

## Precisely Ambiguous or Clearly Cloudy

Masses across the geographies are seeking *justice* (word of the year as per Merriam Webster) for the *toxic* (word of the year as per Oxford) *misinformation* (word of the year as per dictionary.com) spread by the leaders who have no followers (Macron) from the jurists who have no jurisprudence and have to resort to press (who have little credibility of their own) conference to voice their grievances.

When words like justice, toxic & misinformation are identified as word(s) of the year, at first there is a general sense of panic (incidentally Hindustan Times described 2018 as year of panic) and pessimism, but upon taking a closer look I feel relieved. Fact is that nothing has changed fundamentally in 2018: either in terms of delivery (or lack) of justice or spread of toxicity or misinformation (btw, FakeNews was the person of the year just last year) – so a sudden spurt of interest in these words should be a soothing factor. That people are demanding justice and are no longer prepared to surrender & suffer is a trend that must be nurtured. It's nice to realize that masses across geographies are rejecting toxic misinformation and demanding authenticity & accountability. They are no longer in the awe of anybody (be it Mark Zuckerberg or Theresa May or Harvey Weinstein or “celebrated” *Baba* in India). Putin is still beyond reach but Zuckerberg & Pichai must answer to Congress / Senate for their actions (or lack thereof) and adventures whether in terms of Cambridge Analytica or sharing the users' information or explaining why images of POTUS appear on Google when searching “idiot”. I'm not sure if WhatsApp is earning any profit from India but I see series of their adverts in leading newspapers urging users to “share joy & not spread rumors”. I take it less as a might of India and more the vulnerability of Facebook & Twitter that both are doing all they can to subvert accusations of influencing forthcoming elections.

On the face of it, 2018 shall be remembered as a year of paradoxes, sample this:

- A US Journalist is killed inside Saudi Consulate in Istanbul – Globalization. Globalization is now an elite word, inviting widespread backlash. Mirzapur describes it best: *“Attack mein bhi gun, defense mein bhi gun, hum banayenge Mirzapur ko Amirica” (Guns for attack, guns for defense, we shall make Mirzapur like America)*
- We talk of inclusivity, diversity, inequality and #MeToo in the same breath. Majoritarianism is practiced through exception and exclusion; not integration or inclusion (they are so inclusive that they have excluded us).
- We graduate from a rural society where there was no privacy as everybody knew everybody else to an urban cosmopolitan where nobody knows anybody as everyone is anonymous. But someone anonymously knows everybody to the extent what you eat (Zomato), where you go (Uber), what you shop (Amazon), what you do (LinkedIn), whom you are friends with (Facebook), whom you are influenced by (Twitter) – and that's just the tip of the iceberg: we still don't know the extent to which these 'services' store & use our information and for what purpose. Proves the axiom – If you are not paying for the service, you are the product.
- 700,000 Brits march in central London against Brexit – something THEY chose just last year – making it the second largest protest (next to Stop the War March in 2003) forcing Theresa May to step aside prior to Brexit – her *raison d'être* to be in 10 Downing Street in the first place. One of the tweets on the subject worth mentioning comes from an account named @Charles\_HRH *“Before you mock children for believing in Father Christmas, just remember there are grown adults who actually believe in Theresa May Brexit Deal”*
- Amid celebrations of a rather safe decade since the financial crisis we are warned that the next one is around the corner AND coping mechanisms deployed earlier are obsolete whereas new ones are not ready (any comparison with Demonetization in India is coincidental). Asset bubbles are building across geographies and sectors reminding us the trigger of '08.
- Trump meets Xi Jinping & hugs Kim Jong-un while Pence openly threatens China in his address at Hudson.
- Carlos Ghosn is arrested in Japan, Meng Wanzhou is interrogated in Canada and John Flannery is sacked – all three celebrated like deities until their tipping point.

- Jacob Zuma resigning, Elon Musk stepping down, Mark Zuckerberg and Sundar Pichai responding to Congress as well as their investors for moral & ethical failure(s). In less than 24 hours, IL&FS rating moves from AAA to D scaring everybody as potential Lehman moment (bankruptcy) for India that was converted to Bear Stearns moment (bailout) by Indian Government, much like their US counterparts did a decade back. Hope history doesn't repeat.

Given the global circumstances & trends, here's how I see 2019:

#### My Eyes & Ears:

I am convinced that the global financial markets have provisioned for Brexit and it might be smoother than the world is prepared for. Corporates are prepared for "Worst Case Scenario" including "No Deal" and governments have reconciled with every conceivable eventuality. London may or may not be the loser but Brussels, Frankfurt & Dublin shall surely be the winners.

The trade war between US & China will find equilibrium, in spite of or due to rhetoric from both ends and North Korea shall get better integrated with the world. Global growth shall slow down to ~3% with widening inequality and that may cause avoidable stress not only in developed (Yellow Vests in France) but also in developing (populistic measures in Indian subcontinent) world. This is not desirable but real, and therefore I expect leadership – not only political but corporate, religious and social as well – to embrace it. It is New Normal and old remedies are not going to be relevant. Innovation is the key – in mindset, means, methods and measures.

Though I do not see an early end to the Syrian Crisis, I do not expect Iranian crisis to spread wider either. Africa – overall – shall continue to be stable & growing and majority of Asia will rebound economically, irrespective of what is going on in Sri Lanka and what has happened in Pakistan and whatever be the outcomes in Indian & Bangladeshi Elections (unconfirmed update just came in confirming Sheikh Hasina winning comfortable majority). I am optimistic about economic growth and political stability in East Asia, including China, Japan and Korea. Similar shall be the case with US, notwithstanding what press thinks or writes about Trump. He is doing what he believes is right for the people who have elected him and they believe that as well. I would not be surprised if he is re-elected in 2020. He is following Harvey Specter: *"According to me is only according to that matters"* & *"Win a no-win situation by rewriting the rules."*

With political populism at its severest, I see US diversifying its supply chains from China & Mexico and here lie big opportunities for Indonesia, Vietnam & Thailand. Unfortunately, India & Brazil have missed their chance to capitalize, once again. I have high respect for Indonesia that is advancing in spite of natural as well as manmade disasters (as if two tsunamis in one quarter were not enough, misery was compounded with unfortunate JT610 accident). Similar is the case with Thailand & Vietnam, both progressing in spite (or rather because) of "lack of democracy" & accusations of "corruption".

#### My Cheers:

2018 marked a decade since Financial Crisis and Mumbai Attack. On both the fronts, global as well as Indian community can genuinely breathe a sigh a relief. While the fear is always present, I like to believe that we are globally, commercially and geo-politically better prepared. Financially, banks are more regulated, better capitalized and follow stricter governance rules making them safer than at any time in history. This has added an inevitable and increasing risk in NBFCs. By definition, they are not scrutinized to the extent a formal bank would and their exposure is disproportionately higher than the safeguards. This, to some extent, is also due to Basel III restrictions (and its fall outs in terms of PCA, AQR, CRR etc.) on loans & advancements and largely to meet ever growing needs of cheaper capital for riskier ventures. Hopefully, IL&FS has been a timely call & there are no more skeletons in the wardrobe.

It has been a relatively peaceful year in spite of what is happening in Afghanistan, Syria & Yemen on one hand and in Britain, France & Italy on the other. I genuinely believe America didn't have so good for so long in a very long time. Dollar is getting stronger (though this may soon start hurting), stocks are nearly at all-time highs,

unemployment is at record low and interest rates are just beginning to rise – though still below inflation. China would not like to admit, but their global financial influence pales in comparison with that of US: while Trump may have accelerated the pace and may be a beneficiary of this, he surely is not the cause. Just to put this in quantitative perspective: US economy is ~25% of global GDP while that of China is ~16% whereas US Stocks corner 55% market share, 2/3<sup>rd</sup> of global transactions still take place in USD while the share of RMB is less than 2%. 8 out of the top 10 brands, 8 out of the 10 highest capitalized companies and 5 out of the 10 largest companies are American (to be fair, other five largest are Chinese). What does that indicate? To quote Ruchir Sharma, *“When it gets too comfortable, it’s time to panic”*.

Politically, some major elections are around the corner: from Turkey to India to Indonesia to Australia to Nigeria and irrespective of the outcome – which is unlikely to be disruptive – inclusive economic growth, larger role in global affairs and security & wellbeing of the masses shall remain focus. By the time you read this, Bangladesh elections should be over (Prime Minister Sheikh Hasina retaining the power indicating continuity of the policies) and Thailand elections in February might have been confirmed – both good news for growth and stability in the region. Threats – whether by Italy to leave Euro or by Trump to leave UNHRC would remain threats only – at best could & would be used for arm twisting. Much has been read in the outcome of mid-term elections in US and state elections in India; my cautious optimism indicates no radical policy change in either of the countries in next year.

In Indian context, Supreme Court has delivered at least three milestone judgements, viz. decriminalizing consensual homosexuality, scrapping adultery law and declaring Instant Triple *Talaq(divorce)* an offence. These three, alongwith Insolvency & Bankruptcy Code and Goods & Service Tax are transforming reforms and must be welcomed by one & all – irrespective of political, personal or religious views/preferences. From American – and to some extent global – perspective, withdrawal of American forces from Syria & Afghanistan may shoot short term popularity at home but would cause a vacuum like Iraq with extended period of unrest. This means more space to Russia in both the territories and that may not be the best outcome.

I believe Trump is out to rewrite few of the American Doctrines, namely: promote & protect liberty, support allies, and stop terrorists beyond American soil. Today, *“It should not be the job of America to replace regimes around the world. This is what President Trump recognized in Iraq, that it was the biggest foreign policy disaster of the last several decades, and he’s right...The generals still don’t get the mistake.”* @randpaul retweeted by @realDonaldTrump and *“...We are substantially subsidizing the Militaries of many VERY rich countries all over the world, while at the same time these countries take total advantage of the U.S., and our TAXPAYERS, on Trade. General Mattis did not see this as a problem. I DO, and it is being fixed!”* and *“President @RT\_Erdogan of Turkey has very strongly informed me that he will eradicate whatever is left of ISIS in Syria....and he is a man who can do it plus, Turkey is right “next door.” Our troops are coming home!”*

Technologically, the age of disruption is here to stay, and new rules are being & shall continue to be written – reminds me of House of Cards *“Of all the things I hold in high regards, rules are not one of them.”* Comfort, convenience, reliability and affordability far outweigh the few accidents in Driverless Cars. Initial glitches in SpaceX missions only strengthen the resolve of Elon Musk. While malfunctioning of a sensor in JT610 could be responsible of 189 unfortunate & untimely fatalities, future aircrafts and locomotives shall be far more intelligent and beneficial to owners as well as users. Going forward, the pace is only going to accelerate as Moore’s law continues its uninterrupted journey in its 53<sup>rd</sup> year.

Gone are the days when you could be the leader in your field by being better than other players and have a long comfortable leadership position (average age in S&P500 firms was 90 years in 1935; now it is just 15 years). Today, BMW not only have to be better than GM, Toyota & Hyundai but also face challenges from Google (driving experience is irrelevant in a driverless car), Uber (owner’s pride is shattered by questioning why own a car in first place), Tesla (Engine efficiency, sound, life have moved to new paradigm). Similarly, AIR INDIA is challenged by CISCO (Why meet? Just video conference), that is challenged by Skype & Duo (Do it free and also on the move) who are challenged by Facebook Live & Google Hangout. With almost no accidents, Driverless cars are going to disrupt insurance industry, automobile industry (actual demand would be less than 10% of current level due to efficient utilization) and organ transplant surgery business (choking the supply chain). The way I see it, technology is brutally disrupting every aspect of our lives at an unprecedented & ever-increasing speed with far reaching

consequences in multiple directions simultaneously. As Edward Wilson wrote in *The Social Conquest of Earth* “We have created a Star Wars civilization, with Stone Age emotions, medieval institutions, and godlike technology.”

While it is easy & fashionable to blame technology for loss of jobs (according to some estimates, 65% of current jobs shall not exist ten years from now and 50% of jobs necessary ten years from now do not exist now), the challenge is in re-skilling the people to ensure that they stay relevant. For a quantitative perspective, in 1990, the Big Three (GM, Ford & Chrysler) had a combined revenue of ~250B, a market cap ~36B & employed 1.2M people. Today Apple’s revenue is ~250 B, market cap of whopping 850B and it employs just ~120K people. Same revenue, 7X more profitable and 1/10<sup>th</sup> the workforce. The times when one stint at university and staying set for life was the mantra are long gone – all of us must revisit the campuses, repetitively, as students; maybe for shorter durations but more frequently.

Like education, we have to renegotiate the social contracts in a rapidly aging & urbanizing world, both in terms of expectations as well as contributions. Blaming technology is not going to solve the issues. As Shivnath Thukral said “*Technology can solve technological problems only & not the social problems. And spreading rumors / fake news is behavioral problem, in existence since ages.*” Shooting the messenger will not stop the message.

#### My Fears:

Going forward, I see a non-polar (G0 as per Ian Bremmer) world with more restrictions on movement of goods, services & people, more geo-political instability and more financial volatility. But none of this is either new or unexpected. We have been living in similar conditions for quite some time and are reconciled with it.

Having said that, my biggest fears would be on “No Deal Brexit” and increasingly marginalized role of US in the global affairs, largely compensated by increasing interventions from China & Russia. For me this is emergence of authoritarianism & dictatorship and history does not inspire us to look forward to such regimes with excitement.

I am also worried about the uprising of short-term populism, narrow nationalism and increasing trust deficit in most of the global as well as local institutions. While the market & mother nature have the character, capability and capacity to bring equilibrium through self-correcting measures, what is worrying is the willingness & wherewithal of men – and women – (Leaders, Influencers & Opinion Makers) for course correction.

#### Going Forward:

My optimism for a better, inclusive and stable world is increasing inspite of all disruptions that we see around. I visualize (not merely hope, wish or pray) 2019 to be a more peaceful & prosperous year for most people. Sense would prevail over sensationalism, voice over noise and compassion over obsession. Knowing that challenges shall be afresh, different & more brutal in times to come, paraphrasing Jackson Brown Jr., the best we can prepare for tomorrow is by doing our very best today.

My prescription for 2019: Get rid of Fear of Fear, or Fear of Future because Future is Now & Fear is Abstract. Pause, rest, reset and engage with the people who challenge you. Step aside, have an outsider’s perspective and then come back with renewed energy, fresh ideas and a different frame of mind.

In the midst of festivities, my very best wishes for each & every one of you, your nears & dears and for everybody you care about. I have lost count of the blessings that you have showered on me but continue to count on your support.

May you attain and retain whatever you aim or aspire for. Stay happy, healthy, blessed and cheerful and do take out few moments to let me know what you think. As always, I yearn for your comments, views, thoughts and suggestions.

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