



ACADEMIA DIPLOMATICA EUROPAEA

INSTITUT EUROPÉEN DES RELATIONS INTERNATIONALES

WORKING PAPER

15-2014

GLOBAL CHALLENGES: a sneak peek into the future

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Bruxelles
09-09-2014

© Institut Européen des Relations Internationales
Bruxelles, 11 Juin 2014

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Citation : Giorgio SPAGNOL, *Global challenges: a sneak peek into the future?* N°21-2014 IERI Working Papers, Bruxelles, 2014

GLOBAL CHALLENGES: a sneak peek into the future

Has the world a bright future to look forward to? Looking ahead can resemble writing science fiction but a balanced realism can help a lot in such attempt.

There is, in fact, a recognition on the part of governments, international organizations, and the private sector of the need to develop a capacity for foresight in order to identify major global trends, assess their potential impact and fashion policy-making accordingly.

Forecasting is often viewed as a statistical issue whose accuracy can be improved with probability training, team collaboration, and tracking. But this is not a scientific endeavour, it is educated guess.

Although the future is unknowable and full of surprises, thinking about the future major geostrategic events and their implications (even with a flawed prediction) can help to concentrate on areas where results can be achieved.

FOREWORD

Following the fall of the Berlin Wall, the world has become unreliable, unpredictable and dangerous owing to regional crises caused by ethnic, social and religious factors in combination with lack of tolerance and continuous resort to confrontation.

But none of the existing organizations nor any nation acting alone will be able to deal with such a situation: what is badly needed is global governance able to cope with future challenges and threats. Such a task should necessarily be on the supranational level and coordinated with the United Nations.

In this context the challenge for the Western world to survive and have its say in the future is to manage the global power transition, to stimulate its citizens with fresh motivations, to cope with the volatile international situation and create a zone of common interests and shared responsibilities – a zone not directed against anyone, but open to all who share Western values expressed by human rights, freedom, rule of law, good governance, peace and stability.

It is likely that in the next decades no country (whether the US, China, or any other large

country) will be a hegemonic power. Asia weight in the global economy will consistently increase, thus reversing the rise of the West since 1750. Two more features will likely characterize the new era: demography with rapid aging and increasing demand of food, water and energy.

Hopefully, owing to poverty reduction, growth of the middle class, educational improvement, and better health care there is more potential for individual initiative.

In addition to Brazil, Russia, India, China and South Africa (BRICS), regional players such as Colombia, Mexico, Indonesia, Nigeria and Turkey will become important to the global economy. Meanwhile, the economies of Europe, the US and Japan are likely to start a slow recession.

The current largely Western dominance of global structures such as the United Nations Security Council (UNSC), World Bank (WB) and International Monetary Fund (IMF) will probably be transformed in line with the changing hierarchy of the new economic players.

CHALLENGES

Historical trends during the past two decades show fewer major conflicts with intrastate conflicts gradually increasing. The next decades will likely be characterized by political instability, changing climate, resource scarcity, population growth, resurgence in ideology, shift in global power from West to East, from a uni-polar to a multi-polar distribution of power with many states and institutions competing for regional and global influence. As already stressed no state, group or individual can meet these challenges in isolation, collective response will be needed.

Key future challenges are therefore: the US role in the international system; the role of the EU and the emerging powers; understanding and influencing the dynamics and relationships among a diverse set of players comprehensive of state and non-state actors; crises and discontinuities; exasperation of ideology; environment; demography; globalization; middle class; terrorism; finance; governance.

THE US

The short term replacement of US by another global power and establishment of a new

international order seems unlikely: no other power could achieve such panoply of power in a limited timeframe. The emerging powers are eager to take their place at the top table of UN, IMF and WB, but they do not have any competing vision. Although ambivalent and even resentful of the US-led international order, they are more interested in continuing their economic development and political consolidation than contesting US leadership. In addition, the emerging powers are not a bloc: thus they do not have any unitary alternative vision. Their perspectives are more keyed to shaping regional structures. This is why a collapse or sudden retreat of US power would most likely result in an extended period of global anarchy. A declining US unwillingness and/or reduced capacity to serve as a global guardian (able to provide a worldwide constabulary force) would be a key factor contributing to instability, particularly in Asia and the Middle East. Although China could outstrip the US as the leading economy in the next decades, US will remain an indispensable world player, bolstered also by the achievement of energy independence.

THE EU

The EU, a global economic and trade giant and a model in promoting universal democratic values and human rights, needs to be a global political player able to promote international peace and security and protect its interests through credible civilian and military capabilities. Unfortunately, despite its aspirations to being a worldwide strategic player, Europe is considered only a start-up enterprise since its foreign policy is unable to move from the tactical to the strategic level. The European strategy should be both geopolitical and intellectual, able to mediate between two controversial issues: on the one hand the optimistic view that Brazil, Russia, India, China and South Africa (BRICS) and other emerging countries will not try to undermine the current liberal global order, and on the other the pessimistic vision of close competition resulting in conflict.

Despite the difficulty of pursuing a global strategy, a window of opportunity is available to the EU so as to take the initiative together with the US and cope with worldwide issues while the rest of the world for the time being looks unwilling or unable to build up an alternative bloc.

As for the future of its strategic neighborhood to the East and South, the EU has a fundamental interest in ensuring that the region does not miss out on the benefits of economic growth, connectivity and new governance frameworks, while supporting state building and preventing serious conflicts between its neighbors.

THE EU, THE US AND NATO

The role of Europe and the US in this future multipolar context is to prevent the fragmentation of the world and exert classical influence by leveraging disparities of power. The interdependency of threats requires an interaction between the global players on the one hand and between regional and local actors on the other, while accepting that a regional hegemonic role is to be played by the global players.

Europe and America must therefore cooperate, by design or by default, by choice or by necessity, and agree on how to proceed in identifying a future world order where both have to play a key role in adjusting the balance of power so as to increase global governance. As a matter of fact, when considering the US, NATO is the only organization that commits the US and Europe in a legally and mutually binding way to defend each other collectively. The US, NATO and the EU, the so called Western world, have often largely similar political interests, even if they occasionally pursue different objectives but the bottom line is that there is still limited security for Europe without the US and there is no hope for the US to sustain its role as a key worldwide player without Europe as ally. The EU and NATO are therefore the toolbox available to the Euro-Atlantic nations in addressing global challenges. This is why Europe must cease to be a political and strategic dwarf and co-shape the current and future transitions of the international system by seeking new deals with key world players: in this context cooperation with the US and NATO is the only way to both preserve Western values, culture and civilization and blaze a trail in the achievement of international peace and security.

EMERGING POWERS

Emerging powers are not likely to have a revisionist view of the world order. As they strive for greater influence in the world arena, their elite and public opinion have increasingly objected to hegemonic behavior or extensive interventions by the US.

Nevertheless, significant barriers still prevent them from building up the intellectual, political, military and diplomatic capacities necessary to project power and influence internationally.

In general, the health of the global economy will increasingly be linked to how well the developing world does – more so than the traditional West. In addition to China, the developing nations that will become especially important to the global economy include Brazil, Colombia, India, Indonesia, Mexico, Nigeria, South Africa and Turkey.

In the next decades emerging economies such as Mexico and Indonesia could be larger than the UK and France, and Turkey larger than Italy.

Outside the G20, Vietnam, Malaysia and Nigeria all have strong long-term growth potential.

Some emerging economies will remain more focused on low cost production (e.g. Vietnam and Indonesia) while others, such as China, Brazil and Russia will become increasingly important as consumer markets while real wages increase and probably also real exchange rates appreciate.

CHINA, INDIA AND RUSSIA

In 2010 the EU accounted for 29% of the world GDP, with the US at 26%, Japan at 9% and China at 8%.

China is projected to soon overtake the US as the largest economy in purchasing power parity (PPP) terms and, later on, in market exchange terms. India could become the third global economic giant by mid-century, a long way ahead of Brazil, which would move up to 4th place ahead of Japan.

Russia could overtake Germany to become the largest European economy.

Strategic partnership and cooperation between China and India is rapidly evolving. The two countries are already connected through actively developed bilateral relations with India focused on Southern Asia and China looking towards East Asia. In recent years through BRICS, BASIC (Brazil, South Africa, India and China), G20 and other joint associations, China and India have pursued effective cooperation in areas like combating the financial crisis and climate change, assisting in multi-polarizing the world,

democratizing international communications as well as protecting the rights of developing countries. These two countries, playing an increasing role in biotechnology and nanotechnology, are the potential superpowers of tomorrow and are already heavily engaged in the quest for supply of hydrocarbons and in the competition for commodities and investment markets.

As for Russia, its focus will likely continue to be addressed to Central Asia, the Balkans, the Caucasus, the Baltic, and the Arctic. Russia's clout could anyway diminish, as could the economic strength of other countries reliant on oil revenues.

STATE AND NON-STATE ACTORS

Globalization and rising levels of interdependence among states will change the nature of power, making it harder for individual states to dictate the course of events.

Power and influence often lie outside the classic state-structures and Westphalian models that have defined the post WWII era. The state remain relevant, but more than ever before the global power landscape is shared with other actors and networks: the state-based power may no longer be central to exerting influence in this new environment.

Moreover, power is shifting from the “West” to the “rest” and downwards to individuals and non-state actors. A rise in the number of “middle powers” will impact on regional and global politics. This polycentric world will present new challenges and opportunities. Hopefully, global challenges will be confronted by states together with subnational government authorities and non-state bodies. New and emerging technologies that favor greater empowerment of individuals, small groups and “ad hoc” coalitions increase the power of non state actors. A committed transnational elite together with a conscious middle class will deal with issues such as poverty, environment, corruption, rule of law, and power. Countries do not disappear but governments increasingly see their role as organizing and orchestrating “hybrid” coalitions of state and non-state actors which shift depending on the challenge.

Authoritarian regimes – preoccupied with asserting the primacy and control of the central government – will find it hardest to operate in this world. Smaller, more agile states where the elites are also more integrated are apt to be key players more so than large countries

which lack social or political cohesion. Also global governance institutions that do not adapt to the more diverse and widespread distribution of power are less likely to be successful.

Bottom line is that although classic state power still matters, a new model must consider the strategic suasion and the role of non-state networked actors to influence for good and in parallel with classic state power.

ENVIRONMENT

Harmful environmental changes are taking place in an increasingly globalized, urbanized, industrialized, interconnected and fast moving world amidst shifting geopolitical power balances.

The current level of depletion, pollution, climate damage together with the lack of any conventional and cheap oil left will involve additional money and pollution in order to get oil from shale oil or from the Arctic or from a great depth.

The degradation of the ecosystem could thus threaten future human well-being, heighten risks and reduce development opportunities, especially for poor and vulnerable populations.

The prospects to remedy such situation are dependent on the capacity of individuals, institutions, countries and the global community to respond to environmental change.

Even though national and regional responses have begun to address environmental challenges, a global response is badly needed in promoting coordination and integration by setting goals and developing metrics, supporting capacity enhancement, generate financial resources and facilitate the sharing of best practices.

The private sector and civil society could be invited to build a stakeholder web to enhance access to information and to mobilize new partnerships.

At the global level, there is the need to motivate citizens, companies, institutions, networks and governments to cooperate and deliver ambitious policies and action by investing in an environment in which sustainable solutions can represent the most effective and meaningful global response.

Addressing the underlying drivers of global environmental degradation, rather than the

symptoms, requires the sustained evolution of rules, institutions, economic systems and values to transform the current approach to environmental management. The capacity of the international community to deliver solutions to environmental problems is a function of its ability to establish and maintain flexible and holistic governance and management frameworks at global and national levels.

DEMOGRAPHY

In the next few decades the world population may have reached a plateau. An important demographic trend is the aging population in Europe, Japan, South Korea and Taiwan, which could slow their economies further.

The fertility rate is likely to fall due to the education of women, increased urbanization and more availability of contraception. Notwithstanding the increasing life expectancy the effect of falling fertility is stronger so that the global population is likely to stabilize and, in some cases, as already happening in Japan, to slowly decline. Average living standards and educational levels should improve. But a world with an aging population is a constraint.

GLOBALIZATION

Global trade in goods may stall while trade in services grows in importance.

In fact, the world production of goods and services may level off and starts a decline. When an economy matures, there is the shift from agriculture to manufacturing, and then to service production, services and social care, as already happening in the US. The problem is that economic growth is the only way modern society can remedy to poverty, unemployment and pensions. A possible solution is a large-scale redistribution of work and income but, while authoritarian regimes like China might succeed in such endeavour, free-market democracies are unlikely to achieve it in a peaceful manner. Consequently, stress is likely to increase on welfare systems. Reforms of welfare and social innovation will have to go together with adaptation of jobs and workplace if participation in the labor force has to include more women, part-time workers or disabled citizens.

Income differences across countries will likely narrow. The US, China and the EU will

remain the three economic poles of the world with the Chinese economy expected to become the largest, subject to rebalancing and institutional reforms.

MIDDLE CLASS

A larger global middle class, better educated with wider access to health care and communications technologies, is set to grow worldwide. Millions of people will climb out of poverty and gain new individual power: for the first time a majority of the world population could not be impoverished, and the middle classes will be the most important social and economic sector in the vast majority of countries around the world. Education will become increasingly important as countries seek to develop knowledge-based economies, impacting on gender equality and the empowerment of women. But, as social expectations increase and income distribution may continue to be asymmetric, the purchasing power may shrink for the middle class due to the likely increase of education, healthcare and service costs.

TERRORISM

The Middle East and North Africa (MENA) are the epicenter of a struggle for the future of Islam and the control of largely Islamic states spreading from East Asia to Morocco. While terrorist casualties in the West have been minimal since the mid-2000s, the extremists continue to target Muslims (moderate Sunnis, Shiites, and other sects of Islam) and other faiths in Islamic countries or other countries with large Islamic minorities ranging from India to Lebanon. It is time that the West accepts that the violent struggle for the future of Islam is the consequence of decades of failed secular politics and governance and is tied to mass demographic problems, weak or failed economic development, and deep sectarian, ethnic and tribal divisions. Calls for rapid democracy, rule of law, and human rights based on Western values ignore the lack of viable institutions to build upon. But political change cannot be brought by popular upheavals in states not having viable political systems, structures of governance and functioning economies.

The current Islamist phase of terrorism might therefore increase in the next decades with terrorist groups having more access to lethal and disruptive technologies: IT terrorists

could focus less on causing mass casualties and more on creating widespread economic and financial disruptions. Terrorist could mount a computer-network attack in which the casualties would be measured not by the hundreds or thousands killed but by the millions severely affected by damaged infrastructures, like electrical grids being taken down.

It is therefore important to empower governments in a society where information moves at the speed of Twitter, where the American David Headley was able to use Google Maps to help plot the Mumbai terrorist attacks in 2008, where the Colombian Oscar Morales used Facebook in 2007 to mobilize 12 million people around the world to march against the FARC and protest against the terrorist guerrilla organization , where companies like Amazon, MasterCard and PayPal have shut down illegal funding sources in ways swifter and more effective than government-led legal action.

IDEOLOGY

While fascism and communism might not be on the horizon, greater attention is to be paid to ideology.

Nationalism will remain a powerful force, especially as the international environment becomes increasingly competitive, and far-right ideologies may see a revival.

New influential ideologies may emerge inspired by religion, philosophy, ethnic difference, nationalism inequality or a combination of these factors. Ideological conflicts are likely to occur and extremist groups may use violence to achieve political objectives by also resorting to diaspora communities unable to integrate.

It must be remembered that many core values in the MENA countries are tied to Islamic, Arab and local standards: as already stressed calls for instant democracy are likely to make the situation worse. The West cannot control or shape ideological conflicts when they occur, only exert limited pressure and influence – supporting the best elements and putting pressure on the worst.

FINANCE

The fragility of the European banking system and the loose monetary policies pursued by the Bank of Japan, the Bank of England and the Federal Reserve would require a robust

action by the European Central Bank , but Germany is opposing such a move. Meanwhile, the China Bank will continue to accumulate more gold reserves and buy foreign currencies. International currency management will thus become an even more direct expression of geostrategic worldwide influence. On 23 July 2014 Brazil, Russia, India, China and South Africa (BRICS) established the BRICS Development Bank at their summit in Brazil. Such a move is scheduled to start a gradual but steady process having long-term implications for global order and development. This initiative, with China in the lead, while demonstrating the viability and dynamics of the BRICS is a direct challenge to the global order led by the West and represents a response to the failed reforms at the IMF and World Bank, thus pushing both institutions to be more open and transparent.

But the competition between the BRICS bank on one side and IMF and WB on the other should be about efficiency rather than a struggle between liberal and alternative economic philosophies. In the long run, however, the competition between the two will intensify and the final outcome will depend on the balance of power between the two blocs: the developing and the developed world.

As a matter of fact, the ensuing possible fall of the dollar as the global reserve currency and substitution by another or a basket of currencies would indicate the loss of US global economic and political influence.

GOVERNANCE

Government decisions are frequently driven by short-term party interests, ideological beliefs, pre-suppositions and populism. This results in a lack of statesmanship, far-sightedness and transparent accountability. In a multipolar geopolitical system a nation's predictability becomes thus very difficult and dangerous. It was much easier in the bipolarity of the Cold War.

Global access to information is important but can spread worldwide, through an emotional debate, uncorrected and generally accepted opinions not based on scientific facts.

Stable governance needs fundamental values which should not be changed by the governing majority of the day. A secular state with separation of state and religion is optimal even if religion is important to preserve values (a lack of religion gives way to

indifference and, consequently, populism).

Government activity should not be dominated by short-term considerations: unfortunately, neither the capitalist system nor democratic society appear willing to sacrifice short-term advantage in order to create a future better life. Frankly speaking, short-termism in democracies and in capitalism will hinder an effective response: the problem is not a lack of technology, nor the economic cost, but the way governments will choose to organize decision-making.

CRISES AND DISCONTINUITIES

A more fragmented international system increases resource competition, spread of lethal technologies, the risk of conflicts between states and spillover from regional conflicts.

The risk of conflict within a state remains high in parts of Middle East and South Asia, in sub-Saharan Africa, and in some Asia-Pacific island hot spots, while future wars in Asia and Middle East could include nuclear weapons.

Pressure on resources, climate change, the plight of poor people, and the changing distribution of power are likely to result in increased instability and armed conflict.

Climate change will result in global temperature increases leading to more desertification and exacerbating water management problems in China, India, Pakistan and Bangladesh

Distribution and access to resources will be uneven increasing instability and possibly triggering conflict.

Humanitarian crises are likely to occur with the possibility of forced migration and disrupted food production possibly tempered by improvements in developing high-yield, disease resistant crop.

There will not be enough food to avoid starvation completely, but there will be enough food to feed those who can pay. Farmers are unwilling to increase the food production if poor people are unable to buy it.

As for energy, notwithstanding a scheduled increase in wind, solar and biomass energy which could make up around 40% of total energy consumption, the likely dismissal of Western nuclear power plants and the high cost of shale oil and gas will rocket the price of energy

No real progress can come from focusing on each crisis as if more were not to come , and solving the crisis would amount to temporarily treat the symptoms rather than the underlying cause. Furthermore, each country case must be addressed individually although the full range of regional and outside forces must not be ignored. Focus must be on strategic patience and continuing efforts while accepting major reversals, taking casualties in the process, and try and try again.

The best-case scenario is a growing political partnership between the US and China. But it could take a crisis to bring them together like a nuclear standoff between India and Pakistan resolved only by cooperation between Washington and Beijing.

The worst case scenario envisions a stalling of economic globalization that would preclude advancement of financial well-being around the world. That could be caused by the outbreak of a health pandemic that could result in closed borders and economic isolationism.

CONCLUSIONS

In the 21st century the nations able to resort to the global available potential and to the opportunities associated with innovation and technology will enjoy more power and exert more influence than ever.

Shaping global policy by extrapolating from the past will allow to invent the future and to gain cognitive leadership, which will be a function of position, involvement, diplomatic skill and constructive behaviour.

In this multipolar world where there will be no hegemonic state (power will shift to networks and coalitions), US is likely to remain the top military power although in political and economic terms its previous hegemonic dominance is to be constrained by new entries becoming more and more confident and powerful.

While a global government is improbable, global institutions such as the UN, the World Trade Organization (WTO), G8 and G20, World Bank and the International Monetary Fund will likely remain influential in addressing the problems of a highly globalized and interdependent world. The contemporary powers will remain reluctant to share power and the rising and emerging powers will seek appropriate levels of recognition, especially in

the UNSC.

Informal spheres of geopolitical influence are likely to form around the leadership of China, India, Russia and the US. Similarly, middle and lower-rank powers are likely to unite into regional blocs, often based on trade and economic links, geographical proximity and common security challenges, political or religious ideology, in an effort to maximize their collective influence.

The Western model is, anyway, unlikely to be attractive to governments struggling with poverty, climate change, and global inequality, especially where ruling elites fear loss of political power. These states, especially in developing economies, are likely to adopt alternative models: for example the “Chinese Model” of a more planned, regulated and controlled political and economic market system.

US, UK and Japan will form the backbone of the Western strategy towards China and its East Asian geopolitics. As for the EU, its near-unbreakable self-belief in its own magnetism and the divergences between Member States could unluckily result in confirming that the EU remains a political and strategic failure, unable or unwilling to adopt a robust internal and external posture and to cope, together with the US, with global challenges.

It is necessary to establish and support strong governments that shall embody our ideals and aspirations: most of the solutions to today problems do already exist and the only reason they are not implemented is the absence of strong governments decisively supported by civilized, committed, conscious, solution-oriented citizens willing to build for the future. Bottom line: no more short-term ineffective policy but long-term visionary policy inspired and informed by high politics.