Geopolitical Chaos and the World Economy

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There is a very good discussion on YouTube hosted by two popular channels, Chris Williamson and Predictive History (Professor Jiang). The panelists are:

- Professor Jiang Xueqin, educator in Beijing and geopolitical commentator;
- Robert Pape, Professor of Political Science at the University of Chicago;
- George Friedman, author and geopolitical strategist/forecaster.

Although the discussion is over 3 hours long, I believe that it is worthwhile to listen if you are interested in a current overview of geopolitical changes and its potential impact on the world economy. WAR DEBATE: "This Is The Worst Crisis Since WW2"

Below are some selected quotes from the discussion.

Regarding the US and the global system:

- Jiang: "I think the United States right now is the greatest threat to global peace because for the past 30 years, Pax Americana has been dominant and now, with the rise of other powers, the United States refuses to cede its global hegemony. This is why we are seeing conflict around the world, particularly in the Middle East."
- Friedman: "The global system is restructuring itself. It is not really a global system at this point as it was during the European imperial age or during the period after World War 2…. As to the international conflicts, it is like the 1970s. It was intense in the United States, but it was intense on a very small war. So, the idea that there is a global system at this point is emerging, but because it has not emerged yet, many of the wars are regional."
- Pape: "Right now, we are experiencing multiple regional conflicts. They are linked in some ways, but together they are wrecking the global economy."

Regarding China:

- Pape: "If we look out 20 years, China has a tremendous advantage. A big thing has been happening, but it's been happening for 20 years. We are losing the next industrial advance, the next economic revolution. We're losing it to China. We're not even noticing it very much. What I saw on those two weeks (June 2025) was a lifting of whole cities, the health care sector, the construction sector. We're getting 10% of the idea of what's happening inside of China in the New York Times and in the media…. Why are they ahead? They're not just building companies. Their universities are tightly producing the BAs, the MAs, the PhDs."

- Friedman: "China cities is (sic) not China. The rural areas of China are profoundly important. It is the second largest economy in the world (or first on the basis of purchasing power parity). In terms of per capita income, it is 71^{st}. The fundamental problem that China has is that it cannot consume the products it produces….It is dependent on exports, with the United States being the largest importer of Chinese goods….I see the cities in marvelous shape, but that is not the majority of China."
- Jiang: "There is a huge problem that we haven't discussed, which is the demographic issue. China is aging rapidly because of the one-child policy. It has no work force (forecast to decline). That's why China is spending everything on robotics, on semiconductors, and AI – because China doesn't have the productive force it needs to carry it past the next 20 to 40 years. China is in a world of trouble."

Regarding Iran:

- Pape: "Iran is the most difficult challenge that we've had since Germany in World War 2….I've been laying out, on my Substack, the escalation trap, the nightmare scenario for how this is going to escalate to get worse…. And that nightmare scenario… was with the rise in gas prices in the United States… And what that is doing is it creates the opportunity for Iran to really close and shut down Hormuz. Why? So they can damage Trump politically in the mid-terms to irrevocably destroy his Presidency…That was going to energize the Trump administration to fight back….We're in the spiral phase of the escalation trap."
- Jiang: "We're seeing the collapse of the global economy because for the past 34 years, a simple deal governed the world. The United States would provide protection to the GCC (Gulf Coast Countries) and Japan. In return, Japan and the GCC would buy US Treasuries. And that was the deal that made our economy so vibrant. Now the GCC is being destroyed by this war and because Japan gets most of its oil from the GCC, the Japanese yen is weakening, which means that these two regions of the world that provided liquidity to the United States, they

can no longer do so. What Scott Bessent (US Treasury Secretary) is worried about is the GCC and Japan cannot buy US Treasuries. And what that means is the United States cannot refinance its $40 trillion debt… This is a catastrophe."

- Pape: "What's happening with the Iran War is America as protector of the global rules of power, meaning stability for commerce – it's simply becoming unglued. It's not just here in the Middle East. It's going to be around the world. In 1991, when America won this stunning victory in the Middle East, it wasn't just confidence that America could police the sea lanes in the Middle East. There was confidence that America could police the sea lanes globally. That's why trade went from 38% of world product to 62% of world product…. It became cheaper to trade. You didn't have to worry about instability as much. Now, instability is back. What does that mean? Trade is more expensive, more risky."
- Pape: "From the balance of power perspective…what's happening – America was preeminent from 1991 until this war. America's being knocked back, because for the first time since 1991, a state beat America. Just think about that. And everybody is learning that lesson – that America can be beaten. Well, that means America's global influence, we call it the world empire, you can call it American hegemony, this is now fading fast. What's going to replace it, we could say it's multipolarity. I think it's going to be more fragmented than that. You might even call it emerging anarchy that's going to occur. This is because the states that used to be under American protection – they're not under American protection….Many states around the world are thinking this way."

Regarding global population decline:

- Jiang: "This war in the Middle East – people don't really appreciate the geopolitical consequences. So right now, we're about 8 billion people, but if you talk to economists, they'll tell you that the earth, by itself, can only support about 2 billion people. The way that we get around this is with fertilizer. So, the Middle East is not just important because it supplies cheap energy. It also provides a lot of fertilizer to the world – maybe a quarter to a third of fertilizer. So, if a quarter to a third of the world's fertilizer goes off-line for a year, then you're going to have millions of people starve to death…You will see massive starvation throughout Africa at some point."

Regarding the global economy:

- Pape: "I track power with some key metrics that we can observe. And in 1990, America was 26% of world GDP. China was 2%. And the Europeans varied from 5-7%. Germany was the highest. You look today and America is flat at 26%. China is up from 2% to 17%. And what happened to all those Europeans. They're down by about a third or more. Who's the sucker here? We played the Europeans here, not the other way around…Japan was over 10% of world's GDP at that point. Where are they today? 4%. These are all World Bank numbers. We have been enormously privileged by this period called the Cold War, which this war is ending."

If you have any questions or comments, please contact me.