

National Intelligence Council

Global Trends 2025: A Transformed World

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Executive Summary

Historically, emerging multipolar systems have been more unstable than bipolar or unipolar ones. Despite the recent financial volatility—which could end up accelerating many ongoing trends—we do not believe that we are headed towards a complete breakdown of the international system—as occurred in 1914-1918 when an earlier phase of globalization came to a halt. But, the next 20 years of transition to a new system are fraught with risks. **Strategic rivalries are most likely to revolve around trade, investments, and technological innovation and acquisition, but we cannot rule out a 19th century-like scenario of arms races, territorial expansion, and military rivalries.**

This is a story with no clear outcome, as illustrated by a series of vignettes we use to map out divergent futures. Although the United States is likely to remain the single most powerful actor, the United States' relative strength—even in the military realm—will decline and US leverage will become more constrained. At the same time, the extent to which other actors—both state and nonstate—will be willing or able to shoulder increased burdens is unclear. **Policymakers and publics will have to cope with a growing demand for multilateral cooperation when the international system will be stressed by the incomplete transition from the old to a still forming new order.**

Economic Growth Fueling Rise of Emerging Players

In terms of size, speed, and directional flow, the transfer of global wealth and economic power now under way—roughly from West to East—is without precedent in modern history. This shift derives from two sources. First, increases in oil and commodity prices have generated windfall profits for the Gulf States and Russia. Second, lower costs

combined with government policies have shifted the locus of manufacturing and some service industries to Asia.

Growth projections for Brazil, Russia, India, and China indicate they will collectively match the original G-7's share of global GDP by 2040-2050. China is poised to have more impact on the world over the next 20 years than any other country. If current trends persist, by 2025 China will have the world's second largest economy and will be a leading military power. It also could be the largest importer of natural resources and the biggest polluter. India probably will continue to enjoy relatively rapid economic growth and will strive for a multipolar world in which New Delhi is one of the poles. China and India must decide the extent to which they are willing and capable of playing increasing global roles and how each will relate to the other. Russia has the potential to be richer, more powerful, and more self-assured in 2025. If it invests in human capital, expands and diversifies its economy, and integrates with global markets, by 2025 Russia could boast a GDP approaching that of the UK and France. On the other hand, Russia could experience a significant decline if it fails to take these steps and oil and gas prices remain in the \$50-70 per barrel range. No other countries are projected to rise to the level of China, India, or Russia, and none is likely to match their individual global clout. We expect, however, to see the political and economic power of other countries—such as Indonesia, Iran, and Turkey—increase.

For the most part, China, India, and Russia are not following the Western liberal model for self-development but instead are using a different model, “state capitalism.” State capitalism is a loose term used to describe a system of economic management that gives a prominent role to the state. Other rising powers—South Korea, Taiwan, and Singapore—also used state capitalism to develop their economies. However, the impact of China following this path is potentially much greater owing to its size and approach to “democratization.” Nevertheless, we remain optimistic about the long-term prospects for greater democratization, even though advances are likely to be slow and globalization is subjecting many recently democratized countries to increasing social and economic pressures with the potential to undermine liberal institutions.

Many other countries will fall further behind economically. Sub-Saharan Africa will remain the region most vulnerable to economic disruption, population stresses, civil conflict, and political instability. Despite increased global demand for commodities for which Sub-Saharan Africa will be a major supplier, local populations are unlikely to experience significant economic gain. Windfall profits arising from sustained increases in commodity prices might further entrench corrupt or otherwise ill-equipped governments in

several regions, diminishing the prospects for democratic and market-based reforms. Although many of Latin America's major countries will have become middle income powers by 2025, others, particularly those such as Venezuela and Bolivia which have embraced populist policies for a protracted period, will lag behind—and some, such as Haiti, will have become even poorer and less governable. Overall, Latin America will continue to lag behind Asia and other fast-growing areas in terms of economic competitiveness.

Asia, Africa, and Latin America will account for virtually all population growth over the next 20 years; less than 3 percent of the growth will occur in the West. Europe and Japan will continue to far outdistance the emerging powers of China and India in per capita wealth, but they will struggle to maintain robust growth rates because the size of their working-age populations will decrease. The US will be a partial exception to the aging of populations in the developed world because it will experience higher birth rates and more immigration. The number of migrants seeking to move from disadvantaged to relatively privileged countries is likely to increase.

The number of countries with youthful age structures in the current “arc of instability” is projected to decline by as much as 40 percent. Three of every four youth-bulge countries that remain will be located in Sub-Saharan Africa, nearly all of the remainder will be located in the core of the Middle East, scattered through southern and central Asia, and in the Pacific Islands.

New Transnational Agenda

Resource issues will gain prominence on the international agenda. Unprecedented global economic growth—positive in so many other regards—will continue to put pressure on a number of highly strategic resources, including energy, food, and water, and demand is projected to outstrip easily available supplies over the next decade or so. For example, non-OPEC liquid hydrocarbon production—crude oil, natural gas liquids, and unconventional such as tar sands—will not grow commensurate with demand. Oil and gas production of many traditional energy producers already is declining. Elsewhere—in China, India, and Mexico—production has flattened. Countries capable of significantly expanding production will dwindle; oil and gas production will be concentrated in unstable areas. As a result of this and other factors, the world will be in the midst of a fundamental energy transition away from oil toward natural gas and coal and other alternatives.

The World Bank estimates that demand for food will rise by 50 percent by 2030, as a result

of growing world population, rising affluence, and the shift to Western dietary preferences by a larger middle class. Lack of access to stable supplies of water is reaching critical proportions, particularly for agricultural purposes, and the problem will worsen because of rapid urbanization worldwide and the roughly 1.2 billion persons to be added over the next 20 years. Today, experts consider 21 countries, with a combined population of about 600 million, to be either cropland or freshwater scarce. Owing to continuing population growth, 36 countries, with about 1.4 billion people, are projected to fall into this category by 2025.

Climate change is expected to exacerbate resource scarcities. Although the impact of climate change will vary by region, a number of regions will begin to suffer harmful effects, particularly water scarcity and loss of agricultural production. Regional differences in agricultural production are likely to become more pronounced over time with declines disproportionately concentrated in developing countries, particularly those in Sub-Saharan Africa. Agricultural losses are expected to mount over time with substantial impacts forecast by most economists by late this century. For many developing countries, decreased agricultural output will be devastating because agriculture accounts for a large share of their economies and many of their citizens live close to subsistence levels.

New technologies could again provide solutions, such as viable alternatives to fossil fuels or means to overcome food and water constraints. However, all current technologies are inadequate for replacing the traditional energy architecture on the scale needed, and new energy technologies probably will not be commercially viable and widespread by 2025. The pace of technological innovation will be key. Even with a favorable policy and funding environment for biofuels, clean coal, or hydrogen, the transition to new fuels will be slow. Major technologies historically have had an “adoption lag.” In the energy sector, a recent study found that it takes an average of 25 years for a new production technology to become widely adopted.

Despite what are seen as long odds now, we cannot rule out the possibility of an energy transition by 2025 that would avoid the costs of an energy infrastructure overhaul. The greatest possibility for a relatively quick and inexpensive transition during the period comes from better renewable generation sources (photovoltaic and wind) and improvements in battery technology. With many of these technologies, the infrastructure cost hurdle for individual projects would be lower, enabling many small economic actors to develop their own energy transformation projects that directly serve their interests—e.g., stationary fuel cells powering homes and offices, recharging plug-in hybrid autos, and selling energy back to the grid. Also, energy conversion schemes—such as plans to generate hydrogen for automotive fuel cells from electricity in the homeowner’s garage—could avoid the need to develop complex hydrogen transportation infrastructure.

Terrorism, proliferation, and conflict will remain key concerns even as resource issues move up on the international agenda. Islamic terrorism is unlikely to disappear by 2025, but its appeal could diminish if economic growth continues and youth unemployment is mitigated in the Middle East. Economic opportunities for youth and greater political pluralism probably would dissuade some from joining terrorists' ranks, but others—motivated by a variety of factors, such as a desire for revenge or to become “martyrs”—will continue to turn to violence to pursue their objectives.

In the absence of employment opportunities and legal means for political expression, conditions will be ripe for disaffection, growing radicalism, and possible recruitment of youths into terrorist groups. Terrorist groups in 2025 will likely be a combination of descendants of long-established groups—that inherit organizational structures, command and control processes, and training procedures necessary to conduct sophisticated attacks—and newly emergent collections of the angry and disenfranchised that become self-radicalized. For those terrorist groups that are active in 2025, the diffusion of technologies and scientific knowledge will place some of the world's most dangerous capabilities within their reach. One of our greatest concerns continues to be that terrorist or other malevolent groups might acquire and employ biological agents, or less likely, a nuclear device, to create mass casualties.

Although Iran's acquisition of nuclear weapons is not inevitable, other countries' worries about a nuclear-armed Iran could lead states in the region to develop new security arrangements with external powers, acquire additional weapons, and consider pursuing their own nuclear ambitions. It is not clear that the type of stable deterrent relationship that existed between the great powers for most of the Cold War would emerge naturally in the Middle East with a nuclear-weapons capable Iran. Episodes of low-intensity conflict taking place under a nuclear umbrella could lead to an unintended escalation and broader conflict if clear red lines between those states involved are not well established.

We believe ideological conflicts akin to the Cold War are unlikely to take root in a world in which most states will be preoccupied with the pragmatic challenges of globalization and shifting global power alignments. The force of ideology is likely to be strongest in the Muslim world—particularly the Arab core. In those countries that are likely to struggle with youth bulges and weak economic underpinnings—such as Pakistan, Afghanistan, Nigeria, and Yemen—the radical Salafi trend of Islam is likely to gain traction.

Types of conflict we have not seen for awhile—such as over resources—could reemerge. Perceptions of energy scarcity will drive countries to take actions to assure their future access to energy supplies. In the worst case, this could result in interstate conflicts if government leaders deem assured access to energy resources, for example, to be essential for maintaining domestic stability and the survival of their regimes. However, even actions short of war will have important geopolitical consequences. Maritime security concerns are providing a rationale for naval buildups and modernization efforts, such as China's and India's development of blue-water naval capabilities. The buildup of regional naval capabilities could lead to increased tensions, rivalries, and counterbalancing moves but it also will create opportunities for multinational cooperation in protecting critical sea lanes. With water becoming more scarce in Asia and the Middle East, cooperation to manage changing water resources is likely to become more difficult within and between states.

The risk of nuclear weapon use over the next 20 years, although remaining very low, is likely to be greater than it is today as a result of several converging trends. The spread of nuclear technologies and expertise is generating concerns about the potential emergence of new nuclear weapon states and the acquisition of nuclear materials by terrorist groups. Ongoing low-intensity clashes between India and Pakistan continue to raise the specter that such events could escalate to a broader conflict between those nuclear powers. The possibility of a future disruptive regime change or collapse occurring in a nuclear weapon state such as North Korea also continues to raise questions regarding the ability of weak states to control and secure their nuclear arsenals.

If nuclear weapons are used in the next 15-20 years, the international system will be shocked as it experiences immediate humanitarian, economic, and political-military repercussions. A future use of nuclear weapons probably would bring about significant geopolitical changes as some states would seek to establish or reinforce security alliances with existing nuclear powers and others would push for global nuclear disarmament.

A More Complex International System

The trend toward greater diffusion of authority and power that has been occurring for a couple decades is likely to accelerate because of the emergence of new global players, the worsening institutional deficit, potential expansion of regional blocs, and enhanced strength of nonstate actors and networks. The multiplicity of actors on the international scene could add strength—in terms of filling gaps left by aging post-World War II institutions—or further fragment the international system and incapacitate international cooperation. The diversity in type of actor raises the likelihood of fragmentation occurring

over the next two decades, particularly given the wide array of transnational challenges facing the international community.

The rising BRIC powers are unlikely to challenge the international system as did Germany and Japan in the 19th and 20th centuries, but because of their growing geopolitical and economic clout, they will have a high degree of freedom to customize their political and economic policies rather than fully adopting Western norms. They also are likely to want to preserve their policy freedom to maneuver, allowing others to carry the primary burden for dealing with such issues as terrorism, climate change, proliferation, and energy security.

***Existing multilateral institutions*—which are large and cumbersome and were designed for a different geopolitical order—appear unlikely to have the capacity to adapt quickly to undertake new missions, accommodate changing memberships, and augment their resources.**

Nongovernmental organizations (NGOs)—concentrating on specific issues—increasingly will be a part of the landscape, but NGO networks are likely to be limited in their ability to effect change in the absence of concerted efforts by multilateral institutions or governments. Efforts at greater inclusiveness—to reflect the emergence of the newer powers—may make it harder for international organizations to tackle transnational challenges. Respect for the dissenting views of member nations will continue to shape the agenda of organizations and limit the kinds of solutions that can be attempted.

Greater Asian regionalism—possible by 2025—would have global implications, sparking or reinforcing a trend toward three trade and financial clusters that could become quasi-blocs: North America, Europe, and East Asia. Establishment of such quasi-blocs would have implications for the ability to achieve future global World Trade Organization (WTO) agreements. Regional clusters could compete in setting trans-regional product standards for information technology, biotech, nanotech, intellectual property rights, and other aspects of the “new economy.” On the other hand, an absence of regional cooperation in Asia could help spur competition among China, India, and Japan over resources such as energy.

Intrinsic to the growing complexity of the overlapping roles of state, institutions, and nonstate actors is the proliferation of political identities, which is leading to establishment of new networks and rediscovered communities. No one political identity is likely to be dominant in most societies by 2025. Religion-based networks may be quintessential issue

networks and overall may play a more powerful role on many transnational issues such as the environment and inequalities than secular groupings.

The United States: Less Dominant Power

By 2025 the US will find itself as one of a number of important actors, albeit still the most powerful one, on the world stage. Even in the military realm, where the US will continue to possess considerable advantages in 2025, advances by others in science and technology, expanded adoption of irregular warfare tactics by both state and nonstate actors, proliferation of long-range precision weapons, and growing use of cyber warfare attacks increasingly will constrict US freedom of action. **A more constrained US role has implications for others and the likelihood of new agenda issues being tackled effectively.**

Despite the recent rise in anti-Americanism, the US probably will continue to be seen as a much-needed regional balancer in the Middle East and Asia. The US will continue to be expected to play a significant role in using its military power to counter global terrorism. On newer security issues like climate change, US leadership will widely be perceived as critical to leveraging competing and divisive views to find solutions. At the same time, the multiplicity of influential actors and distrust of vast power means less room for the US to call the shots without the support of strong partnerships. Developments in the rest of the world, including internal developments in a number of key states—particularly China and Russia—are also likely to be crucial determinants of US policy.

2025—What Kind of Future?

The above **trends suggest major discontinuities, shocks, and surprises**, which we highlight throughout the text. Examples include nuclear weapons use or a pandemic. In some cases, the surprise element is only a matter of timing: an energy transition, for example is inevitable; the only questions are when and how abruptly or smoothly such a transition occurs. An energy transition from one type of fuel (fossil fuels) to another (alternative) is an event that historically has only happened once a century at most with momentous consequences. The transition from wood to coal helped trigger industrialization. In this case, a transition—particularly an abrupt one—out of fossil fuels would have major repercussions for energy producers in the Middle East and Eurasia, potentially causing permanent decline of some states as global and regional powers.

Other discontinuities are less predictable. They are likely to result from an interaction of several trends and depend on the quality of leadership. We put uncertainties such as

whether China or Russia becomes a democracy in this category. China's growing middle class increases the chances but does not make such a development inevitable. Political pluralism seems less likely in Russia in the absence of economic diversification. Pressure from below may force the issue, or a leader might begin or enhance the democratization process to sustain the economy or spur economic growth. A sustained plunge in the price of oil and gas would alter the outlook and increase prospects for greater political and economic liberalization in Russia. If either country were to democratize, it would represent another wave of democratization with wide significance for many other developing states.

Also uncertain are the outcomes of demographic challenges facing Europe, Japan, and even Russia. In none of these cases does demography have to spell destiny with less regional and global power an inevitable outcome. Technology, the role of immigration, public health improvements, and laws encouraging greater female participation in the economy are some of the measures that could change the trajectory of current trends pointing toward less economic growth, increased social tensions, and possible decline.

Whether global institutions adapt and revive—another key uncertainty—also is a function of leadership. Current trends suggest a dispersion of power and authority will create a global governance deficit. Reversing those trend lines would require strong leadership in the international community by a number of powers, including the emerging ones.

Some uncertainties would have greater consequences—should they occur—than would others. In this work, we emphasize the overall potential for greater conflict—some forms of which could threaten globalization. We put WMD terrorism and a Middle East nuclear arms race in this category. The key uncertainties and possible impacts are discussed in the text and summarized in the textbox on page vii on relative certainties. In the four fictionalized scenarios, we have highlighted new challenges that could emerge as a result of the ongoing global transformation. They present new situations, dilemmas, or predicaments that represent departures from recent developments. As a set, they do not cover all possible futures. None of these is inevitable or even necessarily likely; but, as with many other uncertainties, the scenarios are potential game-changers.

- In *A World Without the West*, the new powers supplant the West as the leaders on the world stage.

• *October Surprise* illustrates the impact of inattention to global climate change; unexpected major impacts narrow the world's range of options.

• *In BRICs' Bust-Up*, disputes over vital resources emerge as a source of conflict between major powers—in this case two emerging heavyweights—India and China.

• *In Politics is Not Always Local*, nonstate networks emerge to set the international agenda on the environment, eclipsing governments.