CHATHAM HOUSE

NIC

Globalization and Future Architectures*:*
***Mapping the Global Future* 2020 Project**

Report of a Conference on
6 June 2005, Chatham House, London

Organized by
Chatham House and The National Intelligence Council

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Chatham House and The National Intelligence Council
Conference on
Globalization and Future Architectures*:*
Mapping the Global Future **2020 Project**

Summary

Chatham House (CH) and the US National Intelligence Council (NIC) organized a joint conference to examine additional dimensions of, gaps in and alternatives to the scenarios in *Mapping the Global Future*[1] arising from the NIC's 2020 Project. The round-table discussion, coordinated within CH by the International Security Programme, drew upon a range of expertise from academia, government and industry to discuss several themes that had been presented in a pre-meeting concept paper and four short related thematic discussion papers. The discussion briefings focused on:

- the rise of China and India: internal developments and a new world order;
- factors of uncertainty: energy, environment, and bio- and information and nanotechnology advances;
- policy responses to state failure;
- future architectures of international institutions (e.g., WTO, UN, EU): the end of Western dominance?

The conference intentionally incorporated discussion arising from two larger events to which members of Chatham House were invited to obtain wider feedback on proposed future architectures: a general meeting with NIC and Chatham House panellists, and the launch of the *Shell Global Scenarios to 2025*. Members of the CH-NIC group reconvened the following morning to work on additional comparative analysis and consider the next steps. This report does not seek consensus or answer all the thematic paper questions but summarises and consolidates views arising from the various activities above to inform long-term strategic thinking.

The rise of China and India
The conference began with a discussion of the rise of China and India as identified in the NIC 2020 Report: whether this phenomenon might be considered to usher in a 'new world order', and if so, what might this be like. The first thematic paper noted that the 2020 Report did not go so far as to label the twenty-first century as a new 'Asian Century' that might be compared with the 'American Century' of the past 100 years.

This discussion was dominated by a sense of multiple uncertainties and unknowns. It was noted that there was still substantial ignorance on the part of the 'West' about India, China, and the East Asian region as a whole, and, uncertainty about Western strategy towards the region. It was remarked that the West had not yet made up its mind whether to increase engagement with the two emergent powers, and if that were the chosen course, how best to pursue it. The consequences of particular policies were unclear.

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[1] Available at URL <http://www.cia.gov/nic/NIC_2020_project.html>.

Internal developments in China appear to be viewed predominantly from a business perspective. By contrast, India is viewed through a number of different lenses, with business no more prominent than other considerations. The use of English as a *lingua franca* was considered a contributor to growth in Asia. It was felt that while this had come about by default elsewhere, in China and India it had been promoted, and in part it was deemed to have a more profound influence than religion on identity in the region.

Participants agreed that political and economic developments in the two countries were in a positive direction but problems and tensions might well arise along the way. Regarding areas of East Asian conflict, as touched upon in the 2020 Report, the greatest hazards were deemed to be presented by North Korea and Taiwan, along with competition for resources and energy. It was noted that the region has the potential for significant volatility particularly in the economic sphere, with China's diverse economies potentially leading to strains in the region. Overall, the region was without anything like the degree of cohesion that talk of a 'rise of Asia' implied. A comparison could be made with the mistaken perception of the EU as a monolithic or homogeneous entity whose component countries worked in harmony. While there was much talk of shared values as a cohesive factor, this may be overstated and instead there were shared interests, though economic competition was as likely to drive countries apart as forge bonds through intra-regional trade. There was, however, also a feeling that, as in the past, the region would somehow 'muddle through'.

It was noted that a distinctive feature of China, as compared with the Western powers, was the efforts it has had to make, over a prolonged period, simply to keep its different regions together. The country's attention is therefore focused more on its national identity than its global position *vis-à-vis* the US or the West generally. Another difference discussed was that there appeared to be greater 'delinkage' between politics and economics in China than in the West.

As the rise of China and India becomes a more prominent feature of the global scene, the Internet and other media might increasingly subject them to critical examination that in turn would reduce the West's overall ignorance of the East Asian region. Participants, however, were unsure of the extent to which this would happen.

Among the many unknowns are whether China's ultimate destination is clear to Japan or, indeed, to China itself: how the West will adapt to China's new role in the world; how China will use international (governmental) organizations for its purposes; the future direction of Chinese internal politics; and in what form the Chinese government will continue to have command, control, communications and intelligence (C^3I).

Uncertainties of technology, energy and climate change
Additional uncertainties impacting on economic, political and financial developments in Asia arise from developments in energy and climate change as well as from new technological advances including biotechnology, information technology and nanotechnology.

Technology, innovation and trade
Presentation of the thematic paper on uncertainties and new technologies gave rise to much discussion on states' strategies with respect to innovation. There was particular focus on the nature of national innovation systems. A current conventional

rule set for innovation was posited as requiring fluid capital, sufficient managerial skills to work in a global context, educated and mobile labour, and a cultural propensity to take risks for national knowledge systems to put know-how into new products. It was suggested that Asian countries did not necessarily have all of these resources and thus innovation might not progress beyond manufacturing copies of foreign products.

But other participants took a different view, and provided an analysis that also addressed the role of intellectual property rights (IPR) in the context of innovation. Chinese, and to a lesser extent Indian, decision-makers appeared willing to take different types of risks from those taken by their Western counterparts. China, for example, explored areas of biotechnology in its own bioparks, but in other areas appeared to bypass Western concepts of IPR and adopt a more 'open source' approach, borrowing others' ideas and building or expanding upon them, as, for example, with micro hard drives and 'flat' screen displays. India has already begun to outsource heavily and is becoming more competitive than the West in areas such as telecommunications. And with pressures to improve public health care globally, companies may find it difficult to shift out of current IPR royalty schemes for others to deliver their or similar drugs more cheaply. If IPR were to become unsustainable because of the different approaches in Asian countries and in light of new global security requirements, is the current IPR system now outdated and how will it develop or change in future?

It was observed that much of the IPR discussion focused on protecting technology as distinct from data where developments in digital rights management are expected to increase in future. New information technology management included protection of information at the (digital) data level away from the infrastructure carrying it.

The dynamics of the current global situation in which states were dealing with new or emergent powers were compared with those affecting late-nineteenth to early twentieth-century 'Great Power' politics. Issues for consideration in the analogy concerned whether 'grand strategies' were evident now as they had been in the past, for action and alliances as states adapted, and there was recognition of parallels between the types of internal strife affecting key countries then and now. It was acknowledged, however, that the current phenomenon of globalization is a 'mega-force', making the background against which Asia is emerging quantitatively different from any parallels of the past. A huge and unprecedented middle class forming on the Asian continent is now a factor driving economic growth and development. Add to this demographic shifts over time, and Asia would be more of a centre of global activity and power. What do changes on such an unprecedented scale mean for the rest of the world – and the West? Will Asian countries integrate with the West or the West with them?

It was noted that while real progress is expected over the next 15 years, particularly in terms of substantial reduction of poverty, this would be realized only if there are appropriate adjustments in the patterns of global production and trade. During these adjustments, how would all the anticipated new participants in the global economy be integrated without the international system collapsing? The impact is already being felt with the surge in relocation of manufacturing to China: producers elsewhere have to meet the 'China price' with a consequent impact on wage levels. A similar surge of relocation to India has started up, but with regard to services rather than manufacturing. Trends in migration of labour and other manpower issues

continue to be studied, including the extent to which expatriates return to China, for example, after studying abroad.

There are already signs of a protectionist backlash to these developments in both the US and Europe with barriers, for example, arising against Chinese textiles. In a different context, concerns about this challenge to the survival of liberal free trade principles arose from the rejection of the EU Constitutional Treaty in the May and June 2005 French and Dutch referenda, respectively. It was noted that in these European countries at least, globalization was seen as changing the world too fast. Growing Euro-protectionism could lead to European economies experiencing injurious stagflation. The prospect was raised of the current approach to international commerce being overhauled, as other world trading blocs refused to accept passively the flood of exports and other competitive pressures from China and other East Asian countries over the next few years. But it was not clear how a new consensus on trade and related architectures was to be reached. The World Trade Organization (WTO), launched in 1995 with the start of the current era of globalization, has gradually become less effective as a vehicle for negotiation between states, and there are prospects of its replacement by corporate diplomacy.

The global implications of fiscal and currency policies were considered in the context of financing the US external debt and the future standing of the US dollar as a global currency. Two points were particularly highlighted: first, with globalization, economies are increasingly synchronized; and, secondly, two-thirds of the world's dollar currency reserves are currently held by Asian banks. It was noted that about ten years ago, only one-third of the US currency reserves were held by Japan and China, which effectively underwrote the US debt and provided a counterweight to stabilize currency flows. As economies become more synchronized, however, large currency movements become more difficult to stabilize.

Climate change and energy issues
Climate change was viewed by most participants as a greater threat than terrorism, but there was a need to resolve the controversy surrounding the effect of green house gas (GHG) emissions. While the 2020 Report did not highlight climate change, the issue was expected to loom large by 2020, by which time the evidence one way or the other should be clearer. The need to establish a global system for tackling climate change was asserted, with emphasis upon the 'de-carbonization of societies'. However, it was noted that China and other East Asian countries lacked related regulatory bodies and the older or 'legacy' systems of infrastructure, and thus were not faced with having to reverse the damage that had evolved over time in the West, where consequently modernization is expected to be more complex or costly.

Energy and climate change issues were seen as possibly leading to greater global cooperation and the building of global architectures but it was felt that competition and rivalry would probably remain the predominant forces. By 2020, it was noted, there would be changes to the pattern of energy supply, with a likely increase in nuclear power. It was suggested that electricity should be among the global architectures under discussion as it is an infrastructure but currently not treated or costed as such. Electricity is a value shared globally and underpins all major economic activities and yet it is also highly vulnerable. Its vulnerabilities include being constructed around a common central model with load disbursed far from energy sources; it is also vulnerable to weather disturbances (including a projected global geomagnetic storm around 2010, see pp. 17 and 20 of this Report), terrorism,

and general malfunctions. Electricity is not a fuel but a process that can be set up anywhere; it is possible for a country to have electricity without having its own fuel resources, but it cannot have electricity without the appropriate infrastructure. One way in which electricity supply can be made less vulnerable is by decentralization. This has begun to be seen, for example, in China which recently passed a law instructing electricity companies to increase generation from renewable sources; this could alleviate current constraints on economic growth by diversifying energy resources.

Policies to deal with 'failed states'
There was debate about the label 'failed states'. It was argued that 'states' themselves do not fail, as there has been an international UN system over the last 60 years to try to prevent that. It is instead 'governments' or regimes that fail. The label perhaps reflected a Western propensity to adhere too firmly to the Westphalian Model of a states system. It was also highlighted that the 'failure' often follows military defeat or revolution when the populations are in a 'bit better-off' situation, rather than at 'rock-bottom', when their growing expectations make them more likely to rise up. Particular reference was also made to countries going through transition as having 'soft' and 'hard' landings; the transition of East European countries post-communism were cited as examples.

Several policy responses to state failure were discussed. Traditionally prominent among these are sanctions but these do not always work. The example of Burma was cited, where Western sanctions imposed as a response to human rights violations, etc. have been undermined by Indian and Chinese firms taking advantage of the Western vacuum.

Regionalization, as the growth of regional blocs, was also discussed as routes distinct from globalization or 'particularism' to deal with state failure. There was discussion of whether the US would or should take on global problem(s) and whether it should essentially remain the 'policeman of the world'. It was also suggested that possible responses might include greater investment by the international community in efforts to overcome corruption.

It was emphasized that 'delivery' is key in policy responses to state failure. There was a perception that when military interventions took place civilian departments or sectors often did not pull their weight or lacked strategic vision, and in many cases did not work with the military, although the latter was often in the best position to deliver aid. Intervention needed to take place in steps or phases and with a holistic approach.

Further questions were raised concerning where international law and diplomacy featured in assessing whether intervention was legitimate. Where does legitimacy derive from – the UN? More could be done through public debate in the countries that are intervening as well as in those where the intervention is taking place to achieve a better understanding of what confers legitimacy on the intervention and any new regime. What is the role of the media and journalism in achieving this aim?

The role of multilateral institutions
There was also a brief discussion of international institutions. It was noted that there was an increase in the number of multinational corporations that in turn led to questions concerning their increasing challenge to national governments. To what degree, for example, would such organizations influence government behaviour?

It was also contended that the international institutions and organizations created after the Second World War were based on the states system, and not designed to deal with the new issues emerging in the modern world, as discussed above. The conference discussed their adequacy for addressing today's issues and the degree to which they needed reform.

The 2020 scenarios
Four fictional scenarios presented in the NIC 2020 Report were examined for their validity and the alternative perspectives they raised:

> **Davos World** (pp. 40-45) *provides an illustration of how robust economic growth, led by China and India, over the next 15 years could reshape the globalization process – giving it a more non-Western face and transforming the political playing field as well.*
>
> **Pax Americana** (pp. 64-71) *takes a look at how US predominance may survive the radical changes to the global political landscape and serve to fashion a new and inclusive global order… The scenario looks at how Washington remains the central pivot for international politics, while key alliances and relationships with Europe and Asia undergo change.*
>
> **A New Caliphate** (pp. 83-91) *provides an example of how a global movement fueled by radical religious identity politics could constitute a challenge to Western norms and values as the foundation of the global system…Under this scenario, a new Caliphate is proclaimed and manages to advance a powerful counter ideology that has widespread appeal. The struggles of the Caliph in trying to wrest control from traditional regimes and the conflict and confusion which ensue both within the Muslim world and outside between Muslims and 'the West', Russia and China, are recounted.*
>
> **Cycle of Fear** (pp. 104-109) *provides an example of how concerns about proliferation might increase to the point that large-scale intrusive security measures are taken to prevent outbreaks of deadly attacks, possibly introducing an Orwellian world.*

It was recommended that the scenarios be read with three caveats. First, with reference to Adam Smith and Karl Marx, the role of the state in the future was thought to be proportionately less than in the past. Secondly, societies were evolving in such a way to be so complex that they would not be able to manage the next, even simplest reform, and therefore lead to their collapse. Thirdly, with reference to the *Limits of Growth* (MIT Forester Report, 1972), with its prediction that depleted resources would lead to collapse of civilization by 2025, the report has proved correct in its predictions of population in 2005. The question now is whether there is *useful* technology in the pipeline that will mitigate resource constraints.

While overall the purpose of the NIC 2020 Report was to outline broad themes to encourage discussion, the scenarios were a careful attempt to maintain a balance between pessimism and optimism, though perhaps coming down somewhat more on the cautious, sceptical and pessimistic side under the influence of current conditions.

The importance of the dates 11/9 (1989, when the Berlin Wall fell) and 9/11 (2001, when the World Trade Center and Pentagon were attacked) was commented upon. The changed international security situation post-9/11, with the West confronting hostile communities with lethal intent, seemed a new factor in the mix. Another factor is the augmentation of the dominant role played by the US since the end of the Cold War in the 1990s. With the new conjunction of forces, architectures are seen as critical. Are there architectures that can prevent conflict and prevent the above factors interacting with adverse security results?

Some areas were noted that the 2020 Report did not address:

- the Middle East Arab-Israeli peace-process and 'Road map';

- the renaissance of 'city states' and the flourishing of urban politics, which in future may influence the way the world is run more than national governments;

- how the so-called 'knowledge gap' is to be overcome;

- the issue of disease (pandemics). While the scenarios made some reference to HIV/AIDS, the report did not analyse how Africa might emerge from the AIDS pandemic, leaving open the possibility that it might resemble Europe after the 'Black Death'.

After analysing the scenarios *per se*, points raised earlier were elaborated, including whether there was a need for leadership from the 'West' to manage popular expectations. It is not just in the West, however, that people are increasingly disengaged from politics and there was discussion of possible repercussions of the (perceived) trend towards popular disengagement from political elites, with associated loss of trust. It was argued that politicians and politics had failed to explain 'risk'. It was felt that a loaded word like 'democracy' should be defined as 'consent to the government'. In addition, how will issues such as organized crime, government corruption, and the role of the multilaterals develop in future?

It was felt that there were new factors at play today and they needed to be addressed. It is difficult to think about architectures that could address these issues as there is no blueprint for success in averting problems, or precedent for 'intervening' early enough.

Shell Global Scenarios to 2025
The launch of the Shell scenarios provided an opportunity to examine another approach to envisioning the global architecture of the future, up to 2025. The Shell scenarios focused on an interaction and choices between three approaches or positions, represented through use of the trilemma triangle:

1. **Low Trust Globalization**: 'a legalistic, "prove it to me" world: The absence of market solutions to the crisis of security and trust, rapid regulatory change, overlapping jurisdictions and conflicting laws lead to intrusive checks and controls, encouraging short-term portfolio optimization and vertical integration. Institutional discontinuities limit cross-border economic integration. Complying with fast-evolving rules and managing complex risks are key challenges.'

2. **Open Doors**: 'a pragmatic, "know me" world: "Built-in" security and compliance certification, regulatory harmonization, mutual recognition, independent media, voluntary best-practice codes, and close links between investors and civil society encourage cross-border integration and virtual value chains. Networking skills and superior reputation management are essential.'
3. **Flags**: 'a dogmatic "follow me" world: Zero-sum games, dogmatic approaches, regulatory fragmentation, and national preferences, conflicts over values and religion give insiders an advantage and put a break [*sic*] on globalization. Gated communities, patronage and national standards exacerbate fragmentation, and call for careful country-risk management.' [2]

The following is a selection of the themes and questions raised.

The Shell Scenarios are *not* forecasts of the future but seek to identify emerging challenges and to 'foster adaptability to change', seen to be driven primarily by the US and China. Shell revisits earlier scenarios of the 1990s to learn from them.

During the years since the last Shell scenarios were published in 2001, the US has witnessed the twin crises of lost confidence in 'security' and loss of 'market trust', particularly associated with 9/11 and the Enron case. How should trust and security be combined or optimized, being two sides of the same coin?

Public opinion is currently turning against 'open door' policies. There is also mistrust of politicians – again leading to the question of who can be trusted.

Globalization features prominently in all of the Shell scenarios, which focus on the US and China as the global agents of change. The question was raised whether China and India would essentially follow the Anglo-Saxon model of economic development or a different path.

Carbonization of the atmosphere leading to climate change and the prospective shortage of fossil fuels were also emphasized as requiring further consideration.

Next steps for CH-NIC dialogue
In continuing the international dialogue with Chatham House after the June meeting, major strategic, political and economic security issues would be explored but within a five-year time frame rather than in 2020 or the present.

For the next meeting, tentatively set for January 2006, NIC suggested international institutions as a theme, within which political and economic security and relations between states may be considered, along with how institutional structures impact upon or influence politics. The meeting is expected to focus on the EU and UN but not in terms of their mechanics, meetings and rounds of negotiations. Where the EU is concerned, there is, for example, interest in the different ways member states view the future development of the union, including the position of Turkey. These issues would not be addressed from the perspective of the May/June 2005 referenda on the EU constitutional treaty but after some time for reflection has elapsed, and after the UK has completed its EU presidency in December.

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[2] *Shell Global Scenarios to 2025: The future business environment: trends, trade-offs and choices*, Executive Summary, p.13.

Within the NIC's security-oriented remit for these dialogues, there was also interest in defence aspects of the EU, not in terms of the technicalities of how the EU and NATO operate but in the strategic transatlantic political and economic relationships. The next meeting would be expected to include business people or association representatives who could give a view of the EU's impact on commercial activity and trade within the EU and with non-member countries (and fulfil a desire for more corporate representation and viewpoints).

With respect to the UN, there is interest in the security dimensions of, for example, the debate on Security Council reform, and in the regional (including Asian) and global politics surrounding such reform. There was interest in international law but not in the law *per se* – rather in how others perceive it, and US activities in relation to it.

Another potential conference topic is the 'mental mapping' of how global power structures might have evolved in five years' time. This could cover ideas of fragmentation, regional/global interaction, and coping with growing social inequality.

Changes to these topics are expected during programme development for the January 2006 conference.

General Concept Paper:
Globalization and Future Architectures

The NIC 2020 Report provides a mechanism by which to examine the (in)adequacy of the current political, economic and financial architectures to deal with the effects of globalization including its retrenchment. A slow-down in globalization has already occurred, despite prognostication in the late 1990s and early 2000s of its continued, if not relentless, expansion; therefore, the 2020 Report scenarios can be further developed.

Architectures imply structures, processes and means that can facilitate the ability to see the shape of future events. Structures, or architectures, however, imply that policies or strategies are in place from which these structures evolve. The June conference examines aspects and impacts of globalization that in future will shape future architectures – arising from national strategies and the international interactions of states and non-state actors – to deal with mutual and/or competing political, economic and financial interests.

1. How well positioned is 'the West' in accommodating the emergence of China and India as economic and political heavyweights and the stresses on current architecture?

Before addressing this first objective, a preliminary issue in terms of context is what is meant by 'the West', and how that might have changed by 2020. Not only are the entities being studied changing; so are those who are conducting the analysis. For example, major capitals in Europe could have a 50% Muslim population and the direction of Hispanic influence in the US remains uncertain, given its already dominant influence in the geographically southern quarter to one-third of the US. These demographic changes imply additional factors or pressures on political and economic decision-makers in 'the West'.

Turning to this first objective:
Questions – or fears – 'the West' has about China are reminiscent of those, for example, raised in the late 1980s to early 1990s about the potential for Japan's economic and cultural dominance (while acknowledging dissimilarities that are grounds for discussion). Drawing upon analysis conducted then, a conference objective would be to explore the implications of Chinese economic hegemony, and to a lesser extent of India's growth, for wider political, economic and financial (global) architectures. Such an analysis could start with a reference point or assumption that by 2020 China is an economic hegemon. Specific issues to be examined might include:

- As India and China develop, (how) do they take on board aspects of modern models of capitalism – for example, degree of services liberalization, labour health and safety, accountability of government and corporate leadership?

- As economic changes occur, how do they reflect or stimulate political transformation and governance? Might the separateness of economic and political approaches seen in the West also occur in India and China? Will a

new set of rules of trade and commerce (as part of economic and financial architecture) emerge that more obviously reflect Asian values?

- What would be the impact of strengthened Asian – or Muslim – values on the future shape of the WTO, IMF and World Bank?

Technology changes not only affect but also underpin the development of future architectures:

- Can India emulate in services what China does in manufacturing? Over time does corporate ownership shift to emerging economies and if so what impact does that, and implied shifts in labour patterns, have on the conduct of global business? Again, would Chinese and non-Western values be significant drivers?

- How will advances in nanotechnology (e.g., as they relate to information and communications, new materials) and biotechnology affect the infrastructure upon which future service and manufacturing economies rely? India and China may be the new 'multilateralists' in textiles and pharmaceuticals with economic growth stemming from their own R&D, rather than product copying.

- What will be the impact of new technologies in energy and the environment on economic development? A new Chinese law promoting renewable resources could be expected to stimulate new decentralized energy technologies, production and use also applicable elsewhere in the world. These developments could be expected to converge by 2020 with the need for major reinvestment in legacy utilities in the West – what are the economic implications of such a convergence and in the face of increasingly global 'power markets'?

2. What, if any, safety nets does 'the West' need to put in place to ease the strains of globalization on weak or failing states?

In a vacuum created by the absence of viable political institutions, how do populations in 'weak or failing states' react (a phrase being re-categorized in some government quarters as 'countries at risk of instability')? To be further examined are implications of an apparent tension between the greater demands for improved governance – by populations as well as aid donors – and reliance on informal (or 'black') economies facilitated by the practice of corruption. That high-level political attention has been given to 'weak and failing states', particularly since the events of 9/11, has had the effect of drawing more attention to these issues.

- How can states deal with vast disparities of wealth and interests, in particular expectations engendered by foreign media (TV, Internet)? Globalization can imply inclusivity but how are weak and failing states brought into (global) architectures? There is in many countries a symbiotic relationship between the leadership elite of the state as an administrative framework and organized enterprise, possibly criminal, outside that framework but deemed by the population to provide benefits greater than those provided by the state. To what degree does organized crime begin to offer citizens their only

source of stability? And how does the prevalence of such 'criminal' activity and corruption impact on foreign aid as another form of safety net?

- Will the rise of India and China as economic power-houses in fact work to reduce the economic viability of weaker states? The ending of the multi-fibre arrangement benefited textile industries in India and China at the expense of those weaker countries. Could the same process occur in agriculture?

The G8 meeting in July 2005 in Gleneagles will consider how some of the strains could be eased. The conference can explore some of the issues to be addressed as they relate to debt-ridden countries, climatic/environmental issues, public health and ageing populations. These also have implications for the changing nature and location of labour work forces.

3. What are the challenges that globalization presents for the nation-state in managing more and more powerful transnational trends and forces? Various scenarios include: fear of a rise of protectionism (à la 1920s and 1930s), a shift in (Western) public attitudes about governmental accountability, and waning expectations of governments as guarantors of prosperity. What does this say about the potency of the nation-state?

This objective can include examination of the tensions between Western concepts of an open globalized world and more state-centric, centrally managed, approaches of countries such as India and China. Will the latter buy in incrementally to more liberal values or maintain a posture different from Western business and economic practices – related to objective 1 above? If the former, how will China, India and other emerging powers adapt? Will they, for example, engage in organizations previously considered exclusive, e.g. the IMF; how will those institutions develop as a result? If alternative postures are pursued, how much does that reflect defiance of foreign influence rather than a well-developed alternative, e.g. as one interpretation of current Iranian behaviour regarding nuclear non-proliferation?

If Western publics no longer expect their governments to guarantee prosperity, what measures might the population and non-state actors adopt or might governments regulate? How do these compare with how populations cope in failing and weak states?

How will non-state actors contribute to these longer-term transformations? Does this have any impact on the *perception* of the potency of the nation-state? Does the operation of international organizations reflect norms of well-educated elites or are they subject to the influence of lobby groups? Might specialized representation at the international level lead to disenchantment among the wider population or their acquiescence in the hope of future indeterminate benefits (this relates to objective 2 above)? How might this differ in developing and developed countries?

And how will regional bodies like the EU and ASEAN relate to both the nation-state and existing multilateral organizations? Will the values of an increasingly multicultural West affect how international organizations such as the UN and IMF implement their policies?

Thematic Discussion Paper – 1

The rise of China and India: internal developments and a new world order

> **How well positioned is 'the West' in accommodating the emergence of China and India as economic and political heavyweights?**
>
> **What stresses will this place on current global architecture?**

'The likely emergence of China and India as new major global players – similar to the rise of Germany in the 19th century and the United States in the early 20th century – will transform the geopolitical landscape, with impacts potentially as dramatic as those of the previous two centuries. In the same way that commentators refer to the 1900s as the "American Century," the early 21st century may be seen as the time when some in the developing world, led by China and India, come into their own.' (NIC, *Mapping the Global Future*, p. 47)

Introduction

The NIC report refers to an 'American century' and 'Rising Asia', but notably avoids referring to the next hundred years as an 'Asian Century'. While India and China, potentially, along with Japan and Indonesia, may well play a much greater global role by 2020, their shared geographical location may not translate into shared interests. More likely, the increasing political activism of China, India and Japan may lead to tension over the next 15 years.

The economic implications of the rise of India and China are becoming increasingly clear: both countries require raw materials to fuel their growth, and markets in which to sell them. China's thirst for raw materials is already apparent – the rise in exports from India to China is largely explained by iron, rather than information technology (IT). Both India and China are seeking direct control over sources of energy, with a particular focus on Africa where their lack of colonial legacy gives both countries a comparative advantage over Western oil companies. In Sudan, Indian and Chinese state-owned companies cooperate; in Angola they compete. In 15 years, will competition become more common than cooperation?

India lags behind China in demand for raw materials apart from energy – India's growth has been based on services rather than manufactured goods. But an increasing recognition that services-based growth lacks backward linkages has led to a growing focus on the manufacturing sector, with implications for India's future demand for other raw materials.

Moves by Western companies to outsource manufacturing operations (to China) and services (to India) have meant that both countries can take advantage of pre-existing markets in developed countries. Both India and China are keen to open up new markets – India in particular argues that its technology may be more appropriate than that of more advanced countries for other developing countries. Will this be mutually beneficial, or will shifts in global trading patterns lead to tension within organizations such as the WTO?

Additionally, how will existing companies react to challenges from Chinese, and, to a lesser extent, Indian, companies in areas such as Southeast Asia where Japanese

firms in particular have long been dominant? While India and China are already large economies in purchasing-power parity terms, will Western companies use their greater financial muscle to protect their markets?

How this economic strength will transfer into geo-politics is less clear cut. Since World War II, Japan has focused on economic rather than political strength. China, thus far, appears to be following a similar path, at least outside its region, while India's Security Council aspirations suggest that its political role is at least as important as its economic role. But increasing political activism by Japan, necessitating a response by China, suggests that by 2020 three Asian giants will each be pushing for a greater global role. Whether this is complementary or competitive is far from certain.

A shift in global power?

'Rising Asia will continue to reshape globalization, giving it less of a "Made in the USA" character and more of an Asian look and feel. At the same time, Asia will alter the rules of the globalizing process. By having the fastest-growing consumer markets, more firms becoming world-class multinationals and greater S&T stature, Asia looks set to displace Western countries as the focus for international economic dynamism…' (p. 28)

Two questions emerge here. First, how would a shift in power take place? And secondly, what would this imply in practice? For instance, India's ambition to have a permanent UN Security Council seat is well known, as is its case for the seat. Less clear is what India would do if it had a seat. Would it adopt existing norms, or would it try to adapt the system in its own interest? If the latter, what does this imply?

India is attempting to replicate in services the process by which manufacturing production has shifted to China. By 2020, both countries will have moved up the value chain, with higher-value manufacturing and services functions taking place in each of them. At present, the West benefits from the profits of Western companies operating in these countries, but will corporate ownership in time shift to emerging economies? If so, how does this impact on global business practices and corporate governance?

An oft-cited McKinsey study argues that the outsourcing of services benefits both developed and developing countries because developed countries are able to shift surplus labour into higher-value production. The same argument applies in manufacturing, but if India and China can themselves produce higher-value items, at lower cost, will this result in increasing protectionism in the West? If they are to make this shift, both countries will need to tighten their legal systems, particularly intellectual property laws, and improve their capital markets.

Similar questions emerge over how the rise of India and China will impact on the global architecture. The current global system has evolved from decisions made in the aftermath of World War II. How will the Western-dominated institutions such as the IMF and the WTO adapt to rising demands for representation from countries such as India and China? Both countries are unwilling to adapt immediately to rules in whose compilation they have had little say. Yet as their economies mature, will they adopt pre-existing rules, or attempt to adapt them to give greater prominence to the views of developing countries?

Proponents of globalization argue that in an increasingly global world, old-style allegiances to nation-states will break down. The trend towards multiculturalism in Western cities would seem to justify this view. Yet countries like India and China at present tend to focus on protecting borders rather than human security and their companies are guided by national rather than purely market-driven motives. Will this change as India and China become increasingly integrated into the global economy and polity?

Some implications of these trends are already apparent. India's quest for energy security led ONGC, the 84% state-owned oil producer, to Sudan, where it purchased (apparently despite Chinese pressure) a 25% stake in the Greater Nile Oil Project from a Canadian oil company, Talisman. Talisman had faced massive pressure from NGOs to leave Sudan, where it was argued that its presence financed the Islamist government in its civil war against Christian separatists. When asked about these concerns, the Indian oil minister, Ram Naik, said 'I know in the USA or Canada these feelings are there. But we in India don't have such feelings on this issue. We feel the investments there are safe and, since it's a producing field, we are keen to have it. My greatest interest is to have equity oil as soon as possible'. Along with ONGC, Malaysian, Chinese and Sudanese state-owned companies own equity shares in the Greater Nile Oil Project.

A similar trend is visible in Burma (Myanmar). The EU imposed sanctions on Burma in 1996 over the issue of human rights abuses and the confinement of the opposition leader, Aung San Suu Kyi. But this policy has been undermined by a lack of Asian pressure. China's exports to Burma stood at US$447m in 1999. By 2003, they had risen to US$1bn. Burma is a member of ASEAN, which believes in 'constructive engagement' with the military regime. And while India expressed concern over human rights in the early 1990s, its aspirations to enhance trade with Southeast Asia led it to construct a road in Burma to facilitate Indian exports. And here, as in Sudan, Indian and Chinese firms compete to secure control over Burmese gas – while the sanctions prevent fresh investment from Western oil majors, with only the French oil company, Total, remaining in Burma.

Will the shift take place?
'Economic setbacks and crises of confidence could slow China's emergence as a full-scale great power, however. Beijing's failure to maintain its economic growth would itself have a global impact…' (p. 49)

'Just like China, India may stumble and experience political and economic volatility with pressure on resources – land, water, and energy supplies – intensifying as it modernizes. For example, India will face stark choices as its population increases and its surface and ground water become even more polluted.' (p. 51)

Economic projections, largely based on growth rates in the last decade, paint a convincing picture of a shift in economic power to Asia, and notably to India and China, in the coming decades. But what challenges will need to be surmounted if the optimistic scenarios are to be achieved? And how vulnerable to external threats are both countries?

After more than two decades of single-minded pursuit of economic growth, China is now facing an environmental crisis. In 2003, the quality of 62% of the water in China's seven major river systems is at best only suitable for industrial use. Over 300 million people in rural China do not have access to clean drinking water.

According to the World Bank, 16 of the world's 20 most polluted cities are in China while the pace of desertification has doubled since the 1970s.

Furthermore, while the richer coastal cities are beginning to suffer from the social problems suffered by developed countries, the rural interior still suffers from the problems of developing countries. The restructuring of state-owned companies has increasingly led to protests in cities in the interior. Will the one-party system be able to manage increasing social and economic divides? Or will greater economic wealth convert into demands for political liberalization?

Will the status of Taiwan have been resolved by 2020?
'Japan, Taiwan, and various Southeast Asian nations, however, also may try to appeal to each other and the United States to counterbalance China's growing influence.' (p. 49).

This process is already under way, and while the result may be a stalemate at present, should projections of China's increasing economic, and military, strength prove correct, there may be increasing pressure on China to adopt a military solution by 2020.

The threats facing India are equally clear: its greatest asset – a high working-age population – could cause massive political instability if it is not gainfully employed. Endemic under-employment in agriculture – exacerbated by increasing land degradation – will lead to a continued population drift to urban centres where unemployment and increasing social problems will cause rising resentment. Both China and India suffer from a widening male-female ratio, which is likely to exacerbate social problems. Will India's democracy make it better able to cope with these pressures than China?

Creating linkages between strongly performing sectors and more laggard parts of the economy (and tackling geographic disparities in income) will become increasingly vital for policy-makers. But even now, anti-incumbency – ousting governments after one term for failing to deliver – is common. Strong, but patchy, economic growth may exacerbate that trend. Will politicians be able to manage public expectations?

Pakistan
'India and Pakistan appear to understand the likely prices to be paid by triggering a conflict. But nationalistic feelings run high and are not likely to abate. Under plausible scenarios Pakistan might use nuclear weapons to counter success by the larger Indian conventional forces, particularly given Pakistan's lack of strategic depth.' (p. 98)

India, probably more than China, remains highly vulnerable to exogenous threats. While current political instability in Nepal may be manageable, could India cope with millions of refugees fleeing instability, or climate change, in Bangladesh? Will a hostile Pakistan re-emerge to threaten India's stability? And if the Sino-Indian rapprochement continues, will Pakistan easily accept second-tier status in the region?

Within India, could epidemic disease – or HIV/AIDs – decimate the population?

Thematic Discussion Paper – 2

Factors of uncertainty: energy, environment, and bio-, information and nanotechnology[3] advances

Introduction

*'Adapting the international order may also be increasingly challenging because of the growing number of other **ethical issues** that have the potential to divide worldwide publics. These issues include the environment and climate change, cloning and stem cell research, **potential biotechnology and IT intrusions into privacy**, human rights, international law regarding conflict, and the role of multilateral institutions.*

Many ethical issues, which will become more salient, cut across traditional alliances or groupings that were established to deal mainly with security issues. Such divergent interests underline the challenge for the international community, including the United States, in having to deal with multiple, competing coalitions to achieve resolution of some of these issues.' (p. 119)

Areas of uncertainty for discussion include developments in both old and new technologies, energy policy and use, and environmental issues that both reflect and stimulate political and economic decisions on issues of domestic and international security. Where are these factors most likely to impact by 2020 and how? Additionally, what issues could arise or evolve from those not now deemed important?

Among the major points for consideration is the rate of change induced by these factors. The expectations and rate of response impacts on decision-making and subsequent organizational structures to facilitate the benefits and contain or mitigate adverse effects of new developments. An assumption for discussion is the degree to which most change is somewhat evolutionary and its effects are predictable but their timing is not. The Year 2000 millennium issue and the ~2010 global geomagnetic storm[4] suggest, however, that even if the timing were known, the impact might not be.

Expectations and rate of change

*'...a nation's level of technological achievement generally will be defined in terms of its investment in **integrating and applying** the new, globally available technologies – whether the technologies are acquired through a country's own basic research or from technology leaders. Nations that remain behind in adopting technologies are likely to be those that have failed to pursue policies that support application of new technologies – such as good governance, universal education, and market reforms – and not solely because they are poor.'* (p. 35)

Regarding technology generally, closer examination is required of the science developments or acquisition policies that underpin technology developments, the

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[3] Nanotechnology (NT) can be described as the manipulation of materials or devices at the nanometre scale (one billionth of a metre, 10^{-9}), often at the level of individual atoms and molecules, that results in changed properties of materials.

[4] S. Odenwald, J. Green and W. Taylor, 'Forecasting the Impact of an 1859-calibre Superstorm on Satellite Resources', submitted to *Advances in Space Research*, 30 June 2005.

latter comprising applications, 'know-how', and processes. Future economic or military competition might be deduced from investment choices countries are making today.

Technological developments are often caricatured as being able either to solve all economic woes or to provide new capabilities for war, but the outcomes often lie in between – and with unintended consequences. However rapidly technology changes are perceived to occur, they require an infrastructure to facilitate widespread use – the funding, design and building of which can take a decade. The recently opened Baku-Tbilisi-Ceyhan pipeline took about ten years to develop. A proposed satellite monitoring and billing of drivers' car mileage in the UK to replace fuel and road tax is projected to take a decade before widespread implementation.

Mobility and laggards. '*Although the living standards of many people in developing and underdeveloped countries will rise over the next 15 years, per capita incomes in most countries will not compare to those of Western nations by 2020.*' (p. 33) '*…Questions concerning a country's ethical practices in the technology realm – such as with genetically modified foods, data privacy, biological material research, concealable sensors, and biometric devices – may become an increasingly important factor in international trade policy and foreign relations.*' (p. 35)

Has the decade to build infrastructure and national capacity in new technological areas become too long to satisfy populations and governments with growing expectations about the Western 'good life'? How will media evolve globally in their projection of alternative lifestyles including religious and political ideologies? What ways other than consumerism (including product copying and counterfeiting) will the developing world – and criminal groups – adopt to 'catch up'?

Is even more consumerism the way forward in developed countries – with the ubiquity of computer games, internet gambling and entertainment? How significant are the costly or unintended consequences of rampant consumerism (e.g. obesity, high personal debt, and (Internet) gambling/gaming addiction). There may be unintended contradictory trends in life expectancy: nano-biotechnology developments may enable people to live longer globally, while the increase in obesity and related medical conditions in mainly developed countries over the past 10 years may lead to falling life expectancy. To what extent will migrant workers, outsourcing abroad and people-smuggling satisfy new labour demands?

Or will values change – among whom? Environmental activists, revised school curricula, and enlightened corporate self-interest may lead to decreased demand or new policies for energy use with cascading implications for construction standards and related sectors. To what extent will China, India, and other parts of the developing world copy Western practices? To what extent is there mutual interest between developing countries' demand for aspects of the Western 'good life' and commercial entities exploiting these countries' lack of Western concerns for health and safety or different ethical standards on stem cell and other medical research, including the potential misuse of nano-biotechnology?

Energy and environmental issues
Mainline energy and environmental scenarios to 2020 and 2030, from the US Energy Information Agency and International Energy Agency, are essentially 'business as usual' propped up by very optimistic assumptions about future oil and

gas production and energy efficiency, a modest view of renewable supply, but with no revival of nuclear energy in the OECD.

An important (and often overlooked) aspect of the present and mainline projected energy scenario is the *difference between Asia-Pacific and the Atlantic* (including Russia, Central Asia and North Africa) regions. The 'Atlantic' is almost self-sufficient in oil and gas, importing only about 10% of its net requirements from the Middle East, compared to 60% in Asia Pacific. Fuel imports in 'Atlantic' countries are typically around 10-15% of total imports; in Asia Pacific they are 25-30%. The Middle East exporters depend on Asian markets for 60% of their present exports and 80% of their growth. In caricature: the 'Atlantic' markets are diversified at both importing and exporting ends, trade on commodity markets, and are dominated by private-sector companies, with strong inputs from non-state actors such as NGOs and investors.

The Asian markets are more concentrated, have no effective commodity markets, and are dominated at the supply end by state companies and at the importing end by national companies under government control or influence. The oil and gas exporters of the Middle East are far more dependent on international markets than even the Pacific importers. The geopolitics of energy in the next twenty years will come to be dominated by what happens in the East, not the West.

Three other factors will shape the energy-environmental world by 2020:
- The failure of other efforts to reduce the growth of climate change will force *reconsideration of the role of nuclear power*, multiply non-proliferation and waste management issues, induce rising water levels and temperature change that impact on coastal populations and agricultural production.

- Most *oil-exporting countries will be in the process of an extremely difficult transition from dependence on oil*, as their oil production and revenues reach plateaux. Though most have economic reforms heading in the right direction, they may be slow, the private-sector response inadequate, and the political results disturbing (e.g. effects of the removal of cheap domestic energy prices). Democracy, if it comes, will not necessarily solve these problems.

- High oil prices, or environmental and climate policies, or both, and technology responses to these, imply *countries with high energy consumption per capita will be slowing their economic growth or even reducing it*. A mixture of consequences (winners and losers) will ensue for industries dependent on selling energy-intensive products, and communities with infrastructure inherited from a high-energy lifestyle. What will young people be doing?

Electricity and nanotechnology
So-called 'energy policy' is primarily only on fuel and electricity policy, but real 'energy' policy must encompass the entire human energy-service system, not represented in present-day analyses. Electricity is the most obvious opportunity to make essential change. Electricity is not a commodity, like fuel, but an infrastructure issue – a process through a complete system, including generation, network and loads. Nanotechnology has begun to alter current political, economic and financial architectures that cling to outdated concepts about electricity and energy policy.

Three factors could induce change in the next 5-10 years. First, while there are many ways to make this infrastructure more reliable and less vulnerable, energy supply distribution will be challenged by dynamic shifts in the location of technology

to support global virtual/networked infrastructures (below). Secondly, if nanotechnology can reduce the price of solar cells, their introduction on a wider scale can contribute to decentralized energy policies and alterative options. Already, under a recent law, Chinese regions must develop renewable energy sources for a percentage of their energy requirements. If successful, such new technologies (China is investing in nanotechnology) could be exported lucratively and competitively to the rest of the world. Thirdly, an opportunity for change could occur in advance of a global geomagnetic storm forecast for around 2010 (mentioned on p. 4 of this Report) with effects allegedly capable of adversely affecting electricity infrastructure worldwide, as currently constructed. Even if the day of its occurrence could be predicted, the impact could remain uncertain – the previous 1859 storm occurred prior to present-day grid and satellite communications systems. An analogy can be made to the opportunity for computer changes and growth in the 3-5 years prior to the Year 2000 (Y2K) millennium problem; the dates of its occurrence were known but its impact was not. Given the way Y2K hoarding instincts prevailed at individual home and business levels, though mainly only in the US, local solar energy supply, made cheaper and possible by nanotechnology, might receive an unexpected stimulus in future.

Implications of converging technologies and proliferation
'*Countries will continue to integrate both CW and BW production capabilities into apparently legitimate commercial infrastructures, further concealing them from scrutiny… Major advances in the biological sciences and information technology probably will accelerate the pace of BW agent development, increasing the potential for agents that are more difficult to detect or defend against.*' (p. 100)

New International Health Regulations/World Health Organization activities are emerging to try to deal with the new health issues mentioned above as well as future chemical and biological weapons proliferation and use. These security issues are becoming more complex due to developments arising from nanotechnology in the non-attribution of cause. How will these or other international institutions develop to deal with these security issues? Will new 'arms' control treaties be necessary to address new nanotechnology-enhanced materials that are not chemical or biological?

To what extent would terrorists be motivated to turn to WMD rather than use traditional bombs and guns with more certainty of effect? How will more easily available and cheaper unmanned delivery systems be used?

'*Future technology trends will be marked not only by accelerating advancements in individual technologies but also by force-multiplying convergence of the technologies – information, biological, materials, and nanotechnologies – that have the potential to revolutionize all dimensions of life.*' (p. 34)

Advances in nanotechnology applied to a convergence of bio- and information technologies have as yet undetermined ethical implications for the meaning of life and privacy. Current filters for water pollution and food contamination may require re-examination; computer processing and graphics manipulation can facilitate mis- and disinformation; and the widespread development and application of sensors such as 'smart dust' and radio frequency identification (RFID) tags will have transformational implications for manufacturing and export controls. Are the dangers

overstated, however, when the necessary national or international communications and computing infrastructures to employ such technologies take years to develop, by which time legal frameworks or international institutions (which ones?) may have evolved to spread benefits equitably or mitigate potential adverse and negative ethical implications?

The biggest revolution in computer science, as significant as quantum mechanics in physics, is alleged to be occurring with the move from a deterministic to a probabilistic approach to information technology.[5] Arguably, past software programs guaranteed a predictable output for a particular input, but increasingly networks, where potentially millions of objects interact dynamically, yield imprecise and uncertain outcomes of interaction. Would such uncertainty suggest unsuccessful cyber terrorist attacks?

In parallel with this transformation, the emergence of wearable and wireless technologies, combined with global positioning and remote sensing technologies, offer tremendous benefits in productivity for mobile workforces, while nano-IT accelerates prospects of constant surveillance, raising concerns about privacy and technology controls. Future transformations might include:

- progressive breakdown of existing approaches to management and security of technology that introduces increasing insecurity and chaos into business;
- citizens and business becoming increasingly streetwise to the potential exploitation of data created by the pervasive 'data wakes' generated by interactions between users and the network.

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[5] Reference made to work of David Tennenhouse, Director of Research, Intel Corporation.

Thematic Discussion Paper - 3

Policy responses to state failure

Introduction

One of the main lessons of 9/11 is that failed states matter, not simply for humanitarian reasons, but to international stability and security. If left unattended, countries and entire regions can become dysfunctional, posing a direct threat to the stability and prosperity of the international system. Unless the developing world becomes more stable, conflict is reduced, corruption vanishes, good governance becomes common, and the war against terror is fought intelligently, then the propensity of nation-states to fail will be high and the policy consequences will be correspondingly serious. While striving to reach these goals, key policy responses will be required to act as a safety net to ease the strains of globalization on weak or failing states.

Although it does not deal with the topic of failed states directly, the 2020 Report alludes to two paths for the future of weak or failing states in the globalized system. Either they are brought within 'the globalization circle' and stabilized as a result thereof, or the problem of internal conflict is allowed to escalate, resulting in a larger number of failing states, regional conflicts and the growth of connected criminal and terrorist activity.

It is clear that a safety net – a mechanism for increasing the stability of weak and failing states – needs to be constructed. The key questions are how, and who is responsible for creating and implementing these changes. This is discussed briefly in the 2020 Report in the context of 'International Institutions in Crisis' (p. 102) but should be expanded upon in any future analysis. What factors will influence the stability of countries in the face of globalization? Which mechanisms need to be created to respond to these factors? How will the existing framework have to adapt to accommodate the shifting dynamics surrounding weak or failing states within the global system?

Improving response to crisis

'*Some internal conflicts, particularly those that involve ethnic groups straddling national boundaries, risk escalating into regional conflicts. At their most extreme, internal conflicts can produce a failing or failed state, with expanses of territory and populations devoid of effective governmental control.*' (p. 98)

The challenge posed to the West and the current global order by the instability of weak or failed states is recognized to hold the potential for far greater repercussions than just within internal, or even regional, boundaries. The 2020 Report rightly suggests that failing states can become the breeding grounds for terrorist and criminal activity, but the West continues to be faced with the dilemma between interventionism and respecting the supremacy of the state.

'*The international community is likely to face choices about whether, how, and at what cost to intervene.*' (p. 34)

There is little consistent, considered international involvement in responding to crises.

Questions for 2020 will include how the current rapid response force initiatives can be implemented. How will they be implemented, by whom, and for what purpose(s)?

'*Nonstate actors will continue to assume a more prominent role even though they will not displace the nation-state.*' (p. 111)

What will be the future role of international institutions and non-state actors in this process? The 2020 Report fails to distinguish between different types of instability. Any future analysis should reflect that a state that is unstable will require a different set of policy responses to a state on the tipping point of failure.

Investing in stability
'*Many states, especially the emerging powers, continue to worry about setting precedents for outside intervention that can be used against them. Nevertheless, most problems, such as failing states, can only be effectively dealt with through early recognition and preventive measures*.' (p. 102)

Investing in stability implies building domestic capacity and implementing early preventative measures. Adequate responses to these problems would include three main components: increasing internal 'stabilizers', increasing the efficiency of external stabilizers, and deploying international system and governance stabilizers. Can these responses be adequately implemented in the face of globalization? The millennium development goals were seen as an investment in global security; however, does the lacklustre response by many Western nations suggest that a new strategy for investing in stability is required? The G8 meeting in July 2005 in Gleneagles was due to consider how some of the strains could be eased.

How can practical approaches to investment in stability and consistent preventative measures be developed? States in democratic transition are perceived to be the most unstable of all weak states. How can support be designed and supplied to facilitate this transition?

Until a considered strategy has been developed, should democratic transition always be the solution to instability? Will the West continue to see investment in stability as worthwhile? If not, what will the consequences be?

If many 'weak or failing states' are agriculturally based, what incentives, such as aid and trade, can facilitate either producing crops alternative to those related to a drug trade or reducing tariffs and other trade barriers on agricultural products that are competitors to Western ones?

Aligning incentives for stability
'*Some organized crime syndicates…will attempt to corrupt leaders of unstable, economically fragile, or failing states, insinuate themselves into troubled banks and businesses, exploit information technologies, and cooperate with insurgent movements to control substantial geographic area…Organized crime groups usually do not want to see governments toppled but thrive in countries where governments*

are weak, vulnerable to corruption, and unable or unwilling to consistently enforce the rule of law.' (p. 96)

Global forces have resulted in the increased significance of black economies, which feed on the global system, operating outside the state system, resulting in the increased instability or collapse of the state. Global networks of organized crime benefit from aspects of globalization such as free flow of information and open economies, and yet there are no cohesive international measures designed to combat this. One key challenge will be to offer an alternative to those benefiting from aspects of corruption and organized crime, particularly in failed and failing states.

How can perceptions towards equity be changed? Who will be the prime actors in facilitating this change? How will the international policy environment coordinate to respond to international crime and terrorism? How can a shared vision and trust be fostered to align incentives for all stakeholders involved?

Improving post conflict reconstruction
'*The enormous costs in resources and time for meaningful nation-building or post-conflict/failed state stability operations are likely to be a serious constraint on such coalition or international commitments…Nation-building is at best an imperfect concept, but more so with the growing importance of cultural, ethnic and religious identities.*' (p. 104)

The extent to which the West will choose to engage in nation-building is crucially important to the future global landscape. As seen in recent years, weak and failed states have been a serious threat to Western interests and coalitions. This can only increase over the coming 20 years, and without a unified international post-conflict reconstruction policy, weak and failing states may spiral out of control. Serious consideration needs to be given to the conditions for nation-building and the responsibilities that this entails.
         Will Iraq dissuade the West from engaging in future nation-building activities? If the cultural, ethnic or religious divisions between the West and the rest continue to increase, will this undermine post-conflict reconstruction capabilities?

Increasing international responsibility
'*The problem of state failure – which is a source or incubator for a number of transnational threats – argues for better coordination between institutions, including the international financial ones and regional security bodies.*' (p. 102)

Enhanced state and institutional responsibility will remain key to addressing the problems posed by weak and failing states. The 2020 Report extensively discusses the changing future architectures of international institutions, but whether this is to strengthen Western capabilities or balance the inequities exacerbated by globalization remains unclear. The West needs to invest in the debate.

While globalization has brought opportunities for the developing world, it has acted as a divisive force in the international system, increasing the separation between the 'haves' and the 'have-nots'.

The challenge will be to create a competent institutional framework that deals with the problems of weak and failing states without continuing to create inequities in the

global system, propagated through a Western-orientated, state-centric architecture. While external and international stabilizers and donors contribute to building state capacity, what can weak states do to minimize corruption and take charge of capacity-building?

Does the present absence of viable political institutions to deal with these issues need to be redressed? Are new institutions required or can the UN, the G8, WTO, etc., be reformed to create safety nets for weak and failing states? In relation to weak and failing states, how can international responsibility be fostered, and international institutions be strengthened, and how will this be enforced and implemented? How can weak and failing states be brought into (global) architectures? If the rise of China and India continues as predicted in the 2020 Report, what will be the consequences both for the structure of international institutions and for the perceptions of international responsibility?

What will happen to weak and failed states? Alternative scenarios

- **Failing the failed states – the West signs out on the basis of a risk-benefit calculation.**

Will the West continue to invest in the debate concerning weak or failing states, or will a point be reached where it steps back from the debate? Looking back, will Iraq mark the point where the West lost its faith in nation-building? Will the West chose to contain rather than develop or rehabilitate weak or failed states? If so, will the divide between the North and South, haves and have-nots, increase to the point of total separation? Will the rise of China and India affect how the international system deals with weak or failing states? What will be the consequence of this? Will a (world) system divided into state and non-state emerge? What threats/inconveniences will this pose?

- **Recovery of weak or failing states – the West successfully invests and weak and failed states are strengthened.**

Is it in the interest of the West to strengthen the developing world and recover failed states? What effect would this have on the power balances within the international system? Could recovered states pose new threats to Western power and assumed luxuries of globalization?

- **Meltdown – external and internal pressures maximize instability while the West fails to act.**

What would be the consequences if HIV/AIDS, resource rivalry and the impacts of climate change were to combine and spiral out of control? How would the West deal with entire continents (Africa and Latin America) becoming unstable or failed? What would happen if governance structures fail and terrorist and criminal organizations flourish? How would the international system deal with 20/40/60/80% of its constituents being part of the shadow economy? How would this affect globalization? How could coordination between state and non-state actors be optimized or reconstructed to prevent or deal with this scenario?

Thematic Discussion Paper - 4

Future architectures of international institutions: the end of Western dominance?

Introduction

The existing architecture of international political, economic and financial institutions is the creation of the West, based in internationalist political and economic liberalism, implicitly serving Western interests. Established at the end of the Second World War, and consolidated at the end of the Cold War, the key institutions governing the global economy and managing collective security have yet to face serious competition. What will be the structure of the institutions and rules through which international relations will be conducted in the future? Will the existing arrangements evolve to accommodate developing trends or is more revolutionary change a real possibility?

The architecture of international institutions confronts two key trends that may challenge their membership and mode of operating. The first trend comprises the consequences of the rise of non-Western powers outlined in chapter two of the 2020 Report (pp. 47-71). The second is the 'mega trend' identified in the 2020 Report: the transformative impact of globalization. In the context of international institutions, this includes consideration of the consequences of the rise of new actors and processes that might diminish the role of states as the key drivers of international relations. The 2020 Report does not devote itself to a sustained consideration of the impact upon the international institutions but does touch upon institutional impacts.

Rising powers and the continuation of Western pre-eminence?

'*A world with a single superpower is unique in modern times. Despite the rise of anti-Americanism, most major powers today believe countermeasures such as balancing are not likely to work in a situation in which the US controls so many of the levers of power.*' (p. 63)

The institutional arrangements and the rules and norms established to manage the global economy (World Bank, IMF, G8, OECD) and to manage collective and regional security (UN Security Council, NATO) have kept Western states in the driving seat. Because voting rights and the exercise of power within these institutions tend to be based on contributions (a broad proxy for economic strength), the economically powerful Western countries have been pre-eminent – despite being a minority of world states and representing a minority of the global population. Western pre-eminence has also been buttressed by military strength (especially on the part of the US) and through socializing other states to accept Western rules of the game.

Can these arrangements be perpetuated? Will the West be willing to accommodate the rising powers, and then only if in its long-term interest? Will the rising powers wish to plug into the existing institutions and become members of the 'Western' club – accommodated because the cost of setting up new rules and norms is otherwise high? Will they wish to overturn the old order and create new institutions, rules and norms?

West versus the rest
'*…how China and India exercise their growing power and whether they relate cooperatively or competitively to other powers in the international system are key uncertainties.*' (p. 9)

One possible scenario is that Western countries will react to their relative economic decline and the challenge to their current standing from the rising powers by discovering a *greater* commonality of view, and will band together to continue to 'punch above their weight' in international political, economic and financial institutions. It could be argued that the UK has already pursued this course in its relations with the US since 1945.

This could translate into a strengthening of existing military relationships, for example, as Europe moves to a European Security and Defence Policy reconciled with NATO's role as a key military security institution. In this scenario, the US might retain a pivotal role as a key player in European and Asia-Pacific military alliances but concede ground to other Western states (especially Europeans) in the management of the global economy and monetary system. In the latter instance, the key dividing line in the WTO is then between the West and 'the rest' and the euro takes on greater significance in the international monetary system (pending its determination by the market or by the US via debt auctions and nationality caveats.

In summary, the US is pressured to yield greater equality of leadership to the other Western power centres as the price for holding the West together. While this outcome might be rational, it is not evident yet in the face of a contrary position of Western states competing for influence in the emerging world to gain leverage from transatlantic divergences.

The transforming West
'*The extent to which Europe enhances its clout on the world stage depends on its ability to achieve greater political cohesion.*' (p. 57)

In this scenario, within the West there are key changes that complicate the notion of a coherent, collective Western viewpoint. Shared collective values become more indistinct in Western societies because of the rise of alternative values *within* these states. These values might be religious (an increasing proportion of the population adhering to Islam or evangelical Christianity) and related social values. Or there may be divergence in views on how to manage the environment and economy (e.g. in relation to sustainable growth and work/leisure lifestyle choices). There also might be the emergence of greater collective identities within the West (for example, a greater sense of Europeanness defined in terms of opposition to the US) and rising nationalism.

The divided West
This scenario is underplayed in the 2020 Report: it is an extension of the transforming West in that changes within the West and the external challenge of the rising powers generate centrifugal forces pushing Western states apart.

This might then give rise to greater head-to-head competition between Western states, jockeying for position among themselves and vying to align themselves as

key allies of the rising powers. A contemporary illustration of how such positioning results in a divided West is the EU-US dispute over the lifting of arms embargoes on China.

In this scenario the power centres of the West are responsible for the decline of the West as they seek to gain relative position in a transforming international order.

Relative decline or revolution
'*The "arriviste" powers – China, India, and perhaps others such as Brazil and Indonesia – could usher in a new set of international alignments, potentially marking a definitive break with some of the post-World War II institutions and practices.*' (p. 47)

On the basis of projections of China's (and to a lesser degree India's) economic growth, the Western economies of the EU, US and Japan will face a *relative* decline as a proportion of total global GDP (pp. 30-33). The global political economy is already multi-polar and the question that arises is how far this translates into a restructuring of international economic and political institutions. In this context, it is also important to look at GDP per head because the excess for consumption of high-added-value consumer goods is characteristic of the middle classes – China and India would always be big players because of their populations – the change is the emergence of middle-class consumers.

Is the task for the West to manage a relative decline by seeking to accommodate rising-power representation within international institutions to reflect the new balance of global economic power? Do the rising powers actually have different expectations for international institutions or do they see the existing framework of institutions, rules and norms as suited to advancing their own national interest? What reforms or rearrangements are necessary to accommodate the rising powers? This, however, assumes that China and India are politically static and thus there is a more difficult case to make: as they evolve – and the expectations of their middle classes evolve – the real issue is whether the aspirations of their middle classes will be similar to those in the West. If so, then it is feasible that shared notions and values will result?

Are the new powers reformist or revolutionary? Would they like to see the existing order overturned and remade in their own image?

New actors, new expectations
'*The nation state will continue to be the dominant unit of the global order, but economic globalization and the dispersion of technologies, especially information technologies, will place enormous new strains on governments.*' (p. 73)

In addition to the challenge posed by the rising powers there is also the challenge of intensive transnationalism and the increasing importance of non-state actors: the rise of globalization. How can the aspirations of states (either rising or Western powers) be accommodated in a scenario of transnational economic and financial transactions, and information and population flows across state borders?

To what extent are existing international institutions built to accommodate a global politics in which the state has declining control over such cross-border flows? Is the notion of an international institution populated by nation-state representatives

inappropriate for the politics and economics that will exist beyond 2020? This is not likely as nation-states will matter for as long as their populations self-identify and psychologically connect with the nation-state as their natural frame of reference.

Will the institutions and rules remain the same? Alternative scenarios
'With the international system itself undergoing profound flux, some of the institutions that are charged with managing global problems may be overwhelmed by them.' (p. 13)

Accommodation
Can international institutions accommodate themselves to rising globalization? Is it possible to widen the existing membership to accommodate new players and stakeholders? And/or does the primary rationale of organizations change fundamentally with a reorientation of their primary *raison d'être* (e.g. military security organizations defining their primary purpose as focusing upon non-state, rather than state, threats)? Can fundamental forms of transnational identification (particularly Islam) be accommodated within existing regional or international institutions? Are some organizations better placed to accommodate change?

Obsolescence
Are any existing international or regional organizations doomed to obsolescence? Is an inability to reform inherent in some institutions? Will a preoccupation with the struggle over the appropriate level of representation for the West, the rising powers and the developing world take precedence over dealing with the shift of power that has taken place to non-governmental actors? As new information technologies make it easier for virtual communities, based upon common interests, to establish themselves and grow, are 'old' institutions able to accommodate such communities? Will the preoccupation of states with their (in)ability to govern when faced with stronger networks across state boundaries create atrophy in international institutions?

Reformulation
Are international and regional organizations able to overhaul themselves to accommodate the new dynamics of global politics and economics? Are international organizations better placed than regional ones, or vice versa? Will the challenge of forces that are beyond existing arrangements (e.g. environmental change or global epidemics) create new rationales for international or regional organizations? Or will new types of power be exercised (e.g. the power of information or key technologies). On this basis, might a paradigm shift occur in the role and function of existing organizations, which will be reformulated to cope with existential threats to the continuation of 'old' models of economics and politics? For consideration are the costs of the institutions and internal reform, as well as fair shares for all – cf. South Korea and Saudi Arabia in the UN system – if these institutions are not to lose support in Western states.

Chatham House and National Intelligence Council (NIC) Conference on
Globalization and Future Architectures
6 June 2005, at Chatham House, London

Programme

Introduction

Chatham House

National Intelligence Council

Morning Session

The rise of China and India: internal developments and a 'new world' order?
Introduced by Gareth Price, Asia Programme, CH

Factors of uncertainty: energy, environment, and bio-, information and nanotechnology advances
Introduced/chaired by Olivia Bosch, International Security Programme, CH

Policy responses to state failure
Introduced by Mathew Burrows, NIC

Future architectures of international institutions
Introduced by Richard Whitman, European Programme, CH

Globalization and Future Architectures: US NIC Report on the 2020 Project

Members' Open Meeting which CH-NIC participants attend

Chair: Victor Bulmer-Thomas

Panel:
William Anderson, NIO for Economic and Global Issues, NIC
Mathew Burrows, Director, Analysis and Production, NIC
David Fisk, BP/RAEng Professor of Engineering for Sustainable
        Development, Imperial College

Afternoon Session

Co-Chairs: Mathew Burrows and William Anderson, NIC

Review NIC 2020 scenarios[6] in light of discussion from the Morning Session and Members' Open Meeting:

Davos World

Pax Americana

A New Caliphate

Cycle of Fear

Shell Global Scenarios to 2025 **Launch**

Members' Open Meeting which CH-NIC conference participants attend

Reception

Next Steps[7]

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[6] NIC 2020 Scenarios summarized on p. 6 of this Conference Report.

[7] Meeting the following day to consider further analysis and follow-up conferences.

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Participants

Susan Ambler-Edwards	International Security Programme, Chatham House
William Anderson	National Intelligence Officer for Economic and Global Issues, NIC
Olivia Bosch	Senior Research Fellow, International Security Programme, Chatham House
Lord Broers	President, Royal Academy of Engineering; Chairman, House of Lords Science and Technology Committee
Victor Bulmer-Thomas	Director, Chatham House
Mathew Burrows	Director, Analysis and Production, NIC
Paul Cornish	Head, International Security Programme, Chatham House
Richard Engel	Deputy National Intelligence Officer for Economics and Global Issues, NIC
Toby Fenwick	Birkbeck College, University of London
David Fisk	BP/RAe Professor of Engineering for Sustainable Development, Imperial College, UK
Iain Gillespie	Head, Biotechnology Division, OECD
Peter Hill	Head, Strategic Policy Team, Foreign & Commonwealth Office, UK
Rosemary Hollis	Director of Research, Chatham House
Rebecca Horsewell	Non-State Actors Project, Chatham House
Jacqueline Karas	Associate Fellow, Sustainable Development Programme, Chatham House; Independent Consultant on Sustainable Development and the Environment
Chandrashekhar Krishnan	Executive Director, Transparency International (UK)
David Lacey	Head, Information Security, Royal Mail Group; co-founder, Jericho Forum

Gerard Lyons	Chief Economist and Group Head of Global Research, Standard Chartered
Nick Mabey	Prime Minister's Strategy Unit, UK
Jamie MacIntosh	ARAG Senior Research Fellow, HQ Defence Academy of the UK
John Mitchell	Research Adviser at the Oxford Institute of Energy Studies; Associate Fellow, Sustainable Development Programme, Chatham House
John Owen	Honorary Visiting Professor, Department of Journalism, City University London
Walt Patterson	Associate Fellow, Sustainable Development Programme, Chatham House
Stephen Petrie	Joint Doctrine & Concept Centre (JDCC), Ministry of Defence, UK
Gareth Price	Head, Asia Programme, Chatham House
Anne Pringle	Director, Strategy and Information, Foreign and Commonwealth Office, UK
Andrew Puddephatt	Centre for the Study of Human Rights, London School of Economics; formerly Executive Director of ARTICLE 19
Lee Schwartz	Intelligence and Research Bureau, US State Department
Lord Wallace	Professor of International Relations, London School of Economics; joint Deputy Leader of Liberal Democrat Peers
Richard Whitman	Head, European Programme, Chatham House
Elizabeth Wilmshurst	Head, International Law Programme, Chatham House
David Woods	World Trade Agenda Consultants; formerly WTO