels in history to draw lessons from. We are in novel waters.

⁶ "The nickname 'Oracle of Omaha' was coined in a 1983 Forbes article by Jay Jacobs, 'The Oracle of Everything Else' - "The Snowball", Alice Schroeder

⁷ The capitalization here is purely metaphoric

⁸ References to 'man' here and elsewhere in this memo are meant to include all humans

⁹ As was first noted as "convergence of three powerful cyclical force" in the Jan 2023 memo

Who's in charge - an inquiry in four parts

This is the most profound and the most important question today from an investment standpoint - As G, P and S shift concurrently, who's running the global show¹⁰; who holds **Sovereign** Geopolitical Power (GP)?

One would usually respond to this by saying¹¹:

- wrt B cycle Corporate CEOs
- wrt S cycle Central Banks¹² (CBs)
- wrt P cycle Presidents and Prime Ministers (PPMs); Dictators and Monarchs
- wrt G cycle UN Security Council (UNSC)

While there might be near consensus on the first three above, the responses wrt Geopolitics may be divergent

- while *mainstream* might say Nation States¹³ of the UNSC
- several *alt-stream* possibilities exist Deep-State¹⁴

So which one is it – mainstream or alt-stream?

Getting this right is supremely important for any analysis to have legs. Because investment management is largely about forming a view on how the surpluses from human efforts will be produced and distributed.

If the directors of the production and the distribution functions are incorrectly identified, then the stilts on which one's investment strategy (and hence asset allocation & selection) stands would be quite wobbly.

This needs us to dig a little deeper

And hence, we take a slight deep-dive into the following four lines of inquiry

1. First, what do we mean when we say "Geopolitical Power" (GP)?
2. Second, is GP necessarily held by Nation States – by their elected leaders and institutions?
3. Third, how did Nation States come to possess GP?
4. Fourth, does GP still manifest within Nation States?

Of these, #4 above is of supreme importance, as if the answer is a 'No', or a 'Maybe', then all Geopolitical analysis today, which is mostly done through lens of Nation States, assuming that they are sovereign actors in Geopolitics, becomes quite questionable.

¹⁰ By 'running the show' we mean

- (a) who is the sovereign (i.e. independent) decision-maker and/or actor wrt Geopolitical matters ('the show') and
- (b) whose interests (i.e. which entity / group / persons' interests) is that decision-maker / actor pursuing

¹¹ This is applicable only during the steady state of the respective cycle. When the cycle nears a turn, the main actor of the respective cycle needs to (a) change its stripes and (b) take help from the main actor from one level above.

¹² This may surprise many, but it is true

¹³ For our purposes (which are non-technical, non-academic, and focused on investment management), we may think of

- a 'State' as political entity in possession of a defined geographical territory;
- a 'Nation' as the common identity of the people residing in a State;
- a 'city-state' as a State defined more by its relatively small size than a common-identity shared among its people
- a 'feudal system' as one where warrior-nobility could possess hereditary lands against military service to the lord

¹⁴ We refer to Deep State via various aggregations:

- Governmental Deep State (unelected govt arms) - Military, Judiciary, Intelligence, Bureaucracy, Municipality, etc
- non-Governmental Deep State (internal Non-State actors) - Business, Religion, Think-tanks, NGOs, Other Interests
- WPM Oligarchy – Interests of Warriors (Military), Priests (Religious) & Merchants (Business, Industrial, Financial)

First, what do we mean when we say “Geopolitical Power” (GP)?

Here is a 5000 ft view on meaning and attributes of GP:

What is ‘Geopolitical power’?

By definition, ‘Power’ is the ability to control people / things or to do something

And, ‘Geopolitical Power’ seeks (‘Objectives’) control over all people and things on Earth (‘**Objects**’) incl:

- People¹⁵
- Natural resources i.e. useful things found in nature (land, minerals, water, air, etc)
- Wealth assets i.e. useful things built by man (boats, factories, houses, etc)
- & valuable things as deemed by man (gold, “truth”, beliefs etc)

What are the **Instruments** of exercising GP i.e. Geopolitical Power?

- Ownership via contract law (Property Rights) (of land, equity shares)
- Push via physical force (without consent) (serfdom, theft, protectorate)
- Pull via attractive force (soft power) (alliances, desires)

How are these Objects and Instruments **Organised** for governance?

- Feudal State
- City state
- Nation state
- Empire state
- etc

And what is their **Philosophy** of governance?

- On Socio-political plane Monarchy vs Republic
- On Socio-economic plane Authoritarian vs Libertarian
- On Religious plane Secular vs Religious
- etc

So here we arrive at a 5000 ft view of the **four key attributes that govern expression of GP:**

1. Its Objective to seek control over People, Natural Resources, Wealth Assets
2. Its Instruments of control via Property Rights, Physical Force, Soft-Power
3. Its Organisation geographic as Feudal / City / Nation / Empire State
4. Its Philosophy of governance wrt Centralisation, Liberty, Secular

¹⁵ ‘Object’ and ‘things’ is used here in a metaphorical sense

Second, is GP necessarily held by Nation States – by their elected leaders and institutions?

The quick answer to this question is – “it depends”.

It depends on how the four key attributes of GP, as seen above, come together for the realm¹⁶.

Very broadly, four options¹⁷ exist as to where GP might reside wrt a Nation State:

- | | |
|--------------------------------|---|
| 1. Elected ¹⁸ govt | Presidents & Prime Ministers, Senate & Cabinet, Committees... |
| 2. Governmental Deep State | Unelected arms of govt
(Military, Judiciary, Intelligence, Bureaucracy, Municipality, etc) |
| 3. non-Governmental Deep State | internal Non-State actors
(Business, Religion, Think-tanks, NGOs, Other Interests) |
| 4. Outside-the-State actors | i.e. Powers outside a given Nation State's domain e.g.
i. Other Nation States' governments and their arms
ii. Non-State actors outside the given Nation State |

At this point it must be highlighted that we have simplified this whole analysis and setup substantially¹⁹ with an eye on our ultimate goal – which is investment strategy (and not geopolitical strategy).

Having laid out that elected government leaders and institutions of Nation States don't need to be sovereign actors in the Geopolitical arena, we look back in history to see:

- | | |
|--|------------------------------------|
| • how Nation States became sovereign GP actors in the past | in our 'Third inquiry' below |
| • and, whether GP still manifests in them | in our 'Fourth inquiry' thereafter |

¹⁶ As previously noted in footnote #4, a 'realm' is today considered to be a Nation State. But in a broader Geopolitical context, it refers to an area characterized by a unique set of geographical (State), social (Nation) and political characteristics

¹⁷ Definitions here are as per footnote #14

¹⁸ More broadly, this includes any form of government, whether elected, selected, imposed or otherwise, by society, hereditary progression, God or whoever else

¹⁹ As Geopolitics operates in various shades of grey, and is seldom is as black-and-white as we have portrayed here

Third, how did Nation States come to possess GP?

Nation States have been sovereign actors on the geopolitical stage for a very short period of time²⁰, spanning only about 300 of the last 5000-odd years. They were born out of the treaty of Westphalia of 1648 and were demised as Sovereign Geopolitical Actors around the time that the Bretton Woods agreement (1944) came about around the eve of the end of the second general war (WW-II) in 1945. We first look at the path to 1648.



1648 Treaty of Westphalia
(gave sovereignty to nation states)



1944 Treaty of Bretton Woods
(took that sovereignty away)

Fall of a Political Empire (330 AD)

After the zenith of the Universal State provided by the Roman Empire (29 BC²¹ – 476 AD), the political decline of Western Europe is said to have begun from 330 AD when the Roman Emperor Constantine established Constantinople (Eastern Rome) at Byzantium (present day Istanbul) as the seat of the Roman Empire in the East.

Within 150 years, the Western Rome fell to the ‘barbarians’ (Goths, in 476 AD). While the Eastern Roman Emperor Justinian-I won back Rome from the Goths in 554 AD and brought it back under a unified Eastern fold, the Western empire remained under constant attacks from the Germanic tribes, especially the Lombards.

Rise of a Holy Emperor (800 AD)

Eventually, the Pope aligned with the Franks to defeat the Lombards and declared sovereignty of western Rome from Byzantine Rome and crowned the Frankish King Charlemagne as the 1st Holy Roman Emperor (HRE) in 800 AD. And thence started a revival of political power for governance of Western Europe, under aegis of the Papacy.

Each subsequent HRE who sought to build back the Universal State to govern the western lands faced a unique dilemma. When the Papacy was strong, it was a thorn on the political ambitions of the HRE, and when it was weak, it also weakened HRE’s legitimacy²².

Hence, right from the outset (800 AD), HREs struggled to provide centralised political governance for their realms, as they constantly intrigued with the Papacy. Furthermore, this strengthened the hand and the de-facto

²⁰ This is in contrast with the popular perception

²¹ Rome went through 3 main phases – Kingdom (753 – 509 BC), Republic (509 – 29 BC), and Empire (29 BC – 476 AD)

²² As unlike the Pharaohs or the Caesars, HREs were not considered descendants or appointees of the Gods and hence derived their legitimacy from the Church, thereby giving Pope de-facto sovereignty over them

autonomy of the feudal lords wherein several feudal dynasties started laying claims over being HRE themselves under a proclaimed alliance with the Papacy.

The dark ages in Europe

After Charlemagne died in 814 AD, his weak & infighting successors successively lost territory – of which the most significant losses were partly to the Islamic Caliphate in the East and partly to breakaway Kingdoms in the North, the most substantial of which (at that time it was a hamlet and not so substantial) was founded around 862 AD and is the present day Russia.

The loss of power, territory and wealth over the next 400-odd years are today termed as the ‘dark ages’²³ in Europe, filled with poverty, infighting, and Church intrigues, including the crusades (1095 – 1291 AD). However, the Church and the Holy Roman Empire continued to maintain its hold over the lands and the peoples.

Italian Renaissance shows the path

The collapse of the Sicilian House of Hohenstaufen in 1268 AD marked the beginning of fragmentation of the Holy Roman Empire. In response, Italy withdrew from the tumultuous feudal warfare of Transalpine Europe. The next ~250 years were a period of spiritual Renaissance in Italy where it also achieved an internal political transformation from a feudal system to that of city-states (Venice, Genoa being the most powerful²⁴).

By the time the Spanish Ferdinand and Isabella were sending off Columbus in 1492 AD to find a new trade route to India, and the Habsburg Charles V had started consolidating the HRE crown (see below), Italians had developed such that they considered the Transalpine Europeans and Trans-Tyrrhene Iberians as ‘barbarians’.

Holy Emperor seeks a Political Empire

For HRE, things started changing and stability ensued when the crown was bestowed upon the House of Habsburg in 1452 AD, and it remained with the Habsburg bloodline for more than 350 years - except for one interruption- until the dissolution of the crown itself in 1806 AD at the hands of Napoleon.

Also, the fruits of the Italian Renaissance started spreading to the rest of Western Europe in the early 1500s. By early 1500s, Habsburgs had also started consolidating power, through conquests and marriages, with Charles V being the last HRE to be crowned by the Pope (he then took on the title of “emperor-elect” in a bid to weaken the Papal hold on the crown). Charles V abdicated in 1556, leading to split in dynasty into a Spanish Branch and an Austrian branch (led by his brother Ferdinand I). Ferdinand I also took on the title of “emperor-elect” to indicate that he too had been elected by a group of electors, and not selected by the Pope, thereby continuing the bid to weaken the Papal hold.

Schisms in the Church restrain HRE’s political ambitions

But by the time Charles V started consolidating power, the Papacy was itself going through its own times of trouble. What started with the Great Schism of 1054 AD when the Christian church formally split into Western Roman Catholic and Eastern Orthodoxy, saw another split with the Lutherans breaking away from the Catholics in early 1500s to give shape to the Protestant movement, which, by 1530s had grown into a wider movement of Protestant Reformation against the Papacy and the Catholic Church.

As the Reformation movement gained strength from 1530s, the Protestant lands started seeing the Catholic Holy Roman Emperor as a tyrant force subservient to a Catholic Pope. This led to the rise of political opposition to HRE Charles V from various Lords and Princes claiming legitimate right to govern the Protestant peoples. With

²³ We have taken the middle era of the 500 – 1500 AD period, within which most commentators deem the ‘dark ages’

²⁴ Venice was already an imperial power by 1204 AD when it got ~40% of Constantinople for its financing of 4th Crusade

the emerging Protestant political power, the idea of a Universal State combining the Western Roman lands into a common political empire started fading.

The Protestant Reformation movement against the Catholics met with a Catholic Revival in the form of Counter-Reformation that started with the Council of Trent (1545 – 63 AD). Amidst the conflict that ensued, several peace agreements were made between the Catholics and the Protestants, but the peace never lasted. For example, the 1555 Peace of Augsburg sought to resolve the conflict by dividing the Holy Roman Empire between Catholic and Lutheran states but it failed to hold because of rise of another Protestant ideology called Calvinism, which was opposed by both Catholics and Lutherans and started raising new conflicts.

Things culminated into a Thirty year War (1618 – 1648 AD)

Despite the increasingly weak Papacy, the Habsburgs still held ambitions of an empire. When Ferdinand II was crowned HRE in 1619 AD, what would end up being the 30 year war (1618 – 1648) had just started and Ferdinand II was determined to lead the Catholic Counter Reformation movement into the formation of a Universal State by the Catholic House of Habsburg.

Peace of Westphalia (1648 AD)

The 30 year war was fought in German-speaking lands which were populated by both Catholics and Protestants. As the war progressed, its participants grew and soon the Swedish, Danish and French armies joined in. By the time war ended in 1648, German lands had lost 1/3rd of the population from widespread death and destruction.

Here is Henry Kissinger²⁵ describing the geopolitical state of play towards the culmination of the 30 year war:

“With the concept of unity collapsing, the emerging states of Europe needed some principle to justify their heresy and to regulate their relations...The principal agent for (the) French policy was an improbable figure, a prince of the Church, Armand Jean du Plessis, Cardinal de Richelieu, First Minister of France from 1624 to 1642...

*As a prince of the Church, Richelieu ought to have welcomed Ferdinand’s drive to restore Catholic orthodoxy. But **Richelieu put the French national interest above any religious goals...**To him, it was not a religious act but a political maneuver by Austria to achieve dominance in Central Europe and thereby to reduce France to second-class status...*

Richelieu derived little comfort from the fact that Spain and Austria shared France’s Catholic faith. Quite to the contrary, a victory for the Counter-Reformation was exactly what Richelieu was determined to prevent. In pursuit of what would today be called a national security interest and was then labeled—for the first time—raison d’état, Richelieu was prepared to side with the Protestant princes and exploit the schism within the Universal Church...

*Had the Habsburg emperors played according to the same rules or understood the emerging world of raison d’état, they would have seen how well placed they were to achieve what Richelieu feared most—the pre-eminence of Austria and the emergence of the Holy Roman Empire as the dominant power on the Continent. Through the centuries, however, the enemies of the Habsburgs benefited from the dynasty’s rigidity in adjusting to tactical necessities or understanding future trends. **The Habsburg rulers were men of principle. They never compromised their convictions except in defeat...***

²⁵ From ‘Diplomacy’ by Henry Kissinger

Emperor Ferdinand II, Richelieu's foil, had almost certainly never heard of raison d'état. Even if he had, he would have rejected it as blasphemy, for he saw his secular mission as carrying out the will of God, and always stressed the "holy" in his title as Holy Roman Emperor. Never would he have conceded that divine ends could be achieved by less than moral means. Never would he have thought of concluding treaties with the Protestant Swedes or the Muslim Turks, measures which the Cardinal pursued as a matter of course...

*A ruler committed to such absolute values found it impossible to compromise, let alone to manipulate, his bargaining position. In 1596, while still an archduke, Ferdinand declared, "I would rather die than grant any concessions to the sectarians when it comes to religion." To the detriment of his empire, he certainly lived up to his words. Since he was less concerned with the Empire's welfare than with obedience to the will of God, he considered himself duty-bound to crush Protestantism even though some accommodation with it clearly would have been in his best interests. In modern terms, he was a fanatic....**For Ferdinand, the state existed in order to serve religion, not vice versa...***

*Salvation might be his personal objective, but to Richelieu, the statesman, it was irrelevant. "Man is immortal, his salvation is hereafter," he once said. "The state has no immortality, its salvation is now or never." In other words, **states do not receive credit in any world for doing what is right; they are only rewarded for being strong enough to do what is necessary...***

In an age still dominated by religious zeal and ideological fanaticism, a dispassionate foreign policy free of moral imperatives stood out like a snow-covered Alp in the desert. Richelieu's objective was to end what he considered the encirclement of France, to exhaust the Habsburgs, and to prevent the emergence of a major power on the borders of France—especially the German border. His only criterion in making alliances was that they served France's interests..."

The peace established under the Treaty of Westphalia (1648) was a compromise as the war had remained indecisive and yet the loss of life and property had been catastrophic. The agreement established a status quo wherein states would refrain from interfering in one another's religious practices.

The French Cardinal's pursuit of State over Religion changed the nature of the game. While it may or may not have been apparent when the treaty was signed, this principle laid the basis for State's primacy over religion, perhaps for the first time in a thousand years, in these lands. This accommodated the key Protestant demand to not be subjected to the authority of either the Catholic Church or the HRE of the Catholic Church, so that the Protestants could exhibit fealty to their own Church and their own political governors.

Here is Kissinger again²⁶:

"The Westphalian peace reflected a practical accommodation to reality, not a unique moral insight. It relied on a system of independent states refraining from interference in each other's domestic affairs and checking each other's ambitions through a general equilibrium of power. No single claim to truth or universal rule had prevailed in Europe's contests. Instead, each state was assigned the attribute of sovereign power over its territory. Each would acknowledge the domestic structures and religious vocations of its fellow states and refrain from challenging their existence."

²⁶ From 'World Order' by Henry Kissinger

Thus, under machinations and intrigues conjured by the French Cardinal, the rulers of the Western European lands collectively agreed

- to put State-craft over Church-craft,
- to put interests of the State above those of the Church,
- and therefrom emerged the well-known Westphalian doctrine of 'State Sovereignty',
- and therefrom were born '**Sovereign Nation States**'

The key point to note here is that Peace of Westphalia did two main things – it shifted:

- State Sovereignty from Religious institutions & goals to Political Institutions & goals
- State Identity from God (Religious state) to Society (Nation State)

Hence, the significance of Westphalia is on both 'Sovereign' and 'Nation' dimensions of the State and of GP.

European Nation States colonise the world (1492 – 1648 - 1945 AD)

After the Western Europeans incorporated and improved upon the city-state Italian model and transformed their feudal system to that of Nation States under the Treaty of Westphalia, they were reinvigorated with new energy and mission. They were finally vested with Geopolitical Sovereignty with which they went about colonising the world.

In Summary

If we take a 5000 ft view of the shifts in geopolitical sovereignty and thence the political governance models of these western European lands over the last 2000 years, we see the following broad-brush picture:

	<u>Political organisation</u>			<u>Sovereignty with</u>
• From	a Universal State	of the Western Roman Empire	28 BC - 476 AD	Empire
• To	an interregnum	of 'barbarian' rule by Goths	476 AD - 554 AD	Occupier
• To	Protectorate State	of the Eastern Roman Empire	554 AD - 800 AD	Protector
• To	Religious State	of the Holy Roman Emperor	800 AD – 1648 AD	Church (?)
• To	many Nation States	of Sovereign disposition	1648 AD onwards	Nation State

Thus,

- after the decline of the Western Roman **Empire** (330 - 476 AD)
- an interregnum period of readjustment (476 - 554 AD)
- when the **Protector** in Byzantium exhibited low geopolitical ambitions in these lands (554 - 800 AD)
- the **Church** stepped in to seek an empire state via crusades and HRE (800 – 1648 AD)
- but eventually the **Warriors** took political control & made religious peace as they
 - Locally: kept one another in check under a balance-of-power (BOP) construct, and
 - Globally: sought to colonise (C) almost the entire the world

And this is how Sovereign Geopolitical power came to manifest in Nation States, starting 1648 AD.

We will now leapfrog almost 300 years and go from 1648 to 1944 when the Breton Woods agreement was signed and 1945 when the United Nations was formed, a few months after the end of WW-II²⁷.

²⁷ If you wish for a bird's eye view of what transpired – Geopolitically - during these 300 years, then a quick detour via the 2023 memo (from second last para of page 10 to end of section on page 12) might be a useful refresher.

Fourth, does GP still manifest within Nation States?



J M Keynes (centre) at Bretton Woods Conference 1944, with Soviet delegation head M S Stepanov (to his left), and U.S. delegation head Henry Morgenthau, Jr. (to his right) (© Bettmann/CORBIS)

From Westphalia to United Nations: A New World Order

While Peace of Westphalia...

- | | | | |
|-----------|-----------------------|---------------------------|-------------------------|
| • Changed | Organisation of State | from feudal / city State | to Nation State, and |
| • Changed | Seat of Sovereignty | from Religious structures | to Political structures |

The Peace of 1945...

- | | | | |
|-------------------|-----------------------|----------------------------|---|
| • <u>Retained</u> | Organisation of State | as Nation State, | for most realms of the world |
| • <u>Shifted</u> | Seat of Sovereignty | from many Nation States to | two Nation (Empire ²⁸) States |

...And subsequently:

- in 1991: Break-up of USSR was proclaimed as 'End of History' and start of a true 'common-wealth'
- by 2025: The illusions of 1991 lay shattered at the altar of Geopolitics, as echoed below:

*"Out of the triumphalism of the end of long Cold War emerged a bipartisan consensus that we had reached 'the End of History'. That all the nations of earth would become members of the democratic Western-led community. That a foreign policy that served the national interest could now be replaced by one that served the 'liberal world order'. And that all mankind was now destined to abandon national identity, and we would become 'one human family' and 'citizens of the world'. This wasn't just a **fantasy**; it was a dangerous **delusion**."*

- US Secretary of State Marco Rubio, 2025

But we are getting ahead of the story.

Let us trace back to 1945 and look at the UN-led New World Order that came about.

²⁸ *In de-facto form, if not in spirit or public-image*

The UN-led New World Order (1945) - how did it come about and what did it comprise?

Between 1648 and 1945, the post-Westphalian world order survived through the industrial capitalism, American independence, French revolution, Napoleon, Prussian integration of Germany, fall of almost all European crowns except the British, and the first general war (WW-I).

But it failed to survive WW-II which brought in monumental changes to the make-up of the world order.

a. Europeans were a spent force:

By the end of WW-II in 1945, the reigning European powers playing the post-Westphalian balance-of-power (+colonialism) game were a spent force – financially, socially, militarily and psychologically, especially Germany and Japan – and in the coming decades, Europeans lost most of their colonies (except in Africa), Germany was divided, Britain lost its empire²⁹ and its currency's reserve status.

b. Hence, Power shifted away from Europe and its BOP + C model³⁰

- | | | | |
|--------|-------------------------------|----|--------------------------------------|
| • From | Intra-Europe | To | outside Europe (an East – West Axis) |
| • From | Many Nation States | To | Two Empire States |
| • From | Colonisation (C) of World | To | Alliances of Nations |
| • From | Great-power competition (BoP) | To | Great-power coexistence |

c. And, State-relations shifted from 'BoP + C' based competition to UN-led common-wealth

- In the beginning by the 51 Nation States who were founding members of the UN,
- Of which only 5 really mattered as they held individual vetoes on virtually all decisions of the UN,
- Of which only 2 (USA, USSR) really held the energy and prowess to pull the world forward,
- Of which only 1 remained in that role post 1991

d. The common-wealth essentially comprised two co-existing Empire States

- This crystallised as the Berlin Wall came up in Nov 1948 splitting Bismarck's creation into two
- This drew an 'iron curtain' between a US-led western alliance and a USSR-led eastern alliance.
- And each of USA and USSR operated as an independent co-existing de-facto empire-state

e. What makes this a "NEW" world order and not just an evolution of Westphalian world order?

- First, key players shifted from Europeans to USA & USSR
- Second, inter-se³¹ relations shifted from Westphalian competition to UN-led co-existence
- Third, ROW³² relations shifted from Colonialism to Alliances (soft-imperialism)
- Fourth, borders expansion by key players (beyond their zone) de-facto stopped (initially)
- Fifth, key-player-economics shifted from gold-backed sterling to US\$ (eventually unbacked)

f. This New Order was symbolised by the "**Washington consensus**" of US-led allies which gave **primacy** to:

- | | | |
|------------------------|---|-----------------------|
| a. Political System of | Democracy | vs Monarchies |
| b. Economic System of | Open and Free markets | vs quasi-Mercantilism |
| c. Governance System | Rules-based, Institutionally-enforced | vs BOP, self-imposed |
| d. ...and | Universal declaration of Human Rights ³³ | vs non-interference |

²⁹ This assertion has been contested by many

³⁰ Balance of Power + Colonisation

³¹ Inter-se relations among key players

³² ROW: Rest of the World relations with the key players

³³ This along with Climate Change et al led to a general 'capture' of politico-economic space within other Nation States

The Democratic foundations of the UN-led order soon clashed with the necessities of wielding GP

- a. **Initially**, as the UN-led order came about, GP shifted from many Nation States to the two key players
In the US-led west, for e.g., under the UN and its associated arrangements, the allied Nations States:
 - surrendered geopolitical sovereignty via UN (for non-UNSC³⁴ members)
 - surrendered military sovereignty via NATO (soon to be formed)
 - surrendered economic sovereignty via IMF (Bretton Woods agreement)
 - surrendered political sovereignty via 'systems capture' (Human Rights, Climate)
- b. **Eventually**, something strained the relationship between GP and key Nation States – what was it?
 - i. The quick answer is: **Democracy** - as broad-based democratic politics is ill-suited to Geopolitical pursuits
 - ii. Until WW-I, power over a realm was concentrated at the top:
 - Monarchies in Europe controlled their people via legitimacy from Gods & brute force against dissent
 - British democracy was structured such that a very narrow set of elites were allowed to vote
 - America, until 1890s at least, was largely isolationist on the geopolitical stage
 - iii. But power diffused profoundly from end of WW-I (1918-1920) to end of western socialism (1971 – 1981)
 - First, power diffused from the Ruling Families to Elites
 - Most of the western world changed its governance system from Monarchy to Democracy
 - Many erstwhile European colonies became free and formed democratic Nation States
 - Second, power diffused from Elites to the masses (as democracies became broad based)
 - In Britain
 - 1918: All 21+ yr men could vote, even if they owned no property
 - 1918: All 30+ women could vote, if they/husband occupied at least £5 of property
 - 1928: All 21+ women could vote, even if they owned no property
 - In the US
 - 1920: The 19th amendment allowed women to vote in all 50 states (vs 20 earlier)
 - 1947: All states gave Native Americans the right to vote.
 - 1960s: Voting obstacles relaxed (e.g. literacy tests, ability to pay poll taxes)
 - 1971: Voting age was lowered to 18
 - iv. This diffusion of power strained the 'GP-Nation State' relationship
 - As power diffused:
 - From Families Monarchies, Colonial Governors, Landed Aristocracy
 - To Oligarchies of **Military, Religious, Business, and Political** interests
 - To Masses Broad-based voting democracy
 - It split the Politics, wherein winning at:
 - Elections required Vote from Masses³⁵ + Funding from Elites³⁶ + Media Support
 - Geopolitics required Sovereignty in policy, independent of masses or Elites
 - Hence, where does "**National Interest**" lie became an open question...and a shifting goalpost...
 - Whether it lies in upliftment of masses?
 - Whether it lies in continued prosperity of Elites and progression of their agendas?
 - Whether it lies in gain of Geopolitical Power by the State?

³⁴ It is contested as to whether UNSC members other than the two key players possessed GP in the initial post-1945 era

³⁵ Who were not very literate, or well-informed, or even interested; and also had little skin in the socio-economic system

³⁶ By 'Elites' we mean Govt (G) + Deep State (G + non G); Elite's interests are usually divergent from those of the masses

- Since these goals required constant re-balancing, the fealty of “National Interest” became whimsical
- Hence, the Political class began juggling among election, funding and geopolitical needs, wherein:
 - Decision-making orientation changed from Long-term to Short-term
 - Decision-making persons changed every 4-5 yrs, per the election cycle
 - Decision-making goals changed every month or quarter
- This situation was an anathema to the guardians of GP as they needed:
 - Primacy of Geopolitical interest over Political / Social / Economic interests
 - Long term outlook spanning decades & centuries, and not mere quarters
 - Continuity of personnel that aren’t subject to change every 4 or 5 years

c. **Finally**, did this strained ‘GP – Nation States’ relationship result in a divorce?

The quick answer is:

- Initially (1945 – 81) no though GP vested only in key players: US & USSR³⁷
- Eventually (1981 – today) maybe even wrt key players

What does “maybe” mean? There are 3 main views here:

- Main-stream: All Nation States (or at least the key ones) are GP-Sovereign;
- Mid-stream: Sovereignty comes in shades and is shared among State, Deep-State and Non-State;
- Alt-stream: Nation States are not instruments of GP Sovereignty (not even the key ones)

Looking back at the...

- last couple of decades (since GFC, basically),
- especially the last 3 years (since the war in Ukraine started), and
- more recently, the last 3 quarters (since President Trump was sworn in)

...it seems quite fair to say that the chances of the main-stream view to hold supreme look thin. But, as I noted in the beginning of this memo, venturing anywhere close to the other two views makes one seem conspiratorial, and non-institutional.

What to do? Here is what some Political leaders have to say:

“The post-war global order is not just obsolete, it is now a weapon being used against us. And all this has led to a moment in which we must now confront the single greatest risk of geopolitical instability and of generational global crisis in the lifetime of anyone alive and in this room today. Eight decades later, we are once again called to create a free world out of the chaos.”

- US Secretary of State Designate Marco Rubio, Jan 2025

“I know that India, and I respect that India, likes its strategic autonomy. But in times of conflict, there is no such thing as strategic autonomy.”

- US Ambassador to India, Eric Garcetti, Jul 2024

“Each country has the sovereign right to shape its own economic policy...However, many...due to their commitments within economic or military-political alliances, have voluntarily given up part of their sovereignty. As a result, they are unable to make independent decisions in areas like the economy or their security.”

- Vladimir Putin, President of the Russian Federation, Nov 2024

³⁷ See footnote #34

Who's in charge – assimilating learnings from our four-part inquiry

- a. To make sense of this world of potentially non-Sovereign Nation States, we must:
1. Factor-in that there will always be concurrently **competing interests** of:

○ Nation State,	pursuing National Interest	via Elected Govt ³⁸
○ Govt Deep State,	pursuing alt-National Interest	via Unelected arms of Govt ³⁹
○ non-Govt Deep State	pursuing Oligarchic Interest	via internal non State actors ⁴⁰
○ Outside-the-State	pursuing Foreign Interest	via external actors ⁴¹
 2. Factor-in that **'National Interest'** results from a trade-off among above competing interests, and:

○ Its Primacy	doesn't always hold,	even for State actors ⁴²
○ Its Definition	is mostly fuzzy ⁴³	
○ Its Goal-posts	can shift sporadically	as the trade-offs are ever changing
 3. Factor-in **'who wins'** (*cui bono*) from govt policy objectives:

○ Elected Govt	gains politically?	(wrt voters and funders)
○ Govt Deep State	gains quasi-Politically	(wrt real executive power)
○ Oligarchic Interests	gain militarily / financially / faithfully?	
○ Foreign Interests	gain geopolitically?	
 4. Factor-in that **in history, GP has mostly vested with an Oligarchy of WPM⁴⁴**, who:

○ Control / influence	Govts (Presidents / Monarchs / Dictators) & Govt Deep State
○ Pursue their Purpose	which is many levels above that of Nation States and Govts
○ Think beyond borders	in terms of boundaries of influence, not those of Nations
○ Take the long view	of 100s / 1000s of years, while Govts/States can come and go
○ Remain in the shadows	Putting only their proxies in the public eye
○ Know how to survive	Wars, Famines, Confiscations, Plagues, Genocides, et al
- b. And from above knowledge, we must ask the following key questions:
1. Who among W, P & M have Geopolitical control today?
 2. What is their instrument of exercising this control?
 3. How are they defining "National Interest"?

To answer these we now take a closer look at the WPM Oligarchic trinity, keeping in mind the following:

"(An) obstacle to communication is that this tale truly is incredible, which means unbelievable. The magnitude by which reality deviates from the accepted myth is so great that, for most people, it simply is beyond credibility. Anyone carrying this message is immediately suspected of paranoia. Who will listen to a madman?"

– "The Creature from Jekyll Island – A 2nd look at Federal Reserve" by G. Edward Griffin

³⁸ Includes Presidents & Prime Ministers, Senate & Cabinet, Committees

³⁹ Military, Judiciary, Intelligence, Bureaucracy, Municipalities– see footnote #14

⁴⁰ Business, Religion, Think-tanks, NGOs, and Other Interests – see footnote #14

⁴¹ Includes State and non-State actors that are external to the given Nation State

⁴² For e.g., it is many-a-times subservient to Political interest of the governing party

⁴³ For e.g., if an action redistributes wealth away FROM a majority of the population, and TO a minority population, but raises overall wealth of the state, is that in 'National Interest'? That is, does 'National Interest' lie in maximizing outcome for 'The entire nation as one unit' or for 'majority of electoral base one (political) unit'. Several such scenarios can be built.

⁴⁴ Interests of Warriors (Military), Priests (Religious) & Merchants (Business, Industrial, Financial) - See footnote #14

WPM Oligarchy – the Sovereign Geopolitical actor

As seen in the previous section, and also seen if we peek through the last several centuries to look for who have been really running the show, we find three Sovereign interests, that comprise a very narrow subset of the ‘Elites’, that operate through time, in a heady mix of concurrent partnership, competition and coexistence, with a reasonable concentration (i.e. Oligarchy) of power over the realm:

- | | | | |
|-----------------|--------------------------|-------------|-----------------|
| • W - Warriors | (military power) | Push-based | Physical Force |
| • P - Priests | (religion power) | Pull-based | Soft Power |
| • M - Merchants | (money / business power) | Contractual | Property Rights |

The **other larger parts of the Elite** (Judiciary, Intelligence, Bureaucracy, Municipalities, etc) that we identified earlier **have NOT been seen to be really running the show**, at scale, in history, and have in fact been the instruments of, and under control / influence of, the WPM Oligarchy.

We find the WPM trinity all across:

- | | | |
|--------------------------|-------------------|---|
| • In pre-Westphalian era | up to 1648 AD | led by P, aided by W, marred by in-fighting |
| • In Nation State Era | of 1648 – 1945 AD | led by W, aided by M, colonising the world |
| • In Modern Era | after 1945 AD | led by M, aided by W, esp post-’81 capitalism |

This trinity:

- | | | | | | | | |
|---------------------------------|--|-------------------|---------------------------|----------------------|----------------------------|---------------------|-----------------------------------|
| • Can take very long term views | Spanning centuries, even millennia | | | | | | |
| • Is agnostic to | Structure of Political, Social & Business makeup of the realm | | | | | | |
| • Has survived | Violent changes, in: <table border="0"> <tbody> <tr> <td>▪ Nature of Money</td> <td>from Gold to Paper Credit</td> </tr> <tr> <td>▪ Nature of Politics</td> <td>from Monarchy to Democracy</td> </tr> <tr> <td>▪ Nature of Society</td> <td>from agrarian to industrial to AI</td> </tr> </tbody> </table> | ▪ Nature of Money | from Gold to Paper Credit | ▪ Nature of Politics | from Monarchy to Democracy | ▪ Nature of Society | from agrarian to industrial to AI |
| ▪ Nature of Money | from Gold to Paper Credit | | | | | | |
| ▪ Nature of Politics | from Monarchy to Democracy | | | | | | |
| ▪ Nature of Society | from agrarian to industrial to AI | | | | | | |

The trinity also finds prominence in political discourse:

*“In the councils of government, we must guard against the acquisition of unwarranted **influence**, whether sought or unsought, by the **military-industrial complex**. The potential for the disastrous rise of misplaced power exists and will persist.”*

- US President Dwight D. Eisenhower, Jan 17, 1961 (farewell speech)

*"Today, an **oligarchy** is taking shape in America of extreme **wealth, power and influence** that really threatens our entire democracy, our basic rights and freedom"*

– US President Joseph Robinette Biden, Jan 15, 2025 (farewell speech)

At any and all points of times over the last hundreds and thousands of years, these three axes of Geopolitical Power have remained spread out across the earth, albeit often-times concentrated in some or the other realm, whether the Roman empire or the Italian city states or the current pseudo-holders of GP – the Nation States.

Hence, we find that:

The current turn in Geopolitical cycle,

Is *really* driven by the W-P-M intrigues,

which are a level or two *above* the level of

either Nation States or Political systems

And whenever the Geopolitical cycle is threatened a turning point:

- Then for each relevant realm,
- **G forms an alliance with 1 level down i.e. with P, wherein:**
 - The dominant G-actors (among W/P/M) form an alliance with a new form of P-actors
 - Such new form of P actors being usually that of a “Strongman”
- And for each such ‘W/P/M + Strongman Politician’ alliance:
 - For the current holders of GP: the relevant alliance seeks to retain the GP
 - For challengers to the current GP system: the relevant alliance seeks to take hold of GP
- And once the GP either is retained or turned over
 - The levels below G & P (i.e. S and B) shift as needed, to realign with new G & P reality
 - And P goes back to its normal ‘non-strongman’ form

Here it is important to note that when GP is challenged, then each realm’s WPM + Strongman alliance:

- Is not aligned with any one Nation State and operates out of several Nation States
- The geographic boundaries of Nation States become fuzzy and up for change
- Past agreements and current GP-order’s institutions are deemed irrelevant and openly questioned
- Even if current GP holders retain power, they may yet shift their physical base to a new Nation State
- Overall, the Nation State is not a sovereign actor in this contest for Geopolitical power

With this discussion, we should be in a position to hazard some guesses towards answering the key questions we asked at the end of Page 20 viz:

1. Who among W, P & M have Geopolitical control today?
2. What is their instrument of exercising this control?
3. How are they defining “National Interest”?

While a proper discussion towards answering these questions would take another 25-page memo, and perhaps one should embark on writing one, for now some high-level guesses shall suffice - for our purpose here is not Geopolitical or Political analyses, but formulation of the investment strategy appropriate for present times and enumeration of the same into investment actions.

Towards that end, we now proceed to focus on the *Nation-state* of the US, which has moulded the post-1945 western world and the post-1991 global world, and examine its situation, policy and goals.

But in the following analysis, we keep in mind that Sovereign GP:

- Is Manifested Primarily with ‘WPM + Strongman P’
- Is Executed Primarily by Nation States

And to this extent, the name of Nation States in most of the subsequent discussion are but convenient placeholders, for ease of understanding and communication.

And the above dichotomy makes all the difference

Adopting our Hybrid-Len wherein GP is 'WPM-manifested + Nation-States-executed'

We start with Nation States as the unit of analysis, from an investment standpoint, but:

- Staying firmly alert to WPM actors, acting in conjunction with Strongman Political actors
- And keeping in mind the fuzziness of National Interest's primacy, meaning and consistency

As we have seen, the Washington Consensus (WC) was designed to retain GP within 'US-execution', wherein:

- Democracy ensured Military Supremacy as democracies do not make war against each other⁴⁵
- Rule of law ensured Control as application of rules was by US "based" institutions
- Dollar ensured Monetary Supremacy as a reserve asset with an "exorbitant privilege"
- Free Trade ensured Lifestyle as credit-fuelled US demand met cheap global supply

But today this setup is threatened by:

- Rising Military strength of China, and Russia (see quote below)
- Rejection of Rules based order by not just China and Russia but by US itself⁴⁶
- Rising wave of Dedollarisation especially after freezing of Russian \$ assets in 2022
- Rising wave against free trade given - decline of WTO & rise of Liberation Day tariffs

"They have repeatedly spoken, about the...major shifts that...are happening in the world, about the risks associated with the degradation of global institutions, with the erosion of collective security principles, with the substitution of international law with so-called rules...(but) in general, it is not clear who made them up, what these 'rules' are based on, what is the content of these 'rules'...Apparently, there is only an attempt to establish one rule: (which is) that the ...(currently prevailing) global power...should be able to live without any rules at all, and they should be allowed to do whatever they want, get away with whatever they do..."

- Vladimir Putin, President of the Russian Federation, Oct 2022

*"We note the recent proposal...for a comprehensive reform of the UN...The benchmark for any reform should be a **return to the fundamental principles enshrined in the UN Charter, which have been challenged by the concept of a "rules-based order" promoted by the West for years.**"*

- Sergey Lavrov, Foreign Minister, Russian Federation, Sep 27, 2025 (UN Speech)

To deal with this threat, the US, under President Trump has unveiled a plan which follows an approach unlike any seen in global politics for a long time (if ever).

"Bessent said that Trump is very good at understanding how to create leverage during negotiations and objected to the notion of a so-called TACO trade, an acronym coined by a Financial Times columnist that stands for "Trump Always Chickens Out. "Instead, Bessent said Trump's strategy is more akin to FAFO, an acronym popular on social media that stands for "F--- Around and Find Out," according to one person in the room."

- Bloomberg, Jul 2025

⁴⁵ Kissinger writes in 'Diplomacy': "The idea that peace depends above all on promoting democratic institutions has remained a staple of American thought to the present day. Conventional American wisdom has consistently maintained that democracies do not make war against each other."

⁴⁶ Given US withdrawal of support, or even outright membership, from several institutions it had helped found after WW-II

Plan WPM – To the extent we may hazard a guess

Given the above Geopolitical setup, here is the outline of a guess of the **WPM plan**:

- Sovereign Actors:
 - The trinity of W, M and President Trump (T) seems to be leading the show today
 - The relative balance of power among them remains unclear
 - T appears to be against W (no wars) but also against M's short term interests (tariffs)
 - But true inter-se dynamics are not seen clearly in the public domain
- End-game: In the end, if history continues to rhyme
 - Either W or M will prevail, and at that time a non-strongman President will return
 - World order may either remain status-quo, or change...W/M wouldn't care either ways
 - The geographic realm which will be the public proxy for W/M's GP remains unknown
 - The geographic realm in which W / M set shop, is also unclear
- Path to the End Game
 - The path to End Game remains quite hazy
 - What is slightly less hazy clear, is the US plan & policy wrt the Path and the End Game
 - So we examine it next



Commerce vs. conquest, by Louis Dalrymple, Published 1898

Summary: Print shows John Bull labeled "England" holding a ship labeled "Trade", with Uncle Sam, also holding a ship labeled "Trade", behind him, as they stand before the Chinese Emperor who is frightened by William II holding a sword labeled "Germany", "France" holding a rifle, and Nicholas II holding two pistols labeled "Russia"

Caption: Uncle Sam (to John Bull) Don't scare him, John, the way those other fellows are doing. Tell him all we want is to have him open his harbors and markets to everybody!"

Plan America

Since Jan 2025, Plan America remains shrouded amongst clouds – resulting in a few sunlit days, but most other days would give British weather a run for its pound (of rain).

The reasons for this shift reality include:

- Volatility Plan America keeps changing, almost every day
- Self-harm It seems to involve much self-harm (at least in the short term – ST)
- Achievability Can govt finances ‘hold the door’ long enough for plan to see fruition? It’s unclear.
- Consensus It’s also unclear if there is a broad politico-social consensus within the US wrt the plan

We now re-frame Plan America using our Hybrid-Len of GP being **‘WPM-manifested + Nation-States-executed’** and re-understand it as follows.

1. **First**, there are 4 legs to the Plan: G P S B

2. **Second**, of these 4 legs:
 - a. **S** **is the Key Policy Objective**
 - b. **G** **Policy seeks Stability** so that all resources can focus on achieving goals for ‘S’
 - c. **P** Policy seeks Adjustment to re-align P with the objectives of G and S
 - d. **B** Policy seeks Compliance as interests of ‘B’ are subservient to objectives of G, P & S

3. **Third**, what makes us posit that S is the key and not G?
 - a. One, while G is supreme, we guess that it will not sacrifice the Nation State i.e. P/S/B in its pursuits
 - i. Between S and G, it’s always G that leads and S that accommodates
 - ii. And the WPM Oligarchy is all about G and G-alone, which has primacy over P, S and B
 - iii. But sometimes, pursuit of G sends P/S/B below critical threshold levels
 - iv. In such cases, G needs to decide:
 1. whether to slow down and let P/S/B recover, or
 2. to let P/S/B take some hurt and let pursuit of G run unabated
 - v. In the case of the US, we guess that G will take a breather and let P/S/B recover
 - b. Two, we take the public-face of ‘WPM+T’ today, enshrined in US govt Policy, at face value, wherein the US govt’s publicly stated govt policy is seeking S over G as seen in:

1. Main Street	over	Wall Street
2. MAGA	over	Capitalism
3. Isolationism	over	Empire
4. America First	over	‘do what’s good for the world’
5. Middle Class	over	Elite
6. Re-industrialise	over	Cheap Imports
7. National Interest	over	United Nations
 - c. And Lastly, G itself is not at a boiling point and hence can afford to take a breather to let P/S/B rebuild
 - i. Whether this Public face, as above:
 1. Is also the private goal or not, we do not know
 2. Is over the short, medium, or long run we do not know
 3. Is going to sustain (come Jan 2029 /mid-terms) we do not know

ii. But what we do know / think is that

1. Historically, public face of US policy has always sought & won on all 4 fronts – GPSB
2. This is largely because there have been no real power that could contest US on G
3. Hence trade-off among these was always tactical, episodic, manageable & acceptable
4. But now, there is a strong G power – who's public face is a group of Eurasian States

"...in the past...our biggest economic partners were also our allies. We are now military rivals with China and economic rivals. So it's very tough to disaggregate that."

- US Treasury Secretary Scott Bessent, 2025

5. Hence, perhaps for first time ever, US needs to choose between G & S, at least in ST
6. But Eurasians are not seeking to precipitate a contest for G – they're in a waiting game

*"Russia and China are not shaping a new world order; rather we are only giving it form. **The new world order is emerging naturally, like sunrise.** There is no escaping it. Our role is to help shape its contours...clearing the way for this process to become more balanced...this approach to finding a solution proves far superior to coercive pressure or the neo-colonial paradigm in which humanity has lived for centuries...."*

- Vladimir Putin, President of the Russian Federation, Jun 2025

"China does not seek to replace one system with another. We advocate for a world where all countries, regardless of size, can coexist and cooperate on equal terms. Our goal is to build a community with shared future for mankind, not to force a new order."

- Xi Jinping, President of China, SCO, Sep 2025

7. Hence there exists elbow-room for US to stabilise G (in ST) and fix P/S/B in that time
8. **It is likely that this is translating to smoking a 'no-wars-pipe' called "trade deals"**

4. **Fourth**, what does Plan America for S comprise?

- a. It is captured by one simple acronym - 'MAGA'
- b. It stands for - Social Redistribution
- c. And it is characterised by rebuilding the middle class along 3 principal vectors:

Build Employability	via	1. No illegals 2. No Drugs	(via ICE, Visa Curbs) (via Tariffs, Military)
Build Employment	via	3. Re-Industrialise a. Protected by Tariffs b. Aided by Foreign Inv	(via Trade Deals) (via Trade Deals) (via Trade Deals)
Support Income	via	4. Tax cuts 5. Inflation Clampdown	(e.g. on Tips) (e.g. on Walmart)

- d. That's it. It's that simple. And the knock-on effects of the above take care of most other things (e.g. securing critical supply chains, AI chips et al). We now look at the other aspects of the Plan especially G and P, and then return to tie it all together with a discussion on the risks and the 'buts'.

5. **Fifth**, What kind of stability does Plan America seek wrt G
 - a. For the US, the reigning G superpower, the goal wrt G, in context of primacy of S, is **Stability**
 - b. If G is stable, it provides space for structural changes at levels of P, S and B
 - c. And stability of G means three simple things:
 - i. US\$ Reserve Status to continue – both as Reserve Currency and as Reserve Asset
 - ii. No Military Conflicts to ensure status-quo on the world order
 - iii. Self-sufficiency to be re-built for critical ‘things’
 - d. And:

<u>Stability in:</u>	<u>Can be achieved by:</u>	<u>And is seen in the Policy of:</u>
i. US\$ Reserve Status	Status-quo in the Middle East	Ducks getting in the row in M.E. ⁴⁷
ii. No Military Conflicts	No Wars	“No Wars”
iii. Self-sufficiency	Re-shore critical Industry	“Reindustrialise”
6. **Sixth**, how will P need to re-align with objectives of G and S
 - a. The re-alignment of P would be on two main fronts: Political & Institutional
 - b. On the Political Front: Nature of leadership would need to shift:
 - i. Strongman over Leader
 - ii. Wartime President over Peacetime President
 - iii. Alexander, the Great over Marcus Aurelius
 - iv. ‘My Way’ over ‘Our Way’
 - v. ‘Me First’ over ‘We first’
 - c. And Institutions would need to Re-invent or Perish (holy cows no longer so)
 - i. US Fed Independence No longer so (Miran, Cook, Stablecoins...)
 - ii. Deep-State Funding No Longer so (DOGE)
 - iii. State control No Longer so (National Guard in LA, DC)
 - iv. State Capture No Longer So (Green out – Fossils in, Woke out)
 - v. Nomenclature Matters (Dept. of War, Gulf of America)
 - vi. ...

Here is US Treasury Secretary Scott Bessent in Sep 2025:

“...what am I looking for...(in a Fed) Chair...it’s just someone with an open mind; ...who is not looking in the rear view mirror, who is looking forward”

And here is US President Donald Trump from 2025:

*"We must **overhaul our institutions** to make them work for the people, not against...This is not just a policy change; it's a fundamental restructuring of how Washington operates."*

*"For too long, **our institutions have been captured by special interests** and career bureaucrats. We need a complete overhaul to restore accountability"*

*"The **deep state has entrenched itself in our institutions**, and it's time to root it out. We need to overhaul the entire system..."*

⁴⁷ A complex dance is afoot in the Middle East (M.E.) including President Trump’s 1st M.E. visit and the bonhomie visible therein, the so-called ‘12-day war’, the situation in relation to Israel, the recent acts in Qatar, peace between Iran and KSA, the deal between KSA and Pakistan, the Gaza plan, and much more. It can be guessed that all this is to ensure that US\$ stays Reserve, and the ‘Gold-Oil-Dollar’ trinity, as I like to call it, stays intact for at-least some more years to come.

7. Seventh, what are the Risks?

The Key Risks come from:

a. EITHER: MAGA being Reversed (in 2027 / 29),

b. OR: Stability of G being threatened, by:

<u>Stability in:</u>	<u>in the:</u>	<u>is threatened by:</u>
1. US\$ Reserve Status	Short Term	Oil stops backing the \$
2. No Military Conflicts	Medium Term	Being forced into wars
3. Self-sufficiency	Long term	CN Exports Embargo OR “Four Ds” precipitate

8. Finally - the “Four Ds”

We now address the “Four-Ds” (Debt, Deficits, Dollar, Deglobalisation) that seem missing-in-action in the above discussion. This section assumes that G remains stable, because without that, the “Four Ds” are in a “near the threshold” zone as discussed in the “Third” point above.

a. Debt

i. Geopolitical Bid > Economic Bid

The US Government Debt (UST) is a global reserve asset and is what the world saves their surplus in. It is the most pristine risk free asset in the world.

But of late, especially since early 2022, there has been a headlining of a declining bid for the USTs⁴⁸. While this discussion has now been mainstreamed, it has to be kept in mind that USTs are a unique asset, supported on two pegs – economic and geopolitical.

And the main consideration in this regard is that until G remains stable, UST’s Geopolitical status should endure, and while economic-bid for USTs may come and go, the Geopolitical bid which is price insensitive should remain. And what’s more, even servicing this UST debt by taking more debt is a part of this package

Fundamentally, the absolute debt levels (whether \$37 tn or much higher) and the relative debt levels (vs GDP, interest coverage, et al) are less relevant for such an asset as these are economic constructs and will only affect the economic bid, which in times of stable G will be overwhelmed by Geopolitical (price insensitive) bid.

ii. Debt in time of reindustrialisation

Over the next decade, as (and if) US industrialises, it is likely that trade deficits reduce, perhaps even become surplus. This means that there would now be less trade-surplus-dollars in foreign hands and hence less foreign demand for USTs, to park those dollars into.

Furthermore, it is likely that the *tens of trillions* of dollars of **foreign investments under “Trade Deals” result in a swap of foreign-held USTs with new issuance of corporate debt** thereby reducing even the base UST levels substantially.

⁴⁸ I have discussed this extensively in my Jan 2023 memo (pg. 22 – 24) w.r.t the issue at hand in light of the then-escalating geopolitical tensions.

b. Deficits

i. Debt and Deficits: A feature or a problem?

The earlier model

Historically, imperial / unipolar / empire privilege worked as follows (e.g. the **British model**):

- Cheap colonial commodities, harvested from labour of the serfs of the empire in those colonies, would all flow to the centre of the empire (eg to the textile mills of Manchester, or to the stores of Piccadilly, London)
- At the centre, the commodities would be
 - consumed directly (e.g. sugar, tea) or
 - converted into goods (e.g. textiles) and consumed / exported (c/e), or
 - rebranded into goods (e.g. loose tea becomes a branded tea) and c/e
- The centre, from an accounting book-keeping standpoint would be:
 - Trade Surplus exporting high-priced goods vs cheap commodity imports
 - Capital Creditor booking net surplus from trade as savings, even lending it

(for) “the middle and upper classes...life offered, at a low cost...conveniences, comforts, and amenities beyond the compass of the richest and most powerful monarchs of other ages. 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...”

- “The Economic Consequences of the Peace”, John Maynard Keynes, 1919

The current model

US pursued the onshore production model (despite not being an imperium) until 1945, where it supplied most munitions and goods for both WW-I and WW-II. But with the advent of a New World order in 1945, the model shifted. Led by the Marshall Plan, Germany and Japan were rehabilitated to be manufacturing centres, and the trade flow flipped, even though the outcome did not. Here is how that worked:

- Cheap commodities from allied Nation States, would be cheaply laboured by allied peoples⁴⁹ in factories situated around the world (but principally congregated in Germany, Japan and China, with satellites in Korea, Taiwan, Asian Tiger economies, etc) and the cheap finished goods would be shipped to the centre for consumption
- Just as in the above case, the centre enjoyed consumption of cheap goods and commodities sourced from around the world. But the change in their location of production not only changed the social construct of the centre, but also changed the accounting book-keeping. Now, the centre was:
 - Trade Deficit being net importer of cheap stuff from around the world
 - Capital Debtor pulling in the net surplus from foreigners, against USTs

In Current Model - Trade Deficit, Budget Deficit and Govt debt are features, not bugs

In the earlier model, British Trade surplus was paid-for by foreigners with Gold and hence the model worked in a one-way mercantilist way.

But in current times, the US Trade Deficit emits surplus dollars to the foreigners who as a group need to find a home for them (as intra-foreigner usage nets out to zero). The US, not wanting to exchange them at scale for gold, equity or real assets, had little choice but to absorb them by issuing another type of paper – the US Treasury Bond (UST). Hence,

⁴⁹ Against payment of ‘fair’ wages under a socialist (1951 – 81) and then capitalist (1981 -) mind-set

indebtedness (via USTs) goes hand in hand with Trade Deficit; and as an associated outcome, the US Treasury now had surplus dollars (equal to the Trade Deficit) to spend on government programs, allowing it to run budget deficits (again equal to Trade deficit⁵⁰).

Thus, Trade Deficit, Budget Deficit and Govt debt are all design features of the system.

But, in current model, a Capital Debtor is not a Capital Owner (or is it)

While one may argue, from contract-law and property-rights standpoints that a Capital Debtor is (obviously) not a Capital Owner, and hence, while net surplus from production (savings) of foreigners are pulled in by the centre in the second model, it is only for 'usage' and the principal capital values are yet owed by the centre to foreigners.

But de-facto, and if things precipitate then even de-jure, the debt (principal) is unlikely to be ever paid back and equity ownership is subject to US laws of contract and possession hence rendering equity "ownership" ephemeral.

The debt, in form of USTs, for example, while in normal times represents credit, in the literal sense of the pronoun, all large foreign holders of USTs (must) understand that this debt will/can never be repaid, in real terms. It is hard to imagine a scenario where US is going to transfer \$9.2tn of 'real wealth' to foreigners in any form such as:

- Gold
- Real assets / Real estate but not subject to US laws
- Goods and Services as represented by Net US trade surplus over coming decades

And hence, debt and equity will never be repaid, and only serviced (via interest and dividends) as long as matters don't precipitate, for if they do then servicing is likely to be curtailed too and even capital values may be written down. And hence, this foreign capital placed with the centre is not really debt, or equity, but just accounting entries.

Overall, the two models are same in substance, and different only in form

Hence from an imperium's standpoint, **outcomes of the two models are basically the same**, as it doesn't matter where the production happens, as long as the centre gets to consume cheap abundance and accumulate the entire surplus from production (savings), no matter where the surpluses are originally booked. Hence:

- Just as Trade Surplus and Capital Creditor go hand in hand in the earlier model
- **Debt and Deficits go hand in hand in the current model**

ii. Deficits under Plan America

1. As seen above, if the offshore production model is changing under Plan America to onshore production (aka Reshoring or Reindustrialisation), then
 - a. The current trinity of Debt, Trade deficits & Budget deficits
 - b. Would change to reduced levels of all three as above
2. While it's easier to see how Trade Deficits are set to reduce, driven by:
 - a. Reindustrialisation leading to reduced imports and enhanced exports
 - b. Tariff revenue under Trade deals

⁵⁰ The actual Balance of Payments accounting doesn't equate Trade Deficits with Budget Deficits in an exact way so this is an approximate identity

3. One may have legitimate doubts on whether Budget Deficit can reduce similarly?
 - a. Until now, budget deficits were funded largely out of foreign demand for USTs and only at margin were they funded by excess demand for capital by US govt
 - b. Now, if fundamental demand for capital by the US govt does not abate, then UST issuance would be driven more by issuer-needs and less by foreign needs
 - c. But, the US treasury, given its enhanced income from an industrial tax base, tariff driven revenue and revenue from foreign investments should be able to cut budget deficits meaningfully
 - d. Hence, overall, it's likely that net budget deficits should reduce, in time
4. Overall, in summary, as long as G remains stable:
 - a. Current Debt & Deficits are a system-feature and not a bug
 - b. As production model shifts to the historical onshore model, values of Debt & Deficits should reduce meaningfully

c. Dollar

There is enough to write about the dollar to fill a whole memo, including

- Future of the Strong dollar policy
- Strong against some, weak against some?
- Can industrialised dollar remain strong against anything?
- Et cetera

But for this section, and this memo, we note that since '\$ as Reserve' is one of the core bulwarks of the current Geopolitical setup, it remains a risk to the G-stability goal, as discussed in the 'Risks' section above. The Key thing to note in this regard is that until a temporary G-stability is negotiated under a deal, pressure on the dollar shall remain. And this pressure would be visible on the following fronts:

- i. Ramp, not a step
 1. The usage demand for dollar is expected to recede down a ramp and not as an event or a step-down.
 2. So while there will be headlines w.r.t how the dollar is losing dominance as a reserve asset (vs Gold, for eg), or as a payment currency (by China for eg) or a pricing currency (for some oil purchases by Asia), at the end of the day 'economic logic' shall not rule the day, and only 'geopolitical logic' will.
- i. Gold – hedge not replacement
 1. While price of gold is rising, in both \$ terms and oil terms (represented by the gold/oil ratio aka GOR), most of the visible demand for gold is still for paper gold (i.e. gold contracts such as ETFs or Futures) and not physical gold.
 2. Furthermore, most buyers are looking to gain from \$ price appreciation of gold and be paid in \$ terms
 3. Hence, at least on the institutional side, these gold-longs are more of \$-hedges than gold-longs, as price of gold continues to be set in paper markets and not physical markets.
 4. Hence, gold for now, is insurance against expected rise in supply of dollars, and not a bet on gold itself, as a wealth preservation asset
- ii. Oil, still loves \$
 1. Until this is true, \$ shall sustain. The relationship between gold, oil and dollar, what I call the GOD trinity, is worthy of an even longer memo.

d. Deglobalisation

This idea has taken many forms these days – regionalisation, bi-lateralisation, new-globalisation, etc. Perhaps there are two things that are core to consider here:

- i. The nature of Globalisation has always been a function of the Geopolitical order
 1. British, for eg, were globalised under the construct of
 - a. Sea-based trade lanes
 - b. Production centralised in the motherland
 - c. Balancing at home (intra-Europe BoP), competition abroad (colonial)
 2. The US-led globalisation was in some ways a continuation of the British model
 - a. As US, like Britain, is primarily a sea-faring power, its trade was sea-based
 - b. Production centres however have kept shifting – earlier Germany & Japan, then China, and now back to the US
 - c. The BoP+C model first shifted to co-existence (with USSR) & then to uni-polarity
 3. We can look at the pre-British eras too but we are already on page 32 so in the interest of general well-being of the reader, let it be noted that the general drift is that while at 5000 ft, we can dichotomise the world as globalised or Deglobalised, but at the ground level, it's always the nuance in the nature of globalisation that varies, as the Geopolitical environment shifts
- ii. Re-ordering of Globalisation
 1. What we are observing today is a “**Re-ordering of Globalisation**”
 - a. **from Rules-based** (one set of rules, applicable to all)
 - b. **to Power-based** (varying rules, bilaterally imposed/agreed)
 2. Somewhere between Globalised and Deglobalised
 - a. A **Deglobalised** world is one where each realm seeks self-sufficiency, and that results in amalgamation of realms into a small number of large States
 - b. A **Globalised** world is where National boundaries do not apply to commerce, for all practical purposes, and the entire system functions under one set of rules that everybody (except the rule-maker) adheres to
 - c. **Somewhere in between these two ends**, are various shades of globalisation that come with various monikers. Where the shade that emerges from the current G-conflict will settle, will be a function of where G ends up being eventually, before it starts its next 100 or 200 or 500 year cycle. Between now and then, things will be in a flux and trying to make a reliable sense of what is happening and where will things settle, will be a non-worthy pursuit, at this time.

9. Ninth, In Summary

While there is much talk of multi-dimensional Chess at play in these present times, it perhaps always felt so in history, whenever major flux be-fell any era's Geopolitical construct.

After having guessed broad makeups of Plan-WPM and Plan America, we next move to see how to make sense of this when it comes to Investment Strategy. Our goal, currently is not to lay out the strategy in detail, which itself is a 30+ page memo, but to lay out how this ‘**new fishing rod**’ that we have developed over the 32 pages hitherto, can be used to ‘**fish differently**’ in the global investment waters.

How to 'Fish Differently' – An Investments Strategy Framework

Our 'new fishing rod' comprises the following parts:

1. First, is to **read the tea leaves correctly** on what these "Trade Deals" are all about
 - a. Plan America, as seen above, requires the following **key** elements:

<u>US Need:</u>	<u>US 'ask' from RoW</u>
i. \$ as Reserve	Usage demand (from Chinese goods-exporters and M.E. oil exporters)
ii. Reindustrialisation	Chinese Capital Goods & Rare Earths + Weak US\$ vs other ccys
iii. No Wars	All key players to be satisfied with what they 'get' over next 5-10 yrs
 - b. Naturally, the Chinese, for eg, will want to know - what do they get against these US 'asks' of:
 - i. Continuing to use US\$ (for pricing and/or payments) against its exports
 - ii. Continuing to supply Capital Goods and Rare Earths
 - iii. Accepting a stronger RMB vs \$
 - iv. Agreeing to not engage in intrigues that may result in new wars
 - v. Et cetera (these are not enumerated in this memo, but do exist)
 - c. Similarly other Nation States will have their own needs and wants, as is usual when G is in play
 - i. Eg why should KSA continue to price (and be paid for) its Oil in \$
 - d. "Trade Deals", perhaps is a benign label for a geopolitical horse-trading on above lines amongst the key Nation States, and is visible in much beyond T's announcements, eg in the following:
 - i. KSA taking on a non-US nuclear umbrella
 - ii. Qatar being attacked and then signing a protection deal with the US
 - iii. UK, France, Australia, Canada recognizing Palestine in and US does nothing (publicly)
 - iv. Mutual-defence pacts being signed all around Europe, amongst NATO members
2. Second, is to **identify the key risks** in the above setup:

A setup where the:

- | | | |
|---------------------------|-----------------|--|
| a. Goal is | Plan WPM | - executed <u>through</u> Plan America |
| b. Instrument is | Bilateral deals | - esp. Trade Deals, Mutual Defence Deals, et al |
| c. Constraints are | None | - all is negotiable: National Boundaries, Contracts, Ideologies... |

The key risks are:

Geopolitical

- | | |
|------------------------|---|
| 1. Plan America | ends in 2027 (mid-terms) or 2029 (new presidency) |
| 2. Reindustrialisation | fails |
| 3. G – instability | driven by escalating wars |
| 4. Exports embargo | deficits getting MTM to reality |

Currency (\$)

- | | |
|--------------|---------------------------|
| 5. \$ | steady depreciation |
| 6. Inflation | is chosen by policymakers |
| 7. Debts | need monetisation |

Real Values

- | | |
|--------------|---|
| 8. MAGA | starts to redistribute not only income, but also wealth |
| 9. Recession | is chosen by policymakers |

3. Third, **embrace an Investment Philosophy & Strategy** of:

- | | | |
|---------------------------|-----------------------|-----------------------------------|
| • First, and mostly, | Protect what you have | i.e. Focus MORE on risks |
| • Second, and marginally, | Grow it a little | i.e. Focus LESS on returns |

4. Fourth, core asset allocation must be to **protect purchasing power**, not to grow it

<u>Nature of Risk</u>	<u>Core Asset Allocation</u>	
• Geopolitical	Gold, bitcoin	'Wealth assets' YES....'Productive assets' NO
• Currency (\$)	Non \$ assets	As \$ assets to gain in nominal, but lose in real
• Real Values	Non US assets ⁵¹	China / India / EU / Japan / ...?

5. Fifth, **seek growth only marginally** and tactically

This is tactical, episodic, bottom-up...perhaps within a thematic construct, e.g.:

- India?
- BRICS?
- AI?
- Defence?
- US Industrial opportunity?
- Global Utilities?

6. Sixth, and **Overall**

Notice that our 'fishing rod' **does not focus much on:**

- | | |
|----------------------|-------------------------------------|
| • Fed actions - | Interest Rates, Money Supply, et al |
| • Treasury actions - | Debt buyback, Debt mix |
| • Fiscal Policy - | Spending cuts, Tax cuts |
| • Tariffs | and their consequences |
| • Inflation | level and trajectory |

And that is because we now see risks at 5000 ft (as below) and not at 5 / 50 / 500 ft (as just above)

- | | |
|----------------------------|--|
| • Geopolitical risk | Cornerstone of today's world – this whole memo is... focused on defining it |
| • Currency (\$) risk | If G is stable, Fed/Fiscal acts will chip this only slowly & hedges will be enough |
| • Real Values risk | If S doesn't go overboard, this will chip only at margin; hedges will be enough |

Hence

- | | |
|------------------------|---|
| • If G is stable | \$ & Real Values only need to be hedged, and not exited from |
| • If G starts wobbling | then one needs to go in full-protection mode
(against confiscation, repression, and destruction of real and currency values) |

And hence our 'fishing rod' is:

- | | |
|--------------------|---|
| • Mostly about | Reading the tea leaves correctly wrt the emerging G situation, and |
| • Asset Allocating | Along one of the following: |
| | If G-Stable : Hedge GCR ⁵² (#4 above) to protect purchasing power |
| | If G-Wobbly : Elevate G-hedges to core status + redeploy C & R (#4 above) |

⁵¹ In Nation States not pursuing wealth redistribution or real asset deflation policies

⁵² GCR – Geopolitical, Currency (\$), Real Values

In Summary

The forces below, that I identified as 'risks' in 2018, 'crossroads' in 2020 and 'converging cycles' in 2023...

- | | | | |
|--------------------------|---------|------------------------------|-------------------------------------|
| • G - Geopolitical Cycle | 500 yrs | East vs West | wrt who decides rules of the world |
| • P - Political Cycle | 100 yrs | Centre vs State primacy | in aligning institutions with G & S |
| • S - Societal Cycle | 50 yrs | Capitalism vs Redistribution | cycles between merit and outcomes |
| • B - Business Cycle | 10 yrs | Growth vs Recession | as determined by credit cycle |

...Have grown stronger and surer as we come to end of 2025:

- As we face a situation where each of G, P and S is undergoing a cyclical shift concurrently,
- 'Who's running the global show' (ie holds Sovereign Geopolitical Power-SGP) becomes the key question
- While 1648 Treaty of Westphalia gave SGP to Nation States (NS), the 1945 UN-order *largely* took it away
- And placed it in two (and eventually one) Nation States, who then co-existed as de-facto empires

The western part of this UN-ordered and US-led system soon faced a fundamental schism:

- Under Washington Consensus of Democracy, Free Markets, Rules-based order & Human Rights
- As Democracy broadened extending voting rights to younger, non-propertied, all-gender masses
- The idea of 'National Interest' reqd constant rebalancing of interests of masses, Elites & SGP-holders
- Politicians now had to juggle among elections, funding & GP needs; & became short-term & shifty
- Hence, SGP holders struggled as they sought long term orientation + GP primacy over P/ S/ B needs
- Resulting in a schism between SGP holders & Nation States; thereby threatening the current G order

These guardians of GP, in millennia of history, have been an Oligarchy of WPM⁵³, who:

- Control / influence Govts (Presidents / Monarchs / Dictators) & Govt Deep State
- Pursue their Purpose which is many levels above that of Nation States and Govts
- Think beyond borders in terms of boundaries of influence, not those of Nations
- Take the long view of 100s / 1000s of years, while Govts/States can come and go
- Remain in the shadows Putting only their proxies in the public eye
- Know how to survive Wars, Famines, Societal shifts, Tech shifts, Economic shifts etc

And whenever the Geopolitical cycle is threatened a turning point, then in each realm:

- The dominant G-actors (W/P/M) form an alliance with a new form of P-actors – a "Strongman"
- The alliance is not aligned with any NS and even geog boundaries of NS become fuzzy
- Past agreements and current GP-order's institutions are deemed irrelevant and openly questioned
- Even if current GP holders retain power, they may yet shift their physical base to a new NS
- Overall, any NS is not a sovereign actor in this contest for Geopolitical power
- Under this Hybrid Lens, we see that GP is '**WPM-manifested + Nation-States-executed**'

From 'NS-executed' eyes, Washington Consensus (WC) was designed to retain GP within the US, wherein:

- | | | |
|---------------|----------------------------|--|
| • Democracy | ensured Military Supremacy | as democracies do not make war against each other |
| • Rule of law | ensured Control | as application of rules was by US "based" institutions |
| • Dollar | ensured Monetary Supremacy | as a reserve asset with an "exorbitant privilege" |
| • Free Trade | ensured Lifestyle | as credit-fuelled US demand met cheap global supply |

But today this setup is threatened by:

- | | | |
|-----------------------|-------------------|---|
| • Rising | Military strength | of China, and Russia (see quote below) |
| • Rejection of | Rules based order | by not just China and Russia but by US itself |
| • Rising wave of | Dedollarisation | especially after freezing of Russian \$ assets in 2022 |
| • Rising wave against | free trade | given - decline of WTO & rise of Liberation Day tariffs |

⁵³ Warriors (Military), Priests (Religious) & Merchants (Business, Industrial, Financial)

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