



The Global Economy, Geopolitical Shocks and Investment Migration (plus Book signing)

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Themes of the Presentation

The **global economy** has been subject to **complex shocks and trends** in the last decade and a half. (**Covid+ Ukraine's war + De-globalization**).

The **historical perspective** is important. Book ***A History of Big Recessions in the Long 20th Century*** (Cambridge University Press).

Implications for Investment Migration.

Main Shocks, De-Globalization and Structural Issues in the last 15 years

- Main Shocks + De-globalization
 - Global financial crisis of 2008-09.
 - Brexit.
 - US-China trade and technology wars.
 - Covid (2020-21-22)
 - Russian Invasion of Ukraine (2022)
- Structural Issues
 - Rising inequality
 - Climate change
 - Digitalization.

Big Economic Crises in the Last 90 years. The Historical Perspective.

- Global
- The great depression of the 1930s.
- The Stagflation of the 1970s.
- The Global Financial Crises of 2008-09.
- Regional
- Debt crisis in Latin American , Turkey and the Philippines in the 1980s.
- The East Asian crises of 1997-98 (Korea, Thailand, Malaysia, Hong-Kong, Singapore).
- The dot-com bubble in the USA in the late 1990s.

Impact on the Global Economy in 2022 and Beyond.

- The rise in INFLATION: from 2-3 percent per year to about 8-10 annually.
- Permanent or transitory?
- Will disinflation policies (say the FED in the USA rising interest rates) lead to a recession in the USA? A global recession?
- Previous episodes of monetary tightening : 1946-47 after WWII, Volcker disinflation in 1981-82, others. Most of them were followed by recession of different intensity and duration.
- Are we heading for Stagflation (inflation + stagnation)? A replay of the 1970s?

Impact on the Global Economy in 2022 and Beyond (cont.)

- ENERGY PRICE AND FOOD SHOCKS.
- Fuel into higher inflation.
- Impact on the balance of payments and fiscal budget.
- Socio-political effects: potential de-stabilization in the Middle –East, South Asia, Africa, Latin America.
- Food insecurity, hunger,
- Risk of debt crises in developing countries and emerging economies.
- EFFECTS ON ASSET PRICES (Stocks, gold, cryptocurrencies, commodities).

Commodities have been far better investments than equities this year



Source: Bloomberg

Crypto Gets Crushed

Bitcoin and Ethereum have been the biggest losers of 2022



Source: Bloomberg

Cashing Out on Crises

Selloff in U.S. stock market due to select global events, peak to trough



Source: Deutsche Bank

Be alert: there are also new economic opportunities

- More uncertainty but also new opportunities
- Investment in health-related technologies.
- Investment in clean energy and mitigation of climate change.
- Revival of tourism and entertainment activities after the Covid crisis.

Geopolitical shocks and realignment from the Ukrainian war

- Closer coordination between Europe and the USA.
- Expansion of NATO to formerly neutral Scandinavian countries (Sweden and Finland have applied for membership).
- The diplomatic positions of China and India.
- Developing countries and emerging economies taking a more autonomous stance. Demand for debt relief, debt rescheduling and more market access in advanced economies.

Political-economy consequences

- A new wave of **refugees**. Exodus of 6.5 millions of Ukrainians to Europe.
- Absorption and integration issues.
- Rise of **defense spending** in the global north.
- How to finance it? **Trade-offs with social spending and public infrastructure priorities.**
- A move towards **regionalization** and **secure-source trade and secure investment.**

Implications for Investment Migration

- **De-globalization** means that institutions and rules of the globalization of the last 30 years are under stress and suffer legitimacy crises.
- Example I: Free trade versus secure –source trade (e.g trade with Russia).
- Example II: Financial and monetary effects of **economic sanctions**.
- **Prediction: Investment migration will not be shielded** from the trend towards de-globalization.

Implications for Investment Migration (cont.1)

- New configurations of **country risk and country attractiveness**. Source and destination countries.
- Is **Europe** turning **riskier as destination**? Eastern Europe versus Western Europe.
- Is the **USA** becoming more attractive as **IM destination**?
- **A caveat**: political divisions in the US and American emigration to Portugal/other nations.

Implications for Investment Migration (cont. 2)

- Other programs (the Caribbean, Dubai, Turkey, Thailand)
- **Need for reforms in IM programs**: more active investment modality, transparency and links with talent attraction. A movement away from citizenship by investment and more towards residence by investment?
- Attitudes of **supra-national bodies** (European Parliament, European Commission) towards investment migration.