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Letter from the Editor
Chaotic multipolarity



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Letter from the Editor is our weekend read,
which looks at the big picture, one question at a time.

There is a consensus that the Pax Americana is coming to an end. What's unclear is what type of world will emerge. At the moment, there is no power that is solid enough to take a leadership role. We are entering a world of chaotic multipolarity, or an unorder in which force prevails over rules, economic coercion replaces cooperation and imperial ambitions return. This transformation is rather consequential for Europe and investors alike. In this week's issue, we are connecting the dots of what I have written so far to help explain the new world we are facing.

Hello from the Investment Institute

President Donald Trump gathered the leaders of America's most powerful AI companies at the White House this week – not to impose stricter regulation but to secure a voluntary safety commitment he described as "morally binding". The signal was unmistakable: Washington increasingly views AI not as an industry to regulate, but as a strategic contest it cannot afford to lose.

AI is the latest clear example in a series of broader shifts in US policy. Technology, trade, critical minerals, energy and shipping routes are increasingly viewed through the lens of national security and narrow US strategic priorities. At the same time, America is retreating from its traditional role as provider of global public goods, from safeguarding open markets to underwriting freedom of navigation and the rules-based trading system.

The consequences are becoming more and more visible. The Strait of Hormuz remains de facto closed. Now, the Red Sea route through the Bab el-Mandeb Strait is also becoming increasingly inaccessible due to the Houthi

threat. Disruptions at two of the world's most important maritime chokepoints are alarming signs. Put simply, Washington is no longer able to act as global policeman abroad – the key role of a hegemonic power.

At the same time, the network of multilateral institutions at the heart of the US-led order is steadily crumbling. The latest UN General Assembly once again highlighted the organisation's growing irrelevance. As geopolitical tensions mount, the Security Council remains paralysed by the veto powers of its permanent members. The WTO has been effectively paralysed for years too. And the list of international organisations abandoned by their most important member, the US, continues to grow.

So today's question is: **if the American world order is over, what's coming next?**

Neither China nor the US are in a position to provide a new legitimate international order. China is not yet ready to assume global responsibilities and lacks the soft power needed to draw enough countries into its orbit. The US, meanwhile, is too focused on domestic goals and too fiscally constrained to sustain its hegemonic role, while the "America First" mantra inevitably alienates allies.

A new concert of powers appears equally unlikely, as trust among the major actors continues to erode. Don't be fooled by the recent meeting between Donald Trump and Xi Jinping in Washington. What is emerging is not a G2 world. China and the US are not coordinating to address global challenges – from climate change to artificial intelligence. We are instead moving towards a G0 world.

As Marta Dassù and I argue in our book (available in Italian), we are entering an age of chaotic multipolarity, or simply of non-order, in which force prevails over rules, economic coercion replaces cooperation and imperial ambitions return. The fear of losing access to critical resources, strategic territories and vital chokepoints is fuelling a scramble for control. Below, I will outline the key features of this brave new world, putting together the pieces of a puzzle the readers of this newsletter and I have tried to assemble for the last 18 months.

America First



The crisis of the Pax Americana started in 2008

The US has become a revisionist power, much like China and Russia. While Beijing and Moscow have long sought to challenge the US-led order from the outside, Washington is now dismantling the very liberal international order it built and sustained since World War II.

There are two reasons behind this shift. The first one is China. Many within the Trump administration view the liberal international order not as a success but as a strategic mistake. In their view, it allowed China to become richer, stronger and more technologically advanced, often at America's expense. Moreover, rather than democratising Beijing, economic interdependence has created vulnerabilities that China can weaponize, from rare earth exports to critical supply chains.

Trump's objective is therefore to redesign the international system before it is too late: to slow China's rise and rebalance the global order in America's favour. If the old system was perceived as benefiting the periphery, i.e. China, the new one is meant to benefit the core, namely the US. This is what an "America First" world would look like.

The second reason is fiscal. America's debt trajectory is becoming increasingly difficult to sustain. Public debt stood at roughly 35% of GDP in 2000, has since almost tripled, and is projected to rise much further in the decades ahead. The global commitments required to uphold the old order are becoming steadily more expensive. This helps to explain the growing pressure on allies, the repeated calls for greater burden-sharing, and Washington's insistence that others take greater responsibility for their own security.

It would be a mistake, however, to believe that the end of America's benevolent hegemony was caused by Trump. He is a symptom of the crisis, not its cause. At most, he accelerated structural forces that were already reshaping the international system. The decline began with the 2008 global financial crisis, when confidence in America's economic model started to erode. It deepened with Trump's first election in 2016, continued under Joe Biden, and is now reaching its peak after Trump's return to the White House.

The upcoming midterm elections, whether Trump loses the House or also the Senate, are unlikely to alter these dynamics. Nor is the next president, whether Democrat or Republican, likely to reverse them. A crisis that has unfolded over nearly two decades is clearly structural. The rest of the world is adapting to life with less America.

Empires are returning

Globalisation was one of the most important by-products of the Pax Americana. The US was the guarantor of a system that provided global public goods, from secure shipping lanes to financial stability. The end of the Pax Americana therefore also implies the gradual erosion of that model of globalisation. We are already moving into a world where global trade faces greater frictions.

Yet one dimension of the globalisation's crisis remains underappreciated: the return of imperial logic, including within the US itself. Empires are political structures designed to secure privileged access to markets, resources and strategic routes for the dominant power. Globalisation, by contrast, allows access to many of those same resources through markets, making empires redundant. As the old model of globalisation fades, imperial dynamics become relevant once again.

This helps explain much of what is happening today. The US is no longer interested in exporting democracy to the most remote corners of the world. Its focus is increasingly on securing the resources needed to sustain American power and economic competitiveness: oil reserves in Venezuela, the minerals agreement with Ukraine, claims over Greenland and a growing number of transactional arrangements with resource-rich countries, particularly in Africa.

The reversal of globalisation is also restoring the strategic importance of geographic chokepoints such as the Panama Canal and the Strait of Hormuz. And much of this has to do with China. As argued earlier, the restructuring of the international system is largely aimed at slowing China's rise by limiting its access to regions rich in resources, such as Africa, Latin America and the Middle East, as well as to critical trade routes and strategic bottlenecks.

What is emerging is a more selective and more transactional American empire. The geographical focus of the Trump administration is the Western Hemisphere in the broadest sense, stretching from South America to the Arctic. Expensive and ideologically driven global commitments are being abandoned. This does not mean that Washington seeks to divide the world into spheres of influence with China and Russia. Quite the opposite. The US will remain deeply engaged in regions that matter for its security and prosperity, above all the Indo-Pacific and the Middle East.

A new form of state capitalism is emerging in the US

For a power that seeks to redesign and rebalance the international order in its own favour, control over economic resources becomes essential. In such a world, the supply side of the economy matters more than the demand side, and state and corporate power increasingly converge:

- Tariffs and industrial policies protect and promote strategically vital industries.
- Export controls deny rival powers access to critical technologies and inputs.
- Equity stakes in private companies, such as Intel, align corporate strategies with geopolitical priorities.
- Securing access to vital resources located outside the US, from critical minerals in Ukraine to resource deposits across Africa, supports American manufacturers.
- Trade agreements tie tariff relief to procurement commitments and investment pledges in the US.
- Washington is pressuring major technology companies to commit hundreds of billions of dollars in domestic investment.

The ultimate objective of this interventionism is not simply an industrial renaissance aimed at reviving declining regions or creating jobs. The US wants to win the AI race, and this is a very material revolution that requires access to natural resources of various types, hence the imperial logic described above and the need for the government to step in, as there is a close relationship between technological leadership and geopolitical power. Trump has been explicit about this. At the height of the debate over the existential risks of AI, he wrote: "Whoever wins AI, WINS."

Xi Jinping understands this just as well. The memory of the "century of humiliation", when China was dominated by Western powers in the nineteenth century, remains deeply embedded in the country's strategic thinking. In Xi's view, China can become a truly great power only if it leads in artificial intelligence.

Yet from Beijing's perspective, the competition is not primarily about who reaches superintelligence first. The more important question is who can diffuse AI across the economy faster and more effectively. Technological

breakthroughs matter, but productivity gains, industrial transformation and economic scale ultimately determine geopolitical strength.

Geopolitical and investment implications

The new and increasingly ugly world taking shape is catching everyone by surprise. China did not expect the US to become a more predatory and extractive power so abruptly. Beijing never fully embraced the rules of the old international system, but it largely operated within its logic, expanding its influence through trade, investment and economic engagement. The Belt and Road Initiative was the clearest expression of this strategy.

An America that is more assertive and determined to push China out of strategically important regions will inevitably force Beijing to scale back some of its global ambitions, at least for the time being. There is, however, one red line China will not allow anyone to cross: Taiwan.

China is also relatively well positioned to compete with America's new form of state capitalism. After all, at the beginning of this century, many assumed China would become more American. The opposite is happening. America is becoming more Chinese.

For Europe, the transformation underway poses an existential challenge. Being an empire of rules in a world where fewer and fewer actors care about rules is not a winning proposition. Without a profound change in mindset and direction, Europe risks becoming the periphery of either the American or the Chinese empire.

To avoid that outcome, Europe needs to become more European. It needs greater scale, deeper integration and a stronger continental dimension. The rise of nationalist parties across key member states does not bode well in this respect. Nor does the growing appeal of variable geometries, which risk fragmenting Europe precisely when greater unity is required. In doing so, Europe would be advancing the strategic interests of Xi, Trump and Putin.

Yet Europe holds an important advantage. In a chaotic world, the demand for rules, standards and predictability will increase. Europe should aspire to remain a rule setter. But it must focus on smart regulation: rules that facilitate innovation and growth, which others choose to adopt because they are useful, not because they are imposed.

In the end, there are important implications for investors. A more active American government in the economy means more debt going forward and thus higher interest rates that increase the risk of fiscal dominance and financial repression. In terms of stocks, the sectors aligned with Washington's strategic priorities will benefit the most – especially those companies that become part of the growing federal portfolio. The long-term de-dollarisation trend is likely to continue, as a US that goes it alone will lose market appeal.

Finally, commodities should benefit from geopolitical fragmentation and the growing competition for strategic resources, although regional price divergences are likely to become more pronounced as a result of the process of building exclusive access to resources. Ultimately, precious metals, above all gold, should remain supported by heightened geopolitical uncertainty, fiscal concerns and the gradual diversification of reserves away from the USD.

Enjoy your weekend!

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