



The World in 2020: geopolitical and trends analysis

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*At a time of **great uncertainty**, it becomes even more important for strategists to look to the future.*

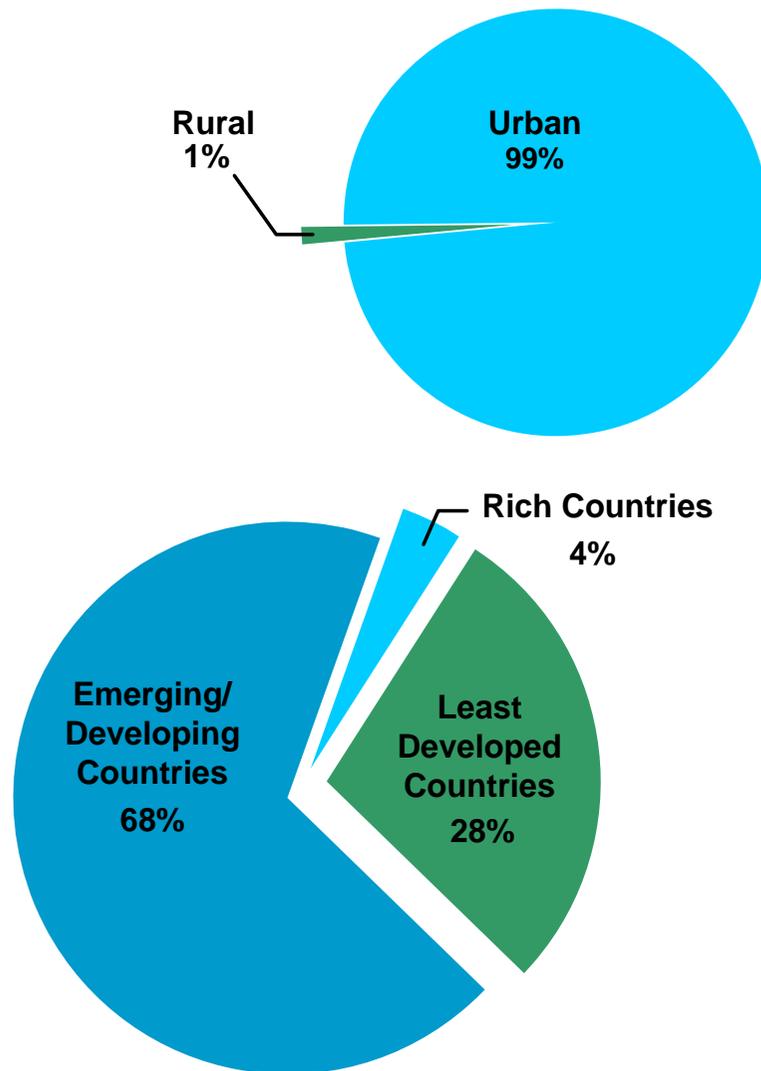
*While we cannot hope to make firm predictions – and should not try to – it is possible to explore the **nature** of the challenges that lie ahead.*

*This briefing looks forward to 2020, asking how organisations can prosper in what will be **a turbulent period for the world order.***

who are we?

- The next billion
- The 20:30:40 world
- On the move
- Three questions for 2020

The 'Next Billion'



Source: UN DESA Population Prospects (2008)

The world is entering **the final phase of a period of explosive growth** that peaked in the mid-1960s.

Between 2010-2025, the global population will increase from 7 to 8 billion people.

The 'next billion' will be Asian or African, and will live in the towns and cities of the developing world.

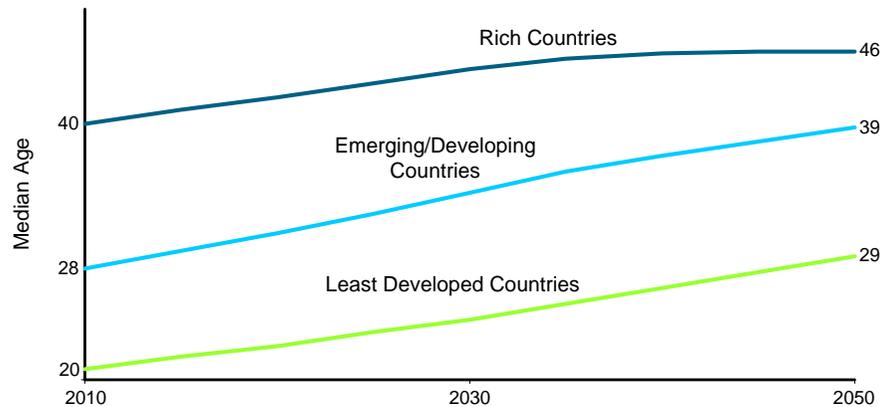
The world has now split into three broad demographic groups.

- In the first, population is more or less stable, or is shrinking (Europe, Japan).
- In the second, a population peak is in sight (China, India).
- In the third – which includes the world's most fragile countries (mostly in Africa) – population growth is still rapid, with the transition from large to small families slow, or stalled.

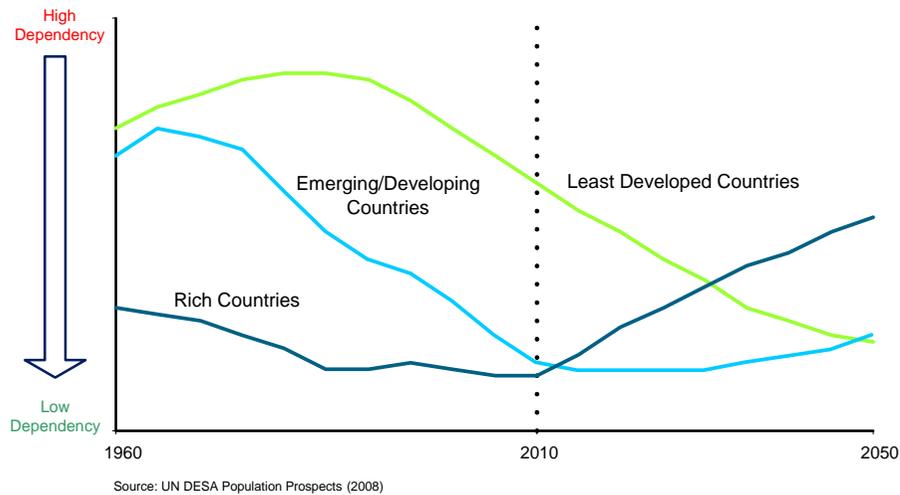
(The United States is an outlier – as immigration continues to drive the population up.)

The 20:30:40 World

The Global Age Gap



The Dependency Burden



As it heads towards *peak population*, the world is ageing rapidly.

Young people are becoming an increasingly scarce resource, especially in the West. In 2015:

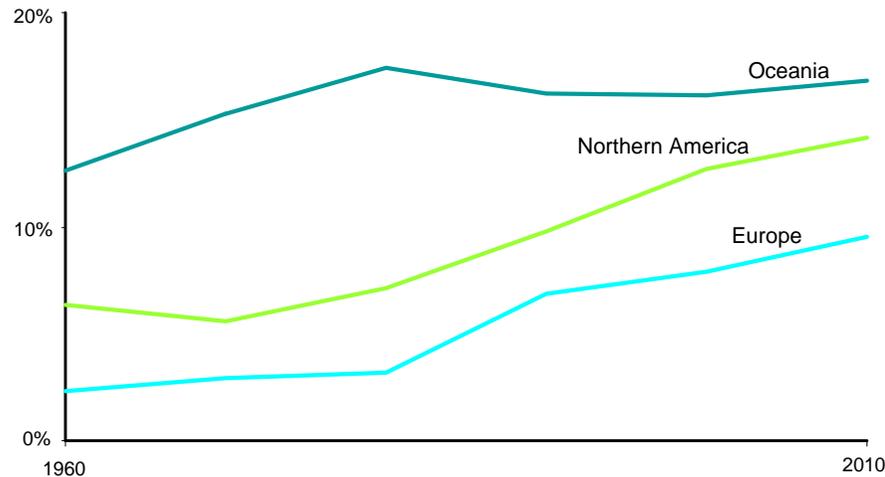
- Half of the population of the poorest countries will be under 20.
- In developing and emerging countries, half will be under 30.
- The rich world will have half of its people over 40 (and nearly a quarter over 60).

Over the next decade, many poorer countries will experience increasingly favourable demographic conditions, as growing number of young adults have to support significantly fewer children.

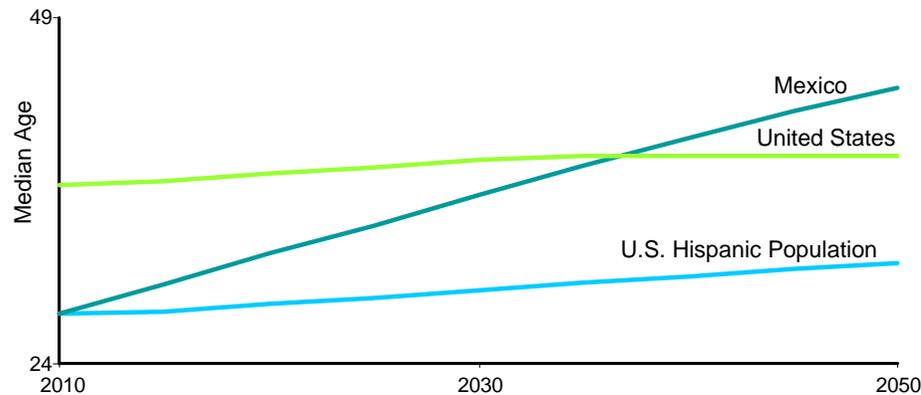
They *could* collect a demographic dividend, with incomes tripling over the next twenty years. **But the risk of demographic disaster will also increase**, if poorly-skilled young people are faced with a life of unemployment and frustrated aspirations.

On the Move

The Migrant Share



Keeping America Young



Sources: US Census Bureau (2008), UN DESA Population Prospects (2008), UN DESA Trends in International Migrant Stock (2009)

In a 20:30:40 world, migration will be the bellwether for the health of globalisation.

Wealth and demographic disparities drive the movement of people – as the young seek opportunities elsewhere or flee from risk at home.

In recent decades, Europe and North America have seen dramatic increases in the number of first-generation migrants in their societies.

This wave of migration will transform societies over many generations.

Countries such as Spain (4.6m migrants in a decade) are experiencing unprecedented levels of ethnic diversity. The United States, meanwhile, has seen such a pronounced wave of immigration that it will stay young long after Mexico has become an old country.

Over the next ten years, the pressure to migrate will build, though many destination countries will try to shut their doors, while **countries of origin will tread a precarious balance between managed outflows and unsustainable brain drain.**

Three Questions for 2020

Can we make the most of being young?

Young countries are at a fork in the road, facing either:

- A *virtuous* cycle of improved governance, investment in human capital, increased openness, and rapid economic growth.
- A *vicious* cycle of high birth rates, frustrated opportunities, state failure, and isolation or external intervention.

✓ **Good sign** An economic 'miracle' in (some) African countries (sustained rises in per capita incomes).

✗ **Bad sign** Spike in number of people living in highly fragile states (currently 10% of the world's population).

Will we avoid a mid-life crisis?

Rising powers will enjoy enticing opportunities, but also face tough challenges:

- How to build *the infrastructure* they need to underpin the next wave of prosperity, while responding to growing *middle class aspirations* and meeting the *needs of the poor* who risk being left behind.
- How to manage the growing exposure to *transboundary threats* that openness brings.

✓ **Good sign** Clear signs of technological, economic, or institutional 'leapfrogging'.

✗ **Bad sign** Emergence and rapid spread of a new generation of populist/nationalist movements.

Can we grow old gracefully?

The world's established powers have a last opportunity to drive change, before they become its 'legacy leaders'.

They must look:

- *Inward* – to the radical changes that are needed to adjust to their rapidly ageing societies.
- *Outward* – making best use of their last opportunity to be 'rule-makers' on the global stage.

✓ **Good sign** Growing number of international policy successes that result from established/rising power collaboration.

✗ **Bad sign** Serious breakdown of multiethnic societies in one or more countries.

getting to 2020

- The long crisis
- Drivers of change
- Understanding the risks
- Shooting the rapids

The Long Crisis

2000-2010 – A Decade of Shocks

9/11

Al Qaeda's attack on America cost just \$1 million - the response probably more than \$1 trillion.

The Resource Price Spike

Expensive energy helped drive the global economy into recession, while the cost of food destabilised some of the world's most fragile states.

The Financial Crisis

The current crisis is one of a chain of economic shocks – following the East Asian financial crisis of 1997/8 and the dotcom crash of 2000/1.

The past decade saw three major shocks – the attacks of 9/11, the 2008 resources price spike, and the ongoing financial crisis.

Each was unpredicted by policymakers, and undermined their fundamental assumptions.

Over the next decade, the 'long crisis' of globalisation will continue, as an increasingly crowded, diverse, and complex world confronts threats it does not fully understand.

This crisis has three main drivers:

- **Scarcity**, limits to the sustainable consumption of highly strategic commodities such as energy, land, water, food, and 'atmospheric space' for emissions.
- **Instability**, the tendency for complex systems to experience unpredictable and unsettling shifts.
- The potential for the **deliberate disruption** of fragile global systems – whether by terrorists, rogue states, criminals, protestors, or private companies.

Drivers of Change

Scarcity, instability, and deliberate disruption will have growing, but unpredictable, impacts over the next ten years, as the long crisis continues to deepen and mutate.

Scarcity

Demand for commodities will accelerate

Supply constraints will be exacerbated by lack of investment, while the cost and risks of production will increase

Markets will be volatile, with price spikes when economic growth is strong

Resource competition will define relations between great powers, while fragile states are destabilised by competition for their oil and land, and by high prices for food and imported energy

Instability

Information and networks will 'melt the glue' that holds together industries, value chains, hierarchies, and institutions

Competitive pressures will intensify the drive for efficiency, leading to a net loss of resilience, as complex economic systems prove dynamic, but unstable

Risk will be exported across organisational, sectoral, and national borders

The response to financial crisis will create conditions for the next economic shock

Deliberate Disruption

States and non-state actors will probe global systems and critical national infrastructure for points of weakness

The pace of innovation in destructive technologies will be high (from IEDs at one end of the spectrum, to hackable biotech at the other)

Pervasive and volatile communication networks will increase the return on investment from terrorism, as failing and failed states offer space in which criminal and terrorist networks can experiment and evolve

Nuclear weapons will guarantee security for states that choose to sit outside the global system

Long Crisis

Understanding the Risks

While hard predictions cannot be made, it *is* possible to sketch out the interlocking political, economic, social, and technological challenges the world will face in the coming decade.

Political

Institutions will remain weak at a global level, leading to a lack of co-ordinated response to risk

Growing numbers of geopolitical actors will battle for influence, with a pronounced mismatch of interests between incumbent and rising powers

Governments will find their incentives point towards nationalist and protectionist responses to crisis and resource scarcity

The public sector in many countries will shrink in size, credibility, and effectiveness

Economic

Economic imbalances between exporter and importer countries will destabilise the global economy

Semi-inflated asset bubbles in rich countries will burst (new bubbles in emerging markets may do so as well)

Private economic interests will favour efficiency over resilience even more strongly as they are buffeted by crisis

A co-ordinated response to systemic economic problems will prove hard to sustain

Social

'Old countries' will experience intergenerational conflict as baby boomers use their numerical advantage to extract maximum political gain

The rising powers will find their middle classes (growing by 70m a year) becoming increasingly disruptive political forces

In fragile states, large populations of young adults will leave countries balanced on the threshold between demographic dividend and disaster

Most of the 'next billion' will survive without formal institutions (economies, property rights, functioning governance, etc.)

Technological

The number, density, and diversity of connections between people will continue to grow

The media will grow more pervasive, aggressive, and fragmented – but less profitable and prestigious

Technologies for waging war will become increasingly cheap, widely available and psychologically compelling

Regional nuclear arms races will pass the point of no return

Shooting the Rapids



"... and then the second group comes in — 'row, row, row your boat' ..."

The current decade is unlikely to be calmer than the one that has just ended.

Countries will struggle through turbulent waters, as they are buffeted by shocks and strategic surprise.

The challenge can be compared to shooting the rapids, with countries aiming (either together or separately) to strike out for calm waters ahead.

They will find that:

- **There are only a few attractive destinations**, but many routes that lead to breakdown or failure.
- **The tempo will be dictated by the external environment** – forget the luxury of choosing *when* to act.
- **Change will be hard to achieve** – even 'best case' outcomes will be messy.
- **Only the very largest states even have the option of attempting to 'go it alone'**.

on not knowing what to do

- The age of uncertainty
- False prophets
- Many snakes, no ladders
- Bubbling up

The Age of Uncertainty

Cold War

Ideological conflict between Communism and Capitalism

1990s

The Washington Consensus, the USA unchallenged

Post 9/11

Running the world without a manual

Western governments failed to overcome the most important challenges presented to them by the last decade.

9/11 led to expensive failures in Iraq and Afghanistan. The energy/food price spike has not led to policies that will make markets and societies more resilient to the next resource crunch. The financial crisis undermined the orthodoxy that underpinned economic policymaking in the majority of developed countries.

As a result, we have entered an **age of uncertainty** where we will see:

- A **crisis of authority**, as elites no longer have the answers, but have yet to acknowledge the need to rethink fundamental assumptions.
- A cycle of **blunders, course corrections, and new mistakes**, as governments struggle with problems they understand only partially or not all.
- **Highly diverse responses to uncertainty**, with open space available to propose, advocate for, and experiment with new approaches and solutions.

False Prophets



“ Those of us who have looked to the self-interest of lending institutions to protect shareholder's equity — myself especially — are in a state of shocked disbelief. ”

“ I have found a flaw. I don't know how significant or permanent it is. But I have been very distressed by that fact. ”

Alan Greenspan *on free market ideology*



“ We today in our country have economic stability not boom and bust. ”

“ I will not allow house prices to get out of control and put at risk the sustainability of the recovery. ”

Gordon Brown *on stability in the British economy*

“ This conflict has begun on the timing and terms of others. It will end in a way, and at an hour, of our choosing. ”

“ As we and our coalition partners are doing in Afghanistan, we will bring to the Iraqi people food and medicines and supplies -- and freedom. ”



George Bush *on the war on terror*

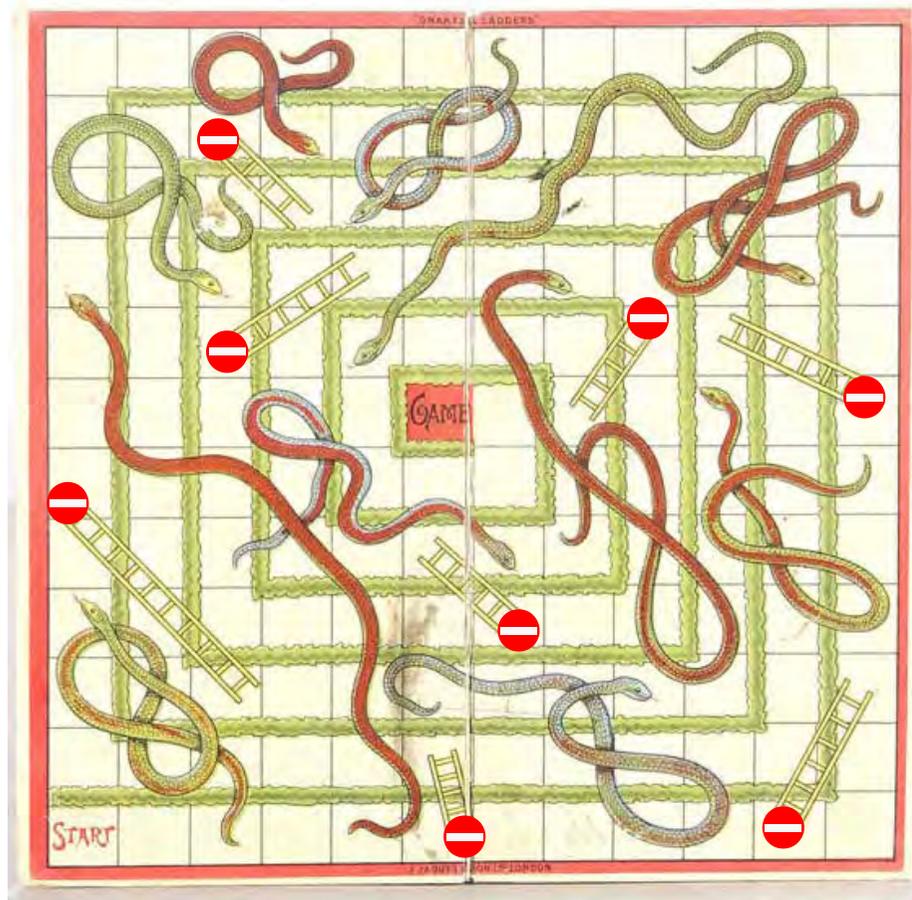
“ Before people crow about the absence of weapons of mass destruction, I suggest they wait a bit. ”

“ Our commitment to the post-Saddam humanitarian effort will be total. ”



Tony Blair *on the invasion of Iraq*

Many Snakes, No Ladders



At a global level, prospects for cooperation between countries will be highly uncertain.

In the capitals of leading powers, two tribes will slug it out:

- A **zero sum tribe** that sees the world as competition between states for opportunity, resources, influence and security; *and*
- A **positive sum tribe** that believes that states must collaborate if they are to achieve mutual prosperity and security.

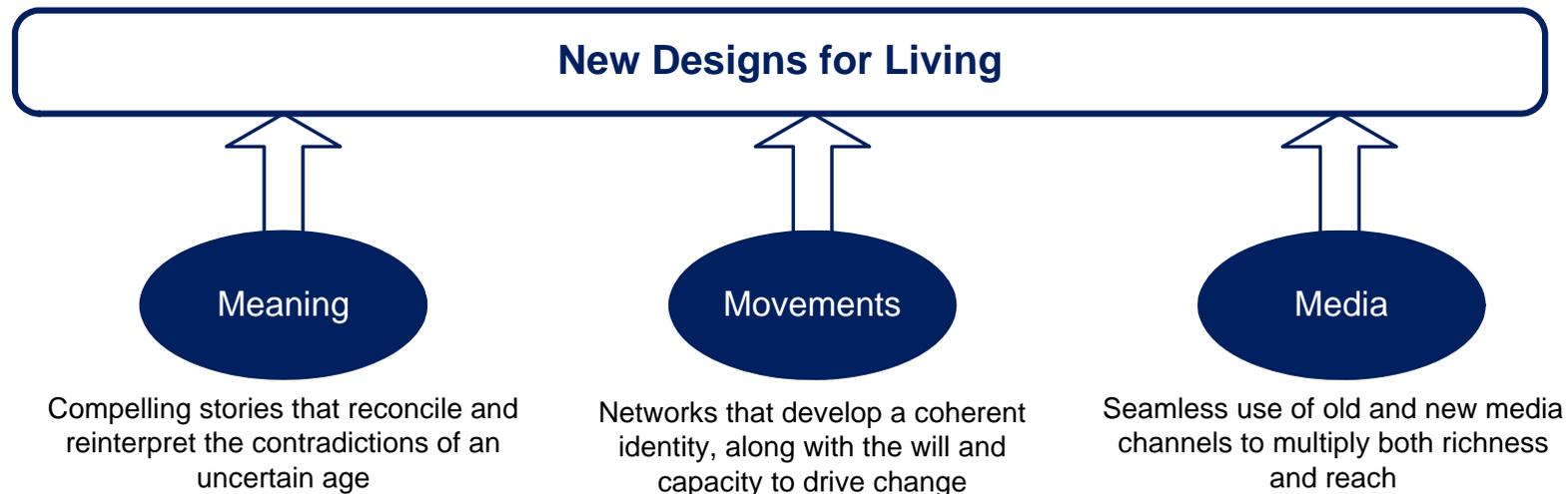
The fight between these tribes will be asymmetric.

On the one hand, trust between countries can only be built incrementally and patiently through **long-term engagement between countries**.

On the other, **trust can be destroyed overnight** – instantly reducing the incentives for further cooperation.

The world will be playing a game of Snakes and Ladders, but with few – if any – ladders.

Bubbling Up...



In uncertain times, new **designs for living** will come from the margins.

There will be a tremendous premium on **charismatic outsiders who are able to bring together meaning, movements and media** in a compelling, coherent, and dynamic fashion.

New developments will come from **places that don't yet exist** (new virtual spaces; towns and cities that are yet to be built; fresh fault lines in existing societies, organisations and groups), as well as from a **re-imagining of traditional movements and ideologies** (nationalism, charismatic religion, etc).

While societies will easily integrate some insurgent movements, others will prove disruptive or destructive forces. **Both 'positive' and 'negative' change makers will be empowered by the opportunities offered by an open and fluid environment.**

what does it all mean for the UK?

- A crisis of confidence
- Ground to build on
- From crisis to opportunity
- Strategic choices

A Crisis of Confidence



It is inevitable that the UK's international standing will be diminished over the next decade.

- The government was on the wrong side of some of the key issues of the last ten years (financial deregulation; no WMDs in Iraq; the failure to stabilise either Iraq or Afghanistan).
- Other flagship government objectives, such as a global deal on climate, have not been delivered.
- The British economy has been hard hit by the financial crisis, leading to a decline in the UK's economic power.
- The military is exhausted and overstretched and is unlikely to be used in an expeditionary role (beyond Afghanistan), except in the most extreme crisis.
- Radical cuts in government expenditure will substantially reduce the UK's ability to project hard and soft power, though development expenditure is protected.
- The growing assertiveness and relevance of other rising powers will inevitably dilute the UK's relative influence.

Ground to Build On



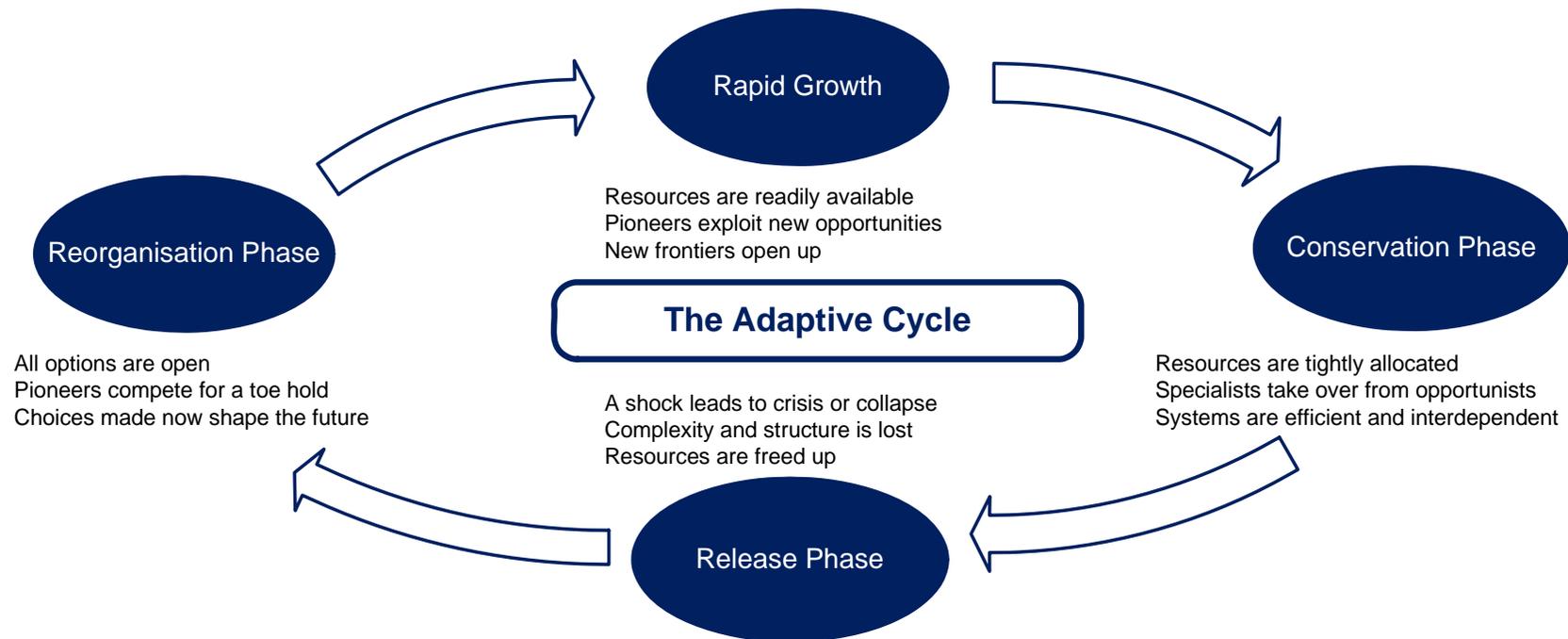
Despite these weaknesses, **the UK has many international advantages and a strong motive to continue to play a global role.** It has:

- A compelling (and essentially accurate) vision of the challenges posed by an interdependent world.
- A position within the global system that is unique for a power of its size, a strong mix of hard and soft power assets, and a government system that – although very far from perfect – is relatively ‘joined up’ when compared to its allies.
- Significant cultural and social strengths, including its language, universities and other knowledge assets, and the media.
- Dynamic actors – outside government – who will play a key role in helping debate, define, and create the future.

Perhaps most importantly, **the British have made a one-way bet on the success of open global systems.**

Despite pressure to retrench, over the long term the UK seems certain to try to safeguard the openness on which it depends.

From crisis to opportunity



Adapted from Walker, B. and Salt, D. (2006) Resilience Thinking: Sustaining Ecosystems and People in a Changing World, Washington, Island Press.

Crisis has paradoxical effects. **While the impacts will be painful in the next decade, space is already opening up for innovation and reorganisation** (see *The Adaptive Cycle* – above).

Pioneers and opportunists will prosper, as they compete to establish new directions and approaches. Old orthodoxies are breaking down or being weakened, while traditional ways of working are being called into question. Even the imperative of cutting costs is going to strongly favour innovators over incumbents.

Strategic choices

During the long crisis, the UK will prosper if it **harnesses the energy of original thinkers and develops strategies that are resilient to a range of shocks.**

Whether or not they take the time to reassess their core assumptions, organisations will find they have one of four strategic paths open to them.



Zombies

Shuffle on without strategy or clear direction

Focus on maintaining access to resources



Shapers

Develop clear vision for desired change

Attempt to make reality conform to that vision

Resilient Strategies



Fundamentalists

Identify comparative advantage and core competencies

Exclusive focus on efficient provision of these services

Pathfinders

'Grand strategy' sets out broad goals and direction

Decentralised delivery to exploit opportunities as they arise



twenty-one trends to watch

shocks not strategy ▪ leadership deficit ▪ US division ▪ EU diversity ▪ sovereign debt default ▪ the next financial crisis ▪ rising power roadblocks ▪ what government isn't for ▪ governments that get stronger ▪ charismatic leaders ▪ organisations will fail ▪ intergenerational conflict ▪ feral cities ▪ identity under pressure ▪ culture goes global and national ▪ new tribes ▪ in praise of swarms ▪ technological questions not answers ▪ the power of 'live' ▪ personal brands ▪ tolerating uncertainty

Twenty-One Trends



- 1 Shocks, not strategy, will drive the international agenda.

Crisis will continue to disrupt and reshape the priorities of all governments – and especially those of the UK.

- 2 Leadership will be a scarce resource.

Instead of competing for who gets to lead, governments will hang back, hoping to free-ride on the efforts of others.

- 3 Domestic division will erode US leadership.

The US will be weakened by deep cultural divides within its society. These will translate into dramatic ideological swings and political gridlock, making it an unreliable international partner.

4 Europe will struggle to cope with its ethnic and cultural diversity.

Europe's current crisis is an economic one, but will have long-lasting social and cultural implications. Recent migrants will suffer the worst effects of recession, while identity will be fiercely contested in the EU's newly diverse societies.

5 Greece will not be the only developed country to default.

A Greek default is probably now unavoidable. A debt crisis is highly likely to hit one or more other countries – or a US state. The fallout will deepen popular concern that globalisation is failing to deliver.

6 There will be a financial crisis in the emerging/developing world.

Rising powers will have dynamic economies, but weak institutions. They will be vulnerable to bubbles inflated by destabilising flows of 'hot money' looking for higher returns.

7 At least one rising power will stare into the abyss.

A political/economic crisis in an emerging economy is highly likely, and will lead to a reassessment of assumptions that the transfer of power to the new 'New World' will happen painlessly, and at a constant rate.

8 Politicians will struggle to define what government isn't for.

Recent years have seen little debate on what governments should and shouldn't do in the modern age. As budgets shrink, but expectations do not, leaders will work hard to hand responsibility back to the private sector and civil society.

9 Not all governments will become weaker.

The majority of governments are likely to face anger from citizens as they fail to meet their goals – but some will harness this anger and direct it at external targets, or towards the enemy within.

- 10 Charismatic leaders will outcompete technocratic ones.

A crisis of authority will erode faith in experts of all kinds. Charismatic leaders – whether false prophets, empty vessels, or genuine visionaries – will have great power to challenge orthodoxies and gain substantial new followings.

- 11 Most organisations will fail.

Many public bodies will be unable to adjust to the new realities, but will still monopolise attention and resources. Zombie institutions will be most common internationally, where many organisations will enter the realm of the undead.

- 12 Political conflict between generations will intensify.

Divisions between generations will widen dramatically. In rich countries, ageing baby boomers will attempt to entrench their advantages, while in developing countries, a ‘next generation’ will be a powerful driver of change.

- 13 Security concerns will move from failed states to feral cities.

Without better planning, many fast-growing cities are likely to be dangerous and unpleasant places to live. In the worst cases, cities will collapse under an insupportable social, environmental and economic burden.

- 14 The world will get to know itself – but will sometimes not like what it sees.

The rapid flow of information across borders will place identities under increasing pressure. Ad-hoc movements will emerge with increasing regularity to protest forcefully against ideas, opinions, and beliefs that come from overseas.

- 15 Culture will become more and less national.

Growing numbers of young people will define their identity through interaction with global networks, but populist and nationalist movements will also become stronger, especially when the citizens of rising powers feel under threat.

16 We will enter the era of the supranational tribe.

Self-organising, cross border 'clans' will become an increasingly powerful and pervasive force, offering a narrative and sense of belonging to their members. Governments will attempt to ban and disrupt some of these tribes.

17 Swarms will win.

Organisations and networks will only be successful if they can break down their fixed infrastructure and let people and resources flow towards the best opportunities to drive change.

18 Technology will pose more questions than it answers.

Technological breakthrough will not allow us to invent our way out of any of our major problems. Instead, science will complicate our understanding of risk and technology to raise unsettling questions about the nature of our identity and societies.

19 Content will remain hard to charge for, but the power of 'live' will grow.

The failure of social networks to support traditional business models, will drive changes in the knowledge economy. People will value experiences over products and services, placing the live and unique event at the core of contemporary culture.

20 Dynamic brands will be personal, not corporate.

A few high-profile individuals will exert disproportionate influence – as long as they can take their networks on a journey with them. Their connections will give them considerable power over traditional organisations.

21 It will be an exciting, if traumatic, time to be alive.

While further crisis is likely (and a catastrophic shock is possible), the rate of innovation will increase. Conventional thinkers will not prosper. The successful will be those who tolerate uncertainty well and are prepared to increase their appetite for risk.

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Further reading

'Risk and Resilience in the New Global Era' with Alex Evans, *Renewal*, London, February 2009

Confronting the Long Crisis of Globalization: Risk, Resilience and the New Order, with Alex Evans and Bruce Jones
Brookings Institution, Washington, 2010

Organizing for Influence: UK Foreign Policy in an Age of Uncertainty, with Alex Evans
Chatham House, London, 2010

Hitting Reboot – where next for climate after Copenhagen, with Alex Evans.
Brookings Institution, Washington, 2009

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