

Summary of Franck Debié's presentation by one of the participants

Ideas Network 2030, Oxford, 14 September 2019

Perspectives and policy challenges to 2030

Takeaways from the three ESPAS reports 2012, 2015, 2019

ESPAS is an inter-institutional cooperation at administrative level in the area of strategic thinking. It identifies medium and long-term global trends. At the beginning of each cycle, a report on key long-term global trends is delivered to the new Presidents of the EU institutions. To date, ESPAS has published three reports (in 2012, 2015 and 2019) enabling the reader to understand how global mega-trends have evolved over the last decade and how they may look like in the future.

1. From fragmented multi-polar to confrontational multi-nodal

As soon as 2012, ESPAS noted that the economic weight and political power is shifting to Asia and this trend is set to continue over the next decades. Europe and the United States would no longer dominate globally the multilateral framework. Economic emergence would also increase the capacities of small or medium sized powers, likely to engage in regional power politics in a more autonomous fashion. The end-result could be a more fragmented world in which multilateral institutions would find it more difficult to intervene, while powerful individuals, networks and non-state actors would continue gaining influence.

The ESPAS report 2014 confirmed the return of power politics, including by major actors such as Russia or China. Hybrid warfare and destabilisation would be part of the power game. This return to power politics interact with a large number of State failures around the European Union, in Northern Africa, the Sahel and the Middle East. An arc of crisis with a significant number of unresolved low intensity conflicts could become the new normal for Europe.

The latest ESPAS report introduced the notion of a multi-nodal world in which countries or major cities emerge as places where capital flows, talent and influence converge. Even if they are not global centres of power able to use all tools of political influence, these places contribute to ad-hoc coalition building and contribute to shape the global economy. At the same time, the hypothesis of a realignment of alliances around China on one side and the US on the other resurfaces with Chinese activism and US declared intention to challenge it. In this context, defence expenditures increase substantially and are expected to grow

further in the decades to come. Europe’s security and stability is also expected to continue being challenged by political and social destabilisation in its neighbourhood. Florence Gaub wrote in the 2019 ESPAS report: “We will have to accept that conflicts will be part of our future.”

Geopolitical confrontation may return as the main driving factor of the global economy - with trade and currency wars - the technology and even internal politics in many countries while economic globalisation has set the tone for the last 25 years.

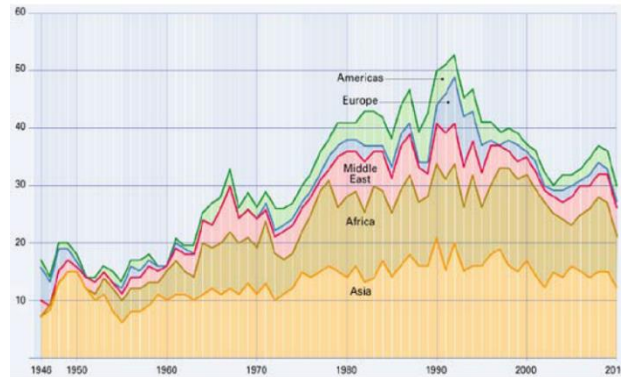


Figure 2: Number of conflicts in the World (1946-2010)

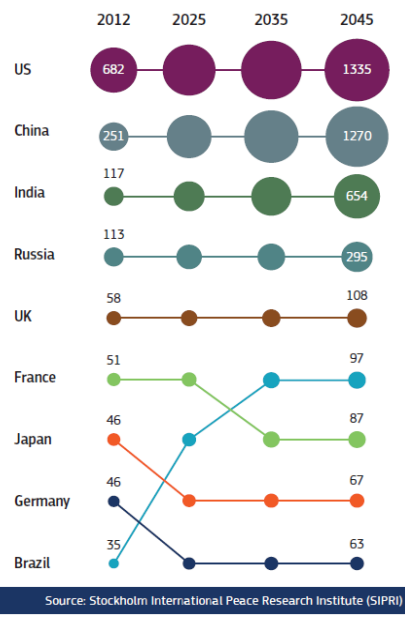


Figure 3: Projection of defence expenditure in world’s major powers

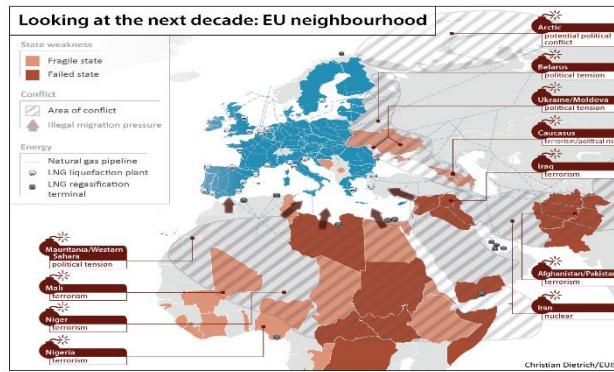


Figure 4: Power politics and crises (Source: 2015 ESPAS report)

2. From globalisation to slowbalisation

The 2012 ESPAS report documented that globalisation would not only continue, but would be increasingly affecting the service market and would be affecting segments of a global labour markets. As a result, a large middle class would emerge in Asia, and to a lesser extent in Latin America, the MENA region and Africa, sharing with the Western middle class certain consumption patterns if not certain values. Since then, the advanced economies (i.e. United States, Europe and Japan) have become more vulnerable since the 2008 global financial crisis, with high levels of private and public debt in conjunction with low levels of GDP growth, despite accommodating monetary policies. In the near-term, heightened uncertainties will continue weighing on global growth, including notably rising protectionism and trade tensions, in particular between the United States and China, and Brexit. As a result, global trade growth has slowed and will continue to be under pressure while investment, jobs and living standards could be further negatively impacted.

	2000	2010	2012	2015	2018
United States	4.1%	2.6%	2.2%	2.9%	2.9%
China	8.4%	10.6%	7,9%	6.9%	6.6%
Euro area	3.8%	2.1%	-0.9%	2.1%	1.8%
European Union	3.9%	2.0%	-0.3%	2.4%	2.1%

Table 1: Real GDP growth (Source: IMF)

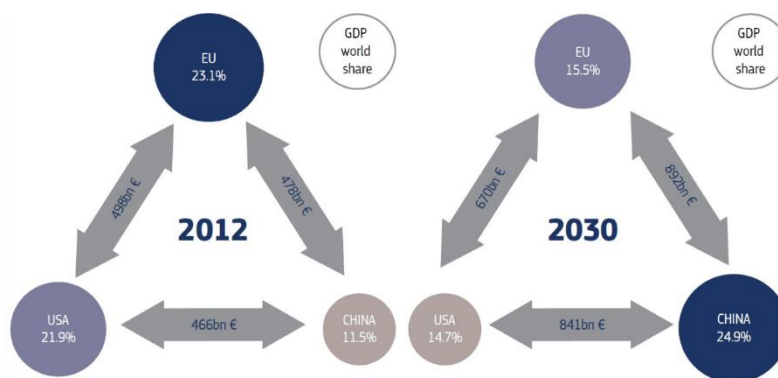


Figure 5: Bilateral Trade Flows and World GDP share of the three economic powers
(Source: 2013 CEPS report for ESPAS)

Addressing climate change has become a major challenge. It has major economic disruptive consequences (e.g. droughts, flood, and extreme heat) and an immediate impact on poverty, if global temperatures increase by over 1.5 degrees Celsius. Only joint efforts by Europe, the United States, China and other major economies can help address this challenge at an acceptable economic cost.

Policy choices	Climate change scenario			
	No climate change	Low-impact scenario		High-impact scenario
	Number of people in extreme poverty by 2030	Additional number of people in extreme poverty due to climate change by 2030		
Prosperity scenario	142 million	+ 3 million		+ 16 million
		Minimum +3 million	Maximum +6 million	Minimum +16 million Maximum +25 million
Poverty scenario	90 million	+ 35 million		+ 122 million
		Minimum -25 million	Maximum +97 million	Minimum +33 million Maximum +165 million

Source: Rozenberg and Hallegatte, forthcoming.
Note: The main results use the two representative scenarios for prosperity and poverty. The ranges are based on 60 alternative poverty scenarios and 60 alternative prosperity scenarios.

Table 2: Climate change deflator

3. From digital empowerment of the individual to digital empowerment of the State

There are more people able to communicate over the internet and able to move further through better infrastructures. Modern technology, artificial intelligence and big data in particular, will create additional opportunities, such as improvements in human lives. This connectivity mega-trend will continue over the next decades.

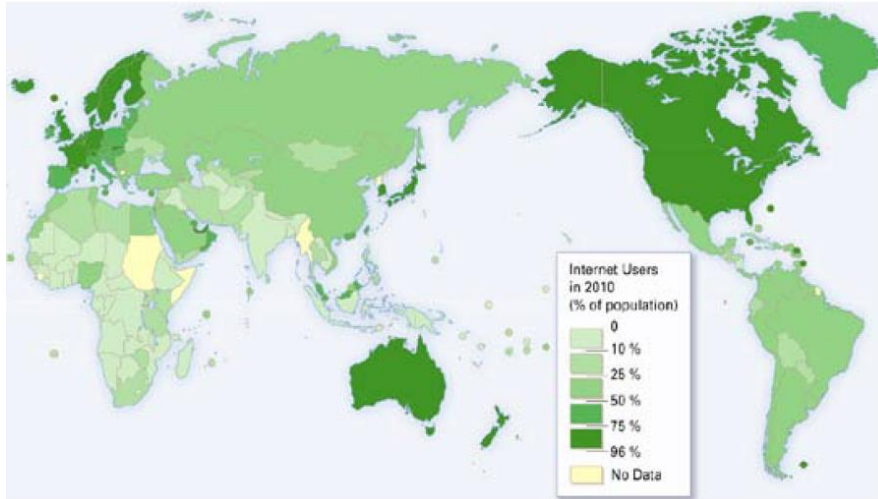


Figure 9: Internet users in the world in 2010

However, this multi-tech revolution has been taking place with an investment gap in Europe. Indeed, there are few European companies in the top R&D spenders of the world -- companies being generally American and Asian. This is a source of increasing vulnerability and potential dependence of Europe in the future.

THE 2015 TOP 20 R&D SPENDERS

Rank	Company	Industry	2015 R&D Spending (US\$ billion)	Intensity (R&D spending as a % of revenue)
1	Volkswagen	Auto	\$15.3	5.7%
2	Samsung	Computing and electronics	\$14.1	7.2%
3	Intel	Computing and electronics	\$11.5	20.6%
4	Microsoft	Software and Internet	\$11.4	13.1%
5	Roche	Healthcare	\$10.8	20.8%
6	↑ Google	Software and Internet	\$9.8	14.9%
7	↑ Amazon	Software and Internet	\$9.3	10.4%
8	↓ Toyota	Auto	\$9.2	3.7%
9	↓ Novartis	Healthcare	\$9.1	17.3%
10	↓ Johnson & Johnson	Healthcare	\$8.5	11.4%
11	↑ Pfizer	Healthcare	\$8.4	16.9%
12	Daimler	Auto	\$7.6	4.4%
13	↓ General Motors	Auto	\$7.4	4.7%
14	↓ Merck	Healthcare	\$7.2	17.0%
15	Ford	Auto	\$6.9	4.8%
16	Sanofi	Healthcare	\$6.4	14.1%
17	↑ Cisco Systems	Computing and electronics	\$6.3	13.4%
18	NEW Apple	Computing and electronics	\$6.0	3.3%
19	GlaxoSmithKline	Healthcare	\$5.7	15.0%
20	NEW AstraZeneca	Healthcare	\$5.6	21.4%

↑ Increase or decrease within Top 20 ranking compared to 2014

Source: Strategy& 2015 Global Innovation 1000 analysis, Bloomberg data, Capital IQ data

Figure 10: The 2015 top R&D spenders

Technological progress could also be used as a weapon, e.g. in modern warfare to kill or to destabilise our Western democracies and its structures via disinformation, mass surveillance and election meddling rising. While the ESPAS 2012 was betting on more empowered individuals, the ESPAS 2019 also

describes the potential of the new technologies to reinforce authoritarian regimes and spread their model of governance together with techniques of surveillance.

4. The global society : from global convergence to local struggle

More empowered individuals have emerged out of the economic and digital revolution, which has drastically changed the functioning of economies and societies. It has created huge opportunities including productivity and welfare gains. The world's middle class should grow significantly between 2010 and 2030, especially in Asia.

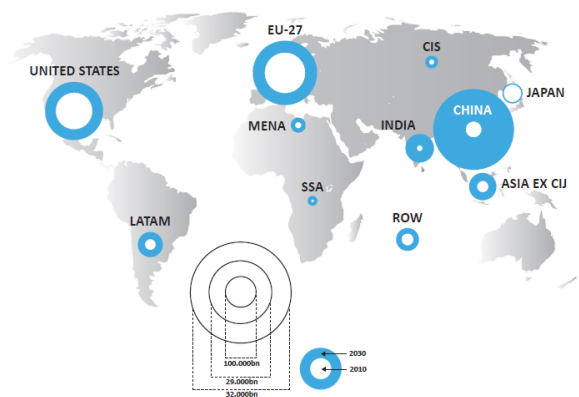


Figure 6: Projection of the world middle class growth

However, at the same time several disruptions could materialise. Inequalities within societies have continued rising since the 2008 global financial crisis. The wealthiest 1% of the world's population may own two-thirds of its wealth in 2030, up from half of what it owns today. Unemployment of low skilled workers has also been on the rise against the backdrop of the fourth industrial revolution. Digital transformation is entering in its critical phase in which almost every sector of the economy is disrupted, with new digital ecosystems taking over traditional business models and well established market shares. In a digital society, automation now starts to have massive positive and negative impacts on employment. It will translate into large jobs creation and destruction. Connectivity and reskilling become crucial in this new context.

When	Where	Jobs		Predictor
		Destroyed	Jobs Created	
2016	worldwide		900,000 to 1,500,000	Metra Martech
2018	US jobs	13,852,530	3,078,340	Forrester
2020	worldwide		1,000,000-2,000,000	Metra Martech
2020	worldwide	1,800,000	2,300,000	Gartner
2020	sampling of 15 countries	7,100,000	2,000,000	World Economic Forum (WEF)
2021	worldwide		1,900,000-3,500,000	The International Federation of Robotics
2021	US jobs	9,108,900		Forrester
2022	worldwide	1,000,000,000		Thomas Frey
2025	US jobs	24,186,240	13,604,760	Forrester
2025	US jobs	3,400,000		ScienceAlert
2027	US jobs	24,700,000	14,900,000	Forrester
2030	worldwide	2,000,000,000		Thomas Frey
2030	worldwide	400,000,000-800,000,000		McKinsey
2030	US jobs	58,164,320		PWC
2033	US jobs	67,876,460		Oxford University
2035	US jobs	80,000,000		Bank of England
2035	UK jobs	15,000,000		Bank of England
No Date	US jobs	13,584,320		OECD
No Date	UK jobs	13,700,000		IPB

*Values that were given as percentages were converted to number of jobs based on the number of jobs in the US when the prediction was made according to the BLS

Figure 11: Predicted job automation will create and destroy (Source: Winick, 2018)

This unprecedented speed of development will increasingly put decision-makers under pressure to deliver results in the short term, at a pace similar to the one of digital transformation, in democracies made more vulnerable to manipulation and destabilization from outside and inside.

Aging, forced migration, as well as the failure of so-called ‘integration policies’ in countries where immigrant settle many times reinforce inequalities. In many places, the elderly, the children of migrants and the poor all feel that their marginalisation has little chance to be reversed. They feel ‘left behind’, and this perception is shared by a significant part of the lower middle class in the North.

The social contract of the past, based on agreements between well-established structures - parties, trade unions, churches, etc... - is being challenged with the emergence of widespread anti-establishments feelings. That has led to the rise of social nationalism whose promise is to close the economy against global competitors, capital flows and migrants, and then - within the straight boundaries of the local economy - to re-establish solidarity mainly among the natives.

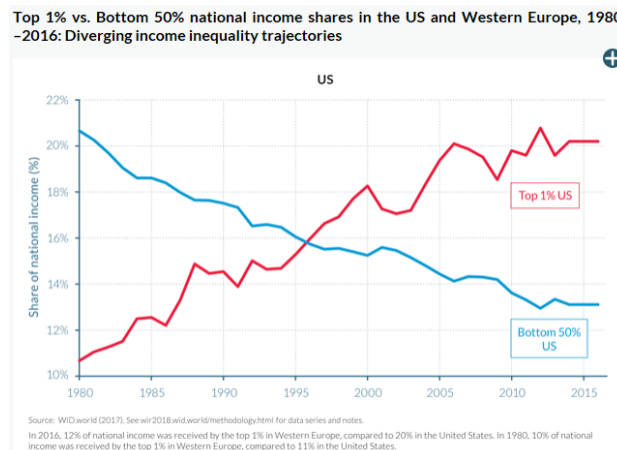
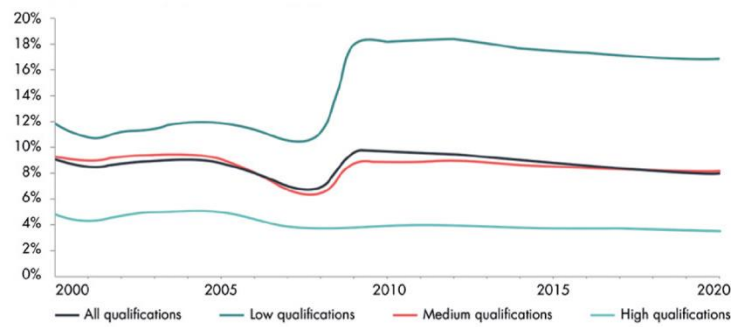


Figure 7: Rising inequalities in the US (1980-2016)



Source: Cedefop, *Skills supply and demand in Europe. Medium-term forecast up to 2020*, April 2010 (IER estimates based on E3ME, EDMOD and BALMOD).

Figure 8: Unemployment rate by qualification category in the EU (2000-2020)

The better focus gained through the three successive ESPAS on trends to 2030 indicates policy challenges to be addressed by decision makers at EU as well as at global level :

- (global) climate change policies to avoid a massive deflator effect on growth in decades to come;
- ‘deep social change’ policies addressing together aging, integration and migration;
- social pact for the digital age;
- the foreign policy and instruments fit for renewed power politics and China’s less peaceful rise;
- accelerated strategic capacity building in the EU