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Transcript

The Future of Globalization

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15 March 2012

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Bernice Lee:

My name is Bernice Lee. I am the Research Director for Energy, Environment and Resources here at Chatham House.

It gives me great pleasure today to chair this meeting with Parag Khanna. In fact, it is a treat to be chairing Parag Khanna, who is Senior Research Fellow at the New America Foundation, Senior Fellow at the European Council on Foreign Relations, and Visiting Fellow at LSE IDEAS. And actually, I am pretty sure that he has other affiliations like the Director of the Hybrid Reality Institute. He has, as you know, published very widely on issues around globalization and the new world order and this is the part I particularly appreciate. And in 2008 he was named as one of Esquires 75 most influential people of the 21st century. Esquire, I was just looking at his attire and I was indeed thinking that it is indeed very befitting. He is often quoted around the world and you will have no doubt heard him on television and on radio and many different things.

Now today he has a very important task in connecting the dots for us. He's arguing that many random events, or seemingly random events, are in fact unified by one theme called globalization and that as we become truly global in the 21st century it will present many new challenges for us.

Parag, would you help us connect the dots.

Parag Khanna:

Sure. Thank you, it is always a great pleasure to be here in this room, in this building. I have a special connection to this place that actually does go back to around 2008 – don't tell anyone – which they don't let you do on the plane. It's that my first book was based on the writings, the late writings of Arnold Toynbee who was one of the directors and in-house historians in this place about a half-century ago so it is always a special occasion for me to come back here.

Unless you're talking about under-5s, I was going to say there are no more old leaders and young leaders, there are just leaders. There is [sic] enough people from our generation who are considered leaders that are young, that mingle with and co-direct the world with the old. I don't think it is necessary anymore to distinguish between young and old leaders per se but that's a separate point. Maybe globalization has something to do with that.

To connect the dots I think basically [there are] three things that I wanted to superficially skim over this evening. The first is the future of globalization because I found it interesting that in the last ten years we've heard on several notable occasions that globalization was going to stop or retrench or reverse. You have heard Nouriel Roubini say it, you have heard lots of people go on television and write articles saying that after 9/11 East-West mistrust and the lack of understanding, suspicion, tension, spike in commodity prices and so forth, globalization will retrench. You heard it with the collapse of the Doha Trade Round: globalization is finished; you can't continue to have globalization without a global trade deal. Low and behold globalization continues. Then you had the financial crisis. In the aftermath of that still to this day you hear people say that globalization is doomed.

As far as I can see, globalization is not only alive and well but it's thriving as ever before in human history. So I don't know if I'm looking at the same globalization as other people. My presumption is that the people who say that are very Euro-centric people or Western-centric people because their newspapers and their media aren't telling them about the summits and the trade negotiations and the agreements and the flows of commodities and investment that are happening between Latin America and Africa, and Africa and India, and India and China, and China and Africa. Last time I checked that fits the definition of globalization too. Just because it doesn't come from Paris or London or New York it doesn't mean it's not globalization.

What's actually happening today is that for the first time in all of history globalization is actually global. So the term that so many of you have written papers about and so many people are sick of using – it's such a mouthful after all – is actually really happening now for the first time. Globalization in the past has either been a one-way street directed by the West or directed by whichever hegemonic power there was at the time, or it certainly wasn't global *per se* – not reaching every part of the world. You could have entire conversations about globalization and world order up until ten years ago and you wouldn't have to mention Latin America or Africa. No one would even notice in the room if you didn't mention Latin America or Africa unless there was a Brazilian or a South African in the room. You can't do that anymore. When you talk about globalization today, you talk about the emerging markets, the frontier markets, the natural resources, the human capital and the growth that is happening in all parts of the world.

So the fact that we now live in a world of globalised globalization, a globalization that is completing itself geographically. It's reached its maximum width. It has reached everyone, even North Korea, more and more. Now it's

getting deeper and more intense. That is really the first point that I wanted to make and I think that helps people to connect the dots because I think previous maps of the world, mental maps of the world, didn't even include all of the dots, not even all of the geographical dots. So that's the first thing that I think is really important for us to understand in terms of where we stand right now at this moment.

The second is that the tools and the frameworks that we've used for so long to understand global change are a bit antiquated to put it mildly. That's a commonly heard refrain and everyone has their own take on it. My view is the following: geopolitics, which in many ways has its origins and activities in and around this building in the 19th century and in Germany and Sweden, is a 19th century discipline. It was a very legitimate way of viewing the world. When you hear the word geopolitics what do you think of? You think of balance of power, military force, natural resources, demographic size, armaments, power projection capability and things like this, things that are normally connoted by the term.

About, say, 15-20 years ago people started talking about geo-economics as a rival approach, lens or paradigm. No, it is not just about tanks, troops and warheads; it's about currency reserves, terms of trade, balance of payments, foreign investment and all of these kinds of things. That is obviously also valid in its own way. There appeared this divide between the proponents of geo-economics on the one hand and geopolitics on the other as if one represented the 20th century and the future and the other was kind of backwards. I think that's been a false debate all along.

I think that if you were to create an axis with geopolitics and geo-economics, there is a third corner of a triangle that has been missing in our conversation and that's what I call geo-technology. And I think if you Google it, it is my term I am pleased to say. I need to buy a copyright or something because I'm writing a book about it right now and I think it's a very useful concept. What geo-technology argues is in fact it is technology that has always been the driver of geo-economic and geopolitical change. It has either been an oversight or it's simply just hasn't been brought into the schools of thought that are dominated by social scientists, which probably many of you are.

People like me, people who were not properly educated in economics or technology and studied philosophy and history in ways that simply didn't bring out these very important disciplines and lenses of understanding change. I think that is a huge problem that our reigning diplomatic caste and political leadership in the West – and this is something that many people complain

about – don't have a sufficient understanding of economics and of technology. So a lot of what I've tried to catch up with in my own life and education, post-formal education, is economics and technology and I have come to realise that this triangle is the triangle that I wish I had been taught going back to when I was a teenager.

I'll give you some examples about why it makes a lot of sense. Answer this question: why is China a superpower today? Why do call it a superpower? Is it because it now has, how many, 150 nuclear weapons? I don't know I'm just guessing, it doesn't really matter; you only need 10 to scare the world, right? Is it because it has 150 nuclear weapons but 10-20 years ago it only had 80 or 90? Is that why you now consider it a superpower? Probably not, right, because you probably don't know how many nuclear weapons it has and it doesn't really matter.

Or, do you consider it a superpower because starting in the 1970s, 1980s it began to open its economy, undertake mass industrialisation, modernise its manufacturing sector, capture in a way that sector [to] become the world's factory floor, accrue massive revenues, foreign exchange reserves and has converted that into infrastructure investment, investment in its military and so on. That might be why you consider China to be a superpower today... and it has undertaken a massive international binge of commodities acquisition and so on.

So what is the chain of causality here? China opened its economy. It focussed on one sector, one technology sector, manufacturing, and it captured it and is putting everyone else out of business in it – well almost. And that's what allowed it to build the foreign exchange reserves, the capital to do the investment, the geoeconomic power. And that then is now being invested massively – as you know every single year its military budget increases – in its geopolitical capabilities. What was the correct chronological flow of China's increase in power in the last 30 years? Was it geopolitical stuff first, the military stuff, was it the economics things first or was it the technology first? It was the technology. Why don't we see that for what it is in terms of the proper chain? Because we look at the superficial indicators; the size of its military, the fact that it purchased an aircraft carrier last year – the useless contraption as it is, the one that it bought. So I think that it is extremely important.

So I emphasise that it's a triangle because I don't discount geopolitics that I spent 10 years studying, and I don't discount geo-economics. They have an integral, intimate interrelationship. The reason is that the substance of geo-

technologies, as I'm calling it, is embedded very much in geopolitical theory. It's just in very obscure parts of it that have been neglected for decades. There is an important approach called leading sector analysis and what it does is it looks at any given period or era or economic cycle [to examine] what are the key technology clusters that drive commercialisation, economic advantage and so forth. That theory should be alive and well today because if ever we lived in an age where we need to explore and understand key technological sectors and how they're being researched and developed and commercialised and so forth it is now, because it's not just industrial technology, it's not just military armament; it's biotechnology, it's nanotechnology, it's alternative technology, its advanced manufacturing, it's artificial intelligence and robotics. It's all of these different things. These are all very crucial sectors. Technology clusters today, all of them, are going to be extremely important in the 21st century. Whoever has the edge in those sectors is going to be able to sell [them], export them, build massive profits and convert them into strategic gain and advantage. So I'm making this argument that geotechnology is a perspective that we need to start to use as our dominant or primary lens in understanding economic growth and understanding geopolitical change in the 21st century. That's something that I think is essential.

The third thing I was going to say is that these technologies, and the power that is derived from them is not controlled only and exclusively by states anymore. This is obviously not new news to anyone here but it's the way we think about the role of non-state actors. There is a view that says they are marginal and irrelevant and sovereignty and territoriality still matters above all else. There is a view that says we still very much live in a state based system and these kinds of actors, even if they are powerful corporations like defence contractors or oil companies or Google, they are still just marginal, peripheral players but we acknowledge that they can influence agendas. Or there is the view that says it's all up for grabs. Whoever has the money can control the land, can buy off supply chains, can have a voice in power and territorial power doesn't mean everything anymore. I follow the third camp. Some say that it's a bit out on a limb, I think it's just becoming more and more obvious over time and if you don't share that view yet I think you will. And no matter how powerful our greatest powers today become I don't think that they will be able to put that genie back in the bottle.

The term to describe that phenomenon is systems change. And I think it's the third thing that I want to share as a concept that is, it's a very old idea but that it's extremely relevant today because any one of us could give an hour's long

lecture on rising powers. If you're not familiar with the idea of rising powers, pivotal states and multipolarity... you know, everyone takes for granted that it's not a unipolar world the way it was in the 1990s. That whole phenomenon, that whole discourse, the whole thousands of books and I've written just one of them on this topic, it all fits into what you call structural change. Structural change is when you move from a unipolar world to a multipolar world or a multipolar world to a unipolar world. That's again fairly obvious to everyone. The debate is about systems change, which is a much deeper phenomenon, which takes much longer to unfold, that happens maybe once or twice every thousand years whereas rising powers and structural change happens every fifty or a hundred years.

I think we're living through a period of systems change where you change the nature of the units that drive politics that drive economics – that drive everything. This means that Google or Gates foundation or Al-Qaeda or Oxfam or Facebook or whatever the case may be is not a flash in the pan kind of thing. I consider these actors to be authorities. And the essential move is where you start to realise is that diplomacy is not just about states, power is not just about states, it's not just about sovereignty, it's about authority and you recognise as an authority religious groups and companies and so forth. Those who provide for you and those you give a certain loyalty to. You find that the more countries we have in the world – when the United Nations was founded we had less than 70 countries, today we have three times that number; most of the countries that exist today, didn't exist 60 years ago – you find a growing number of fragile, illegitimate states. Most of the post-colonial world is made up of such states.

Much of the Arab Spring can be explained as the slow collapse of the post-colonial order, which is why I believe as an aside that what we have seen from the Arab Spring we will probably see in dozens more countries and I mean dozens – many, many more countries. The underlying conditions that gave rise to the Arab Spring: overpopulation, poor infrastructure, corrupt governance, youth bulge, unemployment – that's not just an Arab phenomenon. It's most of the world. It's most of the planet.

So if the world is full of such illegitimate states then legitimacy, and authority, these things, are just ripe for the taking. Whatever corporate supply chains provides jobs, whatever bank provides stable access to capital, whichever social media network gives you access to the world then that's where you 're loyalty is going to go. And yes, you still have this stubborn passport in your hand, which is actually part of why I make this argument, because I meet people your age and younger who are in business schools in the West but

come from China, India, Brazil, wherever, and their big complaint is their nationality. They are not happy with their nationality because as much as their countries may be getting powerful, their passports say they need to go and prostrate in front of a US consular officer to get out of their country. Whereas if they work for McKinsey or Goldman Sachs or whatever then they can more or less go wherever they want, wherever they please. Their loyalty is shifting, and that pretty much applies to many of you depending on where you're from. So I see this slow gradual shift in who has the power, whether its capital, whether its resources, whether loyalty, whether its membership base, whether it's your Facebook group or whether it's the fact that Apple has a value of \$100 billion, which is larger than the GDP of 100 countries, and it has no debt, unlike Greece.

For a whole host of reasons I think we are undergoing this kind of systems change. You see it within countries, you see it transnationally and we can debate it, I think, the right way to think about it and measure it so that one doesn't appear too superficial if this analysis is sector by sector, if you look at health care provision, if you look at security provision. I like to say Max Weber has a problem today if the monopoly of the use of force is something that is the sole preserve of the state, then why is it that there is 1700 unique identified militia groups that are active in the world today according to a database compiled by Tufts University. There are 200 states, 1700 militias – something doesn't quite add up. So that's just one example.

So, take it sector by sector whether its education provision or health or security and all of these types of things, the tasks and the responsibility of the state, you find, are more and more not filled by the state. They are filled by other kinds of authorities. So I think we should be looking much more at authorities than sovereignties in terms of understanding a world of systems change. And again what gives one power in a world of systems change is control of technology, leverage of technology, right? And, how does technology spread? Of course more rapidly than ever because of globalization – the expansion of globalization. So that, in a nut shell, is how I would connect the dots.