NAVIGATING UNCERTAINTIES IN "THE NEW ERA" – A CONVERSATION WITH ZINQULAR CO-CIOS

The Economics of Private Markets Amidst Geopolitics & Trade Wars. Macro Trends and Opportunities in Challenging Global Private Markets. || Private Markets || institutional Investment || Macro Insights || Interview ||

by Emma Nilsson in Our Thinking Reading Time: 17 mins || Published 10th April 2025

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In a candid and forward-looking discussion, Zinqular Group's Co-Chief Investment Officers, Barry Simon Graham and Michael Yaw Appiah, sat down with Emma Nilsson, Director of Media & Communications. Together, they unpacked the complexities of today's private markets, explored macroeconomic disruptions, debated the implications of Trump 2.0, and reflected on China's global strategy. Their conversation also ventured into emerging market potential and the long arc of global transformation over the next 30–50 years. Here is an edited transcript of the most compelling takeaways:

Reflecting on Trump's Return: Navigating the Risks of Disruption

Emma: What's your thoughts of Donald Trump's re-election and its parallels to recent history. How do you respond to his return to office, and how would you evaluate his initial weeks back in power?

Barry: From a broader perspective, Trump's presidency is that it marked a form of "course correction" in American politics. It appears, the country's deep-rooted social, economic, and political challenges had reached a point where traditional approaches seemed ineffective. In response, voters turned to Trump—an outsider with an unconventional style—hoping that bold, disruptive leadership might bring meaningful change.

Trump's push to overhaul the federal government through initiatives like DOGE evokes a striking parallel with Soviet history. It recalls Soviet premier – Nikita Khrushchev's 1956 "Secret Speech," in which he denounced Stalin's atrocities to distance the regime from its past. While it strengthened his own leadership, it irreparably weakened the Soviet Union's ideological coherence and global moral authority—most notably triggering the China-Soviet split. In a similar fashion, Trump's crusade against the so-called "deep state" may empower his political base, but it risks inflicting lasting, irreversible and uncalculatable damage on the legitimacy, unity, and institutional credibility of the U.S. government—with consequences that may only become clearer in hindsight.

Secondly, Soviet premier – Gorbachev, recognizing that the Soviet Union was in deep terminal decline, launched a series of ambitious reforms under the banner of “new thinking.” His goal was to revitalize the system from within. However, the scale and speed of change, coupled with inadequate preparation, ultimately accelerated the USSR’s collapse. In a similar vein, Trump has identified major challenges facing the United States and has advocated for sweeping reforms. Yet, the aggressive nature of his approach raises concerns—it risks inflaming internal tensions and, in extreme scenarios, could even destabilize the country. While reform can be essential, experts remain skeptical of approaches that prioritize disruption over unity, and experts question whether such measures truly serve the national interest or are instead driven by personal or political agendas.

About The So-called “Mar a Lago Accord”

Emma: Lately, there’s been growing chatter about a bold new U.S. initiative — the so-called “Mar-a-Lago Accord” — aimed at shaking up the global monetary system. So, what is this mysterious accord all about?

Barry: This appears to be an unofficial policy of Trump administration. In essence, according to a detailed proposal by CEA Chair nominee Stephen Miran, the accord would enlist America’s trading partners to help depreciate the dollar and supply affordable, long-term financing to the U.S. government—backed by potential tariffs or withdrawal of security assurances as enforcement tools. In our view, this proposed accord risks being toothless and counterproductive—serving no practical purpose while threatening to erode the U.S. dollar’s foundational role in global finance.

At the heart of the Mar-a-Lago Accord is the idea that the U.S. dollar’s status as the world’s reserve currency has turned into an economic liability. Decades of relentless global demand have inflated the dollar’s value beyond its fundamentals, weakening America’s export position, deepening trade imbalances, and hollowing out industrial capacity. To counteract this trend, the Accord would advocate for strategic foreign exchange interventions by the U.S. and allies —specifically, selling dollars in exchange for other currencies— to depreciate the dollar.

Given the risk that foreign divestment from U.S. Treasuries could raise American interest rates and disrupt federal deficit financing, foreign governments may be compelled to lengthen the duration of their Treasury investments—perhaps even acquiring 100-year zero-coupon bonds, thereby providing the U.S. with costless capital over a century. Since this adjustment would not likely be made willingly, Washington might employ policy tools such as tariff escalation or cutting military cooperation to secure compliance.

Michael: So, what’s the issue with Miran’s argument? Plenty! For one, the dollar’s global role is strategic asset, not a liability—it makes it cheaper to borrow, easier to do business abroad, and expands US global influence. Even if America did manage to weaken the dollar, it wouldn’t do much to boost jobs or fix the broader economy. US trade deficit isn’t primarily about the dollar—it’s about a strong economy and expansionary fiscal spending. And despite running deficits, the US has posted better growth than its peers, with low unemployment to match. The belief that all countries must have balanced trade lacks economic grounding. Trade deficits help manage demand and curb inflationary pressures. Likewise, the fall in U.S. manufacturing employment—now under 10%—has more to do with global productivity gains than with the strength of the dollar. This pattern is visible even in surplus economies.

The second problem? It just won't work. Study after study confirms that pushing the dollar lower requires the Fed to slash rates while other central banks hikes rates. But with inflation still running hot in the U.S. and global economies struggling, such policy coordination appears unrealistic. In the same vein, if foreign governments were dumping Treasury bonds to push down the dollar, increasing the duration of their remaining holdings wouldn't be enough to stop U.S. interest rates from climbing. While threats of escalating tariffs and withdrawing security guarantees may sway Japan and Europe, China — America's key peer competitor — will be far less willing to yield to Trump administration pressure.

Barry: Thirdly, we think a "Mar-a-Lago Accord" could threaten the global supremacy of the dollar, which has been sustained by the stability and liquidity of US Treasuries, as well as the historical prudence of US economic policies and its commitment to a stable, rules-based international financial system. Undermining its relationships with its allies, breaking trade deals, and eroding trust in global institutions will inevitably push other countries to seek alternatives to the dollar. Despite Trump's threats of tariffs against those abandoning the dollar, nothing will speed up this transition more than the reckless actions against its trading partners.

Ultimately, pushing a Mar-a-Lago Accord on reluctant trading partners could spark a global financial meltdown. The stock market is already plummeting due to Trump's unpredictable tariff policies. Imagine the consequences if Trump threatened to remove our allies from the U.S. security umbrella, impose a 'user fee' on foreign Treasury repayments, or even freeze certain Treasury payments altogether.

Similarly, forcing others to convert to 100-year zero-coupon bonds could destabilize the financial system. U.S. Treasury bonds are seen as the safest, most liquid assets globally, forming the cornerstone of the international financial system. A sudden loss of their safety and liquidity could spark a crisis on the scale of Lehman Brothers or the COVID-19 economic meltdown, dragging the U.S. and the global economy down. The dollar may indeed weaken, but not in a manner that Trump would prefer.

Ultimately, a Mar-a-Lago Accord would carry immense risks with almost no corresponding benefits or tangible rewards. What's even more surprising is that Trump officials are drawn to it when a more sensible policy could achieve multiple positive outcomes—such as reducing the dollar's value, narrowing the trade deficit, lowering interest rates, and ensuring fiscal stability for years ahead: by cutting spending, raising taxes responsibly, and reducing the fiscal deficit. Now, what we're left with is DOGE, tariffs with a rapid expiration, ongoing threats to our allies, and a crumbling of America's international credibility. It's shaping up to be a rough four years ahead.

Private Markets Opportunities in The Potential Era "Mar a Lago Accord"

Emma: How might the "Mar-a-Lago Accord" era reshape private markets, guide institutional capital flows, institutional strategies, broader investment prospects and open up new investment avenues?

Michael: While details about the accord remain speculative, its potential implications for private equity (PE) investments, alternative assets, and private markets are far-reaching. To understand these potential impacts, it's essential to consider the broader context of how shifts in the global financial landscape influence investment strategies and opportunities.

We think Sovereign wealth funds, particularly those from nations with strong security relationships with the US, would face pressure to reallocate portfolios in alignment with the accord's objectives. The potential conversion of short-term Treasury holdings to 100-year bonds would accelerate their shift toward alternative assets offering inflation protection and tangible value. Private equity firms positioned as trusted partners for these sovereign investors would find themselves with expanded access to capital, particularly for strategies aligned with reshoring, infrastructure development, and critical technologies.

Insurance companies, particularly those with significant fixed income allocations, would face substantial portfolio adjustment needs. The potential for higher inflation and interest rate volatility would challenge traditional asset-liability matching approaches. Life insurers with long-duration liabilities might increase allocations to private debt strategies offering inflation protection and yield premiums over increasingly volatile public fixed income markets. Property and casualty insurers might increase allocations to floating-rate private debt and opportunistic strategies designed to capitalize on market dislocations resulting from the accord's implementation.

Barry: In traditional buyout strategies, valuation dynamics would bifurcate based on alignment with the new economic priorities. Portfolio companies with export potential would benefit from improved international competitiveness, potentially commanding premium multiples. Conversely, businesses heavily dependent on imported inputs would face margin compression unless they can successfully pass costs to consumers or restructure supply chains. The most sophisticated private equity firms would develop specialized expertise in supply chain transformation, helping portfolio companies navigate the transition to more domestically-oriented production models.

We also believe the deal sourcing environment would grow increasingly competitive as foreign investors, including sovereign wealth funds and international private equity firms, find US assets relatively more affordable due to dollar depreciation. This would potentially compress returns for traditional buyout strategies unless firms develop specialized capabilities or sector focus aligned with the new economic priorities. Firms with established expertise in industrial transformation, advanced manufacturing, and critical infrastructure would find themselves advantageously positioned in this environment.

Private debt markets would face significant disruption from the potential restructuring of US Treasury holdings and resulting interest rate volatility. Direct lending strategies would likely see increased demand as traditional bank lending potentially tightens amid financial market uncertainty. Distressed debt investors would find expanded opportunity sets as currency realignment and trade policy shifts create winners and losers across industries. The most sophisticated private credit providers would develop specialized lending capabilities for companies undertaking reshoring initiatives or supply chain restructuring.

Michael: Real assets would gain strategic importance in institutional portfolios seeking inflation protection and tangible value stores. Infrastructure investments, particularly in domestic manufacturing capacity, energy independence, and supply chain resilience, would align perfectly with the policy objectives underlying the Mar-a-Lago Accord. Private equity firms with expertise in infrastructure development and operation would find themselves with expanded opportunity sets and potential for premium returns.

The competitive landscape among private equity firms would evolve in response to these shifts. Generalist firms without clear differentiation might struggle to maintain competitive positioning, while specialists aligned with the new economic priorities would find themselves advantageously positioned. The most forward-thinking firms would develop integrated capabilities spanning traditional private equity, venture capital, private credit, and real assets to offer comprehensive solutions for the complex challenges of economic transformation.

Standing Firm & Responding Strategically to Trump's Economic Tactics

Emma: How can China, the EU, and other major economies assert their influence and counter Trump-era trade tactics in a way that deters further aggression and enhances their standing in global negotiations?

Barry: Our view is that Trump operates with a transactional mindset; approach challenges primarily through a business lens—focused on immediate cost-benefit outcomes rather than long-term strategic vision. As such, a balance between retaliation and diplomacy is warranted. We think the most effective response to Trump administration pressure is for countries to clearly signal both capability and resolve to impose reciprocal costs. Conversely, displaying hesitation or vulnerability is likely to be interpreted not with empathy, but as an opportunity for increased pressure.

The experiences of countries like Canada, Denmark, Germany, Mexico, and Ukraine learned the "hard" way; serve as compelling case studies in alliance dynamics. As trusted partners of the United States, they often prioritized alignment over autonomy—only to find themselves vulnerable when policies shifted unpredictably. In the face of aggressive tactics, their lack of strategic countermeasures left them unable to effectively respond.

This underscores the importance of strategic resilience. Respectful engagement with the U.S. must be paired with the ability to push back when necessary. Demonstrating a credible capacity to retaliate or withhold cooperation recalibrates the risk-reward calculations of any leader—including Trump—who might otherwise act without considering the broader costs.

How Do You Assess Potential Impact of a Trump Return on China's Economic Interests?

Emma: Some experts and scholars present divergent views on the potential impact of a second Trump presidency on China's strategic position. Some anticipate adverse effects on China's national interests, while others suggest potential opportunities. From your perspective, what are the key strategic implications for China, and how might they navigate this complex geopolitical landscape?

Michael: Trump's second term has only just begun, and the trajectory of his policy remains uncertain. While his recent rhetoric hasn't heavily targeted China, this may simply be a matter of timing. Once his priorities on Ukraine and internal U.S. reforms—such as challenging the so-called "Deep State"—are addressed, attention could shift swiftly to China.

During his first presidency, we witnessed a similar pattern: initial restraint followed by aggressive trade and tech-related actions. Those in China celebrating his return as a potential win may be premature. In reality, Trump's impact on China is more tactical than transformative. He is one of many external factors, not the defining force of China's trajectory.

Barry: China, with its vast territory, large population, and substantial industrial capacity, faces little risk from global instability as long as its domestic affairs are effectively managed. From a multi-facet standpoint, the greatest contribution Trump made to China during his first term was initiating the trade and technology war. This served as a wake-up call, highlighting the urgent need for China to develop self-reliant technological pathways and speed up its shift towards advanced smart technologies.

In the absence of Trump's policy of extreme pressure, no Chinese government body or private enterprise could have spearheaded the transition to domestic alternatives. The cost and uncertainty would have been too great. Therefore, China might have continued to neglect crucial industries, leading to the accumulation of risks with potentially disastrous consequences.

Some factors that appear to benefit China may not have the expected impact, while others that seem detrimental might actually spark growth. The true measure of whether something is helpful or harmful lies in China's capacity to withstand external shocks. Ultimately, prioritizing the strengthening of China's internal capabilities and focusing on domestic objectives is more crucial than external distractions such as Trump.

The World in The Next 3 Decades

Emma: What changes do you anticipate for the US and the world in the next four years, and what will the future look like by 2050-60?

Michael: While it's challenging to predict the events of Trump's second term, one thing stands out: we believe the United States' global influence is likely to decrease substantially. This appears to be the most evident trend emerging from his upcoming second term.

At its current pace, the Trump administration policy trajectory could lead to a sharp decline in America's global standing. The US alliance network, the dominance of the dollar, its sway over international institutions, global military footprint, and even its ideological and media leadership may all erode significantly. This shift appears intentional, rooted in a belief that the burdens of sustaining these global systems now exceed their benefits for the United States; and that global leadership has become a net liability.

At the same time, Trump's apparent withdrawal could be strategic—an intentional revival of the 19th-century outdated concept of spheres of influence. The implication is a regression to a time or age when powerful nations unilaterally sketched borders of world map and dictated terms to weaker states; deciding the destiny of smaller nations with impunity.

At first glance, a world governed by the law of the jungle may appear unthinkable. Yet, Trump's embrace of European defense autonomy, his silence on Russian moves, his territorial flirtations with Canada and Greenland, and his striking comment about leaving Bangladesh to India Prime Minister Modi reveal a creeping return to an era where global powers divide territories into spheres of influence. This is not a future we can afford to dismiss.

Barry: Domestically, the trajectory of the United States over the next four years remains highly uncertain. While Trump may enact some worthwhile reforms, I remain wary of the extreme methods. There's an unsettling parallel to China's Cultural Revolution, where a fringe group, emboldened by their leader, exploited public frustration to galvanize the disaffected into a crusade against the establishment. DOGE's current tactics—sensational social media revelations— appears to be less about genuine reform and more about sustaining the movement's perceived revolutionary legitimacy, which risks spiraling into an ever-intensifying cycle of fervor and disruption.

Trump's ongoing efforts to dismantle parts of the federal government under the pretext of targeting the Deep State may increasingly alienate segments of the population, potentially swelling the ranks of his opposition. This escalation risks intensifying national divisions to historic levels. While the eventual consequences remain unclear, the intersection of domestic unrest, economic volatility, and international strain poses a formidable dilemma for the country.

Unless disrupted by catastrophic events like nuclear conflict or unforeseen technological upheavals science-fiction-style AI robots warfare, and if current patterns persist, China is on track to become the world's largest economy by 2050-60 if not earlier. As long as it manages its domestic affairs well, this shift should happen naturally, given China's scale—without needing to confront today's structural frictions with the U.S. However, this should not be misinterpreted as a one-sided geopolitical triumph over America.

Our view is by 2050-60, China will still be a nation of over a billion people—hopefully maintaining that demographic strength—fully industrialized, deeply automated, and operating within a socialist framework that puts the public good first. If achieved, China could emerge as the world's first truly advanced socialist society, bringing Karl Marx's two-century-old vision closer to reality. We anticipate China's continued institutional innovation, human advancement and material progress, contributing meaningfully to global development and the shared future of humanity.

Private Markets in China by 2050-60

Emma: How do you see private markets and private equity evolving in China by 2050? And where will institutional investors find the most attractive opportunities?

Barry: Great questions, and definitely one worth unpacking as China continues evolving economically and geopolitically. As we look toward 2050, China's private markets stand at the threshold of profound transformation. From our vantage point as a private equity firm with decades of experience in the Chinese market, we see a landscape being reshaped by powerful demographic, technological, and regulatory forces. This evolution presents both extraordinary challenges and unprecedented opportunities for institutional investors willing to take a long-term, strategic approach to the world's second-largest economy. China's journey over the next quarter-century will be markedly different from its previous trajectory. The era of double-digit GDP growth fueled by urbanization, industrialization, and a demographic dividend has conclusively ended. In its place emerges a more complex, nuanced growth story—one characterized by technological innovation, consumption upgrading, and adaptation to demographic headwinds. For private equity investors, this transition necessitates a fundamental recalibration of investment strategies, value creation approaches, and exit expectations. We can expect several defining characteristics:

First, China's demographic trajectory will fundamentally reshape its private equity landscape by 2050. The country's population is projected to decline from 1.426 billion in 2022 to approximately 1.313 billion by 2050, with the share of elderly population (65+) expected to double to around 30%. This demographic inversion—unprecedented in scale and speed—will transform investment opportunities across sectors and regions.

For our firm, this demographic shift has already begun influencing investment theses across our portfolio. We increasingly favor companies developing automation technologies, robotics, and AI solutions that address labor shortages and productivity challenges. Our manufacturing portfolio companies are accelerating capital investment in advanced production systems that reduce reliance on manual labor while improving quality and consistency. This trend will only intensify by 2050, with successful private equity strategies centered on businesses that thrive in a labor-constrained environment.

The consumer landscape will undergo equally profound transformation. Our consumer-focused investment strategies are pivoting toward businesses serving an older demographic with different consumption patterns and preferences. We see premium opportunities in healthcare services, eldercare facilities, retirement communities, and financial products for wealth preservation. By 2050, the traditional focus on youth-oriented consumer brands will have given way to businesses addressing the needs of older consumers with accumulated wealth and distinctive consumption priorities.

Michael: Second, by 2050, China's innovation ecosystem will have completed its transition from technology follower to leader in key strategic sectors. This evolution is already underway, with Chinese companies establishing leadership positions in renewable energy, digital infrastructure, and certain segments of artificial intelligence. The next phase will see this leadership extend to advanced manufacturing, biotechnology, and other frontier technologies.

Our firm's investment strategy increasingly focuses on companies developing proprietary technologies rather than adapting or localizing foreign innovations. We see particular promise in businesses operating at the intersection of physical and digital systems—companies applying artificial intelligence to manufacturing processes, integrating advanced materials into traditional products, or developing specialized robotics for specific industrial applications.

In the same time frame, China's regulatory framework for private markets will have matured significantly, creating a more institutionalized but also more complex operating environment. The current cyclical pattern of regulatory tightening and loosening will likely give way to a more stable, transparent, but also more sophisticated regulatory regime.

Our firm continue to invest heavily in regulatory intelligence capabilities, developing specialized expertise in navigating China's evolving policy landscape. We increasingly view regulatory insight not merely as risk management but as a source of competitive advantage, allowing us to identify opportunities created by policy shifts before they become widely recognized. By 2050, this capability will be essential for all private equity firms operating in China, with regulatory navigation embedded in every stage of the investment process from deal sourcing to exit planning.

The relationship between state and private capital will reach a new equilibrium by 2050. Private equity firms will develop more sophisticated approaches to aligning with government priorities while maintaining commercial objectives. Public-private partnerships will become more institutionalized, creating structured opportunities for private capital to participate in strategic initiatives with clearer risk-return parameters.

For institutional investors, this regulatory maturation offers greater predictability but also higher barriers to entry. Limited partners will increasingly value general partners with demonstrated ability to navigate China's regulatory environment across multiple cycles. The most sophisticated institutional investors will develop their own regulatory monitoring capabilities, enabling more informed selection of managers and direct investment opportunities.

Barry: The competitive landscape for private equity in China will transform dramatically in the next 3 decades, with clear stratification among different types of firms and investment strategies. The current fragmented market with thousands of generalist firms will consolidate into a more mature ecosystem with specialized players focusing on distinct market segments.

Our firm has already begun this specialization journey, developing dedicated sector teams with deep industry expertise rather than maintaining a generalist approach. We increasingly compete on specialized knowledge and operational capabilities rather than financial engineering or relationship-based deal sourcing. In the next 2-3 decade, this specialization will have progressed much further, with private equity firms resembling industrial holding companies in certain sectors, maintaining permanent capital vehicles and building ecosystems of complementary portfolio companies.

The distinction between domestic and international private equity firms will blur significantly by 2050. The most successful international firms will have developed truly localized operations with predominantly Chinese investment teams and decision-making authority. Meanwhile, leading domestic firms will have expanded beyond China to become regional or global players, particularly in Southeast Asia and other emerging markets.

For institutional investors, this competitive evolution creates both challenges and opportunities in manager selection. The proliferation of specialized strategies will require more sophisticated due diligence capabilities and potentially larger teams dedicated to China investments. However, it will also create opportunities for more precise portfolio construction, with the ability to target specific themes or sectors through manager selection rather than broad exposure to Chinese private equity as an asset class.

Emma: We are out of time for now. Thank you for your time.

Barry: My pleasure.

Michael: Thank you.

The End