

# THE WORLD IN 2030



**TRENDS, INFLECTION POINTS,  
CHALLENGES AND OPPORTUNITIES**

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# TREND 01

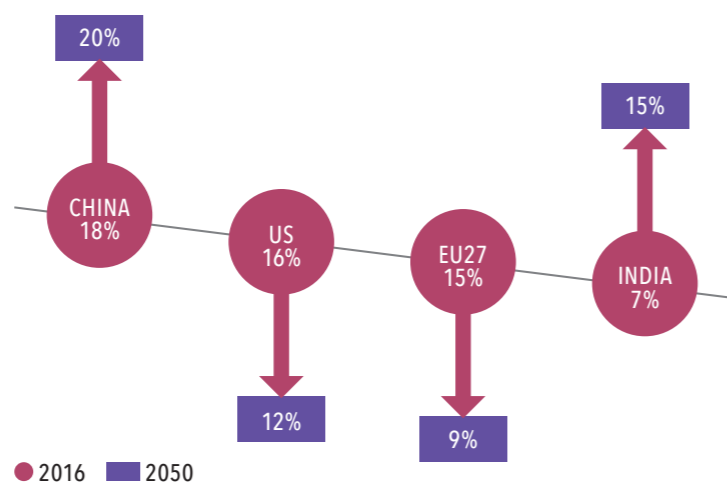
## A SHIFTING CENTER OF ECONOMIC GRAVITY

### CORE CONCEPT

**Secular shift** China's rapid, sustained growth since 1979, that of India since 2000, and South-East Asian countries between 1980-1998, have led to a shift in the global geo-economic center of gravity. The PRC is the largest economy in PPP terms, and if present trends continue, is likely to surpass the US in RER terms within the decade. By 2050, PwC estimates, the PRC may comprise 20 percent of global GDP, India 15 percent, the US 12 percent, and the European Union (EU) – if the EU holds together – 9 percent.

### THE US AND EUROPE WILL STEADILY LOSE GROUND TO CHINA AND INDIA

State of world GDP (PPPs) from 2016 to 2050



Sources: IMF for 2016 estimates, PwC analysis for projections to 2050

### GLOBAL ECONOMIC POWER WILL SHIFT FROM THE G7 TO THE E7 ECONOMIES

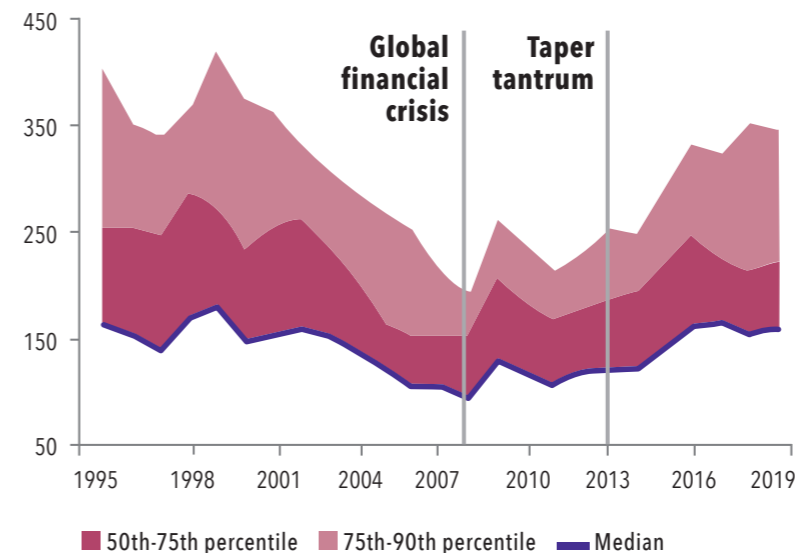
In... 1995	E7	were half the size of	G7
By... 2015	E7	were around the same size as	G7
And in just 25 years... 2040	E7	could be double the size of	G7

G7 US, UK, France, Germany, Japan, Canada and Italy  
E7 China, India, Indonesia, Brazil, Russia, Mexico and Turkey

**Economic recession** Six years after the end of the global recession (2008-2014), the global economy will see growth of 3.0 percent in 2019 – the lowest since 2008-09. Despite a strong recovery in capital markets, fiscal and corporate over-indebtedness, low and negative interest rates, slowing manufacturing activity and global trade, higher tariffs and policy uncertainty, and slowing investment, pose vulnerabilities throughout the system. A highly disruptive global recession will follow within a few years.

### DEEPER IN DEBT

External debt has risen sharply among emerging market economies (debt to exports, percent)



Sources: Bloomberg Finance L.P.; Institute of International Finance; and IMF World Economic Outlook

## GLOBAL IMPLICATIONS

- The relative importance of the G7 as a standard setting body for the global economy will decline sharply.
- The central role of the US dollar as the international reserve currency will be weakened, and may lead to adoption of a reserve currency basket comprising the US dollar, the euro, the yen, the yuan and the pound sterling, which already constitute the IMF's basket for Special Drawing Rights.
- Tensions between China and the US in trade and technology will impact China's growth more directly, as exports constitute almost 20 percent of the PRC's GDP, and only 12 percent of that of the US
- Governments and central banks do not have adequate fiscal and monetary instruments to address the recession.

## REGIONAL IMPLICATIONS

- China's Belt and Road projects will transform the broader regional landscape.
- Washington and Beijing will engage in competitive bidding in trade and technology standards. Regional states may be asked to choose sides.
- Heavily indebted economies in the region (assessed by the ratio of public debt/GDP) – Lebanon, Jordan, Egypt and Iraq – will encounter high stress in a global recession.

# TREND 02

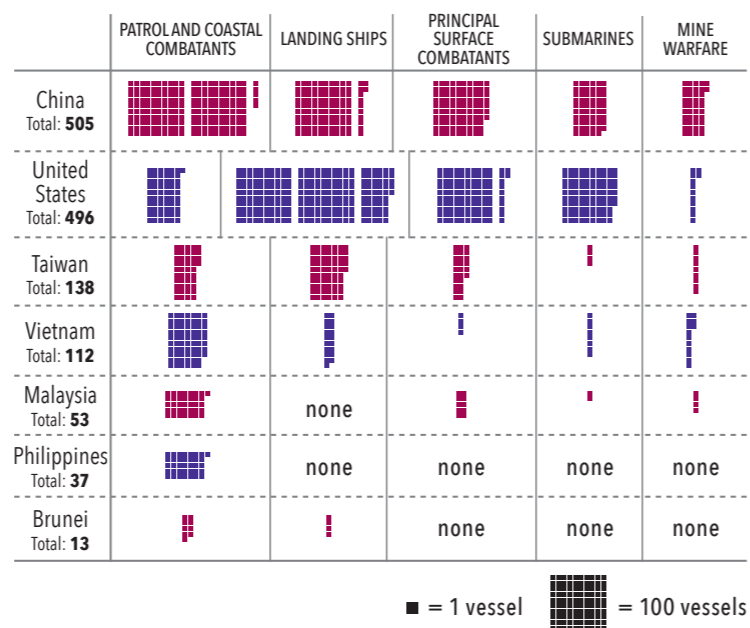
## WEAKENING OF US POWER PROJECTION

### CORE CONCEPT

The US will resist assuming new global security obligations, and contain or reduce those it presently has, in the decade ahead. The US National Security Strategy will define key US interests narrowly, describe threats to these interests generally, and limit US military engagement to combatting core threats. It will seek to address most issues through partnerships, leveraging its cyber-capabilities and autonomous weapons, without engaging in kinetic exchanges that involve US conventional forces.

### BALANCE OF NAVAL POWER IN THE PACIFIC REGION

#### Comparing naval capabilities



Sources: International Institute for Strategic Studies, Center for Strategic and International Studies

## GLOBAL IMPLICATIONS

- The US contraction will allow Russia to consolidate control of its "near abroad" [the 12 sovereign states, other than the Baltic republics, that emerged from the imploding USSR after 1991] while avoiding confrontation with NATO.
- Russia will continue to build its military production and 4CI [Command, Control, Communication, Computers and Intelligence] capabilities and deploy hybrid warfare capabilities in its neighbourhood and abroad in pursuit of its interests. Putin's policies will continue after he steps down from office in 2024, to be replaced by General Sergey Shoygu, presently Russia's Minister of Defence.

China will strengthen its military capabilities and consolidate its maritime position in the Pacific region, notably in the South China Sea, while seeking to avoid confrontation with other Asian states.

## REGIONAL IMPLICATIONS

- US restraint will encourage Russia to project influence, backed by arms sales and limited power projection into the Levant, maintaining good relations with Iran, while building closer links with Gulf monarchies. As its domestic economic position will not allow it to maintain a significant military presence in the region, or to undertake extensive military operations, it will encourage regional security dialogues aimed at agreements that boost its influence and limit the risk of confrontation.
- China will avoid military engagement, support Moscow's efforts to broker regional agreements, and focus on infrastructure projects through the Belt and Road, and on strengthening its economic ties throughout the region.

Arab states, especially Gulf monarchies, may strengthen their domestic security capabilities, and explore opportunities to reduce tensions with Iran through regional security arrangements.

# TREND 03

## DISRUPTION OF THE RULES-BASED INTERNATIONAL ORDER



### CORE CONCEPT

The existing order and its core institutions – the United Nations, the International Monetary Fund, the World Bank Group and the World Trade Organization – will be under stress throughout the decade. Although multilateral collective action is needed to address threats to the commons – from climate, through crime and terrorism, to economic recession – unilateralism is on the rise, and a multipolar world is increasingly polarized. Few issues referred to the UN Security Council are resolved; if resolutions are not watered down to the lowest common denominator, vetoes are exercised. The authority of the World Trade Organization has eroded, and trade and global manufacturing value chains are disrupted.

### GLOBAL IMPLICATIONS

- These tensions make the UN@75 and Beyond initiative critically important. It provides an opportunity for smaller states, and responsible non-state actors, to exercise constructive influence in reshaping the international order.
- The dialogues and debates it enables will trigger a process of institutional change that will transform the pillars of the global architecture and the systems of interaction between states and non-state actors with which we are familiar.
- This transformation will be non-linear and disruptive.

Governments will need to ensure that their voices are adequately represented in the discussions, to ensure that they play responsible and effective roles in crafting the new order.

### REGIONAL IMPLICATIONS

- Responsible states in the Gulf will engage actively with their neighbours and major powers with regional interests, to resolve conflicts and create a resilient regional security and economic architecture that respects national boundaries and incentivizes economic cooperation.

The UAE and other leading regional states will engage actively with the United Nations in helping to craft an emerging international system fit for purpose in the decades ahead.

# TREND 04

## GEOPOLITICAL TENSIONS AND CONTESTATION OF REGIONAL SECURITY LANDSCAPES

### CORE CONCEPT

The legitimacy of the rules-based global order is contested, and no state has the ability or will to impose order by force. Normative uncertainty will prevail until agreement is reached on the rules of a new order. The global security architecture was designed after WWII to contain the USSR, and gaps have become apparent over time (a) between the Mediterranean and Central Asia.; (b) in Russia's "near abroad"; and (c) on China's maritime periphery. Without agreement on regional security arrangements in these regions, underpinned by structural opportunities for deeper economic cooperation, tensions will continue spilling over into conflict. The global security architecture was designed after WWII to contain the USSR, and gaps have become apparent over time between the Mediterranean and Central Asia

### ZONE OF GEOPOLITICAL TENSION



### GLOBAL IMPLICATIONS

- Global tensions are elevated by continuing uncertainty about the intentions and actions of powerful actors in each region.
- Local geopolitical tensions, exacerbated by sectarian identities, have led to deployment of proxy forces and national military units in the Levant and the Gulf; escalation will lead to interruption of oil supplies, and delays in Belt and Road projects.
- Hybrid warfare including cyber-operations, economic sanctions, and a military build-up by Russian and NATO forces will continue on Russia's border with Ukraine.

Tensions between China, Japan and the US will remain sub-critical in the Pacific, but a naval incident between US and PRC naval vessels remains a possibility.

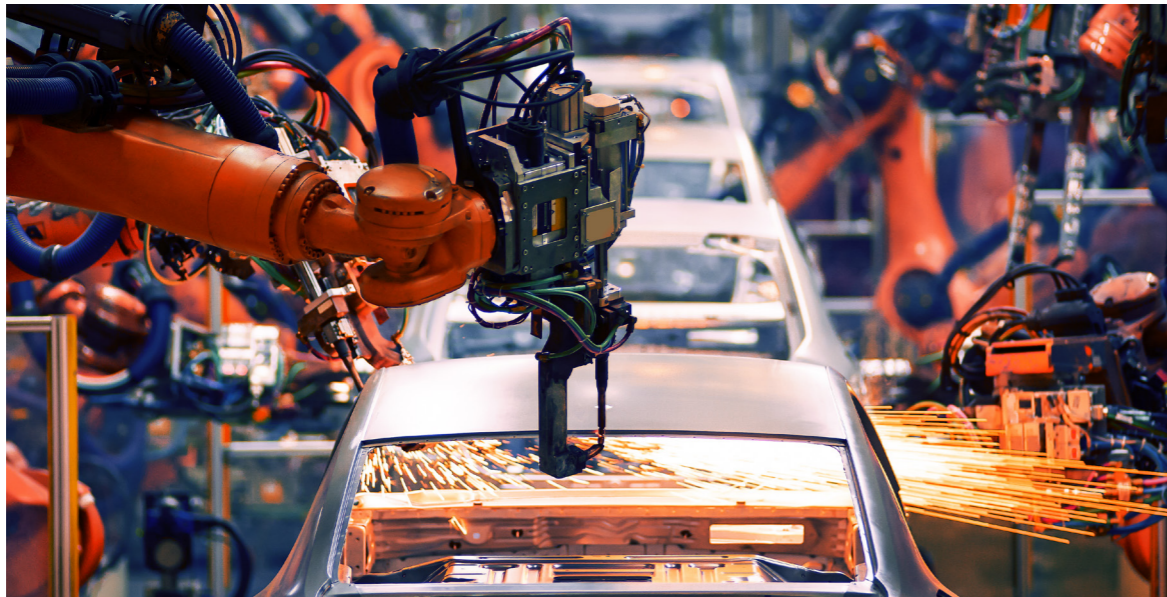
### REGIONAL IMPLICATIONS

- Iran's Quds Force has strengthened its position relative to the civilian government in Tehran, which has lost face due to US sanctions, and will continue to disrupt states in the region and increase cyber-offensive operations. Iran's economy will, meanwhile, experience severe stress due to US sanctions. Agreement on a regional security arrangement between all Gulf states will avert these outcomes.
- Iran's government will maintain its stance as long as possible, firstly because it was in compliance with the JCPoA when US sanctions were applied, and secondly because it takes a very long-term view of strategic competition.

Escalation of the conflict and its associated costs can be avoided, and the possibility of a joint strategic arrangement explored.

# TREND 05

## THE FIRST BIO-DIGITAL TECHNOLOGICAL REVOLUTION



### CORE CONCEPT

The economic landscape is being transformed by robotics; 3D printing; driverless electric vehicles; new energy sources; and composite materials. Agile companies are exploiting opportunities in substitution, optimization, and virtualization. The acceleration of computational efficiency and algorithms makes social dislocation inevitable due to continuous shifts in employment demand. Increasing application of machine learning to big data will transform white-collar employment, potentially displacing humans from all routine activities in market research, accounting and audit services; legal discovery and precedent search; and many areas of medicine. The half-life of much scientific knowledge is shrinking continuously. In addition to digital dislocation, there are revolutionary advances in biotechnology, nanotechnology and neuro-technology, and from interfaces between them that test the frontiers of transhumanism.

### GLOBAL IMPLICATIONS

- The US and China will compete across the whole technological landscape posing challenges to governance of internet protocols ["splinternet"], standards for mobile communication platforms [5G and potentially 6G platforms], autonomous weapons, bioengineering and cognitive enhancement.
- Other technologically advanced states – Japan, Germany, France, Britain, Russia, India, Malaysia, Singapore and Israel – will consolidate niche positions of different scales. Cyberwarfare, in both defensive and offensive modes, will increase.

Different societies will adopt different cultural perspectives on the adoption and development of certain technologies, notably those at the interface between biotechnology, nanotechnology and neuro-technology, leading to ethical, legal and regulatory disputes.

### REGIONAL IMPLICATIONS

- The UAE, KSA, Qatar, Iran and Egypt have the technological capability and financial resources to engage competitively in parts of this revolution. No other state in the Arab region has similar capacity.
- The ability to offer manufacturing and services platforms underpinned by robotics will become essential for successful participation in the global economy.

States that currently have weak industrial and manufacturing capability and are unable to enhance banking services with digital platforms and software, will be unable to compete in an increasingly digitized economy. Unemployment will rise, leading to protests and broader civil unrest.

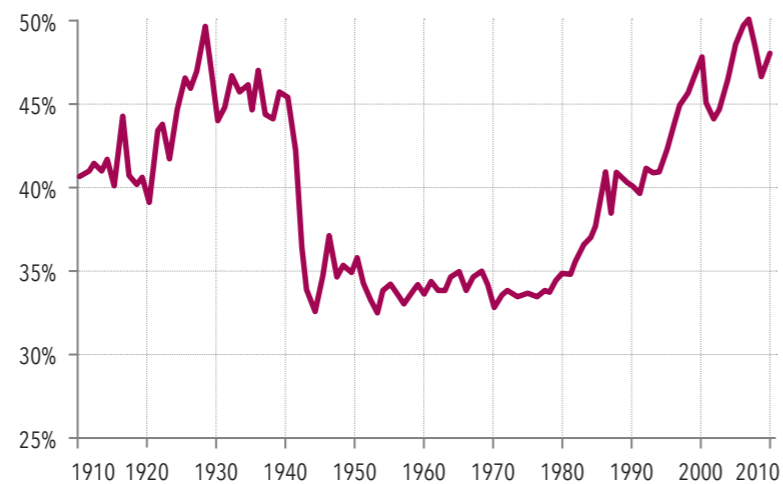
# TREND 06

## SIGNIFICANT SOCIAL DISRUPTION

### CORE CONCEPT

In an era in which normative certainty is weakening, power is diffused and contested, and a technological revolution is privileging those equipped to exploit it at the expense of those less fortunate, inequality of income and wealth will rise further, and all societies will need exceptional institutional flexibility and high levels of social cohesion to manage the disruptions that this will effect. The trend is exorable across the decade and well-intentioned governments and civil society organizations will need to join hands and minds to meet the challenge.

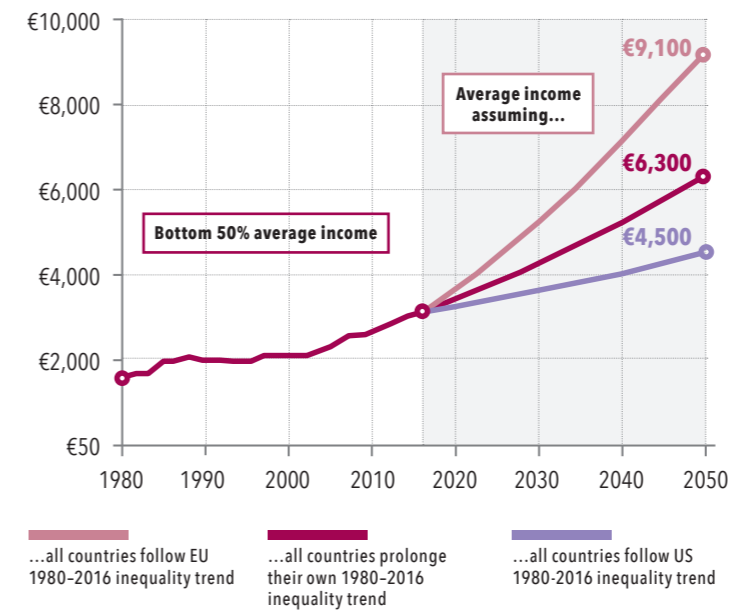
### SHARE OF TOP DECILE IN NATIONAL INCOME



The top decile share in US national income dropped from 45-50% in the 1910s-1920s to less than 35% in the 1950s (this is the fall documented by Kuznets); it then rose from less than 35% in the 1970s to 45-50% in the 2000s 2010s.

### GLOBAL AVERAGE INCOME PROJECTIONS OF THE BOTTOM 50%

#### 1980-2050



Sources: WID.world (2017). See wir2018.wid.world for data series and notes  
 If all countries follow the inequality trajectory of Europe between 1980 and 2016, the average income of the bottom 50% of the world population will be €9,100 by 2050. Income estimates are calculated using Purchasing Power Parity (PPP) euros. For comparison, €1 = \$1.3 = ¥4.4 at PPP. PPP accounts for differences in the cost of living between countries. Values are net of inflation.

## GLOBAL IMPLICATIONS

- Protests and riots are taking place across the world. While the individual circumstances vary, a sense of inequitable deprivation, or relative disadvantage, is common to all. This is often seen to be due to the policies of governments that have led to privilege for a few at the expense of the many.
- Different social forces have emerged to mobilize the anger of citizens. Some seek to improve socio-economic conditions; others are disciplined, radical extremists seeking to destroy existing institutions,
- The technological revolution already underway will exacerbate these tensions as routine blue and white-collar tasks are taken over increasingly by robots, algorithms and artificial intelligence, displacing poorly skilled workers. This will be particularly acute in middle-income, developing economies with relatively large manufacturing sectors that cannot reallocate surplus industrial workers to other sectors.

## REGIONAL IMPLICATIONS

- Inequality of income, wealth and opportunity are widespread across the region. Few citizens in the Levant hold their governments in high regard.
- Few governments are knowledgeable enough to transform national education systems to equip their citizens with the skills needed to advance and thrive in the decade ahead.
- As more youth leave school in search of employment or other economic opportunities and are frustrated in their efforts to achieve it, frustration will spill into the streets, and social dislocation will spread. This will pose acute challenges in countries from Algeria and Iraq, where provision of appropriate skills, and reskilling and placement of displaced workers, will be very difficult.



# TREND 07

## WEAKENING NATIONAL GOVERNANCE



### CORE CONCEPT

Secular geo-economic shifts and geopolitical tensions have undermined state sovereignty and authority, reducing trust in governments. The accountability to citizens and stakeholders needed for legitimacy, has been weakened by globalization and reliance on market mechanisms to advance welfare. In a complex and connected world, governments are unsure which policies will achieve their purposes. Deliberations are protracted and characterized by rancorous debate. Many young citizens are used to crowdsourcing information, solutions and funding, using digital media, and have no patience with the slower tempo of political decision-making. Social media campaigns underpinning mass street protests are transforming politics. Governments and the political class are resisting these changes, while protesters are taking to the streets in growing numbers. This trend will continue throughout the decade, and even authoritarian states will not be exempt, as China's experience in Hong Kong makes clear.

### GLOBAL IMPLICATIONS

- The relationships between rulers and citizens are less vertical and more horizontal. Trust in political leadership, and acceptance of authority, is no longer the norm, and must be earned.
- This increases the drift towards unilateralism, as governments adopt simple narratives – e.g. America First, BREXIT – in efforts to defend their perquisites and address the needs of their citizens.
- Increasingly polarized exchanges between political parties further weaken citizens' trust in politicians' ability to meet rising challenges. Populist, nationalist and sectarian political narratives proliferate. This is already evident in countries on all continents and will pose increasing challenges until new forms of governance, permitting more direct participation by citizens, and more effective outcomes, become institutionalized.

In a highly connected world, unilateral policies cannot achieve consistently positive outcomes.

### REGIONAL IMPLICATIONS

- This opens the door for subnational and transnational sectarian forces which capitalise on government weakness by addressing social needs, and fomenting revolt through alternative narratives. Syria, Iraq and Lebanon are particularly vulnerable as sub-national identities may overwhelm national citizenship.
- Stronger and more capable governments, notably the smaller Gulf emirates which have long experience of multinational societies, will enable social advancement along clearly defined, adaptive, economic and political transformation paths, building trust and strengthening solidarity. This will require close attention to emerging economic and social needs and rapid, constructive adaptation.

As the inability of weak governments to meet the needs of their citizens becomes clearer, popular revolts will become more frequent.

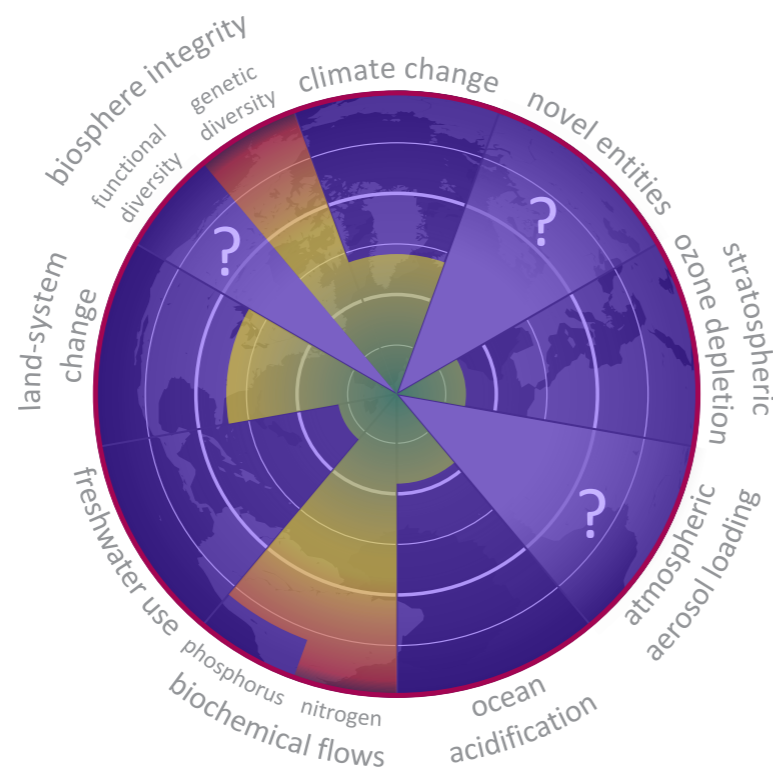
# TREND 08

## SYSTEM-WIDE STRESSES

### IMPACTS OF A GROWING, RAPIDLY-URBANIZING HUMAN POPULATION ON THE EARTH SYSTEM

#### CORE CONCEPT

A rising global, urbanizing population – 8.5 billion people on the Earth in 2030, 5.1 billion in urban environments – with higher disposable incomes, will consume more, leading to greater production and more waste. The tension between a rising global, urban population and the falling stock of groundwater, marine life, biodiversity, and a healthy atmosphere, is not sustainable. Climate change is creating a systemic feedback loop threatening human survival. There will be pressure to reduce fossil fuel use for energy, change behaviors to decouple GHG emissions from development, and discourage excessive production, accumulation, consumption and waste. Without high carbon pricing, social incentives for behavioral change, and the development of energy transition paths that enable deep decarbonization, many aspects of life will be significantly disrupted by 2030.



## GLOBAL IMPLICATIONS

- To limit warming to 1.5°C we need to slash global emissions by 45 percent by 2030 and remove 1,000 gigatons of CO<sub>2</sub> from the atmosphere by 2100, through terrestrial carbon sinks, bioenergy coupled to carbon capture and sequestration, and direct air capture. The IPCC points out that nothing on this scale has been done to date, and exceptional innovation and commitment will be required.
- This is required in addition to effecting deep decarbonization of our existing energy supplies and shifting rapidly to use of renewables. The investment needed to achieve this is about \$1 trillion a year until 2050.

The IPCC's Report on Global Warming of 1.5°C warned that climate-related risks to growth, livelihoods, health, food security and water supply will rise sharply with warming of 1.5°C above 2010 levels, and accelerate dramatically with 2°C.

## REGIONAL IMPLICATIONS

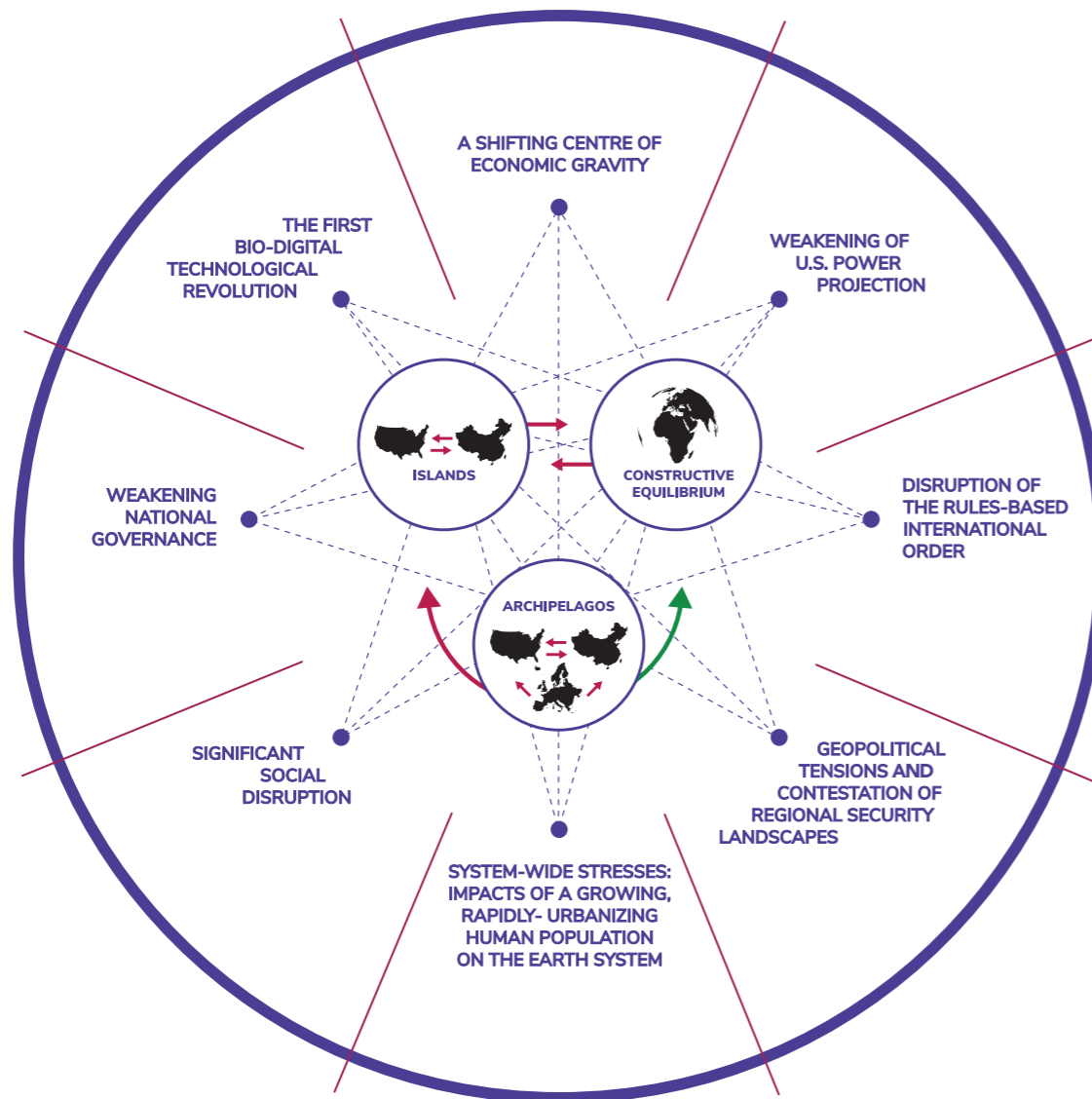
- The MENA region has less than 2 percent of the world's renewable water and includes some of the most water-scarce countries. Climate change will drive competition for scarce resources, greater poverty and forced migration, especially in the Levant. Water availability will fall in most parts of the region. Reliance on desalination will become widespread.
- Disaster risk management (DRM) policies, plans, and legislation to deal with shocks, and enable effective adaptation, must be developed further, incorporating DRM units in government to strengthen coordination based on risk assessments, early warning capabilities, risk management systems and effective data and information centers.

Countries in the Gulf – the UAE and KSA – will transition progressively towards decarbonization of energy sources, including mobility and the built environment, and wider use of renewables.

# SNAPSHOT

## THE WORLD IN 2030

### TRENDS AND SCENARIOS

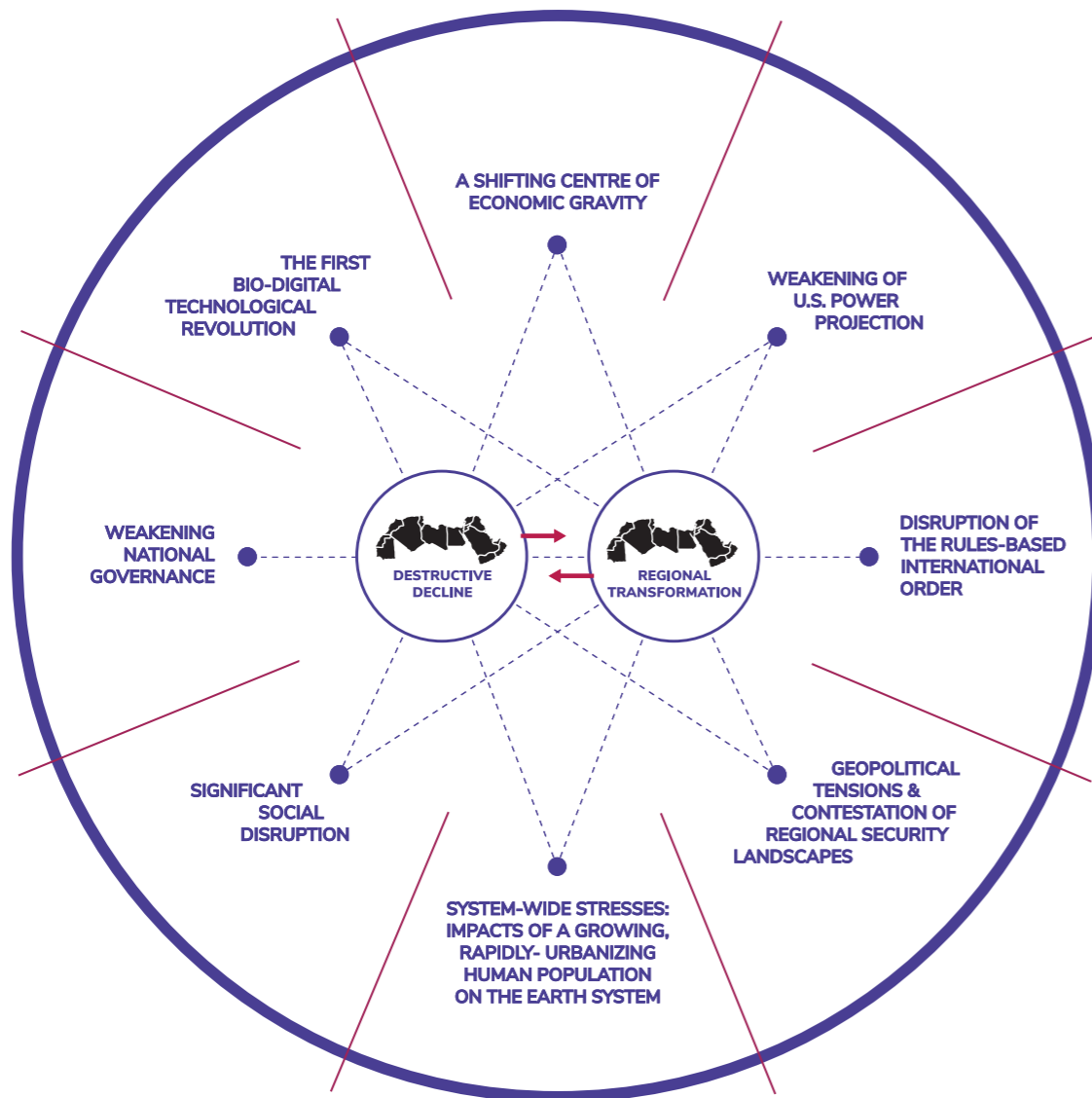


TRENDS	ISLANDS	ARCHIPELAGOS	CONSTRUCTIVE EQUILIBRIUM
A shifting center of economic gravity	Thucydides Trap	Continuous rebalancing	Adaptive evolution
Weakening of US power projection	Near exclusive focus on Pacific theatre	US power dispersed and ineffective	US power exercised through partnerships
Disruption of rules-based international order	US and PRC deadlocked on new order	EU values and PRC 4I's moderate unilateralism	New legitimate order emerges
Geopolitical tensions: Contestation of regional security landscapes	High tensions and dangerous contestation	Tensions managed, but not resolved	New core agreements
The first bio-digital technological revolution	Bifurcated standards: Fractured governance	Differentiated standards: Adaptive governance	Emerging coherence: Integrative governance
Significant social disruption	National security preeminent	Facilitation vies with suppression	Emergent new social constructs and order
Weakening national governance	Nationalistic populism	Awkward experimentation	Evolving participative governance
System-wide stresses: Impacts of a growing, rapidly-urbanizing human population on the Earth system	Looming ecological crisis	Inadequate responses: All 1.5°C targets missed	Deep decarbonization: Green New Deal

# SNAPSHOT

## THE REGION IN 2030

### TRENDS AND SCENARIOS



TRENDS	DESTRUCTIVE DECLINE	REGIONAL TRANSFORMATION
A shifting center of economic gravity	No opportunity to benefit from constructive equilibrium; increasing pressures from US and PRC in islands	Enhanced opportunity to benefit from rise of Indo-Pacific economies
Weakening of US power projection	As US is no longer the regional powerbroker, threats multiply	US re-engages for economic reasons
Disruption of rules-based international order	Arab region exposed to global vicissitudes, multiplying threats	Regional security arrangement stabilizes Gulf in world-in-transition
Geopolitical tensions: Contestation of regional security landscapes	High tensions and increased cost: of dangerous contestation	Regional security arrangement contains threats
The first bio-digital technological revolution	Arab region misses the boat: sharply rising unemployment	Stable environment enables tech leaders to invest and experiment
Significant social disruption	National security, protests and repression dominate social landscape	New social constructs and order are nurtured, and evolve
Weakening national governance	Nationalistic and sectarian populism	Evolving participative and inclusive governance
System-wide stresses: Impacts of a growing, rapidly-urbanizing human population on the Earth system	Looming ecological crisis	Deep decarbonization; energy: transitions, collaborative water management



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