Looking over the Horizon: Assessing America's Strategic Challenges

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Thank you for this opportunity to peer "over the horizon" with you — to preview our NIC 2020 Project, a year-long series of conferences and symposia examining the forces that will shape the world of 2020.

For those who don't know, the National Intelligence Council, or NIC, is a center of strategic thinking that reports to the Director of Central Intelligence in his capacity as head of the Intelligence Community as a whole. We are the government's foreign policy think tank; at least, that's the way I conceive of our role. We have both the mandate and capacity to think strategically and over the horizon, and we are better placed to do so than any other part of government.

Much of our work is dominated by current issues, especially the situation in Iraq. But we have a responsibility to maintain a longer-term perspective as well. And I would say that we have a special obligation to do so at this particular juncture in history.

As I have argued on other occasions, our country faces a more fluid and complicated set of international alignments than anything we have seen since the formation of the Western alliance system in 1949. We are facing major flux in all the areas of the world that we have traditionally considered vital: US-European relations, East Asia, and of course the Middle East. And we are simultaneously waging a global struggle against terrorism, which can take us into countries and regions traditionally low on our list of priorities.

All of this adds up to a new set of challenges and demands on U.S. Intelligence. The threats and issues we now face are dispersed and global, and they grow out of complex cultural roots. This means that both the breadth <u>and the depth</u> of our coverage have to be correspondingly greater.

On these and many other issues, we must look outside government to find the expertise on which we must draw. Here the NIC can play a critical bridging role between outside experts and policy makers.

The 2020 Project

Toward that end, last fall we launched our NIC 2020 Project. Our previous such review, Global Trends 2015, was a trail-blazing effort to bring together governmental and nongovernmental experts in a yearlong dialogue about the future. GT 2015 identified and drew conclusions about key "drivers" of global change, including demographics, natural resources and the environment, science and technology, the global economy, national and international governance, and sources of future conflict.

NIC 2020 will take up where GT 2015 left off. It will differ from that effort in three principal respects:

- 2020 will rely on *scenarios* to try to capture where these trends will lead.

- ..involve experts from around the world and offer a *global* perspective.

- ..be *web-based*, using an interactive website for ongoing global dialogue.

For our inaugural conference, we invited 25 experts from a wide variety of backgrounds to join us in a broad gauged exploration of key trends.

- These included prominent "futurists" – the longtime head of Shell's scenarios project, the head of the UN's millennium project, and the director of RAND's center for the study of the future.

- And Princeton University historian Harold James gave the keynote address, offering lessons from prior periods of "globalization."

- Beyond that, we had experts on biotechnology, information technology, demography, ethnicity, and energy, as well as more traditional regional specialists.

We are sponsoring a number of related projects on such topics as technology and power, the changing nature of warfare, the proliferation of weapons of mass destruction, climate change, and global responses to American preeminence. And we are organizing regional workshops on five continents,

and drawing on experts from academia, business, governments, foundations, and the scientific community, so that this effort will be truly global and interdisciplinary. We have commissioned local partners to convene these affairs and have helped to set them up, but then we will get out of the way so that regional experts may speak for themselves in identifying key drivers of change and a range of future scenarios.

- As the 2020 project unfolds, we are posting discussion papers, conference reports, and other material on our unclassified web site (www.cia.gov/nic), so I encourage you to follow the debate.

It might seem self-indulgent to engage in such futurology at a time when we face such urgent security challenges, but I see this as integral to our work. If we are entering a period of major flux in the international system, as I believe we are, it is important to take a longer-term strategic review – as a way of opening our minds to developments we might otherwise miss.

We are accustomed to seeing linear change, but sometimes change is logarithmic: it builds up gradually, with nothing much seeming to happen, but then major change occurs suddenly and unexpectedly.

- The collapse of the Soviet empire is one example.

- The growing pressures on China may also produce a sudden, dramatic transformation that cannot be understood by linear analysis.

As I used to say to my students at Princeton, linear analysis will get you a much-changed caterpillar, but it won't get you a butterfly. For that you need a leap of imagination. I'm hoping that the 2020 project will help us make that leap, not to *predict* the world of 2020 – that is clearly beyond our capacity – but to *prepare* for the kinds of changes that may lie ahead.

So with that as background, let me give you a kind of mid-term snapshot, which I hope will be provocative in the best sense of the term….

Drivers

Let's begin with some of the forces, the "drivers," that we can say with some confidence will shape the world of 2020. There is an analytic model for

each driver; let's deal with them in order of decreasing rigor (or "increasing fogginess") of the underlying model.

Demographics: the variables and the math are a joy for long range forecasters. Japan, Russia, and most of Europe will be coping with aging populations, unfunded pension systems, stressed social welfare systems, and shrinking work forces. This is likely to mean slower growth or no growth for these economies, and, for Europe, the influx of large new Muslim populations to fill gaps in the work forces.

- China, the world's most populous state, faces two demographic challenges: a huge increase in the working age population over the next 15 years, calling for massive job creation; followed thereafter by a sharp decline in the workforce and the rapid increase in the retired population.

Technical innovation is unpredictable by definition, but in information and biotechnology, scientific innovation will continue to accelerate. The information revolution, driven by computer processing power and telecoms, will continue to grow — if not exponentially, then according to Moore's Law (which holds that computer processing power for given cost doubles every 18 months). And discontinuous network effects — that is, the irregular "waves" that have characterized the spread of such technologies as cell phones and palm pilots, will compound this.

These technologies empower nonstate actors, alter the distribution of political power, and stress governments and societies that lack the requisite adaptive capacity.

- In Bolivia, peasants who two decades ago couldn't see or communicate beyond the next ridge recently toppled a government.

In **biotechnology**, too, we will see dramatic advances in the science, driven by recombinant DNA innovations, with profound regulatory and ethical implications. Dramatic increases in food production are possible, as are breakthroughs in disease prevention and eradication. But so is a genetically modified virus that could put mass destructive power in the hands of small groups or individuals.

Globalization *— defined for our purposes in the economic sense of the mobility of labor, capital, and technology* — will continue, because there are few forces capable of doing more than slowing it down — unless countries opt out completely, as North Korea has done. While enriching nations

overall, the process will continue to produce relative winners and losers within states. There are competing schools of thought as to which groups will be the winners and losers. The Samuelson-Stolper model holds that when two countries open their economies to each other, the scarcer factor in each is the loser (US capital v. Indian labor, e.g.), whereas Ricardo-Viner holds that the breakdown is not by scarcities but by sectors.

- In either case, the losers will blame globalization for relative losses even though those losses may have occurred because of endogenous technical change, cyclic variation, or just plain bad luck.

Anti-globalization forces also have given rise to **the search for identity** as plumbed by Benedict Anderson in *Imagined Communities*. Since the end of the Cold War, which turned out *not* to be the "end of history," we have witnessed a rise in ethnic-based conflict, a rise in religiosity, and theories of an inevitable "clash of civilizations."

- The rise of **political Islam** is one such force that is likely to be a factor out to 2020, owing to youth bulges in several Arab countries, stubborn unemployment, and the effects of orthodox religious education. The open question is whether it expresses itself peacefully or violently.

This brings us to the driver of fundamental **governability —** the adaptive capacity of governments to benefit from rapid economic and technological change, and cope with the potentially destabilizing impact of that change. Traditional elites in the Middle East, Latin America, Africa and elsewhere have proven ill equipped to deal with the new political pressures.

- Political systems that may have been up to the challenges of the 1990s will not cope in the world of 2020 unless they adapt much more radically than they show signs of doing.

Finally, one of the driving forces in the international system writ large is what we might call the problem of **American power** — not just the *use* of American power (whether we are using it wisely or unwisely), but the very fact of *having* such unrivaled power. We are in an unusual, perhaps unique, period in international politics in which one country dominates so thoroughly.

Over the past year, we in the NIC have been engaging a group of leading international relations theorists to examine strategic responses to American

preeminence. One of the group's conclusions was that traditional balance of power responses — what the Realist school would lead us to expect — are *not* likely, because other states, even in combination, lack the power to take such action and because American behavior is not sufficiently threatening to most of them.

- However, it is clear that some rogue states and terrorist organizations will seek to offset their relative weakness by waging **"asymmetric warfare"** via insurgencies, *jihads*, and pursuit of weapons of mass destruction.

Regional Trends

Having identified some of the basic drivers, the 2020 project will try to develop integrated regional pictures via a series of workshops on five continents over the next three months. Participants of varying backgrounds will be drawn from within the regions themselves so that this does not become a "made in the USA" exercise. I defer to those regional experts to tell us what they think, but here are some themes that have surfaced so far:

- In Europe, demographics and migration will be more crucial than the debates *du jour* about the European constitution, European Security and Defense Policy, or the integration of ten new members into the EU.

- Russia faces myriad problems that will test its basic governability. Observers range from pessimistic to apocalyptic; a recent study from Goldman Sachs on the "BRICs" — Brazil, Russia, India, and China — was one of the few upbeat forecasts.

- East Asia will be dominated by the question of China. Will it be a fairly benign regional power with constrained global ambitions, or are we headed toward a new era of US-Chinese competition?

- In Latin America, anti-globalization pressures may overwhelm weak governments and reawaken radical class-based movements.

- Demographics and disease, coupled with poor governance, will continue to determine Africa's future. In that bleak picture, biotechnology could be a positive wild card, with the potential for ameliorating food shortages and disease.

- In the Middle East, the social contract in several countries will surely break down, leading to liberalizing change in some and radicalism in others. Iraq's future evolution is obviously a major determinant. Arab-Israeli peace is the positive wild card to consider.

Global Scenarios

The final stage of the project will be to construct three to four global scenarios. Mindful that drivers and regional trends interact in essentially unpredictable ways, we will not even attempt to project the world of 2020 but rather explore multiple "futures" that meet the standards of plausibility and relevance to policymakers.

For the sake of discussion, let me offer three possible scenarios — as a kind of test run — that we might think about as the 2020 project proceeds.

Let me stress that these are not predictions, nor are they official government reports. Scenarios are stories — plausible constructs about future possibilities that are meant to open our thinking. And these scenarios are not finished products; they are examples of the way we might think about the future.

Pax Americana — or, if you prefer the German term used by Metternich and Kissinger, "America as *Ordnungsmacht*." In this scenario, the United States has managed to use its post-Cold War preeminence to patch together, with difficulty, a new global order. US power is the key driver, yet it is not the American-dominated system some hoped and others feared it might be. Rather, the system reflects a number of tradeoffs required to bring other countries in and keep them in. In the language of political economy, the United States provides "public goods" of a *Pax Americana* that others find sufficiently beneficial to induce them to eschew direct challenges to American leadership. Although unipolar in form, the system is in fact a *multilateral* enterprise in which American power is even more constrained than it was during the Cold War.

The global trading and financial system under *Pax Americana* is more heterogeneous, reflecting the numerous deals cut to accommodate and integrate China, India, Indonesia, Brazil, and other rising economic powers — by allowing them to continue following looser labor, regulatory, and environmental standards. They are in, but the international economy is less efficient and less beneficial to the United States. In short, geopolitics trumps

economics in this scenario. The international system writ large is a loose one, with regional powers and organizations playing larger roles and the United States playing the role of external balancer. Other states are free to pursue their own interests and get to be security free-riders, while the United States voluntarily sacrifices some its particular interests for the sake of "the system" and its nominal leadership thereof.

Davos-World — This is the world envisioned by the elites of the annual World Economic Forum in Davos, Switzerland. Unfettered economic globalization, led by multinational corporations and commercially oriented governments, drives this scenario. Rising economic powers led by China and India find that they can play — and prosper — within the existing rules of the global trading system. Unlike the previous scenario, they play by our rules — and learn to play very well indeed. They do not gain a commensurate share of political power in this system — they do not get to set the rules of the global trading system, for example — but are willing to bide their time so long as the economic returns are high. Advanced industrial economies and emerging economies alike do well in this system, though the latter grow at nearly triple the rate of the original OECD countries. The Chinese economy is by 2020 poised to overtake the United States as the world's largest.

All is not well in this open-economy Valhalla, however. Relative losers within each economy are vocal about it; gains are widely distributed but costs are focused, usually by sector, often by region. The global environment suffers, though the advanced industrial economies are able to mitigate most of the effects of greenhouse gases and global warming while the poorest countries get poorer still. The United States prospers in this scenario, though its leadership role is much attenuated with the rise of rival economic powers and the diminishing practical utility of its vast military arsenal. Other countries are less inclined to follow our lead — but also have less reason to resent us or seek to constrain our power. Davos-World is a dynamic system but a potentially volatile one, because so many new forces have been unleashed. By 2020, countries that have grown most rapidly must either achieve "dynamic stability" or face internal collapse.

New World Disorder — This is a more complicated scenario. Unlike the first two, which are purposefully driven by politics and economics, this scenario is the inadvertent result of a confluence of unrelated but plausible events that conspire to disrupt the global order:

- In Europe and Japan, two successive summers like the ultra-hot summer of 2003 contribute to the further "Greening" of the political scene. (Public perceptions, rather than scientific evidence per se, tilts the balance.)

- At the same time, advances in biotechnology lead to sharper global conflicts over genetically modified organisms; Europe withdraws into a green protectionist and regulatory tent, while the US, China, and most of the developing world embrace biotech and resist Europe in the WTO.

- The United States, meanwhile, remains preoccupied with international terrorism and still unresolved conflicts in the Middle East. The two dynamics increasingly fuel each other.

- The American economy bogs down, affected by — and contributing to — a global economic downturn, which in turn prompts a new protectionist backlash as countries erect tariff barriers to protect domestic jobs.

With the United States and Europe at odds, international cooperation erodes rapidly. NATO is disbanded — in the very year that its new headquarters building was finally completed. The UN system is paralyzed, with US and French vetoes and counter-vetoes a routine matter. The WTO ceases to function as a dispute resolution mechanism. The EU, too, is hobbled. The United States manages rather better than others in this disorderly scenario, but its own future evolution is hobbled by a deeply divided global system.

Conclusion

Obviously, there are many other scenarios that one could envision — of US-Chinese competition, growing regionalism, or apocalyptic events that make the "new world disorder" scenario look benign by contrast. I offer these three for discussion because they are quite distinctive, contain paradoxes and surprises, and, with the partial exception of the third, are neither entirely rosy nor all negative — much like life itself.

Thanks for your attention. I look forward to your questions and comments.