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Transition to a new world

By Shahid Javed Burki

FUTURE is notoriously hard to predict but attempts continue to be made. It would be useful for Pakistan's policymakers to recognise what the current thinking is in some influential quarters about the shape of things to come.

The recent and most authoritative view of the future has come from the United States intelligence community, according to which the world is becoming multipolar but in a different way. In November 2008, the United States Intelligence Council presented its view of the world in 2025 in *Global Trends*.

"By examining a small number of variables that we judge will probably have a disproportionate influence on future events and possibilities, the study seeks to help readers to recognise signposts indicating where events are headed and identify opportunities of policy intervention to change or lock in the trajectories of specific events", says the report.

According to it, the international system will be almost unrecognisable by 2025 owing to the rise of emerging powers, a globalising economy, an historic transfer of relative wealth and economic power from the West to the East, and the growing influence of non-state actors. The report accepts the notion that by that time the inter-

national system will have several poles of economic activity with the United States declining in relative strength.

Historically multipolar systems have been less stable than those that were dominated by one power as was the system since the collapse of the Soviet Union in 1991. What will be the new centres of economic power and how they will interact with one another?

"Growth projections for Brazil, Russia, India and China indicate they will collectively match the original G7 share of the global GDP by 2040-2050" says the report. However, the BRICs are not likely to work as a cohesive group as did the G7 to a considerable extent under the leadership of the United States. One reason why this group will be unstable is that there will not be one leader in the pack, recognised as such, by other members. This is what the United States-dominated G7 did for that group.

One of the important changes likely to take place in the next couple of decades is the replacement of the Anglo-Saxon model of capitalism with state capitalism that has already produced some remarkable results for the miracle economies of East Asia. State capitalism is a loose term used to describe a system of economic management that gives a prominent role to the state.

There is a possibility that this model of economic management will also be adopted by some of the developed countries that came under heavy eco-

nomical stress as a result of the very limited role that was assigned to the state when Reaganism and Thatcherism held sway. These two almost identical ideologies lost favour when the global economy went into a deep recession starting in 2007.

The report recognises the impact of demographic change on the relative economic strength of the world's large economies. "Europe and Japan will

than the report recognises.

Given the steep increase in commodity prices – in particular the price of oil – when the report was being researched upon, the authors place shortages of resources at the centre of their analysis of the future.

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continue to far outdistance the emerging powers of China and India, but they will struggle to maintain robust growth rates because the size of their working age populations will decrease.

The US will be a partial exception to the aging populations in the developed world because it will experience higher birth rates and more immigration". However, in my view, the impact on the shape of things to come as a result of a number of unexpected demographic changes will be more profound

gards – will continue to put pressure on a number of highly strategic resources, including energy, food and water, and demand is projected to outstrip easily available supplies over the next decade or so...As a result of this and other factors, the world will be in the midst of a fundamental energy transition away from oil toward natural gas, coal and other alternatives." Among the alternatives wind and chemical power seem to hold the most promise. However, this won't be the first time

d economic order

that the global economic system would be making such a transition. Such transitions occur about every hundred years or so. Each transition produced a new economic order. The industrial revolution saw the transition from wood to coal and thus to steam power as the source of energy. The ability to produce electricity and transmit it over long distances contributed to the rise of the United States as a leading global economic power. The current transition will also shake up the global economic order.

Energy is not the only resource that has come under pressure. Water is another. "Lack of access to stable supplies of water is reaching critical proportions, particularly for agricultural purposes, and the problem will worsen because of rapid urbanization worldwide and the roughly 1.2 billion persons to be added over the next 20 years. Today experts consider 21 countries, with a combined population of about 600 million to be either cropland or freshwater scarce. Owing to continuing population growth, 36 countries, with about 1.4 billion people, are projected to fall into this category by 2025." This includes Pakistan.

Understandably the report also included climate change as a cause for global restructuring since its consequences will be spread unevenly across the globe. The Bush administration's skepticism notwithstanding, a consensus has been reached among economists as well as scientists that

climate change is real. A number of reports have been issued including the one authored by Lord Nicholas Stern on Britain who developed estimates of both the cost of not taking action to arrest global warming as well as the benefits if such actions were taken. The intelligence community gave this matter the attention it deserves.

"Climate change is expected to exacerbate resource scarcities. Although the impact will vary by region, a number of regions will begin to suffer harmful effects, particularly water scarcity and loss of agricultural production."

Climate change will add to the growing food problem; the prospect of regional shortages was real. The World Bank had estimated that demand for food will rise by 50 per cent by 2030 as a result of growing world population, rising affluence, and the shift to Western dietary preferences by a larger middle class." This also happening in Pakistan.

In the view of the intelligence agencies, future global conflicts would be the result of the pressure on scarce resources because of the shifting pattern of demand for a variety of goods and commodities and not because of ideological differences.

The threat posed by Islamic extremism was downplayed by the report even though "in the absence of employment opportunities and legal means for political expression, conditions will be ripe for disaffection, growing radicalism and possible recruit-

ment of youths into terrorist groups...In those countries that are likely to struggle with youth bulges and weak economic underpinnings - such as Pakistan, Afghanistan, Nigeria, and Yemen - the radical Salafi trend of Islam is likely to gain traction."

But even then, some of the countries most affected by the rise of Islamic extremism seem to be tiring of it. Those that had large middle classes such as Pakistan and Egypt were anxious to shake off this legacy and join the global economy and the evolving global governance system as responsible players.

In light of all this how was the world likely to structure itself? It seemed unlikely that a big and cohesive world order would emerge and would be centred around the emerging centres of economic power.

"Greater Asian regionalism - possible by 2025 - would have global implications, sparking or reinforcing a trend toward three trade and financial clusters that could become quasi-blocs with the ability to achieve World Trade Organisation (WTO) agreements. Regional clusters could compete in setting trans-regional product standards for information technology, biotechnology, nanotechnology, intellectual property rights, and other aspects of the 'new economy'. On the other hand, an absence of regional cooperation could help spur competition among China, India, and Japan over resources as such as energy."