

The World of 2030: Risks and Opportunities for Latin America



This publication is the first in a series dedicated to raising awareness of global trends analysis and how future scenarios may affect Latin America. It introduces the topic by summarizing the most comprehensive report on key global trends in 2012, the National Intelligence Council's *Global Trends 2030*, and it reviews three other prominent studies. The concluding summary assessment of global developments that are particularly relevant for Latin America could well help the region to identify major challenges in the future.

Global Trends 2030: 4 Perspectives

Alternative Worlds

The National Intelligence Council's (NIC) latest report, *Global Trends 2030: Alternative Worlds*, released in December 2012, identifies several “mega trends” and “game changers” that will shape future world scenarios.

Mega trends. The report notes four mega trends that are projected to influence the world to 2030.

- **Individual empowerment.** As access to the internet, healthcare, and education continues to increase over the next two decades, individual actors across the globe will be empowered to play a larger role in local and national economies and governments.
- **Diffusion of global power.** As the United States loses its status as the global hegemon, international relations will become increasingly multipolar, with a rise in authority among informal networks and coalitions of countries. There will also be a global power shift toward Asia and new or growing economic powers, such as China and Brazil.
- **Demographic changes.** Over the next two decades, the number of people living in urban areas will increase from 50 percent of the global population to 60 percent.

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What Do These Trends Mean for Latin America?

Sergio Bitar, director of the Inter-American Dialogue's Global Trends and the Future of Latin America Project, identifies six principal drivers directing global trends over the next 10–50 years in his report, “How to Govern Better in the World to Come: The Importance of Future Studies for Latin America” (*¿Cómo Gobernar Mejor el Mundo que Viene? Importancia de los Estudios de Futuro para América Latina*).

1. Disruptive technology

Also known as transformative technology, these innovations will significantly impact future living conditions in areas as diverse as health, energy conservation, and national security. Medical procedures and diagnoses, for example, will be improved through the use of smaller, fine-tuned instruments capable of operating in ways human hands cannot. Technological advancements related to the biological aging process have the potential to extend or preserve human life. “Intelligent energy networks”—programmed to receive and distribute a certain amount of electricity based on the behavior of individuals in a building or home—will prevent the waste

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FOREWORD

As government agencies, policy and research centers, corporations, and banks across the world focus increasing attention on long-term global trends, Latin America and the Caribbean are falling behind. While institutions in Europe, the United States, and Asia are using studies of political, economic, social, and security scenarios to inform policy decisions, few Latin American institutions are carrying out the data collection, research, or analysis that are essential to understand these trends and incorporate them into policy.

Against this backdrop, the Inter-American Dialogue launched its Long-Term Global Trends initiative in 2011 with the support of the Inter-American Development Bank. The program aims to provide information on the trends and scenarios that help develop strategic thinking in Latin America, and build the capacity of regional experts and institutions to carry out long-term studies and disseminate the results. This goal could also be reinforced by evaluating development strategies being designed and applied by other successful mid-size countries.

This publication is the first in a series dedicated to raising awareness of global trends analysis and how future scenarios may affect Latin America. It introduces the topic by summarizing the most comprehensive report on key global trends in 2012: the National Intelligence Council's *Global Trends 2030*. In addition, it reviews three other prominent studies by the European Union Institute for Security Studies, the Atlantic Council, and the Millennium Project. Its concluding summary assessment of those global developments that are particularly relevant for Latin America could well help the region to identify major challenges in the future.

The Dialogue is particularly grateful to Sergio Bitar, a Dialogue member and non-resident senior fellow who directs our Global Trends and Latin America initiative. Bitar, who served as minister and senator in Chile, has devoted significant effort to conceiving and shaping this important program.

Michael Shifter

President

The world's population is also aging, as demographic trends previously confined mainly to the countries of the Organization for Economic Cooperation and Development (OECD) become more widespread. Increased globalization is likely to prompt greater demand for goods and services, and therefore to spur trade, investment and migration.

- **Strain on global resources.** Because of population growth, increasing wealth, and climate change, by 2030 nearly half of the world's population might live in areas suffering from shortages of energy, water, and food. Global shortages are not inevitable, but the prospect of them will pose a challenge for policymakers as they work to find the balance between resource scarcity and consumption pressures.

Game changers. The report identifies six critical elements that may determine whether the mega trends lead to global disruption or progress.

- **Volatility and imbalances in the global economy.** Will greater multi-polarity increase instability? Or will it generate a more balanced global financial system?
- **Governance gap.** Necessary consensus will become difficult to achieve as global power becomes increasingly diffuse. The expansion of global communications could prove both a boon and a threat to global governance, as it will allow citizens to coalesce around or challenge national and international decision-makers. Are institutional changes taking place at a speed that prevents instability and enhances participation?
- **Potential for increased conflict.** Although great-power conflict has declined in recent decades, it is unclear whether this will lead to less inter- and intra-state conflict. The changing international system has the potential to increase tensions, particularly as the United States becomes unwilling or unable to act as a global security provider.
- **Regional instability.** Could regional instability in Asia and the Middle East spill over into neighboring countries and regions?
- **New technologies.** Will transformative technologies be developed in time to confront new challenges, boost

economic productivity, minimize the strain on natural resources, and constrain the impact of climate change? What changes could generate further improvements to manufacturing technologies?

- **The role of the United States.** The relative decline of US political and economic authority will affect how the country works with emerging powers to build a new global order.

After exploring mega trends and potential game changers, the NIC report identifies four alternative futures.

- **Stalled engines.** In this worst-case scenario, the United States draws inward and the risk of conflicts increases. Simmering tensions, such as those between China and India, India and Pakistan, and Sunni and Shia populations in the Middle East, may lead to conflicts and a broader global economic slowdown. These factors will limit technological development and the relief it could provide.
- **Fusion.** If developed and emerging powers cooper-

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ate, especially the United States and China, they could enhance trade and investment and even spark a technological revolution. This best-case scenario is characterized by a “golden age” of technological development that facilitates a greater movement of people and lays the foundation for a more cooperative and interconnected global system.

- **Genie out of the bottle.** If the current trend toward greater inequality continues, political and social tensions between winners and losers are likely to increase. For example, there could be clashes between core and periphery states in the Eurozone, or between coastal and rural dwellers in China. The United States will step back from its role as “global policeman” and focus on its own domestic conditions, with an emphasis on consolidating its energy independence.

- **Non-state world.** In this scenario, non-state actors such as non-governmental organizations, academic institutions, multinational companies, and wealthy individuals lead the process of addressing key global issues, including the rule of law, the environment, and corruption. The nation-state does not disappear but collaborates with multiple actors.

Citizens in an Interconnected and Polycentric World

The European Union Institute for Security Studies (EUISS) recently produced *Global Trends 2030 (Citizens in an Interconnected and Polycentric World)*. Based on findings from the European Strategy and Policy Analysis System (ESPAS), the report provides policymakers with data on global trends to inform their decision-making. It focuses primarily on

By 2030, the relative decline of the United States will lead to a global system in which there is no single hegemonic power, but rather myriad middle and leading powers.

anticipated changes in social relations, citizen behavior and demands, and their possible effects on national and global governance.

Although based on different research, the report's three projected global trends are similar to those of the NIC report.

- **Gradual empowerment of individuals.** The power balance between governments and citizens is shifting in the direction of citizens. A growing middle class, near-universal access to education, a rise in the status of women in most societies, and the spread of information and communications technology are empowering individuals to have more influence.
- **Resource scarcity.** Over the next two decades, climate change and a rising middle class in Asia, Africa, and Latin America will lead to shifts in living standards, citizen security, and food and water availability. Additionally, environmental degradation resulting

in floods and desertification may leave many families displaced in East Asia, South Asia, and the Sahel. Government action will be required to prevent these negative consequences, including investment in clean energy and energy-efficient technology.

- **Polycentric power structures.** By 2030, the relative decline of the United States will lead to a global system in which there is no single hegemonic power, but rather myriad middle and leading powers.

US Strategy for a Post-Western World

The Atlantic Council's *Envisioning 2030 (US Strategy for a Post-Western World)*, published in December 2012, draws on the conclusions of the NIC report to offer policy recommendations for the United States. The report argues that while the United States may be losing its position as a global hegemon, it has no clear successor. Its policies should reflect the likelihood that future international relations will be defined by a diverse array of states with less individual power.

Specifically, the United States should foster better relations with China so that the two countries can work together to shape a better world by 2030. It should take a long-term approach to the Middle East, supporting economic growth and avoiding conflict. Finally, the United States should work to reinvigorate old partnerships (such as with European Union countries) while also fostering relationships with new partners, especially Asian countries like Japan and Singapore. This could help create global codes of conduct for technology, nuclear weapons, space, water, cyber relations, technology, and energy.

The Atlantic Council report provides an example of how global-trends analysis can aid the development of comprehensive policy, and could serve as a useful model for Latin American policymakers.

Latinoamérica 2030

The Millennium Project's *Latinoamérica 2030*, released in December 2012, analyzes global trends in Latin America.

It aims to give Latin American policymakers a forward-looking view of different options 200 years after the region's countries achieved independence, illustrated by means of different scenarios. Using the Delphi method, the authors statistically analyzed expert opinions gathered through polls. Based on more than 800 expert predictions from 70 countries, researchers identified four possible scenarios for the future of Latin America.

- **Latin American success.** In this best-case scenario, economic, social, and political indicators will continue to improve and Latin America will gradually converge with developed countries. On the positive side, this scenario predicts a 50 percent increase in GDP per capita, a rise in internet availability and connectedness, more tourism, and increased production of biofuels in the region. Yet this growth may also have negative effects such as a large rise in the cost of food and growth in CO₂ emissions.
- **Technology as ideology.** While the region advances technologically and economically, benefits will be confined to a small group. Class division arising from corrupt and poorly run governments will lead to stagnation in living standards for most citizens and the region as whole.
- **Region in flames.** In this worst-case scenario, the region will come to a standstill in all sectors. There will be a rise in inequality, drug cartel authority, drug use, corruption and censorship, and education quality will fail to improve.

TRENDS

By 2030 . . .

- The middle class will reach 4.9 billion people
- Literacy rates will be above 90 percent
- Women's rights including reproductive rights and protection against gender-based violence will be more widely considered as human rights
- More than half of the world will have access to the internet.

Source: *Citizens in an Interconnected and Polycentric World*, EU Institute for Security Studies, 2012.

- **The network.** Latin American nations form a solid network and advance as a whole. If the network fails, however, so will the individual countries, leading to the increased authority of drug cartels, inequality, and economic stagnation.

Latin American policymakers should carefully consider the implications of each of these scenarios in order to address pending challenges and ensure the achievement of positive outcomes.

What Do These Trends Mean for Latin America?

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of valuable energy resources. Robotic machines, including driverless cars, will also take over certain human tasks, and more complex machines will be capable of high-risk tasks in espionage, emergency response, or the transportation of dangerous materials.

2. Natural resources, water and energy

Rising economic growth and the expansion of the middle class will increase demand for natural resources in developing countries in Africa, Asia, and Latin America. Climate change will also impact the availability of resources, particularly for food production. Agriculture is one of the activities most susceptible to glacial melting, different rain patterns, and the delay in or unexpected change of seasons. Agricultural land is also becoming scarcer. As a consequence, most future food production will have to come from increased crop yields and more efficient harvesting methods. Overall, growing consumption pressures from larger

populations with changing food habits, combined with a limited supply of arable land, have made the availability of natural resources the second driver of global trends.

Water scarcity

The availability of water for consumption and energy production is another concern for future scenarios. Large volumes of water are needed to generate electricity, and large amounts of electricity are needed to clean, pump, and transport water. Rising populations reduce per capita water availability and increase energy demands. Additional agricultural production will put pressure on water for irrigation and livestock, further limiting already scarce freshwater resources. These dilemmas can be tackled in part through national policies to promote water conservation and energy efficiency.

Energy

Global population expansion and continued economic growth in regions such as Asia will increase worldwide energy consumption, particularly for transportation and residential electricity generation. Countries will respond by seeking to increase their energy supply by means of new technologies capable of extracting shale and deep-sea oil and gas reserves. Increasingly, governments will also use renewable and alternative energy sources.

3. Demography and migration

By 2050, the world population will reach 9 billion. The greatest expansion will occur in Sub-Saharan Africa, India, Pakistan, and Bangladesh, where half of the growth of the working-age population (15–64 years of age) will take place. As life expectancy rises and birth rates fall, the global population will continue to age. These demographic trends will shape developments in commodity production, education, food, water, energy, and healthcare.

Migration

Migration will increase in response to accelerating economic growth, the availability of cheaper and faster transportation, and the increased use of the internet and other forms of global communication. Globalization will support this trend by spreading knowledge of languages and inducing international companies to draw employees from a host

TRENDS

By 2030 . . .

Water demand in **India** will equal almost 1.5 trillion m_3 . Current supply, however, equals approximately 740 billion m_3 .

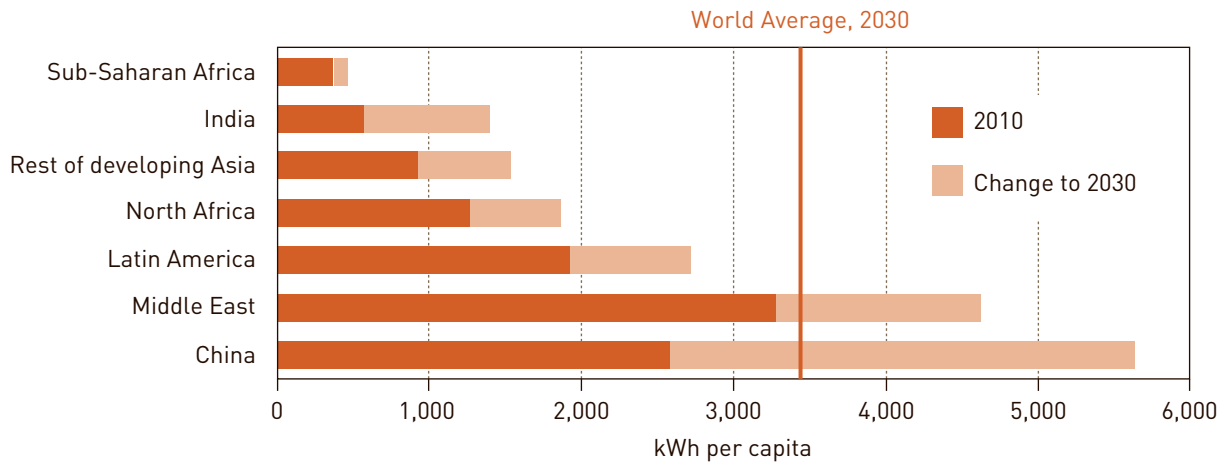
China's water demand is expected to reach 818 billion m_3 . Current supply amounts to just over 618 billion m_3 .

São Paulo state's projected demand is 20.2 billion m_3 . A current accessible, reliable supply of 18.7 billion m_3 exists.

Water demand in **South Africa** is projected to be 17.7 billion m_3 . Current supply, however, amounts to 15 billion m_3 .

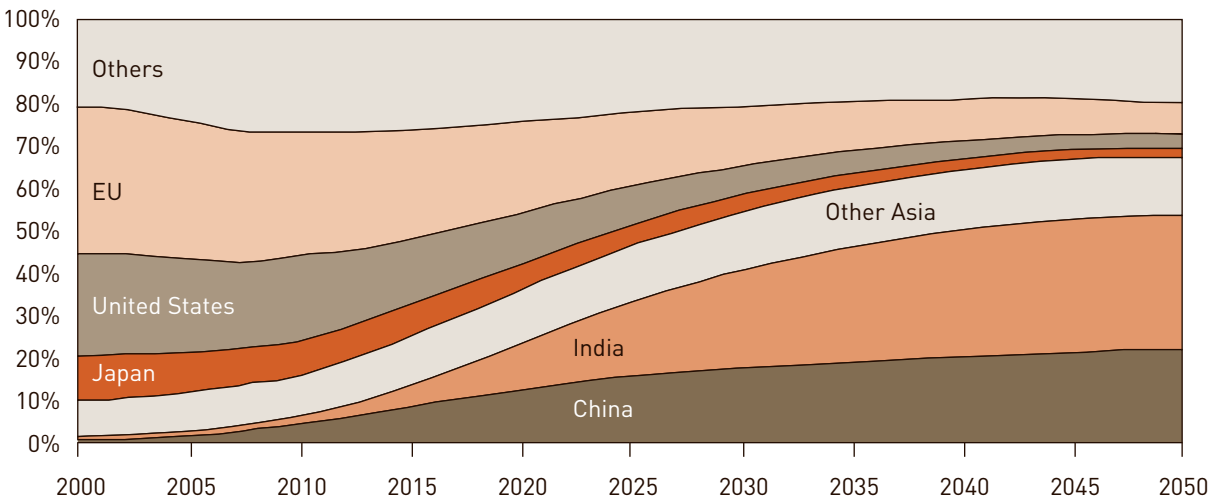
Source: *Charting Our Water Future*, Water Resources Group, 2009.

Electricity Consumption per capita in selected regions in New Policies Scenario

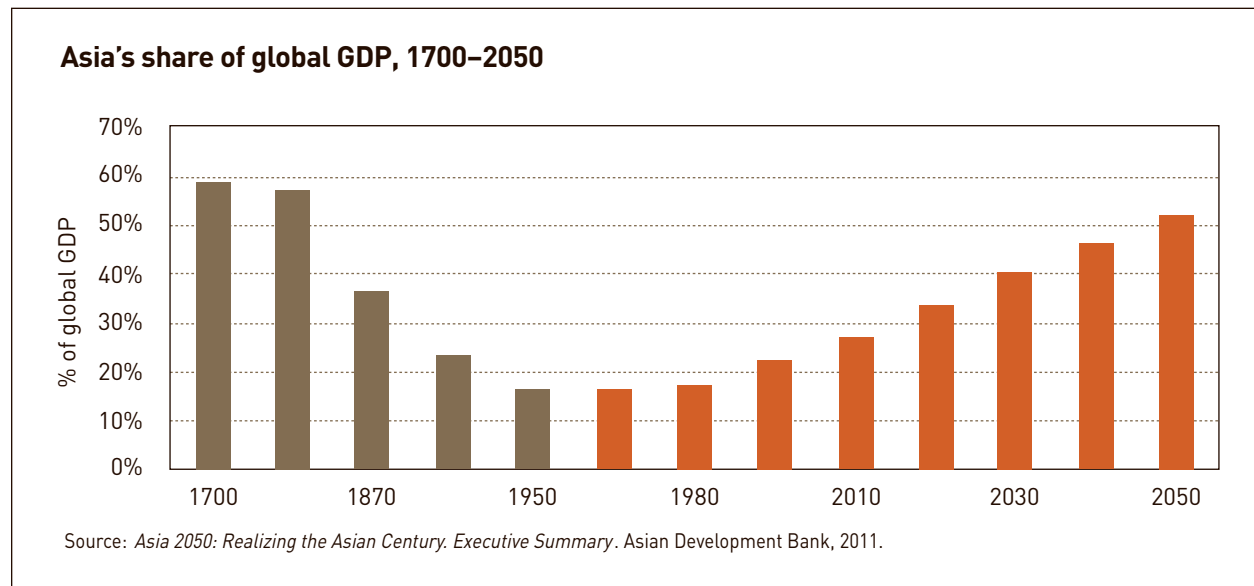


Source: World Energy Outlook 2010, OECD/IEA, 2013

Shares of Global Middle Class Consumption, 2000–2050



Source: *The Emerging Middle Class in Developing Countries*, OECD, 2010



of different countries. Increased migration will impact international business and culture, creating more diverse workforces and national populations.

4. The middle class and development

The middle class is growing across Africa, Asia, and Latin America and is likely to reach 3.3 billion people by 2020 and 4.9 billion by 2030. This will generate greater demand for goods and services, with China and India leading the surge in middle-class consumption. Rising consumption and changes in its composition are likely to have a strong impact on global demand and economic growth. But the rise of the middle class will also put greater strain on global natural resources and national governability.

5. The displacement of power

An indisputable driver of future global trends is the growth of economic power in Asia, particularly in China, but also in India, South Korea, and the nations of Southeast Asia. China's economy will overtake that of the United States before 2020, while India and Brazil will surpass Japan and France around 2015, and Russia and Germany after 2020. Such scenarios indicate a potential shift in future global power and influence capable of shaping international alliances and governance. The Asian Development Bank report *Asia 2050* exemplifies the Asian vision: to reach, in 2050, a global position comparable to that of 1750, as illustrated in the figure above.

6. Urbanization

By 2025, the world's 600 largest cities will comprise about 2 billion inhabitants—or 25 percent of the global population—and will produce close to 60 percent of the world's GDP. These projections will guide businesses and governments alike as they increasingly locate their offices and embassies in the developing world. This surge in urban population will also challenge national and local governments as they attempt to provide city infrastructure and public transportation.

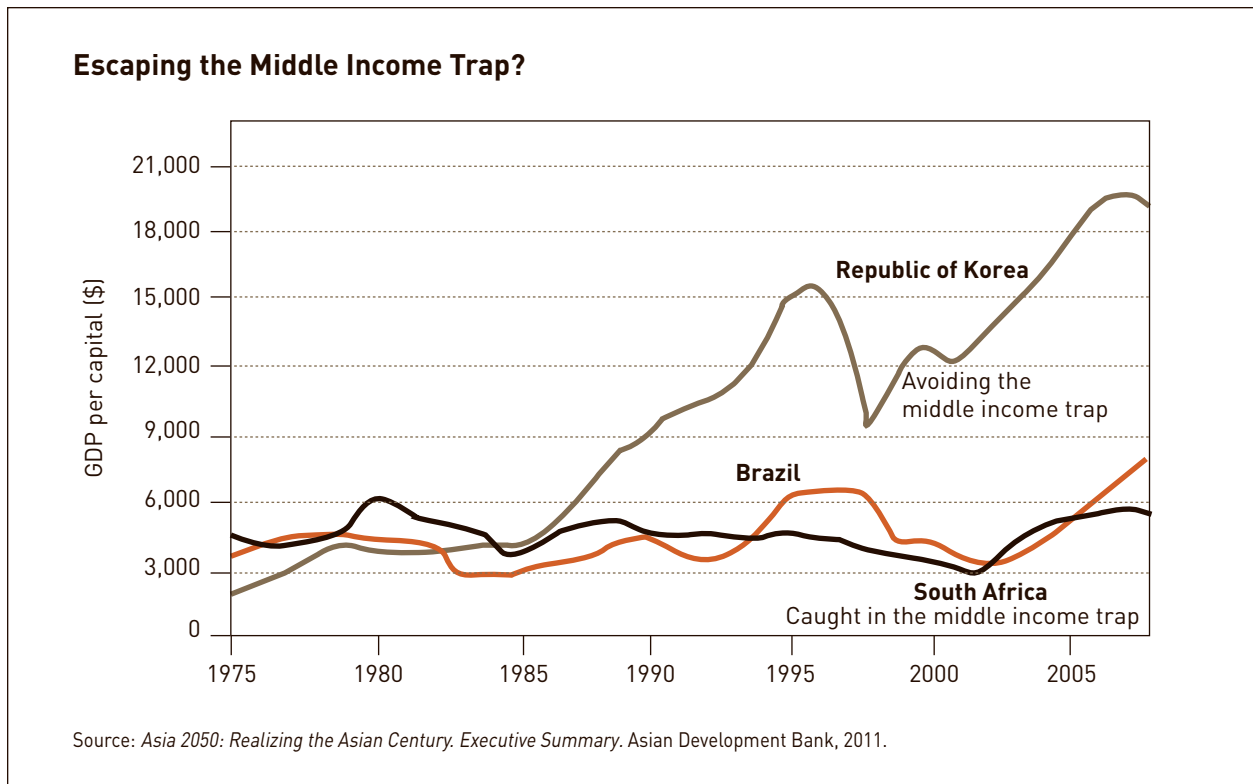
TRENDS

Location, Location, Location

Over the next 15 years, the makeup of the top 600 cities will change with the introduction of 136 new cities.

- 100 new cities will be in China
- 13 will be located in India
- 8 will be found in Latin America

Source: *Urban World, Mapping the Economic Power of Cities*, McKinsey Global Institute, 2011.



What Do These Trends Mean for Latin America?

Latin America is entering uncharted territory. **Demographic trends** and the abundance of **natural resources** will increase growth in the region. Latin America has just entered the demographic “sweet spot,” meaning that the population is not so young that the region is at risk of instability, nor so old as to pose the challenges attendant on an aging population. Today, the majority of the population falls within the prime working age of 25–45 years. Latin America, however, is aging fast, and the median age is approaching the late forties. The region has only a short period in which to take advantage of its demographic advantage to boost productivity.

Unlike other regions, Latin America enjoys an abundance of natural resources. In the long term, however, commodities-based growth is unsustainable. Not only does a lack of export diversification make the region more vulnerable to changes in commodities markets, but Latin America also lags behind the rest of the world in **education** and in **science and technology**, particularly in the area of **innovation**, which will make it increasingly difficult to increase productivity. There have been some impressive innovations

in science and technology, including ethanol technology in Brazil, but overall investment is far behind several countries in Asia. Higher education should expand and respond to strong pressure from young people and their families. In global rankings of universities, Latin American institutions do not score highly, with very few in the top 100.

Energy remains a challenge. Though Latin America is endowed with enormous resources, it faces several political and institutional obstacles. The significance of the link between politics and energy has intensified in Latin America with new discoveries of ultra-heavy crude in Venezuela, pre-salt in Brazil, and shale gas in Mexico, Argentina, and elsewhere. There is, however, some potential for new-generation biofuels, as well as solar and wind power, to have a greater influence on the region’s energy matrix.

South America has also been spared the **water scarcity** that has affected China, India, and parts of Sub-Saharan Africa. However, the glaciers in the Andean region are receding, and cities that are reliant on glacial water will need both to improve conservation and develop alternatives over the next 15–20 years. A broader question for the region is the impact of climate change on the water-energy-food

nexus. Abundance in the present should not hinder the development of solutions for dwindling resources in the future, particularly as the population grows and resource demands increase.

Latin America will face a major challenge of engaging in a complex global sphere if countries do not achieve a higher degree of **coordination and regional integration**. Brazil is already playing an important global role, while Mexico may move in the same direction, depending on its international priorities.

For many emerging powers, several obstacles are preventing the **transition from middle-income to high-income status**. Whether a middle-income trap exists or not (the question is currently under debate), Latin America is not

immune to the possible dangers. Global scenarios highlight these risks and reinforce the need for strong policies to ensure growth and governability.

Latin America's **governance advantage may be undone by political and drug-related violence**, especially in Mexico and Central America. South America also faces an ongoing risk of political violence (particularly in Colombia) and instability if institutions are not modernized to channel citizens' demands for public goods, transparency, and participation.

Exploring alternative worlds can allow us to identify national or regional issues that could be better addressed by expanding our view beyond the local level. Each of these global trends will significantly affect Latin America.



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