Sean Foo: The West's Financial House of Cards Crumbles

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#Glenn

Welcome back, everyone. Our friend Sean Foo joins us today from Singapore. He’s a market analyst, a China expert, and a go-to person for insights on gold. Make sure to follow his excellent work on YouTube. I’ve left a link in the description. Thanks for coming back on the program.

#Sean Foo

Great to be here, Glenn.

#Glenn

So there’s a lot I want to ask you about today, but I thought a good place to start might be with Jensen Huang, the CEO of NVIDIA, who was brought back, apparently after Trump intervened. I was wondering if you could explain what’s going on, because this hasn’t just been economic news. In terms of political drama, it’s been almost like a soap opera.

#Sean Foo

Sure. I think this ties in beautifully with the crisis that’s brewing in the United States and with the broader geopolitical confrontation between China and the U.S. Now, I think we all saw the carnage over the last five days after Jensen left. I mean, we saw the headlines about the scandal. At the end of the day, he was kicked out of the company. They say he resigned, and the market started to fall,

right? The S&P fell by 3% to 5%. U.S. tech stocks dropped by 10% to 15% and almost entered a bear market, right? So the issue is that the entire U.S. economy is so leveraged that everyone is just banking on tech stocks going up forever and ever. Now, if you remember, over the last three to six months, Trump himself had been touting the strength of U.S. tech stocks.

Because honestly, across the entire U.S. economy, there really isn't a bright spot left where people, investors, or countries can put their money. The U.S. deficit is out of control. Bonds have been crashing. That's why yields have been going up. At the same time, the U.S. dollar is going down. So after Jensen's firing, Trump sees the market going down. Investors are shunning U.S. stocks. There's a massive sell-off, so he needs to step in. That's just the economic, the financial side of Jensen coming back. Now, if you look at the bigger political game, I think we can all admit, or at least see, that there are really two camps in Washington right now when it comes to AI and technology.

Now, the camp that really wanted Jensen out was the one pushing for full export controls. I'd call this the Scott Bessent camp, perhaps, right? They've concluded that you can't give China any leeway. You can't give them access to any U.S. chips at all. Even restricting them to watered-down versions of the H100 or H200 doesn't go far enough. We have to starve them out. And because of that, they looked for a reason to really push for export controls. Now, Jensen is one of the few voices in the tech ecosystem that's still rational. He sees the writing on the wall. Eventually, China is going to make its own chips. Huawei is going to innovate and improve its Ascend line to the point where it'll rival Nvidia's latest chips, right?

Maybe that's one year down the road. Maybe that's three years down the road. And if Nvidia doesn't sell as much as it can in China and doesn't establish a foothold there, eventually the entire Chinese market, which accounts for half of the world's chip demand, is going to go to a Chinese company. And once that happens, we can kind of see the flywheel of Chinese manufacturing kick in, right? They have a very robust supply chain. They have tons of talent. They have robotics. They're going to drive chip prices way down. And eventually, Chinese chips are going to flood the market and compete head-to-head with U.S. chips. And I think that's something Trump finally understood. And that's why, at the end of the day, he brought Jensen back.

#Glenn

Well, it is a dangerous situation in the United States, as you say, when the markets are leveraged this way. All these banks and investors have borrowed so much money to invest. I mean, as you said, if those stocks don't perform well, it could all turn into a house of cards. But how do you see this systemic U.S. financial crisis in the context of what's happening in the tech sector now? It seems most people agree that AI is in a bubble. That's not a criticism of the technology, but as an investor, how much money can you actually make here?

#Sean Foo

Right. I think the systemic crisis is really, really dire. And that brings us back to why Trump had to bang on the table to get Nvidia's board to bring the guy back. Now, we have to understand that this entire tech system is one big circular financing scheme, one big financing circle jerk, with Nvidia, this one company, sitting in the middle. Nvidia has given hundreds of billions in guarantees. These include commitments to invest directly in companies, lease guarantees—"If you buy our chips, we'll lease services from you"—and loans.

We'll lend you Nvidia's good name. You can say you're working with us, so you can go out to the market and borrow more money. And what happens in the end? You take that money and use it to buy our chips. And that's why Nvidia's revenue has been going higher and higher and higher. All those commitments from other companies to buy Nvidia chips—well, Nvidia booked them as revenue. So right now, the entire AI bubble is built on quite a few dangerous things. One is the hope and prayer that Nvidia will honor its commitments and make those investments, and that all these companies will buy its chips. The other is that it's banking on China not being able to catch up.

And at the end of the day, the idea is that if we demonize Chinese AI solutions, all that user demand for AI will just flow to American solutions. But we've seen quite a few investors actually push back on that idea. I think we all remember that Anthropic just went public in the last couple of days. Now, Anthropic is one of America's top AI companies, right? They're the creators of Claude, including Fable, for example. And they went public at an astounding valuation of around $1.4 or $1.5 trillion. But when the stock started trading on the exchange, it opened at around $110. Then it crashed all the way down to $85, which is close to its IPO price. And this is the biggest stock market event of the year, with the biggest valuation of any company.

And investors just walked away. I believe some insiders definitely sold some of their shares as well. So that shows the entire bubble is really imploding. And there are other factors we need to consider. For example, bond yields in the United States are extremely high. Now, we'd lived through at least 10 years of near-zero rates, or at least rates between 0% and 1%. Then, during the Biden era, after the war between Russia and Ukraine started, yields started to climb: 2%, 3%, 4%, 5%. And now we're slowly heading toward 6% if nothing changes. So there's a lot of pressure on the entire U.S. system. And the AI bubble really needs a new growth story. Otherwise, there's a good chance it could implode.

#Glenn

It seems as if part of the economic model now is controlling the narrative to keep the AI bubble alive. In other words, we'll fake it until we make it. Because if people don't believe these companies will be profitable in the future, the whole model seems to fall apart. But at some point, you have to look at it from an investor's perspective. If costs are expected to rise while competition in AI, especially from China, is driving prices down, what does this market actually look like to investors?

#Sean Foo

Sure. I think the market looks very, very bad for the United States. The first reason we can point to is the Democrats. They're going to get their revenge. They're going to strike back in 2027. And one of the promises they made, at least to their voters, was, "We're not going to let data centers come into our states willy-nilly, right? We're going to put up a lot of barriers. We're going to make sure these data centers build or provide their own power sources. We're basically going to make it hell for them to come in." Now, this freaks out the entire market because the expectation was that data centers would keep growing nonstop in every single state in the U.S., whether it's a blue state or a red state.

But we've seen a lot of states suddenly turn purple or flip blue. So trying to get a new data center built in those states is going to be quite hellish. A lot of the hyperscalers—your big names, Google, Meta, SpaceX, what have you—need to keep building their data centers. They've committed a lot of money. So let's say they need to build a thousand data centers. That's just an arbitrary number. But half the states that once welcomed them are no longer an option. So what does that mean? You need to put up more money to entice the remaining states to accept your data centers.

And on the financing side, the banks and private investors say, "Oh my God, I don't think you'll even be able to build the facilities. All right, we'll still lend you the money, but we're going to charge you one, two, or three percent more." So everything starts to freak out when it comes to the cost of financing. And let's not forget that the price of oil is high, right? The Russia-Ukraine war hasn't been settled yet, and almost every week we see headlines about refineries blowing up. The war in Iran hasn't been settled yet either. Trump just threatened to resume bombing Iran back to the Stone Age in 2027 if Iran doesn't raise the white flag, right? And we know Iran isn't going to raise the white flag anytime soon.

So the cost of goods, the cost of oil, and energy costs in general are all shooting up. Now, if we look at the other side of these cost pressures, what China is doing to US AI companies is just as horrible. China has about two to three times the power capacity of the United States. And interestingly enough, from 2030 onward, China won't need to rely on fossil fuels for any additional power, right? China could increase its power generation through solar, geothermal, hydroelectric, and nuclear power. So even if Trump somehow manages to put Iran and Venezuela in an iron cage and stop any oil shipments from reaching China, China's still going to be fine.

And because of the ecosystem China has—talent that isn't so expensive, cheap energy, and rare earths in the pipeline—it can drive down the cost of its AI solutions. So if we compare some of the latest Chinese models from DeepSeek with the models from OpenAI and Claude, the American models cost three to ten times as much. Now, it's true that the American models might be 5 to 10 percent more advanced, but is it really worth paying five to ten times more for that incremental benefit? Most companies today, especially in the Global South, in the global majority, are going to say no. And that's why we're in a really bad spot in this AI race, especially here in the US.

#Glenn

I'm glad you mentioned all these connected issues, because if you look at the tech race or the US wars against Iran and Russia, they're all interconnected, of course. And if you take a step back and look at the macroeconomics, you can't help but conclude that a lot of this will also affect the dollar and its dominance. Do you see the dollar's dominance as being under severe pressure now, too?

#Sean Foo

Yes, I think it's going to be under severe pressure. And the AI race itself is more or less going to determine whether the dollar really has decades left as a reserve currency or just a few years. Now, let's talk about the first issue: the dollar going down. A few months ago, Trump admitted that the U. S. economy can grow and that the debt will be inflated away. So at that point, he really gave everyone the instruction manual: the dollar has to go lower, and at the end of the day, the U.S. debt is unsustainable. They'll have to lower interest rates, print money, or do both. Right now, people have very few reasons to buy goods and services from the U.S. apart from AI solutions and other services from the hyperscalers, and maybe Hollywood movies, right?

You still need to use U.S. dollars to buy some things, like energy. Europe still buys a lot of energy from the U.S., so it has to use dollars for that. But as time goes on, the U.S. is becoming less and less relevant as an exporter, especially as China keeps competing with it and posting a record trade surplus every single year. China's surplus has gone from $1 trillion before the war in Ukraine to somewhere between $1.2 and $1.3 trillion now. China is gaining market share, so there's less demand for dollars. Now, that's just the short-term pressure on the dollar. As for the long-term trajectory, that's where the AI war fits into the picture.

I think we can all remember the era of the petrodollar, right? I think it was in the 1970s. Was it Nixon who sat down with the Saudis and said, "You'll sell all your oil for dollars and recycle whatever money you have left over into U.S. Treasuries"? That helped finance the U.S. for decades. It allowed the U.S. to borrow a lot of money. But we know that era is already slowly fading. I mean, we can see that China isn't as reliant on energy as it used to be. Because of the war in Iran, a lot of countries are getting more fuel and oil from Russia. I mean, even the U.S. is so desperate that it's buying diesel from Putin, too, right?

They're greenlighting certain shipments to the rest of the world. And because of that, what's going to drive demand for the next reserve currency is who can export the most AI solutions. Who can export the most semiconductors, including AI chips, to the world? Right now, the U.S. dominates that market, but China is catching up technologically. And once China catches up, it's simply going to lower prices and sell those chips on a massive scale to the rest of the world. It's going to be very hard for the U.S. to compete, and for many of its allies, like Japan and Korea, to compete as well.

Once that happens and China floods the global market with chips, they can go to any country and set the terms, right? They can go to Brussels. They can go to Germany, right? They can say, "All right, we have this chip that's on par with the latest NVIDIA gear, but it's 30 or 40 percent cheaper. If you want it, you'll have to pay in renminbi, or at least in euros or whatever." And once we get to that point, the world is going to move even further away from the dollar. So I think the dollar is in a very precarious position right now. It's headed lower in the short to medium term, and its status as a reserve currency is really under threat from AI and chips.

#Glenn

I'm glad you mentioned the Nixon-Kissinger petrodollar system, because it's quite interesting how it ties security to economics. The U.S. offered to guarantee the security of the Gulf states, primarily Saudi Arabia. In return, those states would sell their oil only in U.S. dollars. That was great for the U. S. because it created huge demand for its currency, and the Gulf states would have to reinvest all that money in the U.S. So the U.S. got both the investment and the demand for its dollars. As a result, essentially all global trade came to be conducted in U.S. dollars. So again, the whole U.S. system has been so dependent on this. It also shows that geopolitics can have an economic return on investment.

But that also puts a lot of pressure on the geopolitics to stay the same. And it isn't staying the same. We can see that U.S. relations with its allies are weakening, and the allies themselves are weakening, too. Obviously, the Gulf states are being bombed out, and the U.S. is gradually being expelled from the region. But if we look at Asia and Europe, it looks as though the key U.S. bridgeheads—its key partners, Japan and the Europeans—are losing their economic strength. Perhaps we can start with Japan. What's happening there? You hear that they might essentially pull the plug on the yen carry trade. Japan offers very low interest rates, which means people can borrow cheaply and use that money to buy foreign assets. I mean, could this whole thing come to an end?

#Sean Foo

I mean, it definitely could come to an end. For the past five, ten, maybe fifteen years, Japanese money has been a big reason why asset prices around the world have kept going up. I think just last year alone, Japanese investors held somewhere between $2 trillion and $2.5 trillion in U.S. stocks and bonds. And a lot of that comes from borrowing cheaply in Japan. As you said, that's the yen carry trade. Investors around the world, including Japanese investors themselves, borrow yen at very low rates, maybe 0% to 1% in the past.

They convert the money into U.S. dollars and then use those dollars to buy U.S. bonds that yield more, maybe 3% to 4% at the time. Or they use it to buy tech stocks, right? They bought stocks like Nvidia when prices were low, and now prices have gone up, obviously. But with all the geopolitical

madness we're seeing—the war in Ukraine and what Trump is doing to Iran, restricting oil supplies and keeping oil from flowing through the Strait of Hormuz—Japan is in a tough spot because it depends heavily on energy imports. Ninety percent or more of its natural gas is imported, and at least half of those imports come from the Middle East.

So Japan has to source that remaining 50% from other countries, including Russia. The cost of imports is going up, and because of that, a lot of investors around the world are saying, "All right, Japanese manufacturing is going to get hammered. The outlook for Japan isn't good. I think it's time for us to get out of yen assets." So they start selling yen, and the yen goes down. That makes it even more expensive for Japan to buy oil and all the other imports it needs, including food. So Japan is really caught in a bad spot. One option is to raise interest rates.

But if Japan raises interest rates, it puts even more pressure on its companies because borrowing gets more expensive. It's harder for them to get the money they need to fund their operations and grow. At the same time, higher interest rates make the yen carry trade less feasible because it costs more to borrow yen. The cost of carry goes up. So that pin alone could pop the bubble. Japan is also a U.S. ally, so it can't just dump half a trillion or a trillion dollars' worth of Treasuries to bolster the yen. It needs to work with the Trump administration, and that's not going to be easy.

So Japan is really caught in a situation where it's trying to wait things out, but it's not going well. And if U.S. markets, especially tech stocks, keep dropping, that alone could prompt Japanese investors to pull a lot of money out of U.S. assets and bring it back home. Let's not forget that Japanese investors are very conservative. They were used to a world where Japanese yields ranged from negative territory to 1%. But now Japanese bonds are yielding 3% or even more. So that's something like three to ten times higher. And if everyone rushes for safety, they could pull a lot of money out of American investments and put it into Japanese bonds, and you could see U.S. markets just implode.

#Glenn

What about Europe, though? It doesn't seem to be in much better shape than Japan. How do you see the overall situation? Besides pursuing this economic war with Russia, which was its main energy supplier, Europe also seems to be trying to reduce its dependence on China. The key thing in Europe right now is that they want autonomy, so they want to cut themselves off from China. But it seems they need a lot of what they get from China if they actually want to develop. So there are a lot of contradictions here. How do you see Europe's position in this economic war?

#Sean Foo

Yeah, it's really weird. Europe is basically like a teenager who tells their parents they want to move out, but they only have $10 in their pocket. I mean, if you want me to boil it all down, that's basically it. Europe has a long-term plan, but no clear roadmap for getting there in the short or

medium term. Now, I talked before about Europe teaming up with Canada. That's brilliant. It's a good plan to get cheap energy from Canada and reduce Europe's dependence on the U.S., where it's paying five to ten times as much for energy. But that's going to take time.

It's going to take at least five to ten years to sort things out, build all the terminals, and get all the contracts in place. And we all know it's not like Europe is particularly efficient when it comes to getting deals done, right? I mean, you get what I mean. There are a lot of regulations. So what's going to happen in the meantime, over those five to ten years? How is Europe going to survive? Now, the big issue is that Europe is facing a wall of tariffs from the U.S. EU exports to the U.S. have dropped by at least 15 to 20 percent. I think last month they dropped by 25 percent compared with the previous month, which is horrific. So Europe is having trouble shipping its goods to one of its biggest customers, the U.S. And why is that?

Because their goods are just too expensive. We don't have to look far. Just look at some German companies that aren't doing well. Volkswagen, a brand that started out in Germany, is laying off something like 50,000 to 100,000 workers. Mercedes, another German brand, isn't going to invest any more in Germany. They're just not going to build any more plants there. In fact, they're thinking about building more stuff in China. And once you see this, you kind of understand why Europe is really caught in a short-term bind. They don't have the energy.

They refuse to trade with China because they want to protect certain industries. They want to cherry-pick what they buy from China. But it doesn't really work that way. Chances are Europe wants to block all imports of Chinese EVs if it can, but it wants to keep buying cheap inputs, cheap electronics, and rare earths from China. But the problem with global trade, whether it's with the U.S. or China, is that it doesn't work that way. You have to take the good with the bad, and you have to take the bad because you don't have any alternatives left. So let's say the EU really does come out with export controls that let it suddenly give orders to different countries, from France to Germany.

"We'll all cut our purchases of Chinese cars by 20% as part of a bloc-wide boycott." Now, what's China going to do? China is simply going to squeeze Europe in multiple ways. The most effective way is to restrict the supply of rare earths. And once you do that, multiple industries are going to suffer. What's left of the EU's automotive industry is going to suffer. ASML, the semiconductor equipment maker in the Netherlands, is going to suffer as well. I think a few months ago, von der Leyen was like, "Oh, we're going to rebuild Europe's industrial base. We're going to make sure Germany is the shining capital of EU defense." Well, what do you need to fulfill all these defense contracts and build everything from missiles to defense systems? You need Chinese inputs as well.

So Europe is really caught in a bind. You know, I think we've been saying it for years now: the easiest solution is to just get Russian energy. Or you fire up all the nuclear plants again and get everyone hooked on nuclear energy. So it's one or the other. Now, I personally think going back to Russian energy is still a good option. You get cheap energy from Moscow right away. One half of Nord Stream is still there. At the same time, because you're getting more supply from Russia, China'

s own production costs will go up, at least when it comes to fossil fuels. So it's more of a win for Europe. But it's bewildering that they want to stick to their guns. They want to stick to their principles and just go down with the ship.

#Glenn

Yeah, I don't really understand their economic policies either. You know, to be honest, I saw something similar with Trump, though. He also wanted a quick solution, like you said: get it done overnight. I like the idea Trump pushed during the presidential campaign that the US should reindustrialize. But again, that takes long-term planning. You know, you have to put together something like a 20-year strategy. And as part of that strategy, you can combine some tariffs with subsidies to develop your key industries, but you shouldn't disrupt existing supply chains. The US can make deals with China by explaining that it needs to protect and develop some of its industries, without triggering a larger trade war.

But instead, we've seen the exact opposite. Tariffs are just being used as a weapon, so they're really disruptive. They're temporary. People can't invest in domestic industries because they don't even know if the tariffs will still be in place next week. Again, as you said, everything has to be done so fast. And I get the impression that's what the Europeans are doing as well. There seem to be a lot of things they can do. They can work toward technological sovereignty, but that will take time, and certain conditions have to be met. One of them is that they can't depend so heavily on the United States alone.

So cutting yourself off from China might instinctively seem like a good path to technological sovereignty, but I think all they're doing is disrupting supply chains and making themselves too dependent on the US. And at the end of the day, none of this will help them achieve their objectives. And on energy—sorry, it has to be said—the Germans, with all their energy-intensive heavy industry, cut themselves off from Russian energy, right? It's wild because, again, what happened to all that Russian energy? It went to China. And again, this comes down to what the government can and can't do. What you saw was all the German companies starting to follow the energy.

So they go to China because that's where they have to go to get cheap energy and survive, if you will. Or they go to the United States. But again, the policy doesn't make any sense. I hate to be too harsh, but Europe is starting to look like an ideological cult. They assume that if something is bad for Russia, it's good for Europe. But on that topic, it looks like the wider economic war against Russia is starting to backfire on the Europeans in a big way. For one thing, I think it was ten days ago or so that the Russians began retaliating against the Western financial sector. What happened there?

#Sean Foo

Right. So this is quite interesting. Russia has started to seize Japanese assets, right? I think Putin and Moscow were definitely not happy when the West took away Russia's $300 billion and started

using some of the proceeds to fund Ukraine's fight against Russia. And the EU and the US, you know, created all kinds of loopholes. They said, "We're not going to touch the capital. We're just going to let the interest on your investments bankroll Ukraine's future defense." The issue with that is, you know, at the end of the day, that interest is still being generated by the capital itself—the Russian reserves.

So what Russia has been doing over the last two to three years is systematically confiscating, seizing, or acquiring a lot of G7 assets. Now, some of those assets could belong to banks, and some could belong to food companies. I think Carlsberg was a victim as well. Recently, Russia confiscated the assets of Japan Tobacco. Now, this is very interesting because Japan Tobacco isn't privately held. It's a publicly listed company, and the Japanese government itself owns 30 to 40 percent of it—at least a third.

And this is really a black eye for Japan because it reminds the world—including Russia, China, and Japan itself—of Japan's involvement in the war in Ukraine, even though its involvement is minor compared with that of Europe or the US. So Russia is doing everything it can to put the squeeze on the G7 and see how bad things get for them. Now, at the summit in Shenzhen, Trump went to meet with Asian leaders, but his main objective was definitely to meet with President Xi and Putin. I think the Japanese prime minister spoke with Russia on the sidelines. I'm sure they talked about the confiscation, but nothing concrete came out of it.

We don't see any headlines about Russia returning Japan Tobacco's assets to Japan. So it just shows that, at least on the economic front, Russia is beginning to gain the upper hand. They've already been hammered by over 10,000 sanctions, they've been cut off from the US dollar system for years, and they've been working with China for years. Trade with China is almost completely de-dollarized: it's conducted in either rubles or renminbi. So I don't think Russia has anything left to fear when it comes to financial sanctions. They've been hit with almost everything. Going forward, at least on the economic front, I don't think the West has any leverage left over Russia, except maybe to just take the $300 billion outright.

#Glenn

Yeah, I often call Trump, you know, the president of low-hanging fruit. He always wants to get something out of nothing. So that's why he often goes for the easy wars, you know, like Venezuela, where you can get in quick, get out quick, and have something to show for it. It seems like he does the same thing in diplomacy. He sweet-talks foreign leaders, and they give him something in the hope of improving relations with the U.S.

But I don't think it's going to work to the same extent in Norway with either the Chinese or the Russians. On the subject of Russia beginning to seize some Western financial assets, they also went after this British brokerage, Sova. These aren't sovereign funds, though. The Europeans seized Russia's sovereign funds, which is something we've never really seen before. But what happened

with the British? There seem to be some geopolitical calculations at play here as well, given that Britain is one of the most staunchly Russophobic countries in the current war against Russia.

#Sean Foo

To go back to my previous point, I think Russia is trying to grab as much money as it can. It's definitely a form of retaliation in this economic war. This British brokerage is a private company, and it comes down in part to jurisdiction, right? I mean, if the assets were subject to British law and held on the London Stock Exchange or something, Russia definitely couldn't touch them. But all the assets were in Russia, on the Russian stock exchange. I think a lot of the shares were in Russian companies like Gazprom and Rosneft, if I'm not mistaken. Those are some of the major Russian energy producers.

So they confiscated the assets or put them under Russian management. And because the shares are all recorded in a private ledger in Russia, not in the UK, they can easily take them. So I think this is just an example of how ugly the economic war is getting. The G7 definitely had the upper hand, at least financially, in 2022, when they started taking a lot of money. But I think Russia is now doing its own version of clawbacks every month, every quarter. And, you know, if you have nothing left to lose and you already see the West teetering, you might as well go after what you can.

#Glenn

Yeah, no, I often make the point that the golden era for the West was obviously the 1990s, when the West was all-powerful and the concentration of economic power was just immense. But I think it was too good, because mentally, Europeans and Americans still live in the 1990s. They think the world still works that way. When it comes to sanctions, in a unipolar world, if you put sanctions on a country, it can't diversify away from the West. So either you live in perpetual poverty and get crushed, or you fall in line and do what you're told.

In a multipolar world, though, it seems like all you do is hand over a massive share of the market to others. As you mentioned before, for example, the energy that used to go to Europe now goes to Asia. So economic coercion, including sanctions, plays out very differently in a multipolar world. My last question is: How do you see the relationship between Russia and China developing now? To what extent can they reduce their dependence on the West, not just in trade but also in technology and finance? You mentioned currency. Is this kind of cooperation drawing in other countries around the world as well? Sorry, it's a big question, perhaps. How do you see this playing out in the future?

#Sean Foo

Sure. I think the future is definitely going to be multipolar. I think the whole world wants that, too. People don't really want a single hegemon like the one we've had for the last 30 to 40 years, or even longer if you go back to World War II and the Cold War, when the U.S. emerged as the main victor.

I don't think countries really want to choose sides, right? The old idea was that if we just stick with the U.S., with the West and the G7, everything will be hunky-dory. But we've seen, even since the Biden era, that if you're aligned with the U.S. and it tells you to help out with one of its overseas adventures, you're obliged to do so in some way.

Then came Trump 2.0, and suddenly we saw the whole world get hit with a brutal trade war. Every territory on Earth, even Penguin Island, got hit with tariffs of 10%, 20%, or 30%. So what's the point of being a U.S. ally if you're going to be treated just as unfairly as everyone else, even after working with the U.S. for decades? You might as well be a free agent. Being a free agent means you can deal with each country on its own merits. So, for example, maybe I'll still get my AI solutions from the United States. Maybe I'll go on a nice holiday to Europe and visit the cathedrals there. Maybe I'll go to China and get the latest EVs.

And maybe I'll get my energy from Russia, from Putin, at the best price. So I think that's the direction the world is heading in. Can the U.S. effectively decouple from China and Russia without either side collapsing? I think both sides can. We can really see a concerted effort by the U.S. to consolidate the Western Hemisphere. That's why they were so busy helping out Argentina, taking Maduro in the middle of the night, and influencing Venezuelan oil contracts. At the same time, China is trying to decouple from the United States in a big way. We can already see it happening every month in China's holdings of U.S. Treasuries. You know, they've been selling them off, and their holdings have gone from $1.3 trillion to just over $500 billion. So that's a 60% decrease.

So we can see both countries trying to reduce their dependence on each other, become masters of their own universe, and go their separate ways. Now, will there always be trade at the fringes? I'm sure there will be some trade, but maybe not as much as in the past. And I think these blocs will develop a lot of critical technologies on their own, whether it's weapons, AI, semiconductors and chips, or even energy. I don't think we'll ever get back to that good era of cooperation. I think that era is over, at least for the next few decades. You know, unless it's something like climate change or everyone gives up their nuclear weapons, I think the main trend economically is toward confrontation. We're effectively in a world of decoupling.

#Glenn

Yeah, I think the reason most of the world, especially small and medium-sized countries, is drawn to a multipolar distribution of power is that it allows them to diversify their economic partnerships. You know, if you put all your eggs in one basket with the US, then the US can dictate the economics and the politics. But if you can diversify your economic ties, you avoid becoming too dependent on any one country. And that gives you more bargaining power when you negotiate economic deals. I mean, can you get technology from both China and the US? That can bring more prosperity. It also gives you more political autonomy. I've argued for a long time that this should be Europe's path.

When the world becomes multipolar, you have to adjust to that reality. But I don't think European leaders can, because once you do, you're admitting that the hegemonic era is over and that you have to reduce your dependence on the US. And ideologically, that's something no European leader can do. So instead, they'll just pretend they still live in a unipolar world, even when the distribution of power is clearly multipolar. Yeah. I think it was one of your diplomats there in Singapore, Kishore Mahbubani. He was a former president of the United Nations Security Council. And I remember he was asked, I think it was in 2022 or 2023, why most of the world didn't join in the sanctions against Russia.

I think about 85% of the world's population lives in countries that haven't imposed sanctions on Russia. And he was making the point that, you know, the sanctions were intended not to reach a settlement with Russia, but to break Russia. And he said, imagine if the West could defeat Russia here and restore something like the unipolar world of the '90s. That would be a nightmare for most of the world. Imagine the arrogance of the West, he said, and how they would try to dictate to the rest of the world. So they don't want to go back to the '90s. So I think it's quite important to see how the politics and the economics come together here. Yeah. Anyway, do you have any final thoughts before we finish?

#Sean Foo

Well, I think we're moving into a very exciting era. I think we can just throw all the old rules into the garbage bin, especially after what we've seen over the last two or three years. We've seen crisis after crisis. We all thought things wouldn't get any worse after the war between Russia and Ukraine. Then came the trade war. We all thought things couldn't get worse than that. Then came the war in Iran, a senseless war that's going to drag on for who knows how long. And if that wasn't exciting enough, we had the Jensen Huang scandal. After everything that happened, I'm sure he's going back to the NVIDIA office as a conquering hero. So I think we'd all better be prepared. It's never been more important to keep up with the news, whether it's economics or geopolitics. I think the two go hand in hand.

#Glenn

Excellent words. Yeah. Well, interesting times, as they say. Thank you so much for taking the time.

#Sean Foo

Thank you, Glenn.