

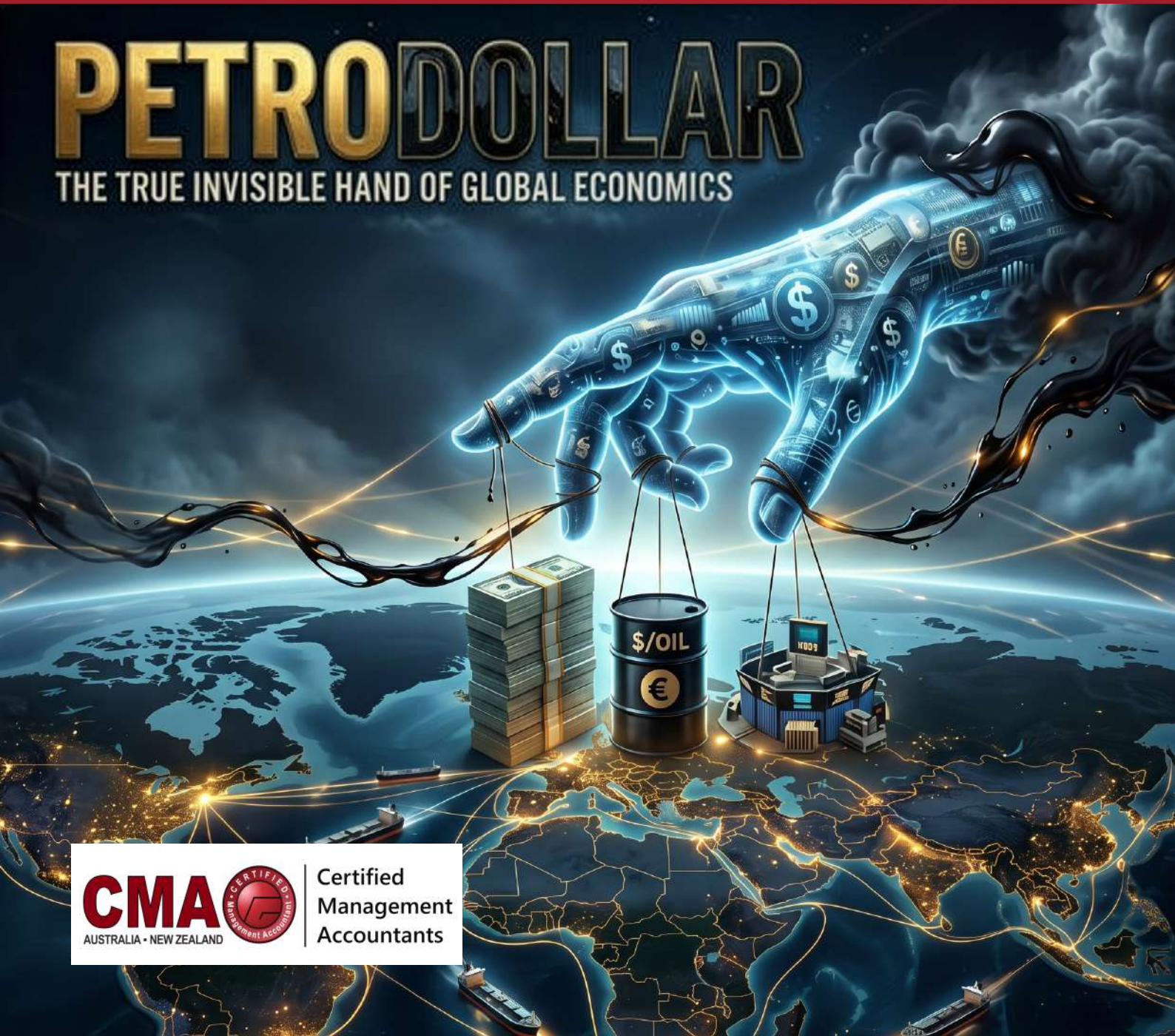
# ON TARGET

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STRATEGY | FINANCE | MANAGEMENT

## PETRODOLLAR: THE TRUE INVISIBLE HAND OF GLOBAL ECONOMICS

### PETRODOLLAR THE TRUE INVISIBLE HAND OF GLOBAL ECONOMICS



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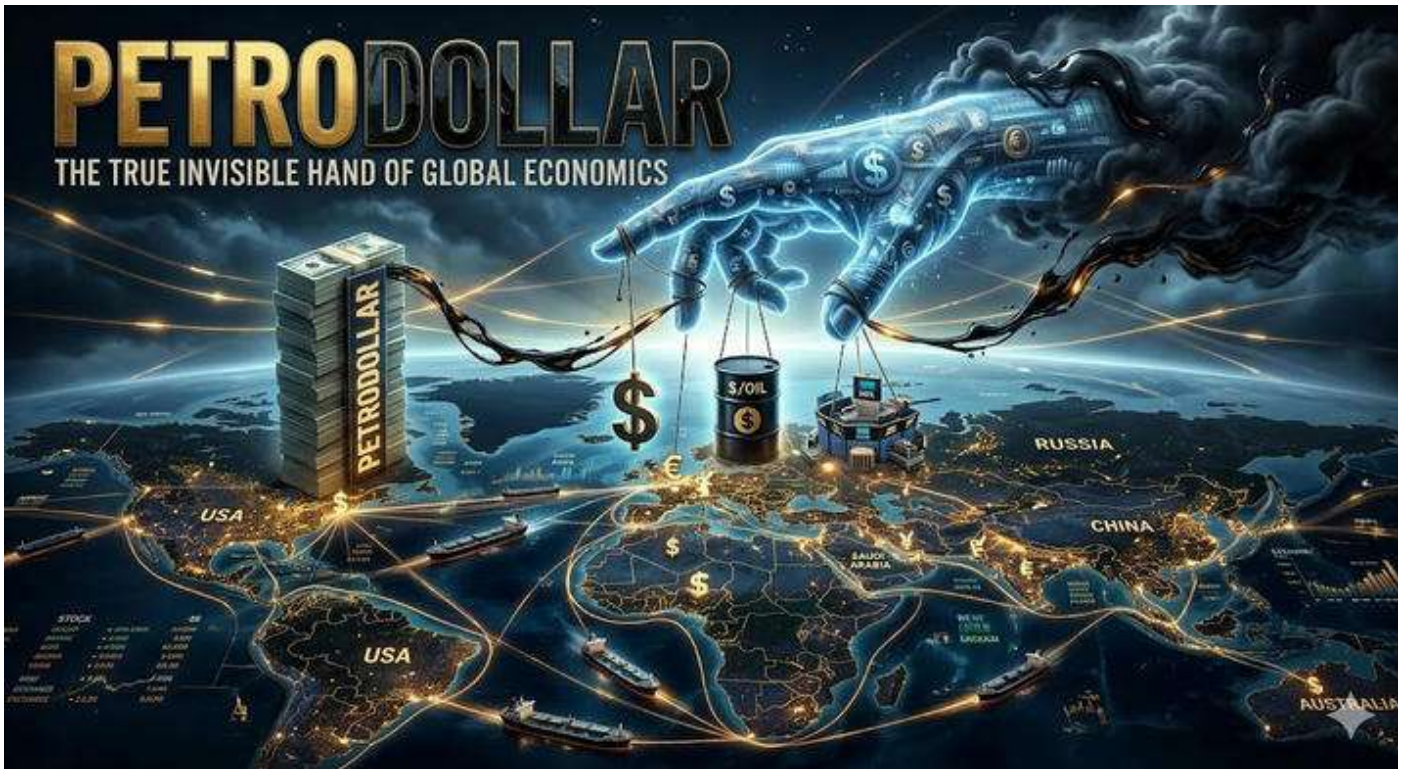
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# PETRODOLLAR: THE TRUE INVISIBLE HAND OF GLOBAL ECONOMICS

Prof. Janek Ratnatunga, CEO, CMA ANZ



What is the invisible system that controls nearly every trade on the planet?

It is not the pricing mechanism that equates supply and demand. It is not the USA's central bank, which is called the *Federal Reserve*. It is certainly not the global stock markets.

It is, in fact, a **secret deal** made behind closed doors that forces almost every country on Earth to use US dollars whether they want to or not. It is a deal that keeps inflation lower than it should be for American consumers, lets the US government borrow trillions at rates no other country could dream of, and gives America the power to destroy entire economies with a phone call or, more recently, a social media post.

This is the deal that brought about the **petrodollar system** (Spiro, 1999).

For any management accountant involved with business valuations, corporate finance and enterprise risk management, understanding the system is not optional. It is the foundation underneath everything that countries, corporations, and individuals own—stocks, bonds, houses, retirement plans, etc.—all of which sit on top of this one agreement. Despite this, almost nobody understands its impact, let alone talks about it.

One can be sure that most retail investors have no idea about the risks they take in not understanding its impact and the opportunities they are missing out on. Today, as the conflict

between the USA and Israel versus Iran in the Middle East enters its third month and nearly 25% of the world's oil remains trapped in the *Strait of Hormuz*, understanding *energy flows* has become vital for both investors and strategists.

This article is to explain exactly how the petrodollar system works, why it is starting to crack, and most importantly, what the situation means for the global money flows.

## Always Follow the Energy Flows

Remember that '**oil**' is not just petrol (called gasoline in the USA). *Oil is everything*. Plastic is from oil. The fertiliser that helps grow our food is also made from oil. The cargo ship that brings the cheap furniture and garments from overseas needs oil. The jet fuel flying executives to meetings is also oil.

Every single day, the world burns through about 93 million barrels of oil. Most people do not give much thought as to how dependent everything is on this one material. However, for management accountants in the areas of strategy, risk management, supply chains and investment appraisal, this understanding is vital for sound decision-making.

**Example:** Take *Saudi Arabia*. It has more oil than it needs for its consumption. In fact, they need everything else but oil. It needs technology, cars, weapons, and consumer goods. Now, let us take *Japan*. It is a highly advanced economy that produces incredible products but has no oil whatsoever.

This looks like a good example of what is called a *natural trade* – Oil for Technology. Japan needs oil. Saudi Arabia needs products that Japan manufactures, such as Toyota cars and similar items. However, it is not that simple.

Now, if Saudi Arabia exchanges oil for Japanese Toyotas without using any currency, the arrangement is considered a *'barter'* transaction. A good example of this is the *'Rubber-Rice Pact'*, a landmark 30-year barter deal signed in 1952, where Sri Lanka (then Ceylon) exchanged its rubber for Chinese rice. This allowed Ceylon to secure food supplies and China to obtain rubber during Western sanctions.

But Saudi Arabia does not want to only barter Toyotas for its oil. It wants currency – something that can be spent anywhere. But what currency should they accept? Saudi Arabia does not really want *Japanese yen*. They want something they can spend anywhere, something stable, and something powerful. Japan is not going to accept *Saudi riyals* for the same reason. Both countries want flexibility. Both want purchasing power.

For over 50 years, the answer as to which currency both countries want has been one thing: the *US dollar*. Its value comes not from magic or from gold backing. *[It has not been backed by gold since President Nixon took it off the gold standard in 1971]*. It derives its value because of a very *specific agreement* made between the *United States* and the *Kingdom of Saudi Arabia*. This was the secret agreement, following the 1973 oil crisis, between the United States and Saudi Arabia, formalised in 1974, that created the *petrodollar system*.

This *secret agreement* changed everything. More about this deal later.

## The Gold Standard

Even before 1974, the US dollar had already become the currency that runs the world. To understand how this situation came about, we need to go back to the end of *World War II*. Europe was bombed out, devastated. The old powers, *Britain, France, Italy* and *Germany*, were in ruins, both economically and physically. *Japan* was the defeated nation that suffered the impact of two atomic bombs.

But American factories were humming. Except for *Pearl Harbour*, which brought America into the war, bombs never touched the United States. It had become the world's manufacturer, the world's creditor, and the world's gold vault all at once.

As a result, 44 nations gathered at a resort in Breton Woods, New Hampshire, in 1944. Their mission was to create a *new global financial system* from scratch. where the US dollar becomes the *world's reserve currency*. Other currencies were pegged to the US dollar, which means their exchange rate was fixed and the dollar was convertible to gold at a fixed price of \$35 per ounce; i.e., one could walk up to a US bank and exchange dollars for actual gold bars at a fixed rate. Such an arrangement gave everybody confidence. Literally, *"The dollar was as good as gold."*

This worked for about 25 years. But then the 1960s happened in the USA. The *Vietnam war*, together with the *'Great Society programs'* launched by US *President Lyndon B. Johnson*. These programmes were a sweeping series of domestic initiatives aimed at eliminating poverty and racial injustice in the US. Key programmes included *Medicare/Medicaid (1965)*, the *Economic Opportunity Act (1964)* and the *Civil Rights Act of 1964*. These programmes, often called the *"War on Poverty"*, fundamentally expanded the US federal government's role in education, healthcare, and civil rights. Government spending in the USA exploded. As a result, countries started noticing something rather uncomfortable. To fund its social programmes and wars, the US

was printing way more dollars than it had gold to back them up.

As a result, the French under *President Charles de Gaulle* started demanding gold in exchange for their US dollars because they saw what was happening. Other countries followed. It was then that on August 15, 1971, *US President Richard Nixon* announced the temporary suspension of the dollar's convertibility into gold, effectively ending the Bretton Woods system. This *"Nixon Shock"* was a response to high inflation, trade deficits, and foreign demands for gold, making the US dollar permanently separate from the gold standard. The *long-term impact* of this decision was that it ended the fixed exchange rate system established after WWII, and ushered in the era of floating currencies *backed by trust* rather than gold.

**So, just like that, the gold standard was dead.**

But the US dollar now had a problem. It was now what we call *'fiat currency'*, basically money backed by nothing except a government saying it is worth something. As a result, for a couple of years after President Nixon's shock announcement, it was close to chaos in the international currency markets. The US dollar dropped, and other currencies became extremely volatile as nobody really knew what fiat currency meant. Basically, if you took a dollar to a bank, the bank will give you not gold, but a dollar in return.

## The Secret Rise of the Petrodollar

Two years after *President Richard Nixon* took the US dollar off the gold standard and caused currency chaos, in 1973, war broke out in the Middle East. The *Yom Kippur War* was fought between Israel and Egypt, with Syria also involved, and the US provided weapons to support Israel. At that time, as it is today, the Arab countries had one very powerful card to play: *oil*. They set up the *Organization of the Petroleum Exporting Countries (OPEC)* as a cartel of oil-producing countries and announced an embargo of oil for America or anybody supporting Israel. *[The similarities today with Iran's closing of the Strait of Hormuz in its war with the US and Israel are amazing.]*

As a result of OPEC sanctions in 1973, almost instantly, oil prices quadrupled in the US. Gas lines stretched for blocks. The American economy fell into a severe downturn. It was a real crisis. President Nixon had to do something about it. He sent *Henry Kissinger*, the US Secretary of State, to *Saudi Arabia* with a very simple but interesting proposal:

***"Saudi Arabia agrees to sell oil only in US dollars, and the United States agrees that it would provide it military protection and weapons."***

The key details of the agreement were: (1) *The Deal*: Saudi Arabia agreed to sell its oil exclusively in US dollars; (2) *The Return*: The US provided military aid, equipment, and security guarantees to the Kingdom; and (3) *Petrodollar Recycling*: Saudi Arabia agreed to invest its surplus oil revenue (petrodollars) back into the US economy, particularly in US Treasury bonds.

In other words, Saudi Arabia had to make sure everyone needs US dollars to buy its oil, and the USA will make sure nobody messes with it, ever. It was a beautiful deal for both the USA and Saudi Arabia, while everyone else became a *'forced customer'* of the US dollar. This arrangement solidified the US dollar's dominance as the global reserve currency. Although this agreement is often described as an informal, long-term pact, the result was that all countries, even Russia and China, could only trade oil in US dollars.

## The Global Ecosystem of the Petrodollar

Why was this secret agreement such a good deal for America and the oil-producing Gulf states?

Let us break down how this *petrodollar ecosystem* exactly operates by going back to our Saudi Arabia and Japan example. Japan needs millions of barrels of oil every single month or day. But they cannot buy oil in yen because, under the deal with the USA, Saudi Arabia will only accept US dollars. Thus, how does Japan obtain dollars? Well, Japan sells its Toyotas, PlayStations, semiconductors, etc. to the USA and the USA pays Japan for these in US dollars.

Now, Japan needs US dollars *first* before it can buy oil and pay the Saudis with those dollars. They also need US dollars all the time, as 'oil' is a constant need for Japan, which burns fuel every day. In case, in any period. Japan does not sell as many cars, etc., as it needs to sell to satisfy its constant need for US dollars (to pay for Saudi Arabia's oil); it must have US dollars handy to meet any shortfall.

As such, Japan needs to keep a substantial amount of US dollars in reserve, ready when needed to buy oil. Japan meets this shortfall by buying **US debt** (also known as US government bonds or US treasuries), the safest way to hold US dollars.

This causes Japan (and every other oil-importing country) to buy and hold significant amounts of US dollar debt. Meanwhile, the US, Saudi Arabia and the other *oil-producing* Gulf states are receiving substantial amounts of money from these *oil-importing* countries. In fact, they are getting far more US dollars than they need. What do they do with all these dollars? They can spend it on *social programmes* for the middle class in their country and on *luxury goods* for the rich, but they still will have a massive surplus of US dollars.

**What do they do with this surplus? They invest these US dollars right back into the USA.**

They buy *US shares* with it because it has great opportunity. They buy *US real estate* because they can obtain income from it. They buy *US debt* with it because it is considered a safe, risk-free security. And of course they buy *US weapons*. This is called **petrodollar recycling** because the money flows out to buy oil, and then it flows right back in as an investment. It is a perfect loop, a perfect ecosystem.

Clearly, after *President Nixon* took the US dollar off the gold standard and caused currency chaos, and after *OPEC* caused oil prices to quadruple and gas lines in the USA to stretch for blocks, a global trade ecosystem was required by the USA to put it back on top. This was the *petrodollar ecosystem*.

### Weaponizing the US Dollar

The petrodollar system gave America three significant advantages that most retail investors have never ever thought about or heard of.

*First*, as demonstrated above, almost every country that imports oil must hold US dollars, not because they love America, but because they literally need it to buy energy. This creates a constant structural demand for dollars that has nothing to do with the state of the US economy. This permanent demand means the US dollar stays stronger than it should be, simply due to this secret agreement. As a result, an American consumer's purchasing power, especially for imports, is artificially boosted; e.g., the iPhone manufactured in China is cheaper than it should be because of the petrodollar.

*Second*, because all energy-dependent countries need to hold US dollars, the safest way to hold surplus dollars in reserve is to buy US government bonds. As such, there is this massive permanent demand for US debt. This results in the US government being able to borrow at very low interest rates compared to what other countries can offer for US dollars. This means that the US can

spend more on government programmes, lower taxes, and run larger deficits without facing any immediate consequences. For US investors, when US bond rates stay low, they invest more money into stocks and shares, real estate, and riskier assets. This is why all these assets have grown exponentially in the last few decades. *The petrodollar is the invisible force that is making that possible.*

*Third*, and this is one of the most powerful and dangerous consequences for the rest of the world of the USA controlling the currency that everybody needs, is that it gives the USA the advantage of being able to *'weaponise the US dollar'*. The USA can cut anyone off from the global economy. This is why US sanctions are so devastating, while the sanctions imposed by other countries barely matter. When the US sanctioned Russia in 2022, it did not invade it. They simply said, *"You can't use dollars anymore,"* and suddenly, all Russian banks could no longer trade, and Russian companies could no longer pay suppliers.

Clearly, the USA needs all countries to trade energy in US dollars; otherwise, it will face dangerous consequences.

*First*, if demand for the US dollar gradually decreases because countries are trading energy in other currencies, the US dollar will weaken, and imports are going to become more expensive for the US consumer. Foreign investments will perform better in dollar terms, and US purchasing power will erode. *Second*, if the foreign buyers buy less US debt, the US will have to pay a higher interest rate to attract buyers. As a result, the mortgages for USA housing buyers will become more expensive. Corporate borrowing costs in the USA will rise, and stock valuations will decline. *Third*, if countries can trade without dollars, American sanctions and American banks will have a lot less power. That changes the geopolitical equation, and it creates uncertainty, which is something the market hates (Eichengreen, 2011).

### The Push-Back

We have shown how the US has the power to economically destroy a country without firing a single bullet. Now, if you are an American citizen, you might think, *"What's the problem?"*

The problem is that other countries have noticed. *China, Russia, India, Brazil, Saudi Arabia, and Iran* have all observed American policy weaponising the dollar and have considered taking action and developing a backup plan. China and Russia have started trading oil in *Yuan (or Renminbi)*, the Chinese currency. India is paying for Russian oil in *Rupees*. After the 50-year *Security Cooperation Memorandum* expired on June 9, 2024, it appears that the petrodollar agreement has also ended, as *Saudi Arabia*, America's original partner in the secret deal, is now openly discussing selling oil in other currencies.

Now if the US loses its earlier monopolistic privileges of the petrodollar, there are some intended and unintended consequences. Countries in emerging markets and commodity exporters will benefit from a weaker dollar. Furthermore, if countries are trying to use fewer dollars because they would rather not be that dependent on the US, another long-term consequence is *less dependence on oil*. Energy transition from oil to renewables may result not because of climate change but due to the need to break free from the petrodollar system by generating their own energy. That means companies will consider green technologies such as building renewable infrastructure, battery storage, LNG facilities and even nuclear plants, and these projects would be where the investment money would flow.

### Why has the petrodollar system not collapsed yet?

The first reason is *momentum*. The global financial system is very *slow to change*. Trillions of dollars in contracts are still written in US dollars. Pricing systems, banking infrastructure, and accounting

standards – they are all built around the dollar. So switching is complicated, expensive and risky.

The second reason is that the dollar is not just backed by economic might. It is backed by *military strength* – 11 aircraft carriers and 750 military bases around the world. Therefore, countries consider the consequences before challenging a system. They remember what happened to *Libya* and *Iraq* when they tried to sell oil in non-US dollars. More recently, *Venezuela* and *Iran* were two countries that were selling oil in non-US dollars. There was military intervention in all these countries, supposedly for reasons other than oil trading, such as weapons of mass destruction, drug trafficking, and uranium enrichment.

The third reason is that there is no *real alternative yet*. Europe still cannot agree on a fiscal policy. Bitcoin is not there yet. This situation leaves only the Chinese currency and the creation of a '*Petroyuan*' as the sole remaining global option.

### The Dual Life of the Yuan

China has created the dual structure of the yuan market. (1) *CNY (Onshore)* is the yuan *inside* mainland China. It is a "high-walled fortress", with its value strictly managed by the *People's Bank of China (PBoC)* within a narrow 2% trading band; and (2) *CNH (Offshore)* is the yuan that trades much more freely in global centres like Hong Kong. The PBoC does retain tools to manage this value and, at times, does intervene to prevent too large a spread in the CNY market. The US dollar is, however, still the ammunition China needs to defend its currency and pay for many of its essential imports, and as such, China built a massive stockpile of US dollar foreign exchange reserves.

Now, China can print yuan to pay Russia and Saudi Arabia for oil. This seems like a shield. But until the '*petroyuan*' becomes a global alternative to the petrodollar, Russia and Saudi Arabia must *eventually* convert a large portion of those yuan savings into US dollars to pay for their own global trade. This conversion process adds a massive, additional wave of US dollar selling pressure on the offshore CNH market, accelerating the very currency collapse China is trying to prevent. Remember, China does not have a finite stockpile of US dollars in its foreign exchange reserves. In March 2026 alone, those reserves fell by \$85.7 billion, the largest single-month drop in a decade (SAFE, 2026).

As such, there is a credible theory that West did not just fail to stop the rise of the Petroyuan—it actively engineered its creation. The argument is that by cutting Russia off from SWIFT and freezing its dollar assets, the West left Moscow with no choice but to embrace the yuan as its primary foreign currency.

The People's Bank of China (PBoC) had spent decades fortifying the yuan against a currency attack behind strict capital controls. The central logic was that no speculative assault would be able to breach the defences. So, the theory is that the Western strategy was to lure the defenders (i.e., the PBoC) outside into the open.

When Russia intervened in Ukraine, the collective West responded with a financial firestorm. Sanctions, SWIFT exclusion, and asset freezes. By doing so, they created an irresistible temptation for China to internationalise its currency in the form of the *Petroyuan*. China believed it was building the financial infrastructure for a multipolar world; in reality, the theory goes that they were inadvertently creating a financial battering ram that would be used to try and breach the walls of the onshore yuan fortress. With every barrel purchased, the enemy receives more ammunition. The more oil is traded in yuan, the less defence the walls of capital controls offer.

In other words, by excluding Russia from the SWIFT payment system and forcing it to face restricted use of dollars and euros,

it was forced to pivot towards the Chinese yuan as a lifeline. As such, the view is that the Petroyuan was not a Chinese victory but that it was a Western trap (Tan, 2025).

### The Thucydides Trap

If the Petroyuan was a trap actively engineered by the West, then it may lead to a bigger trap, referred to as the *Thucydides Trap*. Harvard professor Graham Allison describes this trap as the dangerous structural stress that occurs when a rising power threatens to displace an established ruling power, often leading to war (Allison, 2017). This phenomenon is as old as history itself and explains the *Peloponnesian War* that devastated ancient Greece. As the historian Thucydides explained: "*It was the rise of Athens and the fear that this instilled in Sparta that made war inevitable.*"

Professor Allison (2017) shows that over the past 500 years, similar conditions have occurred sixteen times and that war broke out in twelve of them. He says that the seventeenth case looks grim unless China is willing to scale back its ambitions or Washington can accept becoming number two in the Pacific.

Today, as an unstoppable China approaches an immovable America, *President Xi Jinping* warned of the need to avoid this *Thucydides Trap* in his introductory speech at the Summit meeting with President Donald Trump in May 2026 in Beijing. It is not clear if President Trump understood this historical reference, but the world is today in such a dangerous geopolitical situation that a trade conflict, cyberattack, or accident at sea could soon escalate into all-out war.

### Impact of Recent Geopolitical Tensions on the Petrodollar

For the first time since WWII (excluding the pandemic), the **U.S. public debt (\$31.27 trillion)** has officially exceeded its **GDP (\$31.22 trillion)**. This shifts global confidence in the US economy from a long-term fiscal concern to an immediate economic threat (Ugalde and Braun, 2026).

The petrodollar system only works on the condition that Gulf states keep sending money back into US markets. However, Iran's pressure campaign on Gulf states, including attacks on their economic assets and leveraging of the *Strait of Hormuz*, is creating uncertainty in oil markets, government budgets and regional stability. As such, *swap lines* have reversed the above condition – dollars must now flow to the Gulf instead of from it.

The key drivers of the current crisis are *geopolitical instability* and *capital flight risk*. Gulf states are reassessing their reliance on US markets due to wavering confidence in US protection following military escalations involving Israel and Iran. The *Gulf Cooperation Council (GCC)* holds approximately **\$2 trillion** in U.S. assets. Major economies in this region are already reviewing their positions, creating the potential for a massive selloff.

The result is a *liquidity paradox*. The US cannot easily block these sell-offs because the market's primary appeal is its openness; restricted exits would destroy the very "liquidity" that attracts investors in the first place. This scenario creates an economic "*chain reaction*". The US economy is currently sustained by *stretched asset valuations* (stocks, bonds, and real estate) that exceed their fundamental value. If foreign holders trigger a run, it could result in a price collapse with a mass selloff that would cause asset prices to plummet. There would also be *collateral damage*, with falling prices reducing the value of collateral held by leveraged institutions. Such a scenario will bring about *financial contagion*; i.e., to cover losses, institutions would cut borrowing and sell more assets, creating a downward spiral that spreads financial stress globally, mirroring the mechanics of the 2008 financial crisis.

## Conclusion

The petrodollar system, which was set up as a strategic partnership between the US and Saudi Arabia, has been a key part of the global economy for decades. It has fortified the US dollar's status as the world's primary reserve currency, enabling the US to maintain significant economic advantages, such as enhanced purchasing power, low borrowing costs, and geopolitical leverage through the ability to impose effective economic sanctions.

However, the system is facing increasing challenges. Countries like China, Russia, and others are exploring alternatives to reduce their dependency on the U.S. dollar. This pushback is driven by the desire to mitigate the risks associated with the weaponization of the dollar and to gain more autonomy in global trade. The emergence of the *petroyuan* represents a significant attempt to shift the balance of power, though it also poses risks to the very countries promoting it due to the complexities of currency convertibility and reserve management.

The resilience of the petrodollar system thus far is attributed to the entrenched global financial infrastructure reliant on the dollar, the formidable military backing of the US, and the lack of a fully viable alternative currency. However as geopolitical tensions rise and technological advancements in energy and finance continue to evolve, the future of this system is uncertain. It is critical for investors, strategists, and policymakers to understand these dynamics to navigate potential shifts in global money flows and to capitalise on emerging opportunities in sectors such as renewable energy and technology.

Ultimately, while the petrodollar system has not yet collapsed, its potential destabilisation due to current geopolitics presents both risks and opportunities on the global stage, making it imperative for stakeholders to remain informed and adaptable.

The US dollar is not going to collapse tomorrow, next year, or probably even this decade unless the USA and Israel experience a significant military reversal in their war with Iran. But for the first time since 1974, there is a real alternative emerging to the US

dollar, and that has implications for global trade and investment.

Big systems do not collapse overnight. They erode very gradually and then suddenly. Therefore, the petrodollar probably will not end with a headline. It will just matter less year by year, trade by trade. The dollar's share of global reserves has already declined from about 70% to 58%.

This is not a crisis, but it is a significant trend.

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# INTEREST RATES: GOLDILOCKS' OUTCOME OR HOBSON'S CHOICE?

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President Donald Trump has just appointed a new chairman of the Federal Reserve, America's equivalent of a Central Bank. He is *Dr Kevin Warsh*, who was sworn in on May 22, 2026, succeeding *Dr Jerome Powell*, who had led the US central bank since 2018. President Trump hopes that *Dr Warsh* will reduce interest rates and stimulate the economy.

*But can he?*

**Goldilocks** had a choice of three bowls of porridge and, finding the first was "too hot" and the second "too cold", found the third to be "just right". Unfortunately, none of the three bowls in front of *Dr Warsh* leads to a 'just right' outcome.

Consuming the first bowl will result in a 'crashed economy'. Consuming the second makes the US dollar a 'dying currency'. Consuming the third is the 'end of American credibility'. There appears to be no fourth 'just right' bowl.

Let me explain.

But first a history lesson.

## The Foundation of the Federal Reserve

On the morning of October 22nd, 1907, a line of frightened New Yorkers stretched around the block at the corner of Fifth Avenue and 34th Street. They were holding bank books. They were waiting to pull their savings out of an institution called the **Knickerbocker Trust Company**, the third largest Trust company in New York, where they had collectively deposited what would today be the equivalent of about half a billion dollars. But by 12:30 in the afternoon, the Trust had paid out all its cash, about \$8 million, and locked its doors. The president of the **Knickerbocker**, a man named

*Mr Charles Barney*, walked home, and three weeks later, he shot himself (Fresno Bee, 1907).

Now, from the **Knickerbocker**, the panic spread. Other Trusts faced runs. The *New York Stock Exchange* nearly closed because banks ran out of cash to fund routine margin trades. However, at the time, there was no entity in the entire United States whose job it was to step in and stop the financial system from collapsing on itself.

It was left to one man to do it - *John Pierpont Morgan*, better known as **JP Morgan**. He was 70 years old, semi-retired, and one of the wealthiest men alive at the time. For the next two weeks, he ran the rescue of the United States financial system out of his personal library on Madison Avenue. He gathered the heads of all the major New York Banks and Trusts into his home and told them they were not leaving until they had pulled enough cash to reinforce the system. He personally examined the books of the troubled Trusts and decided which ones were solvent enough to save and which had to be allowed to fail. He coordinated about \$25 million in emergency loans, a staggering sum at the time. He sorted the wreckage in front of him into two piles. The institutions he could save and those he could not save. The latter he let die. And it worked. The panic was contained, and the financial system survived.

But take a step back and look at what had happened. One elderly private banker, prioritising institutions from his own library, had saved the American economy from collapse. *Morgan* held no charter, no mandate, and no government authority. But he did have cash, credibility, and the willingness to use them. If he had been travelling in Europe at that time, or if he had been sick, dead, or simply uninterested, the United States might have crashed in a way no one in this century has ever seen.

The obvious conclusion from what happened in 1907 was that America could not keep relying on one rich man to save it. And so, three years later, in late 1910, a small group of men travelled to a hunting club owned by JP Morgan himself, with the purpose of **drafting in secret** what would become the **Federal Reserve Act**. [Note that other countries have the word 'Reserve' to describe their Central Bank, e.g., Australia has the Reserve Bank of Australia, but only the USA refers to its Central Bank as the 'Fed']

Three years after that secret meeting, President Woodrow Wilson signed the *Federal Reserve Act* into law on December 23, 1913, and created a new institution, the **Federal Reserve (or Fed)**, that had the power to do on demand what JP Morgan had done in 1907 using the wealth of private individuals. When banks ran short of cash, the Fed could create new cash and lend it to them. When markets froze, the Fed could thaw them out. When the system needed *liquidity* – where an asset can be bought or sold without causing a drastic change in its price – the Fed could produce the required number of active buyers and sellers.

And that is the founding mission of the *Federal Reserve*. It exists to prevent another **Knickerbocker** crash and to make choices to guide the financial system in the moments when nobody else can. For over a century, it has done its job well. America has not had another 1907 panic, and every panic since 1987, 1998, 2008, and 2020 has received the same medicine:

*The Fed steps in, creates dollars, and buys what no one else will buy. The economy stabilises.*

### How the Federal Reserve Works Today

JP Morgan saved the financial system in 1907 by using the wealth that he and his peers had already earned, i.e., cash, gold, and deposits. He moved **real money** around. He did not invent any.

The Fed does not work that way anymore. When it steps in to save the system, it does so by **creating new dollars** out of thin air, not figuratively but literally. The Fed types those dollars into the accounts of commercial banks that did not have the money five seconds earlier, and the new dollars enter circulation. This is called '*quantitative easing*' and, more colloquially, '*money printing*'. However, this is not a printing press – it is a computer keyboard. There is no vault of gold to back the new dollars. There is only the promise that they will hold their value, i.e., what is called a '*fiat currency*' (see Ratnatunga, 2021).

Every panic the Fed has prevented since 1913 has added to the pile of these '*keyboard-created dollars*'. Every recession, every banking crisis, every wobble in the bond market – every one of these crises has been met with another round of US dollar creation. This dollar pile has grown for over a hundred years, and, since President Nixon took the US dollar off the gold standard in 1971, all these new US dollars created out of thin air have been backed by trust rather than gold. [It is also backed by oil and known as the '*petrodollar*' (see Ratnatunga, 2026)].

There is now an unimaginably tall pile of '*created US dollars*' resting on an unspoken agreement that everyone will continue to accept it as wealth. However, in May 2026, this tower of US dollar debt has started to lean visibly, with the **US public debt** of **\$37.64 trillion** officially exceeding its **Gross Domestic Product (or GDP)** of **\$31.22 trillion** (Goodell-Ugalde and Braun, 2026).

The distinction between JP Morgan moving around *existing money* (backed by gold) and the Fed *creating new money* (backed by faith) is a Goldilocks policy choice faced by Dr Warsh, the newly appointed head of the **Federal Reserve**, and by extension, every other Central banker in the world.

### The Impact of the Visible and Invisible Wars

In the **Visible war**, the *Strait of Hormuz* is still closed in early June 2026, with about 20% of the world's oil being off the market for the last 60 days. Oil is over \$100 per barrel and rising. The inflation that everybody in the USA claimed had been beaten last year is accelerating again.

The latest published data for the *Core Personal Consumption Expenditures Price Index* was the worst since 2022. This **Core PCE print** refers to the Federal Reserve's primary measure for tracking U.S. inflation, capturing the average changes in prices of goods and services consumed by individuals while stripping out volatile food and energy costs (BEA, 2026). The data has not, however, yet fully priced in the impact of the last 3 months of expensive oil.

The **invisible war** is a consequence of the visible war.

The United States funds itself with debt, and like a consumer living on a credit card, it must access more debt. This debt is provided by Foreign governments that hold about \$9.4 trillion of *US Treasury bonds*. When the war broke out and oil prices surged, some of those governments were forced to sell their US Treasury Bonds to raise the money they needed at home to buy oil on the open market.

Now, when too many holders sell, the price of those bonds falls. This is the same as for any asset. If there are more sellers than buyers, the price will fall. And when the price of a US Treasury bond falls, the interest rate the United States must pay on new debt climbs. This phenomenon is because a bond pays a fixed amount of cash, and therefore a bond's price and its yield (the interest rate it pays) have an **inverse relationship**. If the price goes down, the fixed payout represents a higher overall percentage return for anyone buying it at that new, lower price. As such, at too high of an interest rate, the interest bill on America's \$37 trillion of debt starts to compound on itself faster than the US federal budget can absorb.

A case in point was when the *United Arab Emirates (UAE)*, which is heavily dependent on selling oil through the *Strait of Hormuz*, saw its cash flow shut off for over the first 12 weeks of the war. Now, the UAE holds about \$95.6 billion in US Treasury bonds alone, plus trillions more in its sovereign wealth funds. If the UAE had sold those treasuries to raise cash, it would have collapsed the bond market. So, instead, what the UAE did was to approach Washington with a proposal. They said, "*Help us or we will have no option but to sell your bonds, which will ultimately crash your bond market.*" They asked for an emergency short-term loan known as a **currency swap line**.

This raises an important question. How does the US, whose own government runs entirely on borrowed money and requires other countries to lend it dollars to fund its operations, suddenly turn around and lend another country tens of billions of those same dollars on *demand*?

**The answer is computer keystrokes.**

When the Fed extends a currency swap line, the dollars on the US side of the trade are not pulled from a vault. They are not taken from US taxpayers. They are simply typed into existence on a computer keyboard at the Federal Reserve in Washington. One moment they do not exist; the next moment they sit in an account at the *Central Bank of the UAE* (or any other foreign country wanting US dollars). There is no printing press, no physical paper, just simple keystrokes. And that is how every **currency swap line** in modern history has been funded. The Fed conjures the dollars on demand, lends them out, and the leaning tower of all the US dollars ever created grows by exactly that much.

If the borrower pays those dollars back at maturity, the loan comes off the Fed's books, and the dollars that were typed into existence vanish from the system. So, there is no net growth in the money supply. The cycle closes cleanly. And to date, it is important to know that every currency swap line the Fed has ever extended has been paid back.

### Qualified Borrowers

However, one cannot take solace in the fact that all currency swaps done by the Fed to date have been paid back, because this perfect history has been built on a *very specific group of borrowers*. Until recently, the Fed's **currency swap line network** was restricted to a small list of qualified economies: The *European Central Bank*,

the Bank of Japan, the Bank of England, the Bank of Canada, and the Swiss National Bank. These are all large, mature, stable institutions backed by countries that actually earn the dollars through robust economies.

During the *Global Financial Crisis (GFC)* and the *Covid-19 Pandemic*, the Fed extended temporary emergency swap lines to *Australia, Brazil, Denmark, Mexico, New Zealand, Norway, Singapore, South Korea, and Sweden*. Central banks in these countries drew down these facilities to inject dollar liquidity into their domestic systems and repaid them later in full.

But last year, that wall came down. *Argentina*, a country with one of the most volatile currencies on the planet and with nine sovereign defaults in 200 years of history, was added to that list. Further, on April 22, 2026, in a testimony before the US Senators on Capitol Hill, *US Treasury Secretary Scott Bessent* confirmed that many Gulf and Asian allies had requested currency swap lines of their own. He defended the practice as protecting dollar liquidity in stress scenarios (Chiacu and Jones, 2026). The longer the list of countries borrowing emergency dollars, the higher the probability that the terms on those loans will get adjusted to meet the borrower's repayment capacity.

In banking, this practice is called '*amend, extend, and pretend*'.

Banks amend the terms of the loan to extend the maturity date and pretend everything will be fine. Loans get extended. New ones replaced. Maturity dates slide further into the future. The created dollars stop vanishing. They start accumulating.

### Goldilocks' or Hobson's Choice?

The man who has inherited this mess, and the tools to deal with it, is about to make a choice. And when faced with this choice, almost every Fed chairman has made the same call.

*They have printed more money.*

Dr. Kevin Warsh, the new Fed chairman, has inherited the most consequential job in global finance at the worst possible moment to do so. We will argue that he is left not with a *Goldilocks' choice*, but instead a *Hobson's choice*, i.e., a choice that appears to be made '*freely*' but in reality is '*unfree*'. It describes a situation where one seems to have a choice, but in reality, only one option is available.

*The phrase essentially means "take it or leave it", where leaving it is usually an undesirable outcome.*

### Goldilocks' Choices

Like Goldilocks, Dr Warsh has three choices. All three will cost the United States something that it cannot really afford to lose. Let us run through all three.

**Choice one: "Save the dollar".** Stop creating new dollars and raise interest rates. Defend the value of the currency. Now, higher interest rates make US debt more attractive to foreign buyers. When foreigners come back to the auctions, the Fed does not have to step in and create new dollars to absorb the bonds that nobody else wants because higher interest rates incentivise other foreigners to buy that debt. So fewer dollars mean less inflation, and less inflation means the currency holds its value. A currency's value, like the value of anything else, is set by supply and demand. So scarce, expensive money holds its value better than abundant, cheap money. And this strategy is the textbook play for any Central Bank facing a weakening currency and rising inflation. *But it crushes the economy as a result.*

This is exactly the playbook that *Fed Chairman Paul Volker* ran in 1980. When Dr Volker walked into the Federal Reserve building in August of 1979, there were a few things going on. American inflation had risen above 11%, and it was climbing. The US dollar had been losing value for a decade. Washington had been printing money to pay for the *Vietnam war*, and its '*Great Society programs*'. The Middle East had delivered two oil shocks in the last 6 years.

Americans were starting to lose confidence in their currency. *[Does this not sound remarkably familiar with the situation today?]*

Dr Volker decided that the only way out was to defend the dollar and break inflation. So, he raised the federal interest rates to 20%. And it worked. He crushed inflation. The dollar strengthened against every major currency on Earth. But the cost was brutal. The United States experienced two back-to-back recessions. Unemployment hit nearly 11%. Farms went bankrupt by the thousands. Construction workers were laid off in massive numbers in every State.

Hard as it was, the American economy could afford the cost in the 1980s because its federal debt was only 30% of GDP. Today it is approximately **\$37.64 trillion**, which represents a Debt-to-GDP ratio of **124%**. The annual interest bill on existing US debt is already over a trillion. If Dr Warsh raised interest rates today the way Dr Voker did in 1980, the interest bill would not just double. It would quadruple. Further, in 2026, the American public is far more sensitive to interest rate hikes than it was in 1980. Today, housing in the USA is leveraged, commercial real estate is leveraged, private equity is leveraged, and corporate America has trillions of dollars in debt coming due in the next three years that will have to be refinanced at whatever rate Dr Warsh and the Fed settle on.

Therefore, choice number one, saving the dollar by making rates high and dollars scarce, triggers a **fast death** of the American economy. Such a move will be *political suicide* for both Dr Warsh and the person who appointed him, *President Donald Trump*.

**Choice two: "Save the bond market".** This is effectively the opposite of choice number one. In this scenario, Dr Warsh would create enough new dollars to absorb the bonds that nobody else wants. Keep funding the American government by creating (*printing*) money to keep the economy running. This is the playbook the Fed has been running, especially since the global financial crisis of 2008. It is the playbook behind every round of quantitative easing. It is the playbook behind every swap line, every emergency facility, and every dollar typed into a bank's reserve account to soak up treasury bonds that no foreign creditor will buy at today's prices.

And it has worked up to now. Rates do not have to climb to the true market value because the US prints money and buys its own surplus debt. As a result, the interest bill stays manageable. The lights therefore stay on. However, every dollar created this way is one more layer on that leaning tower. As the supply of dollars gradually goes up, the value of each dollar gradually goes down. At the supermarket, at the petrol pump, in the mortgage payment, and in the price of a child's school year – each round of printing pushes another layer of inflation through the American economy. Wages do not keep up. Savings shrink relative to what they can buy. Fixed-income retirees watch their purchasing power evaporate. The Americans who already own real assets – shares, homes, real estate, gold – get richer in nominal terms. However, the Americans who do not, get poorer in real terms.

So, choice two saves the bond market by killing the currency. If choice one is a fast death, choice two is a **slow death**, a problem for another day, a problem that can be disguised as something else.

This second choice is always a politician's preferred choice. Because most people do not understand how inflation actually works, they do not know who to blame for it. They can feel the price of groceries climbing. They can feel the rent going up. They feel their take-home pay shrinking in what it can buy, but they cannot trace the cause back to a decision made at their central bank months or years earlier. They blame corporate greed. They blame foreign countries. They blame immigration. They blame the previous administration. But conspicuously, the central bank is almost never on the bad guy list.

**Choice Three: "Release the Pressure".** This choice is a bit of an outlier because it is actually outside of the Fed's control but still would have a dramatic impact on the decisions that Dr Warsh will

have to make. In choice three, the dark horse, the United States ends the war with Iran. They walk away. They let Hormuz reopen under Iranian control. They let the oil price come down. They let the pressure on the system release. If oil drops back to \$60, inflation will eventually cool on its own, and the Treasury auctions might normalise.

But the price of the third choice is not paid by the Fed. It is paid in terms of **American credibility**. If the Americans were to withdraw on Iran's terms, although there would be a marketing spin back in the White House to convince the American people that somehow this is "*mission accomplished*", the rest of the world would see what really happened; i.e., that the United States started a war and then was forced to retreat. And every adversary the United States has – Beijing watching Taiwan, Moscow watching NATO, and every smaller power watching whether American security commitments are worth the paper they are printed on – updates their estimate of what Washington can actually accomplish in terms of their security.

It must be remembered that the dollar's premium as the world's reserve currency rests in the end on a single belief that the United States can **project force globally** and back its security commitments. If you take that belief away, foreign powers are going to hold fewer dollars, want fewer treasury bonds, and demand higher returns for the dollars that they still buy. Choice three saves the dollar in the technical sense but **destroys the foundation that it stands on**.

### **Are There Any Other Choices?**

One may think that there are more than three choices in a central banker's playbook. What about raising taxes? Defaulting on the loans? Restructuring the debt? Recalculating the inflation statistics? After all, Dr Warsh wants to change how the Fed calculates and measures inflation and wants to use **trimmed mean** metrics. Rather than focusing purely on core indices, he wants to strip out extreme price changes across all spending categories to find the "underlying" inflation rate (Harring, 2026). He is of the view that by ignoring anomalies policymakers can isolate persistent, foundational price trends and adjust interest rates accordingly (Economist, 2026).

However, if you look closely, every alternative is just a subvariant of one of the three Goldilocks choices: (1) increase interest rates and destroy the economy; (2) create dollars out of thin air and destroy the currency; or (3) remove the pressure that is causing a run on the dollar and destroy American credibility as a superpower. Choice one is a fast death – it breaks the bond market and the economy in weeks. Choices two and three are slow deaths that weaken the dollar over years.

*There is no fourth choice.*

### **The International Scene**

The decisions made by the Federal Reserve Chairman significantly impact global economies due to the sheer size and influence of the US economy, which is the largest in the world. When the Fed adjusts interest rates, it affects global financial markets, as investors may shift their capital based on anticipated returns, influencing exchange rates and investment flows worldwide. For example, an increase in US interest rates can attract foreign investments. This will lead to more US dollars being demanded causing the US dollar to appreciate. This will result in it being more expensive for other countries to service US dollar-denominated debts. This can lead to increased borrowing costs and financial strain, especially in emerging markets. Additionally, changes in US monetary policy can impact global trade by affecting consumer spending and demand for imports, thereby influencing economic growth rates globally.

Thus, the interconnected nature of today's global economy means that the Fed's monetary policies can set trends that other central banks may be forced to follow, further amplifying their ripple effects across borders. However, the impacts are also contextual, often based on both economic and political factors.

For example, while Australian mortgage holders are grappling with rising repayments, some countries have not seen interest rate rises in years. The United Kingdom and New Zealand have not increased rates since 2023, while Japan has had decades of low, and in some cases negative, interest rates.

Here is a summary of what is happening with interest rates in some major economies, the economic conditions influencing them, and what the future might hold for mortgage holders in those countries.

#### **Australia**

The Reserve Bank raised Australia's cash rate by 25 basis points to 4.35 per cent on May 5, 2026, citing concerns about inflation amid the war in the Middle East. While it might appear that borrowers have it easier in other countries, it is not that simple. It appears that some of Australia's closest neighbours and partners are making interest rate choices based on higher unemployment, weak currencies, or after lowering rates less aggressively in the past.

The fact that interest rates are high in Australia most likely reflects the fact that its economy is actually performing better than other countries. The view is that the Central bank in Australia is responding by lifting interest rates because they are seeing less slack in the Australian economy and, with it, upward inflation pressures (Martin et al., 2026).

#### **New Zealand**

New Zealand's official interest rate is 2.25 per cent on November 26, 2025, following the central bank lowering it steadily from a post-COVID peak of 5.5 per cent. But compared to Australia, New Zealand's unemployment rate is higher and its economic growth weaker, a major reason for the record number of New Zealanders moving to Australia for work (Angeloni and Marchese, 2025).

New Zealand's low interest rate whilst stimulating the economy, is contributing to inflation. Its central bank is also monitoring how the high cost of fuel due to the effective closure of the Strait of Hormuz will affect prices and wages across New Zealand. Inflation is expected to rise to more than 4 per cent for the June 2026 quarter on the back of surging fuel prices. Due to all these factors, the informed view is that New Zealand's central bank appears poised to raise the cash rate (Martin, et.al., 2026).

#### **United Kingdom**

The UK is also feeling the effects of the energy crisis, but the Bank of England (BoE) chose to maintain the interest rate at 3.75 per cent in April, the lowest point since it peaked at a 16-year high of 5.25 per cent in 2023. Interest rates had been tipped to keep falling in the UK in 2026 because there were signs suggesting that inflation was decreasing.

However, due to the global impact of the conflict in the Middle East, inflation has risen to 3.3 percent (compared to the UK government's target of 2 percent) and is tipped to keep rising as higher energy prices continue to hit (Knowles, 2026).

As such, there was an expectation that the UK had to brace for higher interest rates in June 2026. However, on 30 May 2026, in a signal that borrowing costs will remain at 3.75% – at least during its summer – the governor of the BoE said that it is in no rush to raise interest rates while the outcome of the Iran war remains uncertain and the UK's growth rate stays weak. He said it was tolerable for inflation to stay above the bank's 2% target during the current crisis, but that would change if a more permanent increase in prices began to take effect (Inman, 2026).

#### **Japan**

Japan's central bank started raising interest rates in 2024, even as other countries were cutting theirs. But the rate has risen from a much lower base compared to Australia, reaching 0.75 percent when the Bank of Japan (BoJ) last increased the interest rate to a three-decade high in December 2025.

The central bank has kept interest rates low ever since Japan's "lost decade": a period of economic stagnation in the 1990s, starting when its asset bubble burst due to over-investment in land and stocks. More recently, it used low or negative interest rates to combat weaker consumer spending and labour shortages stemming from an aging Japanese population.

Since the outbreak of the Middle East war, while the BoJ has paused rate hikes, a split has emerged over whether to raise interest rates at its most recent board meeting in May 2026. Some members said the BoJ should monitor the conflict's potential damage to the economy, while others warned of mounting price pressures (Kihara, 2026). The view is that if the BoJ chooses to keep the interest rate low or unchanged, then the Japanese yen will depreciate even more, and that will create further pressure on the inflation.

### Indonesia

The Bank Indonesia (BI) is trying to support economic growth while also protecting the nation's currency from dropping in value. As such, Bank Indonesia was doing a balancing act by trying to hold interest rates at 4.75 percent to help drive the domestic economy amid highly uncertain global economic volatility. The Bank realised that if the interest rate rose too high, banks were likely to increase deposit and lending rates, making credit more expensive for households and businesses, potentially slowing economic activity.

BI also had limited room to cut rates further because the Indonesian Rupiah exchange rate has been very volatile and has even experienced significant depreciation over the last 3 months since the Middle East conflict started. As such, it was expected that BI might have to raise rates if pressure on the rupiah intensified.

Therefore, BI's decision to aggressively hike the BI rate by 50 bps to 5.25% in May 2026, whilst not unexpected, was still surprising, as it was double the expected 25 bps. This preemptive tightening aims to defend the currency against excessive depreciation and global volatility, shifting the central bank's focus to macroeconomic stability (BI, 2026).

### Summary

This article shows that Dr Kevin Warsh, the new US Fed chairman, has inherited the most consequential job in global finance at the worst possible moment to inherit it. He is faced with a weakening US dollar, which ultimately results in a slow death called **inflation**. Asset prices climb in nominal terms while purchasing power drains away in the background. But it plays out over years, not days. It hurts everyone, but it does not happen all at once.

Every central banker in recent US history, when forced to choose between a fast death and a slow death, chose the slow death every single time without exception. A failed US Treasury market is a fast death, with a financial system that stops working *in days*. The federal government cannot fund itself, so banks fail. Pensions seize up. Markets reprice everything, all at once.

Therefore, Dr Warsh will make a **Hobson's choice** and allow the US dollar to lose 30% of its purchasing power over the next 5 years. His decision will have significant impact on global economies due to the sheer size and influence of the US economy. Whilst central banks in other countries make decisions based on their own contexts, the decisions made by the Fed affect their economies. Further, the conflict in the Middle East is causing a significant impact on inflation and the pricing of their own currencies.

*What does all this mean for investors?*

They should stop being surprised by seeing more money creation. They should stop trying to time the market. They should stop arguing about whether the Strait of Hormuz will open this month or next or ever. They should position themselves for the slow death of their currencies in terms of purchasing power. This means that they should focus on hard assets – commodities,

gold, energy, real estate, productive assets that generate cash, and industries that do not depend on a strong dollar to meet their bottom lines.

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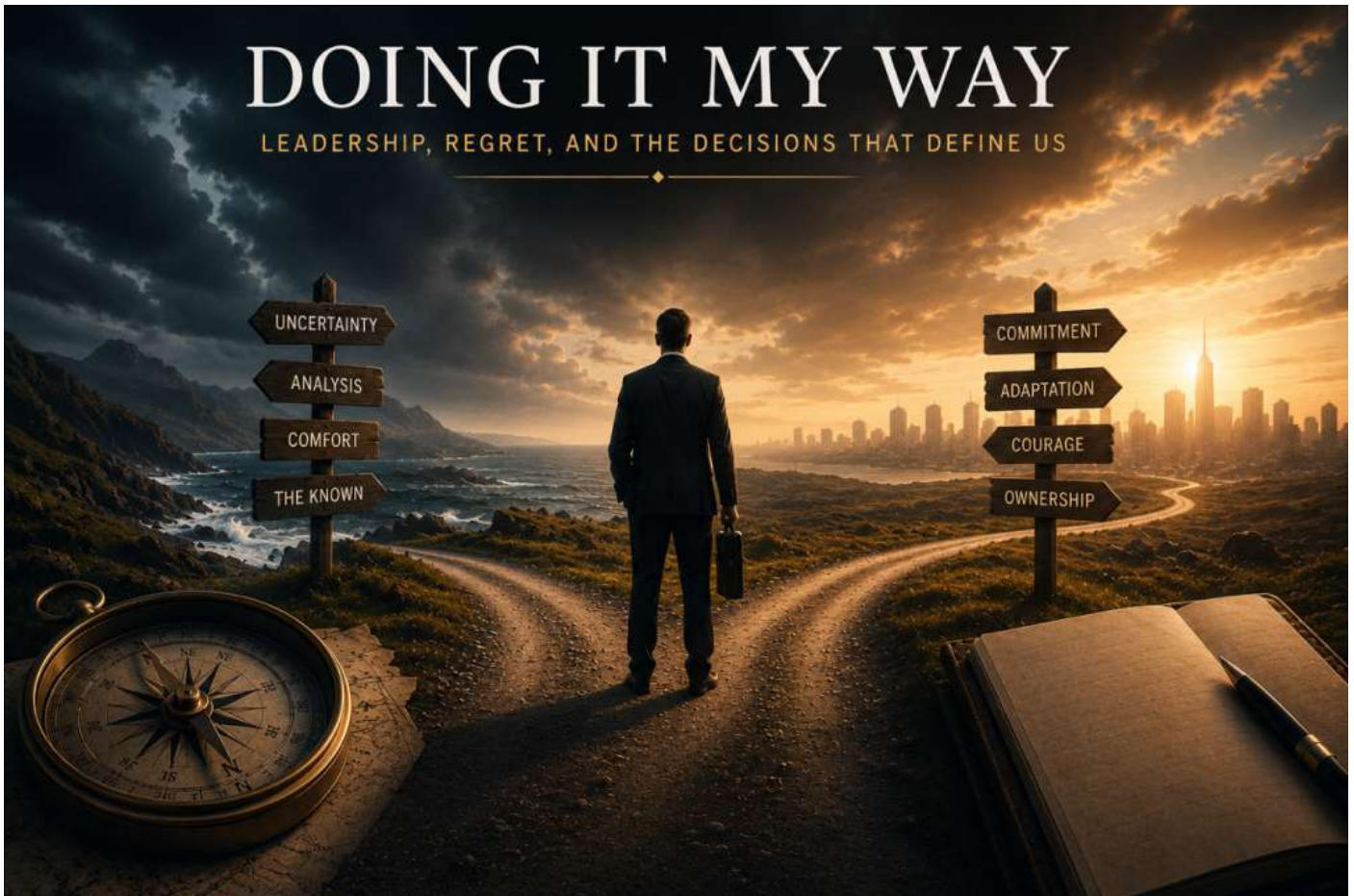
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# DOING IT MY WAY: LEADERSHIP, REGRET, AND THE DECISIONS THAT DEFINE US

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*"It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change." Charles Darwin (1859, as cited in Megginson, 1963, p. 4)*

*'I planned each chartered course, each careful step along the byway / And more, much more than this, I did it my way.'* (Anka, 1969)

Frank Sinatra first sang these words in 1969, not as a boast but as a reckoning. The song is built around a man reckoning with a life of imperfect decisions, uncertain conditions, and roads that could not be fully mapped in advance and finding in that reflection not regret, but clarity. He did not claim the course was always correct. He claimed the commitment was always total.

It is, underneath the music, a philosophy of leadership. And it is one that most leadership frameworks have never quite managed to articulate – because it requires accepting something deeply uncomfortable: that certainty is not a precondition for commitment. That the conditions will never be perfect. And that the quality of a leader is not measured by the circumstances they inherit but by the fullness with which they engage with the ones that actually exist.

This article is about that kind of leadership. And about the decisions – personal, professional, and strategic – that reveal whether a leader is genuinely playing the game in front of them or spending their energy mourning the one they wish they had been playing.

## The Parable of the Crossroads: On Decisions That Cannot Be Undone

Consider the ancient parable of the traveller at the crossroads. Two paths stretch into the distance. The traveller consults every available map, interrogates every passing stranger, studies the light, and reads the wind. And yet, no amount of analysis eliminates the fundamental condition: one path must be taken, the other abandoned. The maps are helpful, but they are not the territory. The territory reveals itself only in the walking.

This is the condition of modern leadership.

Soren Kierkegaard understood this long before behavioural economists or game theorists attempted to model uncertainty mathematically.

*"Marry, and you will regret it. Do not marry, and you will also regret it."* (Kierkegaard, 1843, p. 38)

At first glance, the statement appears cynical. It is not. The observation is not about marriage. It is philosophical: every significant choice closes off alternate futures. And it applies with equal force to any meaningful commitment, professional, personal, or strategic. Kierkegaard chose marriage as his example, but he might just as easily have chosen whether to expand a business, change a career, or commit to a strategy. Every commitment sacrifices alternate possibilities. Every strategic decision creates both gains and losses that cannot be fully known at the moment

the choice is made.

Every meaningful choice destroys alternate futures. And the greater the decision, the greater the ghost population of unlived lives that follows behind it.

And yet Kierkegaard's dilemma contains a trap of its own. The philosopher identifies the inevitability of regret but says nothing about the relative cost of action versus inaction. That asymmetry was captured, rather more bluntly, by a maxim often attributed to the Roman philosopher Cicero: 'More is lost by indecision than by wrong decision.' Whether it comes from Cicero or not, the insight holds as a general principle rather than an absolute law. It does not license recklessness – a wrong decision taken impulsively can be as costly as paralysis. But as a description of how most organisations fail, it is precise. Paralysis is not the absence of a choice. It is a choice, and historically, one of the most expensive ones a leader can make.

For those who prefer a more structured analytical approach to navigating that dilemma, decision tree analysis offers a useful complement to regret minimisation. By mapping probable outcomes, assigning probabilities, and calculating expected values across alternative paths, decision trees make the cost of indecision visible in quantitative terms. They do not eliminate uncertainty – but they force the leader to confront it explicitly rather than avoid it. The limitation, as with all models, is that the tree can only represent outcomes the analyst has imagined. The territory, as always, reserves the right to produce outcomes that were never on the diagram.

Executives often assume that enough analysis will eventually reveal the correct answer. Entire corporate cultures are built around the fantasy that uncertainty can be eliminated through dashboards, forecasting models, consultants, AI systems, or strategic planning frameworks. But in highly interconnected environments, the future cannot be solved like an accounting equation. Competitors react. Consumers adapt. Governments intervene. Technology evolves. Employees reinterpret incentives. Markets shift psychologically rather than rationally.

*The system responds to the decision itself.*

Military strategists have always understood this, even when business schools have been slow to teach it. Von Moltke's observation that no plan survives first contact with the enemy is not a counsel of despair about planning. It is a precise description of how adaptive systems behave. The plan meets the system. The system responds. The plan changes. What remains is not the original strategy but the quality of the leader's judgement in the moment of contact.

In my previous article, 'You Never Play Alone: The Illusion of Unilateral Control,' the central argument was straightforward, if uncomfortable: you are never the only actor in the system. Every decision you make is simultaneously a signal, a provocation, and an invitation for the system to respond. The belief that outcomes can be dictated, rather than negotiated through cascading reactions, is not merely a strategic error. It is a fundamental misreading of how complex systems behave (Nash, 1950).

John Nash fundamentally altered strategic thinking because he recognised that decisions are never made in isolation. In any meaningful system, every participant is simultaneously adjusting to every other participant. Strategy is therefore not about unilateral optimisation. It is about equilibrium within an adaptive environment (Nash, 1950).

Most strategic failures do not arise because leaders lack intelligence. They arise because leaders incorrectly assume static conditions in dynamic systems. A company cuts costs aggressively and destroys morale. A government imposes tariffs and triggers retaliation. A corporation pursues shareholder maximisation and weakens long-term resilience. An executive centralises decision-making and unintentionally slows organisational adaptation.

The problem is rarely the initial decision itself. The problem is the second-order reaction to the decision.

### **The Cartographer's Fallacy: Mistaking the Model for the World**

There is an old story among military historians about a young officer who, lost in the Alps during an exercise, discovered a map in his breast pocket and used it to navigate his unit to safety. Only on returning to base did he realise the map was of the Pyrenees. He had survived not because the map was accurate, but because having a map at all gave him the confidence to move, observe, and adapt.

*The map was wrong. The movement was right.*

The corporate world has constructed extraordinarily sophisticated maps: financial models, scenario planners, Monte Carlo simulations, strategic frameworks, and increasingly, artificial intelligence systems capable of processing more data than any human analyst could absorb in a lifetime. These tools have enormous value. But they share one foundational limitation. They show what happens when assumptions hold. They do not show what happens when the territory refuses to resemble the map.

*And the territory always, eventually, refuses.*

The Austrian economist Friedrich Hayek described this as the 'knowledge problem': no planner, executive, government, or strategist can ever possess enough information to fully predict the behaviour of a complex adaptive system (Hayek, 1945). Markets are not equations waiting to be solved. They are living systems in continuous co-evolution. The map is always, in some fundamental sense, behind.

This is not a counsel of despair. It is a counsel of humility. And humility, strategically speaking, is not weakness. It is the foundation of resilience.

### **The Corporate Record Provides No Shortage of Instructive Evidence.**

Xerox's Palo Alto Research Centre invented the graphical user interface, the computer mouse, and the Ethernet in the 1970s. The company held, quite literally, the map to the digital future. But its leadership, anchored to a model built on photocopier revenue, could not recognise the territory those inventions described. Apple and Microsoft walked onto that terrain without hesitation (Galloway, 2017). Xerox had drawn the map. Others made the journey.

The collapse of the hedge fund *Long-Term Capital Management* in 1998 reveals the same failure at the highest levels of quantitative sophistication. The fund was led by two Nobel Prize-winning economists and staffed by the most gifted financial mathematicians of their generation. Their models were internally correct, inside the assumptions they were built on. What those models did not account for was the reflexive behaviour of other market participants responding simultaneously to the same signals. When Russia defaulted on its debt, the system did not behave as modelled. It responded as a terrified, interconnected network of actors all attempting to reduce exposure at the same moment (Shiller, 2015). The fund lost over four billion dollars in six weeks. The map was not the territory.

Sears provides perhaps the most instructive case of structural dominance rendered irrelevant by a territory that simply moved on. At its peak, Sears was not merely a retailer. It was the infrastructure of American consumer life, the company that invented the modern catalogue, pioneered the department store, and expanded into insurance, real estate, and financial services. Its map was extraordinarily detailed and comprehensive. And entirely of a world that was quietly ceasing to exist. Amazon did not defeat Sears. Sears defeated itself by assuming that what had made it dominant would continue to make it dominant (Sheffi, 2005). It filed for bankruptcy in 2018.

Kodak is the definitive case. Its engineers invented digital photography in 1975. The company understood the technology. What it failed to model was the speed and completeness with which the market would abandon the territory it had spent a century mapping. Leadership assumed that film's decline would be gradual enough to manage, that Kodak could control the pace of its own disruption. The territory had no interest in their timeline (Mui, 2012). Kodak filed for bankruptcy in 2012, not from lack of foresight but from overconfidence in its ability to dictate future terms.

### The Regret Minimisation Framework: Deciding at the Crossroads

If perfect prediction is impossible, and if even the most sophisticated models will eventually fail to capture the territory, on what basis should consequential decisions be made?

Behavioural economists and decision theorists increasingly converge on a deceptively simple framework: regret minimisation (Loomes and Sugden, 1982). Rather than asking 'What decision maximises theoretical upside?', the leader asks 'What future regret would be hardest to live with?'

Jeff Bezos described leaving a senior position at a Wall Street firm to found Amazon through exactly this lens. He asked himself a single question: at eighty years old, which would he regret more, having tried and failed or never having tried at all? Failure, he concluded, would be survivable. The alternative might not be (Stone, 2013).

Importantly, regret minimisation is not emotional decision-making. It is strategic decision-making under uncertainty. It accepts three realities that most organisations resist psychologically. First: perfect foresight is impossible. The territory will always exceed the map. Second: some level of regret is therefore inevitable; the question is not whether regret will occur, but which regret is more bearable. Third: the objective is not certainty but resilience against irreversible regret, the kind from which recovery is structurally impossible.

This last distinction matters enormously. There is a categorical difference between regret that can be recovered from and regret that cannot. Missing a quarterly target is recoverable. Ceding a decade of technological relevance while protecting short-term margins is structural. The former is a setback. The latter is a Kodak.

Many executives optimise for quarterly comfort rather than long-term strategic resilience. Nokia protected operating stability while smartphone ecosystems evolved. Blockbuster protected late fees while streaming behaviour shifted. Countless organisations delayed AI adaptation because the short-term risks felt more visible than the long-term existential threat. In each case, the fatal error was not poor intelligence. It was asymmetrical regret analysis: the immediate discomfort of change weighted more heavily than the future regret of irrelevance.

### The Man Who Played the Game He Was Given

No examination of regret minimisation under conditions of radical uncertainty would be complete without considering the life of *Stephen Hawking*.

Diagnosed with motor neurone disease at the age of twenty-one, Hawking was given two years to live. The map, by any conventional reading, had run out. The territory ahead appeared to offer nothing but progressive diminishment.

*Hawking refused to read the map that way.*

He went on to occupy the *Lucasian Chair of Mathematics at Cambridge*, the same chair once held by Isaac Newton, produced the most widely read work of popular science of the twentieth century, and fundamentally altered humanity's understanding of black holes, cosmology, and the nature of time. He did so while progressively losing the use of every voluntary muscle in his

body, eventually communicating through a single cheek muscle connected to a voice synthesiser (Hawking, 1988).

When asked, near the end of his life, to reflect on what he had made of the conditions he had been given, Hawking, speaking through that synthesiser, offered a response of extraordinary simplicity:

*"Who could have wished for more?" (Hawking, as cited in Ferguson, 2011, p. 318)*

That question was not rhetorical. It was the most honest account of regret minimisation ever articulated. Hawking did not pretend the conditions were good. He did not deny the magnitude of what had been taken from him. He simply chose, with remarkable consistency across more than five decades, to play the game he had been given with everything he possessed and to find in that playing a life that exceeded, by almost any measure, what most people achieve with far greater resources.

The lesson for leaders is not inspirational in the shallow sense. It is structural. Hawking's life demonstrates that the framework for navigating irreversible conditions, radical acceptance of what cannot be changed combined with radical commitment to what remains possible, is not merely philosophical. It is the most rational available response to a territory that has departed permanently from the map.

### A Personal Reckoning

I have been fortunate to confront this framework not merely in theory, but across nearly five decades of professional life.

In 1986, I made the decision to marry. It is the one decision in my life about which I have no ambiguity whatsoever. Nearly forty years on, that choice has produced a family I could not have imagined: a remarkable wife, two wonderful children, and a grandchild arriving shortly into a world that will need everything we have taught the generations before it. In the words that Hawking used to describe his own life: who could have wished for more?

Ten years into that marriage, I was a successful *Chartered Accountant* in Mumbai, running a thriving mid-sized firm with a client list that included multinationals and film stars. By any conventional measure, the map looked excellent. The trajectory was clear. The returns were substantial.

And yet the decision I faced was whether to remain in that territory or to abandon it entirely for Australia, a country I believed offered something more important than professional success: a better life for my family.

Most people around me could not understand the choice. From the outside, it looked like surrender, walking away from a position of hard-won strength into radical uncertainty. From the inside, it was a straightforward application of regret minimisation. I asked myself not 'What is the best outcome I can achieve here?' but 'In twenty years, which decision would be harder to live with?'

Now, in my third decade in what I consider the finest country in the world, neither my family nor I carry a single moment of regret about that crossing.

But the most instructive decision of that period was not the migration itself. It happened in the weeks before I left Mumbai, while I was still interviewing candidates for a role in my firm. One of those candidates mentioned, almost in passing, a CMA programme from Australia being conducted for the first time in New Delhi, run by a Professor Janek Ratnatunga.

I confess my first reaction was scepticism. The name suggested a Sri Lankan connection rather than Australian; the programme was unfamiliar, and I was extraordinarily busy, a man with no shortage of demands on his time and no particular appetite for detours. I

very nearly dismissed it entirely.

Instead, I researched the Professor. What I discovered stopped me in my tracks. Professor Ratnatunga was not merely credible. He was, by any serious measure, one of the finest management accounting educators in the world, a scholar of genuine distinction whose work had shaped the discipline across multiple continents.

The decision I then faced was not a grand one by outward appearances. Fly to Delhi. Book a hotel room for ten days. The financial cost was modest. But the real cost was time, and time, for someone in my position, was the scarcest resource I possessed.

Was it worth it? I decided, with no certainty whatsoever, that perhaps it was.

The answer, perhaps, turned out to be one of the most consequential of my professional life. What I learned in that programme over those ten days became the single greatest intellectual contributor to the success I went on to build in Australia. It did not merely add to my professional toolkit. It reframed the way I understood organisations, strategy, and the relationship between financial intelligence and genuine leadership.

It is also, in the most direct sense, the reason I am writing this article. That experience planted in me a passion for passing knowledge forward, a conviction that the most valuable thing a leader can do, having navigated uncertainty and emerged with hard-won understanding, is to ensure that the next generation does not have to navigate it entirely alone.

The final decision in this series came almost ten years ago, when I chose to step away from corporate life and take on the role of a C-suite management educator at CMA Australia. From the outside, again, it appeared to be a retreat from the summit. From the inside, it was a recognition that the territory I most wanted to explore was not behind me but ahead; and that the knowledge I had spent five decades building, rather than being kept to myself, was most valuable if passed on to those still finding their way.

Looking back, it was the best professional decision I have ever made. Not because it was the safest, but because it was the most honest about my values and the most committed to a future I could not yet fully see.

Across nearly five decades of decisions, I have not always been right. But I have tried, consistently, to ask the right question. Not 'What is the optimal outcome?' but 'Which regret could I not carry?'

That question has never failed me and '*more, much more than this, I did it my way.*'

### **The Parable of the Burning Platform**

In 1988, an explosion on the Piper Alpha oil platform in the North Sea killed 167 workers. One survivor, Andy Mochan, later described his decision to jump sixty feet into burning, debris-filled water below. Under normal conditions, the jump was almost certainly fatal. But remaining on the platform was certainly fatal. So, he jumped (Flin, 1996).

The burning platform has since become a cliché in leadership literature. But the deeper insight is usually missed. Mochan did not jump because he possessed uncertainty. He jumped because he understood which regret was unacceptable. This is the structure of every meaningful strategic decision made under genuine uncertainty. The map does not tell you what to do. The framework for evaluating regret does.

### **Doing it My Way: The Philosophy of Committed Action**

When Sinatra first sang 'My Way' in 1969, he had already lived through failure, reinvention, professional exile, and return. That

biography matters. Because the song's philosophical weight does not rest on the claim that every decision was correct. It rests on something more important: that every decision was made with full commitment to the reality of the moment. '*I planned each charted course, each careful step along the byway.*' This is not a perfect course; it is a planned one. The distinction is everything. The song does not claim the map was right. It claims the journey was taken seriously. This is the resolution that all the strategic frameworks in this article – regret minimisation, adaptive systems, Nash equilibria, the knowledge problem – are ultimately pointing towards. The analytical machinery exists to help leaders see the situation clearly. But seeing it clearly is only the precondition. The act that determines everything is the commitment to engage fully, without the paralysis of wishing for different conditions.

This is not a counsel of resignation. It is a counsel of clarity. The circumstances you inherit are simply the starting condition. What matters is not the position you begin from but the quality of commitment brought to playing the game from that position. The great strategic error is not uncertainty. It is the refusal to accept the territory as it actually exists – spending strategic energy mourning a reality that does not exist instead of acting decisively within the one that does.

The cases examined earlier – *Kodak*, *Sears*, *Long-Term Capital Management* – are all, at their root, the same story: organisations that exhausted their energy defending a territory that had already ceased to exist rather than committing to the one that had taken its place.

*Stephen Hawking* was given conditions that most people would have surrendered to entirely. He played the game with such completeness that the rest of us are still learning from what he achieved. Sinatra's 'My Way' and Hawking's '*Who could have wished for more?*', are, at their core, the same statement. Not that the conditions were good. That the commitment was total.

The executives who navigate uncertainty most effectively are not those who begin from better positions. They are those who develop the discipline, the honesty, and the character to engage fully with the situation in front of them – completely, strategically, and without looking back at the ships they burned to get here.

### **The Disciplines of Dynamic Decision-Making**

Translating this commitment into practice requires abandoning the static logic of most planning cycles. Four habits of mind distinguish the leaders who navigate uncertainty from those who are defeated by it.

The first is learning to distinguish *reversible from irreversible decisions*, and treating them with entirely different levels of deliberation. Many organisations apply excessive bureaucracy to decisions that are easily undone, while making irreversible decisions emotionally, politically, or by default. Amazon institutionalised this distinction through what it calls Type 1 and Type 2 decisions: one-way doors and two-way doors (Bezos, 2016). Entering a new market, acquiring a company, restructuring an organisation – these are one-way doors. They warrant deep analysis and deliberate movement. A pricing experiment, a product feature, a communications approach – these can be reversed quickly if they fail. They warrant speed. Organisations that conflate the two become simultaneously paralysed where agility is required and reckless where care is essential.

The second is optimising for optionality rather than prediction accuracy. In volatile environments, the organisation that survives is rarely the one that predicted most accurately. It is the one that preserved the greatest capacity to adapt when the territory shifted. Cash reserves, diversified supply chains, modular technology architectures, and decentralised information flows are not inefficiencies to be engineered out. They are strategic options kept open (Taleb, 2012). The corporate obsession with just-in-time efficiency that dominated three decades of management thinking produced organisations of extraordinary precision and

extraordinary fragility. When the COVID-19 pandemic fractured global supply chains, companies discovered that they had optimised for a territory that no longer existed (Sheffi, 2005).

The third is accounting for reflexivity, the recognition that the system observes the player. Markets do not merely respond to fundamentals. They respond to beliefs about fundamentals. Employees do not simply react to policy. They react to perceived intent, fairness, and what they believe the policy signals about the future. Competitors respond strategically to your own strategic signals (Soros, 1987). A cost-reduction programme that is financially rational in isolation may destroy the organisational culture that made performance possible. The map shows the move. It does not show the cascade of reactions that follow.

The fourth, and perhaps the most *counterintuitive*, is developing a deep suspicion of excessive certainty. Behavioural research on the illusion of control demonstrates that individuals systematically overestimate their ability to influence outcomes in complex environments and that this overestimation intensifies under conditions of power, familiarity, and prior success (Langer, 1975; Kahneman, 2011). The leaders most in danger are rarely the uncertain ones. They are the ones who have stopped asking whether the map still matches the territory, because the last several maps were close enough. Nokia held over 40 per cent of the global mobile handset market in the mid-2000s. That dominance did not produce caution. It produced the assumption that dominance was self-perpetuating, an assumption that Apple and Google dismantled by changing the game entirely (Doz and Wilson, 2018). The certainty was the warning sign that went unread.

### The Productive Regret: On the Necessity of Meaningful Failure

There is a final dimension to this argument that many leadership frameworks avoid because it is genuinely uncomfortable.

Not all regret is pathological. Some regret is evidence of meaningful choice. A company that innovates will sometimes fail. A leader who acts decisively will occasionally be wrong. A board that takes strategic risk will endure criticism. An organisation that transforms itself will create disruption and discomfort.

The absence of regret is not evidence of wisdom. Sometimes it is evidence that nothing meaningful was attempted.

The Japanese philosophy of *wabi-sabi* holds that imperfection and transience are not flaws to be corrected but part of the texture of authentic existence (Koren, 1994). A cracked tea bowl is not inferior because it bears scars. It is more honest. It is evidence of a life used rather than merely preserved.

The strategic equivalent is this: an organisation without the scars of meaningful risk is often an organisation managed merely for survival rather than built for significance. The leaders who are most remembered did not avoid regret. They chose their regrets carefully and had the character to carry them.

### Conclusion: The Territory Always Exceeds the Map

*"No plan survives first contact with the enemy." Helmuth von Moltke the Elder (1880, as cited in Hughes, 1993, p. 92)*

The central insight linking Darwin, Kierkegaard, Nash, Hayek, Hawking, and Sinatra – and the organisations and lives examined throughout this article – is this: uncertainty is not a temporary condition awaiting resolution. It is the permanent operating environment of meaningful action.

Darwin's observation was not merely biological. It was strategic. Survival belongs not to the strongest or most intelligent, but to those most responsive to change. And responsiveness, real responsiveness, not the performative agility of the corporate planning cycle, begins with accepting that the territory will always exceed the map.

You cannot build a map that equals the territory. You cannot model a system that will not respond to your modelling. You cannot eliminate regret from a life, or an organisation, genuinely committed to something.

What you can do is choose your framework for navigating the crossroads. You can ask not merely 'What is the best outcome?' but 'What happens when the system responds, and which response would be hardest to recover from?' You can distinguish the regrets worth risking from the regrets worth fearing. You can build not for the territory on the map but for the capacity to adapt when the map inevitably runs out.

The great strategic error is not uncertainty. It is the refusal to accept the territory as it actually exists. Entire corporations, careers, and lives are diminished not because the starting conditions were poor, but because energy was spent mourning the conditions that might have existed instead. The leaders who endure are rarely those granted perfect circumstances. They are those capable of committing fully, and without reservation, to imperfect realities, before the map confirms the path.

Commit to the game you are in. Play it with everything you have. Do it your way. Because the ships are already burning – and the only direction that has ever mattered is forward.

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# HOW ASEAN HAS TURNED RESILIENCE INTO A STRATEGY AND COOPERATION INTO A STRENGTH

Shaun Adam & Satvinder Singh



## Key Takeaways

Current conflict will create higher commodity prices, tighter financial conditions, infrastructure damage and transport disruptions, according to the International Monetary Fund.

The resilience of the Association of Southeast Asian Nations (ASEAN) lies in weathering such shocks and in using them to deepen integration, widen cooperation and strengthen growth.

And as ASEAN continues to prioritise dialogue, institution-building and restraint over escalation, energy transformation and technology will fuel its future growth.

In a world increasingly defined by conflict and disruption, the history of the Association of Southeast Asian Nations (ASEAN) proves that resilience is not simply about enduring shocks, but about turning them into opportunities for cooperation, reform and growth.

Founded in Bangkok, Thailand, in 1967 amid political distrust, strategic uncertainty and underdeveloped markets, over time, ASEAN has transformed cooperation into a more predictable economic space.

The launch of the ASEAN Free Trade Area in 1992 was another decisive moment, helping move Southeast Asia from relative fragility toward deeper economic integration. That momentum later fed into the broader project of the ASEAN Economic Community, which aims to strengthen trade, cross-border production and investor confidence across the region.

ASEAN has shown a recurring ability to adapt to volatility while steadily deepening trust, expanding cooperation and strengthening its economic foundations. That record does not guarantee the future, but it does provide an important clue about how Southeast Asia may navigate the current era of growing geopolitical and economic strain – and how it will write its next chapter of economic growth.

## Building collective strength

This pattern of turning challenge into opportunity has repeated itself across decades.

In the aftermath of the Asian financial crisis, ASEAN strengthened regional economic monitoring with the ASEAN Surveillance Process in 1998. It then built more durable financial safeguards, such as the Chiang Mai Initiative, established in 2000 with its ASEAN+3 partners.

The same instinct was visible during the COVID-19 pandemic, when ASEAN adopted the Hanoi Plan of Action to support supply-chain connectivity and economic cooperation under stress.

More recently, amid energy and trade disruptions linked to conflict in the Middle East and the effective closure of the Strait of Hormuz, ASEAN leaders meeting in Cebu, Philippines, at the 48th ASEAN Summit called for the swift renewal of the ASEAN Petroleum Security Agreement (APSA). This uses various measures to enhance the petroleum security of ASEAN Member States.

The ability to respond quickly to immediate shocks, while also applying foresight to strengthen the region's longer-term architecture, has become one of ASEAN's defining features.

## Economic integration in ASEAN

Throughout ASEAN's history, crises have often served as a catalyst for stronger cooperation and economic integration. Indeed, ASEAN's resilience is not accidental. It's the result of decades of steady integration, cooperation and adaptation.

As a result, and according to soon to be released figures from ASEANStats, the region's combined GDP grew from \$2.5 trillion in 2015 to \$4.3 trillion in 2025, while the value of its merchandise trade nearly doubled from \$2.3 trillion to \$4.4 trillion. Foreign direct investment surged from \$115.4 billion to \$241.9 billion during the same period.

This reflects the growing confidence in Southeast Asia as a dynamic centre of production, innovation and opportunity – a region increasingly woven into global supply chains that is also strengthening its own internal market.

It also demonstrates ASEAN's ability to navigate repeated shocks without losing momentum. Even in the current environment, the Asian Development Bank projects developing Southeast Asia will grow by 4.6% in 2026, driven by strong domestic demand and continued infrastructure investment.

## Navigating current geopolitical shifts

The number of armed conflicts worldwide has risen sharply in recent years. The International Monetary Fund (IMF) believes war and conflict will “darken the global economic outlook” through higher commodity prices, tighter financial conditions, damaged infrastructure and disruptions to shipping and air traffic.

In such a world, resilience is a basic condition for growth. This environment is also accelerating geoeconomic fragmentation.

ASEAN has had to navigate these external pressures while also dealing with regional tests closer to home. In Myanmar, ASEAN has supported humanitarian assistance and continued to call for a reduction in violence within the country, as well as more inclusive dialogue.

And on the issue of territorial disputes in the South China Sea, ASEAN has consistently stressed peace, stability, self-restraint and continued work toward an effective and substantive Code of Conduct, in line with international law.

These efforts will not eliminate disagreement, but they do demonstrate ASEAN's enduring preference for dialogue, institution-building and restraint over escalation.

This commitment was further reaffirmed in October 2025, when ASEAN admitted Timor-Leste as its 11th member after a 14-year process, under the Cebu Protocol. This highlighted the bloc's flexibility, inclusiveness and ability to evolve. Timor-Leste's accession also showed how a difficult past with Indonesia could give way to reconciliation and wider regional cooperation.

## Energy and technology as engines of growth

ASEAN's resilience can no longer be understood in narrow economic terms alone.

Over the last decade, Southeast Asia's energy demand has risen by more than 35%, while electricity demand has grown by more than 60%, according to the International Energy Agency (IEA). At the same time, the region is approaching an inflexion point in the energy transition. Clean energy investment reached \$47 billion in 2025, IEA figures show, nearly matching fossil-fuel investment.

ASEAN's resilience is increasingly based on building economies that are not only open and competitive, but also energy-secure, climate-ready and better positioned for the green transition.

This is why cooperative energy policy matters so much. Under the ASEAN Plan of Action for Energy Cooperation, the region has advanced initiatives aimed at connectivity and resilience, from the ASEAN Power Grid to the Laos-Thailand-Malaysia-Singapore Power Integration Project.

At the same time, ASEAN's discussion of civilian nuclear energy reflects a recognition that some member states see nuclear power as a possible low-carbon complement to renewables, provided it is pursued safely and in line with international standards.

A similar shift is underway in the digital economy. The Digital Economy Framework Agreement (DEFA) is intended to create a more coherent regional approach to digital trade, data and innovation. ASEAN's own studies suggest that DEFA could help lift the region's digital economy from \$1 trillion to as much as \$2 trillion by 2030.

For a region with a growing middle class, a young population and rapid technology adoption, digital cooperation is becoming a central pillar of ASEAN's resilience.

## Building ASEAN's resilience further

ASEAN's next chapter will be defined by how well the region continues to turn uncertainty into cooperation, and cooperation into capability.

This has been the pattern since 1967 – from regional fragility to economic integration, from crisis to stronger safeguards, from political tension to an expanding community that still believes in dialogue and multilateralism.

In a fragmented global landscape, this approach may prove to be ASEAN's greatest strategic advantage.

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<https://www.weforum.org/stories/2026/05/resilience-cooperation-asean-economic/>

# REGIONAL OFFICE & BRANCH NEWS

## Dubai

### 33rd CMA Program in Dubai

A face-to-face CMA program was to be conducted in Dubai on April 11-19, 2026, but hostilities in the Middle East made this not possible. Many of the enrolled participants had, in fact, relocated back to their home countries.

The program was rescheduled for June 20- 28, 2026, but as hostilities persisted this was delivered over Zoom. This is 33rd CMA intensive program organised by Shakeeb Ahamed and MV Jayafar of the SMART Education Centre. The program was facilitated by Professor Janek Ratnatunga, the CEO and Dr Chris D'Souza, ICMA Deputy CEO & CFO of ICMA(ANZ).



It was a lively 7-days of intensive learning over Zoom on the strategic issues of management accounting. Once again, the participants were extremely senior professionals from leading companies in the Gulf region. The countries from which the 29 participants came from included Saudi Arabia; Qatar, Sudan and all regions of the U.A.E.



# Lebanon

## Continuing Professional Development (CPD) sessions in Beirut

Despite the continuing hostilities in the Middle East, especially in Beirut, Lebanon, Dr Fawaz Hamidi successfully conducted two Continuing Professional Development (CPD) sessions for CMAs. The programmes were *Certified Business Strategist (CBS)* (2 days) and *Certified Strategy Auditor (CSA)* (3 days) starting 18 May 2026. There were 21 participants in each program.



The *Certified Business Strategist (CBS)* certification equips professionals with structured strategic thinking capabilities to analyse environments, design competitive strategies, align organizational resources, and drive sustainable performance. The program bridges theory and practice through applied frameworks and real-world applications.

The *Certified Strategy Auditor (CSA)* is an advanced professional certification designed for auditors and governance professionals who aim to evaluate strategy quality, coherence, execution readiness, and long-term value creation. The program introduces a structured methodology for independent strategy assessment.

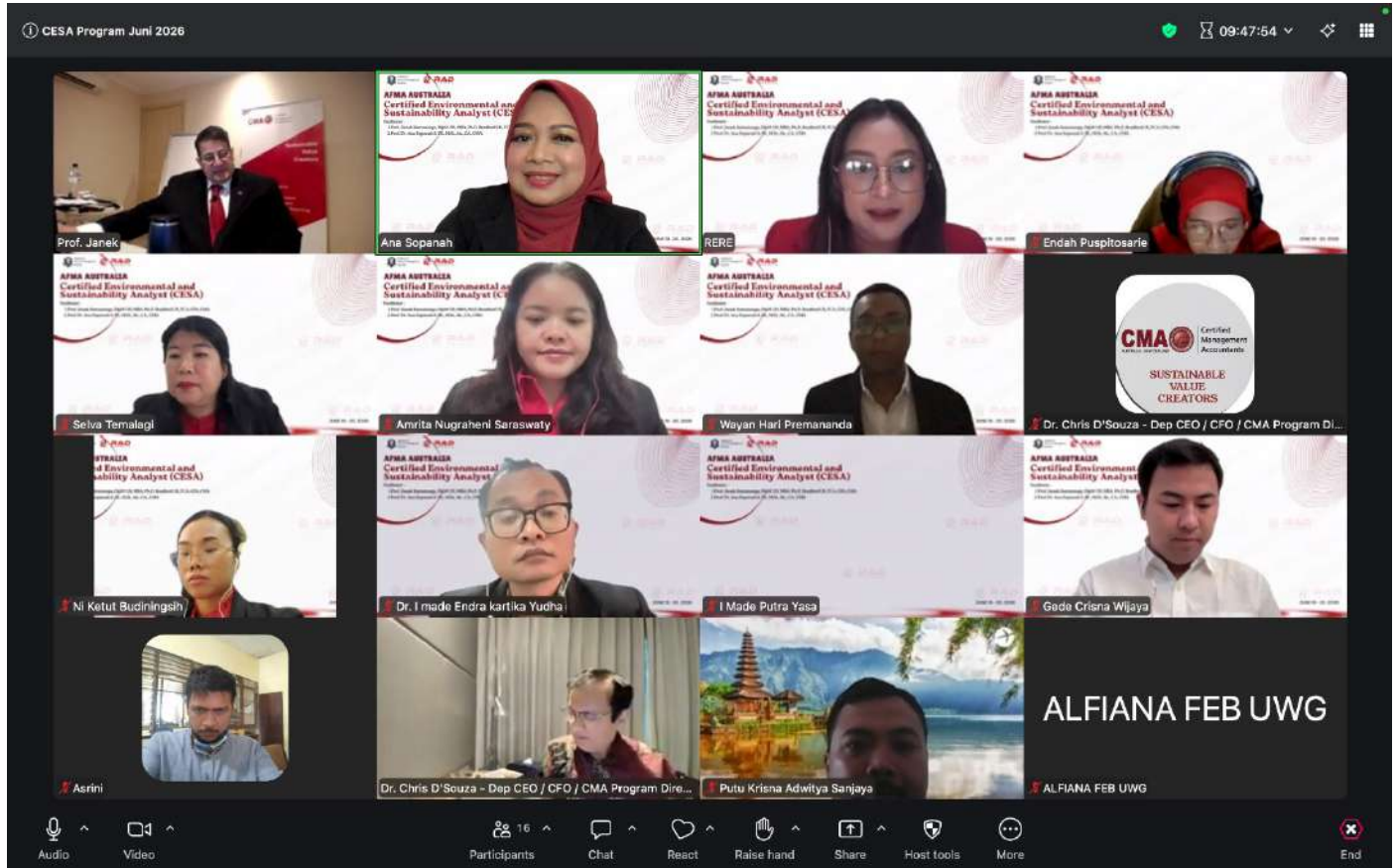


The CPD programs were organised by Headway HBSS.

# Indonesia

## Continuing Professional Development (CPD)

CPD Training was also conducted for ICMA members who undertook The Certification program of the *Academy of Finance and Management Australia (AFMA)* organised by Dr. Ana Sopanah of *RAD Indonesia*. Prof Janek Ratnatunga, ICMA CEO, conducted the *Certified Environmental & Sustainability Analyst (CESA)* seminar over Zoom on June 19 2026. They were undertaken by CMAs as part of their CPD requirements.



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 Abdullah Almaghzom  
 Abesinghe Herath Mudiyansele Rohana  
 Pushpa Kumara Abesinghe  
 Ade Pratama  
 Adhil Safvan. A  
 Adhistia Yudhanti  
 Adhyatma Suhardono  
 Adrian Culdora  
 Aga Roxas  
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 Akhil Maniyan  
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 Ali Senghore  
 Amila Darshana Wathudura Bandanage  
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 Aneesh Antony  
 Aneesh Shaji  
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 Arampath  
 Aravinda Munasinghe  
 Ariyo Jinca  
 Arshad Velattil  
 Arslan Aslam  
 Arthenayake Mudiyansele Ajith Samantha  
 Arthenayake  
 Arun S Unnithan  
 Arunprasath Perumalsamy  
 Atapattu Mudiyansele Diluka Padmal Bandara  
 Athukoralage Don Chathura Deshpriya  
 Athukorala  
 Awadhesh Chauhan  
 Bishnu Poudel  
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 Bulathsinghalage Cooray  
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 Carwin Ricafort  
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 Charlotte Frochtenicht  
 Chaturika Jinanjali Sellahewa  
 Chique Palomares  
 Chok Lam Philip Wong  
 Chun Kit Philip Chong  
 Cielannie De Llamas  
 Cristian Batchar  
 Deane Irving Rodriguez  
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 Dwiki Pebrianda  
 Dy Dom  
 Edirisinghe Mudiyansele Krishan Lonaka  
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 Eivent Tololiu  
 Ellaine Oblefias  
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 Evangeline Señeres  
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 Fahman Luqman  
 Faith Koshy  
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 Galle Guruge Chandana Kumara  
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 Hingule Pathiranalage Ranga Harsha Kumara  
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 Honey Bless Tadosa  
 I Putu Sugiri Putra  
 Indah Mutiara  
 Irfan Firmansyah  
 Irshad Ibrahim Keereerakath  
 Ivey Baris  
 Jackson Dharmaraj Mani  
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 Jamsheer Veetil  
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 Zyrha Salvador

# CMA EVENTS CALENDAR

- **Jun 20-29, 2026:**  
CMA Program Workshop organised by SMART Education Group, Dubai.  
[Conducted over Zoom]
- **Jul 4-12, 2026:**  
CMA Program Workshop Batch 2, organised by Expert Edge, Calicut, India.
- **Jul 20-21, 2026.**  
Visit to CMA House Australia by CMA Philippines.
- **Aug 1-7, 2026:**  
CMA Program Workshop, Jakarta, organised by RAD Indonesia
- **Aug 10, 2026:**  
International Management Accounting Conference (IMAC), Indonesia.
- **August 15-23, 2026:**  
The 4th CMA Program Workshop, Bangkok, organised by the CMA(ANZ) Regional Office in Thailand.
- **Aug 29-31, 2026, Sept 5-7 & 12-13, 2026:**  
13th CMA Global Zoom Program in Strategic Cost Management & Strategic Business Analysis, Syme Business School, Australia. (Zoom).
- **Sep 19-27, 2026:**  
CMA Program Workshop organised by Academy of Finance, Sri Lanka.
- **Oct 28, 2026:**  
ICMA Global International Graduation Ceremony, Marino Beach Hotel, Colombo
- **Nov 7-15, 2026:**  
CMA Program Workshop organised by SMART Education Group, Dubai.
- **Nov 26, 2026:**  
Global Accounting, Management Accounting and Social Purpose Innovator Hall of Fame Induction, Melbourne, Australia.
- **Jan 31-Feb 5, 2027:**  
CMA Program Workshop, Jakarta, organised by RAD Indonesia
- **Feb 27, 28 Mar 1, 2027, Mar 6-7 & Mar 13-14:**  
Fourteenth CMA Global Zoom Program in Strategic Cost Management & Strategic Business Analysis, Syme Business School, Australia. (Zoom)
- **Apr 7-15, 2027:**  
CMA Program Workshop organised by SMART Education Group, Dubai
- **Apr 24- May 2, 2027:**  
CMA Program Workshop organised by Academy of Finance, Sri Lanka
- **Aug 7-13, 2027:**  
CMA Program Workshop, Jakarta, organised by RAD Indonesia
- **August 21-29, 2027:**  
The 5th CMA Program Workshop, Bangkok, organised by the CMA(ANZ) Regional Office in Thailand.
- **Sep 4-6,,Sep 11-12 & Sep 18-19, 2027:**  
14th CMA Global Zoom Program in Strategic Cost Management & Strategic Business Analysis, Syme Business School, Australia. (Zoom).
- **Sep 25-30, & Oct 1-3, 2027:**  
CMA Program Workshop organised by Academy of Finance, Sri Lanka.
- **Nov 6-14, 2027:**  
CMA Program Workshop organised by SMART Education Group, Dubai
- **November 26-29, 2027:**  
CMA Regional Directors' Summit. Colombo, Sri Lanka.

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