

**New Insights Lecture:
“Global Shifts and Megatrends in the Next 25 Years”**

by Mr Peter Schwartz, Cofounder and Chairman of Global Business Network

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The “Inevitable Surprises”

Mr Schwartz started his lecture by asking the most fundamental question: “Why we are surprised?” He contended that most people are in a state of denial as they do not welcome change and assume that the future would not be dramatically different from the present. However, the fact is that we live in an age of perpetual discontinuity. While surprises are inevitable, he felt that they can be foreseen and even prevented.

Mr Schwartz employed the techniques of scenario planning, to recognise the signals of change in today’s world, in order to postulate what tomorrow’s world might look like. The result was mixed—depicting great potential for progress but at the same time, enormous potential for disruption. The following are a few of the “surprises” that he highlighted:

- **Demographics**
Mr Schwartz noted that there was a fear of “population explosion” in the past. However, according to United Nations estimates, there is a general decline in population growth in many parts of the world today, including countries like China, India, and in the EU. Apart from India, the average number of children per woman in these countries and the US is below the replacement rate of 2.1. He singled out Russia as a country that is experiencing a “demographic collapse” and facing a potential economic crisis as its labour force shrinks.
- **The end of retirement**
Retiring at 62 to 65 will become history. Older Americans are staying on at their jobs or moving on to new careers, either because they are still healthy and want to work, or because they cannot afford to stop working. This would have a profound impact on employment patterns and job mobility. Many older people may end up holding onto the jobs that young people want, and decrease the rate of job mobility.
- **The new global growth model**
Land, labour and resources were the basis of wealth for countries in the past. However, the new economy is driven by knowledge and good governance. Mr Schwartz cited Singapore as an exceptional state which has invested in human capital and infrastructure to achieve prosperity. Today, there is generally better governance in Asian countries like China and India, and this distinguishes them from Latin American and Middle Eastern countries which are still mired in poverty despite being rich in natural resources. The advances made in science and technology as well as IT would result in a more integrated world in which trade flows freely across borders. Nevertheless, there are a number of forces working against integration such as radical Islam, social stresses, the planet’s carrying capacity and a global or regional plague.
- **Future role of international institutions**
Mr Schwartz opined that there is a decline in general public trust in international institutions throughout the world. Nevertheless, he suggested that the world needs a “global EPA” (Environmental Protection Agency) to deal with transnational environmental issues like

pollution. He also questioned whether the non-state actors / movements (for example, the environmental and social justice movement) that challenge the established order should be co-opted into NGOs or left in a state of unrest.

- **The next scientific revolution**
The great leap in the field of biology would increase life expectancy with far-reaching social and economic implications. The advent of synthetic biology is even more amazing as scientists are able to manufacture biological parts using DNA. This technology could also be the answer to the energy problem in the long term. The development of new physics/chemistry and the next generation of quantum computing would herald a broad and deep scientific revolution.
- **Climate change**
This would remain a dominant issue and could be considered as a major crisis for our civilization. Mr Schwartz suggested that climate change could even be “a recipe for war” as countries fight among themselves for access to land or water. To avert this great “biodisruption”, humanity would have to place greater emphasis on the development of clean technology. He cited figures to illustrate that the options for clean technology will grow, and that coal will still remain important as a source of energy in years to come, with the wider deployment of clean coal technologies.
- **Social development**
Mr Schwartz remarked that religion is playing a more significant role in the lives of the people. He also highlighted the transformation of the role of women as the biggest social change in the last 50 years. Managing multicultural societies could also pose a major challenge as people become more mobile. For instance, the US today is “less white” and “more multicultural”, with increasing numbers of immigrants of Asian or Hispanic origin. Urbanisation is also a growing trend in many countries and he projected that about 75% of the world’s population would live in the cities by the middle of the 21st century, a significant leap from the current figure of 50%.

The Best of Times & the Worst of Times

Mr Schwartz postulated two scenarios for 2020. The first is a “World of Integration” where there is a widening circle of growth and trade, flourishing mainly in “Chindia”, US, Europe and Japan. Both China and India would be attractive destinations for FDI. The second is a “World of Fragmentation” with a broken trading system. In this scenario, China and India would be the biggest losers while Europe could be the biggest gainer as it is the least dependent on the world trading system.

In essence, Mr Schwartz’s message is that the world is experiencing the best of times and the worst of times. To be better prepared for the future, decision-makers must shed their denial or defensiveness, appreciate the relevant probabilities and ask critical questions about each of the surprises he painted. This would enable us to make contingency preparations for these “predetermined elements”—forces that we can anticipate with a higher degree of certainty as these are already in early stages of development today. In Mr Schwartz’s opinion, some of these events are “inevitable” as they have already started to take place. The element of surprise would be in their *timing* and their *impact*—as we do not know precisely how and when they will occur.
