

ATLANTIC COUNCIL OF THE UNITED STATES

“GLOBAL TRENDS 2025: A TRANSFORMED WORLD”

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**INTRODUCTION:
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FREDERICK KEMPE: Welcome to you all. Welcome to the Atlantic Council of the United States, and welcome to this very important installment of our Global Intelligence Forum. I'm Fred Kempe, president and CEO of the Atlantic Council. And we're delighted today to welcome Dr. Thomas Fingar, chairman of the National Intelligence Council. And, Tom, we're particularly pleased to have you on the day of the release of "Global Trends 2025: A Transformed World." It's a vitally important piece of work, but better than that, it's actually a pretty good read, too. It's well-written, well-edited and it is just absolutely chock-a-block with the kind of things we have to think about in the future in a town that doesn't often look beyond the next news cycle. So I think, for that reason alone, it's the right time for this to come out; and of course, that's by no accident – we'll talk about that in a second.

I'm going to leave the introduction of you, Tom, to the Atlantic Council board member Arnold Punaro, president of SAIC, and I also want to thank Arnold and SAIC for supporting our Global Intelligence Forum, in general. I'm just going to say a couple of words about this project. Fourth installment of this National Intelligence Council-led effort, and it is about identifying key drivers and developments for the future and I think the timing, each election cycle – coming out then – is a great way to focus not only the United States, but actually, the world about the future. Considering the worldwide response to "Global Trends 2020," which was extraordinary, I think it's safe to say that the attention paid to this report will also be substantial and global.

I also would like to say that imitation is the greatest form of flattery, and I've seen a proliferation of 2025 reports in the last year, but none that involves quite this level of outreach and insight, having drawn, as it has, upon some of the world's greatest experts on the issues you have handled, ranging from climate to Russia to the Mid-East to trade. Given its important findings and the far more precarious world situation than when last you wrote, and the more volatile future – but I'm not going to steal your thunder on that – I think the response to this report is going to be significant. We at the Atlantic Council have been delighted to play a role in the significant outreach you've had to diverse communities of experts; we thank you for the acknowledgement in your report.

We have, in particular, taken the "Global Trends 2020" report on the road to some 15 countries on four continents to compare your own view of the future to that of other, major global players and then to extract from them what policy prescriptions they would draw from its conclusions; it was a fascinating demonstration that where you stand is, indeed, where you sit even in a globalized world when climate and financial crises hit us all. But my most important take on it was that the world does not want less America. Wherever we went, and in many places, people wanted more America, but they wanted smarter America – more skillful in its execution as its relative influence and power declines.

I'll leave it to this audience and the world audience who will read the report to pick out what they find most important; I'm just going to pick out one thing, which is not going to be in Tom's speech. I like the scenarios; there are four of them that are ways of looking at the future.

My particular favorite, there was one – and I think this is important for the Atlantic Council – that illustrated how the Shanghai Cooperation Organization might come to rival NATO.

The SCO, according to this scenario, in 2025, launches a strategic dialogue with NATO, framed in the context of the organization bailing out – the SCO – bailing out the alliance from its difficulties in Afghanistan after NATO has pulled out without accomplishing the mission of pacifying the Taliban. The SCO had wrote to the then NATO chief –and the SCO head is a Russian in a very strong, Chinese – if not dominated then certainly led – institution, quote, “The Afghan situation threatened to destabilize the whole region and we could not stand idly by.” I just wanted to say that because this is the importance of the report in this holiday season – is sometimes, Scrooge-like, you have to look forward into the future to know the consequences of inattention now.

So, with that, I’m going to pass to Arnold Punaro, and aside from his many responsibilities at SAIC, he’s also on Secretary Gates’ Defense Business Board; he’s chaired critical commissions and taskforces dealing with defense issues ranging from defense reform to Iraq; and around here, he gets a lot of credit as a retired U.S. Marine Corps major-general, who we turn to, to advise on security issues, and, also, I turn to him for advice on how to understand this town. Thank you very much, Arnold.

(Applause.)

ARNOLD PUNARO: Thank you, it’s a real privilege for someone that was honored to wear the uniform of the United States Marine Corps for 35 years to introduce another individual who – a career intelligence professional – who, along with his colleagues in that field, do every bit as much as those of us in uniform do to make sure our country remains safe. And it shouldn’t surprise us that Dr. Fingar is in this field, because he got his start in the United States Army in the peak of the Cold War, serving with the famous Patton’s Seventh Army in Germany.

From there, he came back out of the Army and went to Stanford University and ended up heading up one of their most prestigious institutes – the U.S.-China Institute – a university noted for its leading edge in this foreign policy/defense policy/intelligence policy field, who, among the stable people like our Secretary of State, Dr. Condoleezza Rice and our former Secretary of Defense, Dr. Bill Perry, so he moved in some pretty tall cotton coming out of the United States Army, came back into government service and, again, as I mentioned, a career professional along with the colleagues that serve with him in our intelligence field each and every day.

Rising through the State Department in many important duties to become the assistant secretary of state for intelligence, and then moving even higher up the ladder to now, where he is the deputy director of intelligence analysis and also the director of the National Intelligence Council, a council that, basically, not just in the area that he’s dealing with today, but any subject you can think of, that group of individuals – again, these consummate professionals who work each and every day to protect our nation – produce cutting edge analysis and insights in just about every area that the nation is concerned about. So, again, as someone in the military, it’s a great privilege to introduce Dr. Thomas Fingar who, as I indicated, with his colleagues, every

day contributes every bit as much as our men and women in uniform to the great safety and national security of our nation. So welcome, thank you.

THOMAS FINGAR: Thank you for that almost daunting introduction; I hope I do not disappoint. Thank you to the council, both for supporting this project in its formative stages and for giving us this forum to begin the dialogue – and this is a dialogue. I'd like to do three things before we begin exchanging views. The first is to set out, clearly, our intentions – why did we do this? What was the purpose? A little bit about how we went about it, and then to highlight some of the trends and the drivers in the report. I will not attempt to summarize the report, to hit everything in it.

But the purpose is to stimulate strategic thinking. We timed this to coincide with the period between the election and the inauguration. This is the fourth one that we have done; every four years, we've looked out five years further into the future. And the goal is to provide an opportunity, as people begin to settle into jobs, to think about their own areas of responsibility in a broader, global context. In an interconnected world, where what is – what happens anywhere affects events and possibilities everywhere; where sometimes it's easier to get things done by working with, around, through folks in different regions or different issue areas, and the possibility space is constrained by actors and actions that may be outside of the narrow bureaucratic portfolio of any individual.

But the audience for us is much, much broader than the incoming administration. It's you and your counterparts around the globe, that the experience of 2020 in particular underscored that there is a market for stimulants to thinking that is not just in the future but is comprehensive in scope. We clearly do not touch upon every issue, but it very quickly leads to a dialogue and a discussion and a recognition of how much the global situation is like a cargo net. If you pull on a strand anyplace, all of the frames move. They change shape, they change in relationship to one another.

This is not a prediction; we are not forecasting the future. We are not attempting to project our or the United States' preferences for the world in 2025. Nor are we attempting to make a kind of a worry-bead list of all of the things that might come up to bite people, all of the things to worry about. But there is an underlying belief that if we're able to better anticipate where the problems are, where the opportunities are, how developments and trends interact, the direction in which they seem to be evolving, what might influence their trajectory, we're more likely to be able to manage the process, to seize opportunities, to mitigate negative developments.

Quite simply, we're attempting here not to be encyclopedic in coverage but to identify some key trends, drivers, factors, shapers of events – one could pick any of these and other words, we're trying to avoid any notion of determinism, that we can anticipate the future without having an aura of inevitability or immutability. One of the things we hope comes through in this study is the importance of leadership. Leadership that in a timely, focused and thoughtful way intervenes to increase the likelihood that events moving in a positive direction will continue to move in that direction and we'll have a chance of fording, deflecting events that seem to be going in a negative direction from the perspective of whoever that decision-maker happens to be.

When we produced 2020, we were struck by how many people interpreted the scenarios as predictions or even as a preferred outcome. If you've read 2020, you know that one of the scenarios has a jihadist victory and the establishment of a new caliphate in the Middle East, and I always had trouble reconciling that with the idea that it was the preferred outcome of the United States. It is a kind of a Rorschach test, in which people read into it their own fears, expectations, hopes, aspirations. But it is more useful than that.

A few words to set the scene on how we went about producing this – we've learned from each of the three previous efforts. We started with sort of a relatively small group of intelligence analysts deciding, rather reluctantly I will confess, to try and anticipate the future, and our notion of anticipation was closer to prediction than in retrospect was wise. But that's what we knew how to do, that's close to what we do in our day jobs. What's going to happen tomorrow? How will this negotiation turn out? Will the test be successful or not? A small group of intelligence analysts who consulted with a not-much-larger group of other folks in the U.S. government. We produced an interesting report that kind of pales in comparison, I think, to where we are now.

Second iteration, we expanded the universe of people consulted, still largely American, but in the academic, the think-tank, the journalist, professional community. Third iteration, we brought in some of the other inhabitants of the globe we were attempting to anticipate. We held six seminars on five continents with hundreds of participants, asking, in effect, what did they think was going to happen? What did they want to have happen? What did they fear that would happen? What would drive and shape events? And we distilled that, internalized it and produced, again, our own report and then put it out for the world to react to in the way in which Fred indicated. The council took this report around to others and asked, what did it mean for them? Extraordinarily useful to the process of broader understanding.

This time we made it a more iterative process from the beginning. We consulted on what the drivers ought to be, we didn't mechanically say, let's take another look at those that we thought were important four years ago. We involved American and foreign participants in, again, a series of seminars and discussions, but we also put it up on a website with restricted access – and it was easy to get the access, we let almost anybody who wanted play to comment on various drafts. We took the draft around and asked for comments on it and we were still tweaking this up to 10 days before we sent it to publication, that it became a living document that probably doesn't reflect the views of any particular individual or group. It has many parents, but Matt Burrows, who is here with me tonight, probably deserves more credit than anyone for pulling the ideas together.

Now, what are some of those ideas? My short list here to illustrate is not attempted to suggest that these are the most important, but they work for illustrative purposes. We tried to look at what is relatively certain 17 years into the future and what is sort of indeterminate around those certainties. Rather than explain, let me illustrate. One was demography, that demographers have a high degree of confidence, and the historical record has showed, we can do a pretty good job of anticipating rates of natural increase in specific populations, how age groups, age cohorts will move through.

And the demographers tell us that by 2025, the world will have 1.4 billion more people than today. Only 3 percent of that increase will be in the West. The vast majority will be in the developing world, in sub-Saharan Africa, in the Middle East, in Central Asia, Central America. I'll come back to that point.

Another aspect of the demography is the graying of the West, most notable in Europe, especially southern Europe, but west here to include Japan, which is already one of the most aged of societies. Within this timeframe, China will age – a very large dependent population. There are implications of this age structure and indeterminacies around how it will be viewed, how it will shape policies and what decisions. For example, in Europe, with rates of natural increase that are considerably below replacement levels, a smaller number of working-age people have to support a large and growing number of retirees and dependent children. The ratios look problematic. One of the reasons they don't look problematic for the United States and less problematic for the U.K. is immigration.

Will the states of Europe be more receptive to immigration than they have been? Where will it come from: Central Europe, across the Mediterranean, societies that have been relatively unfriendly toward the idea of immigration? Japan's characteristic in spades. Will we deal with the, sort of, the worker's shortage or the dependency ratio kind of challenges by allowing immigration or seeking another solution? The choice that's made, and where those migrants come from, will have an impact on society, culture, tolerance, political alignments, strength of different parties. There's a large element of choice here.

If there is not significant migration and more of the work force needs to support the dependency ratios, where do military forces come from? How do you populate a military with no young people, except those who are working to support the old people? You can play this out in many manifestations.

Another element of demographic challenge, if you will – the portions of the globe where the population increase will be most rapid, most substantial, also are the portions of the globe that are already among the least stable, where governance is most problematic, where governments struggle to keep their head above water in terms of citizen demands, challenges for security. Now, imagine the youth bulge, 2025, put it down in the Middle East, the Arab poor. That's a lot of raging hormones.

That's a lot of young people with the normal, healthy disrespect for authority. Impatience, informed by global communications, of what their cohorts elsewhere in the same country, perhaps in the big cities across the border, across the river, across the sea, have that they don't have. This is a group that can be potentially mobilized for all kinds of things. It might be mobilized for very good things.

One looks at the Middle East demography, it looks a lot like South Korea and Taiwan looked as they began phases of sort of rapid industrialization, modernization, growth and prosperity. A lot of young, eager people willing to work, eager to work, with two important ingredients that may or may not become present in the Middle East in my example, but other parts. The first is education.

The labor force, if it's going to climb the value added ladder in the 21st century has got to have a degree of education, a degree of work place discipline. And, there needs to be investment. There's plenty of money. Will it go to the regions where this youth bulge provides an opportunity or will it stay away because it looks too unstable? And what will shape those decisions?

Another example are the impacts of climate change. We looked at climate change for many reasons, one of which was that we'd done a study earlier in the year on the geopolitical implications of climate change out to 2030. Twenty twenty-five is not that different.

What made it a viable one is what we think we learned in the climate change study, from the climatologists and climate scientists, is that what's going to happen in 2030 and certainly 2025 has already been determined. The die has been cast. There are many things which arguably we should start doing tomorrow, but they won't have an impact until beyond 2030. That may not be entirely right, but you get the point.

So as we looked at where – the effects of climate change, water shortages, disruption of agricultural cycles, begins to have implications for quality of life, for health, for food, nutrition. And once again, you put down on a map where are the places that the adverse effects of climate change are most likely to occur within this time period? It's again in the regions that are arguably less if not least capable of dealing with them: less resources, less human talent, less competent governments, less stability to attract investment, perhaps not on the top of the agenda of outside nations that might wish to intervene to avoid humanitarian problems.

And again, many things could be done. What they are is a function of political choice. Again, just to illustrate, should resources be directed to where the problem is likely to be most severe, to where the intervention is most likely to be successful?

Do you rudder the calculus to run the risk of wasting scarce resources where they really won't make a difference as opposed to putting them where they are more likely to? Do you give them to governments and non-government organizations in parts of the world where their capability to use them well is high or do you focus on the ones that are most broken and need the most help? Do you concentrate the effort where the population at risk is largest or do you concentrate it in areas where, again, the likelihood of being successful is greater?

None of these are obvious. None of them are easy. All of them are appropriate subjects for political decision-making.

A third of the factors I'll ask you to reflect on this evening concerns the efficacy of the legacy institutions of the post-World War II era: IMF, World Bank, United Nations, World Trade Organization as the successor to the GATT, the treaty structures like NATO that evolved and have been extraordinarily successful in bringing peace and prosperity to unprecedented numbers of people. It is one of the essential requisites for successful globalization.

The United States played a leading role in establishing and providing the stability for these institutions to operate over decades. We can be justifiably proud of that. Remarkably successful, but getting a little long in the tooth. Conceived, established at a different time, a different place for a different set of problems involving wildly different populations and distributions of power and wealth than we have in the 21st century.

Few things are harder to change than things that are perceived to be successful, even if the successful have outlived their usefulness. One of the challenges we had in bringing this to closure was to factor in the impact of what's been happening in the global financial system over the last couple of months. In some ways it suggested that looking out to 2025 for the decreased efficacy of institutions, maybe the future was now.

And the G-20 meeting on the 15th then began to look at possibilities for amending, modifying, refurbishing or replacing important organs of the international order. If you accept the proposition that the number, variety and magnitude of challenges is going to continue to increase, and the capacity of institutions developed for another purpose to deal with those will decrease, you can see the problem of how do you get from here to there. I'll come back to that.

I want to introduce a fourth element, which is the role of the United States. The report reflects sort of conventional wisdom in terms of the decline in the relative power of the United States. The word "relative" is important here. We will remain, in absolute terms, the most powerful, most influential nation through 2025 and probably beyond. But other nations are catching up. The rise of the rest, made possible in large measure by the success of those post-World War II institutions and the U.S. global role in enhancing stability, facilitating prosperity, and many, many other organizations.

The premise here is though our absolute power remains great, our relative power has decreased, in part because of the rise of new powers or the return of old powers – the BRICs, for example – Brazil, Russia, India and China – much, much more significant players on the global stage now than five years ago. By 2025, at least as we are envisioning it, some – at least possibly all of them – will have even greater influence on global events than they do today.

One characteristic of these rising powers, and the smaller rising powers, is that they benefit enormously from the status quo – those post-World War II institutions. We may be able to envision the need to modify and replace; they're less enthusiastic about it. Why screw up a good thing, particularly if that entails more burden-sharing? And who's going to lead the parade? In 1945, '46, '48, we were the drum major. The British fell in behind and much of the rest of the much-smaller world, in terms of number of nation states, came together. It's going to be harder to herd the cats out to 2025 – more interests, more divergent interests, less willingness in a multipolar world for folks to take the lead, some ideas that will be tainted at birth because of where they originated regardless of how good they are as ideas.

The combination here, or the concatenation of continuing globalization, which we anticipate, continued generation of historically unprecedented levels of prosperity, but also increasing levels of magnitude of inequality. The gap between rich and poor, haves and have-nots will widen if current trends and projected trends continue. So a world in which we're

increasingly interdependent, where the spread of influenza, infectious disease can go around the world in a very short period of time, and where an economic sneeze anywhere now causes colds and shivers everywhere; that the mechanisms to manage this world are arguably not up to the job. There is not a clear vehicle for transforming those institutions and managing the problems, and yet, as Fred indicated correctly, the world wants us to remain in the leading position.

As we took this project out on the road with literally hundreds of foreign participants, they drew a clear distinction between actions and attitudes that they did not like and the leading role that they respected and expected on the part of the United States. If not the United States, then who? Nobody acceptable to more than a small subset. So there is a, we don't like what you're proposing; go have a better idea because we don't have a better idea ourselves, and if they have a better idea, it, by definition, won't be a good idea. So that kind of a set of nested dilemmas runs through this study.

The flip side of that, as with everything, is every dilemma is an opportunity. Every problem you can identify is a point at which you might work. If you know what the problem is, you can tackle it. If you see it coming you can get out of the way. If you see that it is going to hit somebody else, you can warn them in advance and then collaborate. You can see where I'm going with the metaphors.

Let me touch just upon a few other things to sort of enrich the stew here for you to, again, begin to dialogue with us about what does all of this mean and what do we do with it?

We are anticipating that the world of 2025 will be substantially different than it is today. The old will be gone but the new will still be aborning. Now, that's probably a trivial and always accurate observation that the world global system will continue to evolve. There is no endpoint. But as we attempt to show graphically with the image on the front of our cover, the world of 2025 is out of focus. It's fuzzy, because it will not yet be completely formed. We'll know what we're moved away from, we'll know more or less where we're headed, but exactly what shape, what the relationships, the leadership of power dynamics, the priorities will be, we're suggesting we don't know and the world won't know by 2025, so there will be a lot of room for improvisation, experimentation, collaboration with different sets of partners, different solutions, looking for problems, different problems crying out for attention, entrepreneurs who believe they've got the answer to everything.

The world will be multipolar, in part because it's becoming multipolar today, or it is multipolar today. In any case, the argument is the American unipolar moment is over, and it's certainly going to be over by 2025. We don't envision a return to a bipolar world; the halcyon days of yore when we were capable of annihilating one another in moments but had a certain predictable stability to it. Multipolar worlds, particularly multipolar worlds that are still forming are unstable. They're less stable than either a bipolar balance of power kind of a division or a unipolar empire-dominated system. So we're looking at an era in which multipolarity – which many will regard as a good thing – and a potential for multilateral approaches is more possible and arguably more necessary. It will be more necessary because the world will be less predictable and less stable.

What might people argue about or struggle for? One is resources: water, food, energy, strategic minerals. Because of events of the recent years we've focused on energy. The rise of the BRIC, particularly China and India, as they grow, a good thing – good thing for them, good thing for us – but they demand more energy. It boosts the price of energy. This is in part responsible for the phenomena we expect to continue of an unprecedented shift in wealth from West to East – oil wealth going into the Middle East and other areas that have hydrocarbons; manufacturing coming out of East Asia, and the shift of wealth from Europe and the United States in that direction; the advent of very, very large sovereign wealth funds that will play in the market of the future in ways that are not completely unprecedented; the windfall profits of the '70s after the oil shocks in the early '70s and '79 that produced an awful lot of money concentrated in the Arabian peninsula, Persian Gulf area. We didn't think that was such a bad thing because most of that money came back to the United States and Europe. So it cycled around. Japanese bubble economy in the '80s, tremendous foreign reserves, foreign exchange reserves. Again, a lot of it came here. It went into Europe.

Now, with the Chinese, the Japanese, the Gulf states, Singapore having these very, very substantial concentrations of wealth, they have more opportunities to deploy that wealth. Putting it into Africa, perhaps putting it in the Middle East, investing at home. It's not automatically going to come to us. Good thing, bad thing, arguably it could be either. It's not inherently good or bad. But it is a dimension that we haven't dealt with previously.

Energy price volatility. In the study we pay a lot of attention to energy and energy cost. High prices transfer wealth to a particular set of countries. By 2025 the set of countries with energy, with hydrocarbons in marketable quantities is going to be much smaller than it is today. The depletion of fields in the smaller producers that will play out over the next 17 years will mean it will be even more concentrated in Russia, in the Persian Gulf, in some African countries.

What will they do with that wealth? Invest in education, in infrastructure, in health care, invest in development, or buy weapons and make mischief, or some combination of those. If prices are high, it means much of the struggling world is priced out of the market. And what does that mean again, for the youthful population looking for jobs? One thing that is likely is they'll move, within countries and across borders, seeking opportunity. The grass will be greener and that will be disruptive.

Identities will mean something different. They already do because of, again, communications. For hundreds of years one's national identity was the dominant one: an American, a Pole, a Mexican. Now one can have multiple identities at the same time – religious, ethnic, tribal, regional, class, national – that one can associate with groups virtually. Which identity is going to drive resources located in a country may no longer be as important as what region of the country. Or what sub-national group – again, religious, ethnic, whatever – lives in the area of the resources. Do they regard it as their inheritance, or as the national inheritance, to be distributed according to their countrymen who have the misfortune to live somewhere else? Competition around energy-based resources. Power that may go to energy producers, Russia as an example, and there it will be a factor.

Two final points. One about energy. Will technology save us all? Will any of the technologies to replace dependence on hydrocarbons sort of kick in and render everything I said in the last couple of minutes sort of moot because we've moved beyond that? Possibly, but not likely. The cycle for replacing a system like that that has oil wells halfway around the world, tankers that bring the oil here, refineries, the pipelines, the trucks that deliver it to gas stations that put it into vehicles, for which there are repair shops – sort of replacing that huge infrastructure in a matter of a decade-and-a-half, not likely.

But some things will happen. More reliance on nuclear power, nuclear power plants. It's clean, environmentally friendly, helpful with climate change, if only you could find a way to dispose of the spent fuel safely, doing this in ways that don't abet the proliferation problem. Finding the engineers to actually build plants safely. Protecting them from being overrun by terrorists, others eager to get fissile materials. You see the network of challenges that cascades.

My mention of terrorism will be the last point I'll make. We do not project out to 2025 that terrorism is going to be the kind of concern, problem that it is today, or has been over the last several years. We think that it will be smaller in magnitude but more lethal in capability. Let me explain.

Al Qaeda is really a special kind of terrorist group in its sort of global reach, its agenda that is broader than one nation, opposition to one regime, or secession-oriented. Its appeal is waning. The killing of innocents, the killing of Muslims, the fact that it has no positive program. It's opposed to modernity. It's opposed to democracy. It's opposed to a lot of things that the youthful population, exposed through international communications, clearly wants. So the environment will become less hospitable.

But again, youth bulge, with limited opportunities, potential to be alienated means that always very, very small slice of a population that can be recruited, mobilized for terrorist activities will be a very small slice of a bigger number. So it won't go away entirely. Those who go the route of terrorism, weapon of the weak against the strong, whatever their motivations, because of the spread of technology and the most worrisome here is biotechnologies, can be imagined to have more lethal capabilities.

The spread of nuclear power, if we have a spread of nuclear weapons, which could happen should Iran go in that direction. Again, the N goes up. As the number goes up, the potential for sale, diversion, theft, rogue use goes up.

Let me close by underscoring a point I made at the beginning. None of this is immutable. None of it is even a prediction. All of it is susceptible to intervention by leaders – leaders in our own country, leaders around the world. To be successful, the leadership intervention is going to have to have multilateral approaches, is going to demand utilization of resources very differently than we have become accustomed to in the past.

But despite all of the problems that I flagged, even in this cursory synopsis, I'm optimistic about this. I really am. I think besides identifying challenges and problems we've

tried to identify points of inflection, points for intervention, where clever people, if they face the problem, they've got a better chance of solving it.

With that, let me invite you to begin the dialogue.

(Applause.)

MR. KEMPE: Thank you, Tom. I think we've got about 15, 20 minutes for Q&A, so we'll try to get as much as we can in with, if you can keep your questions sharp and we'll try to get as many as we can in. And identify yourself when you ask.

So I'm going to start with one. You ended on an optimistic note, but I must say, let me just sum up my reading of it against 2020 report. And you just tell me quickly, am I far off, am I close? You know, in a few sentences, where have I missed it. I see that you're predicting a more dangerous and volatile planet where U.S. margin for error is smaller, the possibility of violent conflict is greater and thus the need for skill and more partners as we act around the world is magnified.

DR. FINGAR: That's exactly the same difference that we observe when we look back and compare 2025 to 2020. So you've got it. (Chuckles.)

MR. KEMPE: Great. That shows that, you know –

DR. FINGAR: Or we're both wrong.

MR. KEMPE: Years of the journalistic training of superficially putting everything in one paragraph – (chuckles) – still pays off. Then the news – I think the news out of this is for many people will be the terrorism part. So just very quickly, I think I can understand why you think that the great – the threat will be greater of mass destruction from single acts. That is logical for me. Why do you think the ideological side of it is going to recede? In other words, you are saying it's going to be less dangerous and more dangerous at the same time: less dangerous ideologically, more dangerous in the single act. Why? Why do you think it's less dangerous ideologically?

DR. FINGAR: Part of it that I didn't develop at any length, the idea of greater prosperity, that the opportunities for education, for self-improvement that are there that, again, if it follows historical patterns, people will be interested in, engaged in things, governments will – if they're delivering benefits will evoke less ire on the part of people who want to overthrow them. Those who are perceived as propping up the unpopular government will be less a target on this. Part of it, again, is there is – terrorist groups are of two broad categories: those which are sort of special-ints or special purpose, special location – the IRA happily met its demise or went out of business; Hamas, the Palestinian Islamic jihad, which has a very focused – do terrible things and have despicable goals, but they are not bent on world conquest; they are not a threat to our or anybody's existence.

And then there's al Qaeda, which had proclaimed a kind of a global rationale as Muslims have looked at and listened to now for several years, there's no "there" there or there's no attractive "there" there. And the combination of greater exposure to communications, greater opportunities, the aging of that largely Egyptian core, it may begin to look like the FARC, a bunch of gray-haired used-to-be's that just can't command attention anymore, we hope.

MR. KEMPE: Very interesting. I see a question here. Wait for the microphone and please identify yourself.

Q: My name is Robert Chandler. I'm the author of "Shadow World: A Resurgent Russia, the Global New Left and Militant Islam," radical Islam. We covered a lot of the same ground, which I was very happy to see, and many of the same conclusions in terms of the variables for the future. But what was missing between our respective efforts was the global new left. And in terms of those who are trying to lead us to a borderless world without sovereignty, no less than George Soros just down the street, who was the owner of the Shadow Party inside of the Democratic Party, who has just won a massive victory supporting Barack Obama, is pushing this particular issue and has been for some time. There are many supporters in Europe, in Australia, in this country. I know it's illegal for you to look at the new left inside this country, but I was wondering about your perspective of the global new left as was shown in the redefinition of socialism, the redefinition of Marxism and also the movement building through the anti-globalization and anti-war protests.

MR. KEMPE: Let me pick up something off of that that's in the report and that you didn't have enough chance to go into with your presentation related sort of, kind of: rise of state capitalism. You actually, in the report, are a little bit more optimistic than perhaps I might be right now looking at the world in the belief that you still are saying that democracy is going to spread, the long-term prospects for greater democratization, even though advances are likely to be slow on globalization – slow and globalization subjecting many democratized countries to increasing pressures, still you say it's going to go forward. But one could look at it a different way and say that China and Russia, you know, looking at trends elsewhere, might not be so compelled to go to anything resembling our sort of democracy or even a European sort of a democracy, democratization at any point soon.

So why are you not looking – one of your scenarios is world without West, but, in a way, in your text, you're knocking that down a little bit as a possibility?

DR. FINGAR: Well, one of the things I don't – my reading of it isn't knocking down; it's to raise the possibility for the first time, now 20 years, by 2025, it will be 35 years, of a challenger to the Washington consensus, the democratic market model, that way in which many interpret China's rise and Russia's resurgent as a use of market mechanisms, state capitalism as a way to reinforce authoritarian tendencies and to have performance-based legitimacy. As long as the system is delivering the goods and services, people are satisfied; they're not making demands on the system, there's not the need for the safety valve of political participation and expression. And if things are going relatively well in a state-dominated market economy, the democratic theory requirements of pluralization, requiring a political instrument to balance the competing.

So we're holding out at least the potential for there to be an alternative to the Western democratic model. Not developed at length at all in this paper is that much of the world that sort of became democratic in the last 15 years has gone through more pain than gain, that they've made adjustments away from populist regimes, away from socialist regimes, away from one-party dominated systems and are still waiting for the payoff. The global financial situation is likely to exacerbate that.

So I don't think I would be sort of sanguine about the, sort of the near-term interplay. We have an alternative model, perhaps, as there was in the '50s and '60s, where adopting Socialism and planned economy wasn't obviously nuts, because GDP growth and recovery after the war, the Soviet Union did pretty well. China did pretty well for a period of time. It just happened to be a disastrous choice for the countries debated, because it ran out of steam. I think we could have interest in an alternative model, particularly given that most of the states in our arch of instability that are most trouble are not very democratic.

MR. KEMPE: So financial difficulties could actually cut both ways?

MR. FINGAR: Could cut both ways.

MR. KEMPE: A \$50 barrel of oil might make some countries a little bit more democratic, but some that are the verge – please.

Q: Martin Walker, UPI. The scale of the global economic crisis doesn't make much of an appearance in your book – in your report. And it seems to me that it could be quite a game-changer, not simply because of what it's going to be doing to the relative standing of some of the western countries but also in the way that it seems to be having a particularly tough effect upon a lot of the middle-income countries – Mexico, Taiwan, Turkey, Indonesia, South Korea, Saudi Arabia. And in a way, those countries were emerging almost as a kind of a counterbalance to the Brits, or as some kind of extra, extra cushion of support for globalization. The fact that they're getting particularly hard-hit plus the fact that China is about to hit a demographic wall, as you mentioned, and that Russia too is hitting that same demographic wall suggests to me that some of the fundamental assumptions about the role of BRICs that you're making might have already been overtaken by events.

And if we do not get some kind of handle upon this financial crisis pretty quickly, then it seems to me that we're in a very, very different kind of world. People already are saying, well, it's much worse than '91. It could be like '74, '75. People are saying – the president said the other day that we could be looking at a 1930s. And that would change everything, including all of the resource constraints you were talking about, including the ideological arguments you were talking about. I mean, just how much do you accept that we could be in for a very different kind of future?

DR. FINGAR: I absolutely accept – again, we could be completely wrong. It's not a prediction. It's intended to stimulate thinking through these problems. And let me try and make it specific in ways I think are implicit in the report. The duration of the economic downturn is, I think, affecting not just the – it's affecting everybody, including the BRICs.

Reports the other day of growth in China slowing to seven or 8 percent – we would love seven or 8 percent growth. But unless China has 8 percent growth, it cannot provide jobs for the cohort that comes of age in the cities. They need 17 million new jobs a year to keep pace with urban growth of young people. That's a pretty daunting challenge. And now, you've got hundreds of millions of people concentrated in large cities making demands on the political system to be responsive. Now, take that and put it into other political systems. There is a real potential for turmoil.

The other part of the answer is I would call your attention to other boxes in the study, which is the need for modesty in efforts to anticipate the future. The origin of this was a lunch conversation among three of us that said, if we were doing this in 1908 instead of 2008. And then, we ran it forward in kind of similar increments. Clearly, the world was wrong every time of what was anticipated. Before World War I, when globalization was raging, after World War I in what the Versailles peace would accomplish – and you can play it all the way up to, oh yeah, we missed the fall of the Soviet Union. Nobody anticipated that that would happen.

So the need for modesty about the accuracy of predictions is an important flag here. But you can take every one of the developments and if you flip it around, it also has big implications. The magnitude may be different; the direction may be different. But they're going to interact in similar ways. That's the contention.

MR. KEMPE: Questions, please.

Q: Thank you. On the point that Fred Kempe mentioned already, the Shanghai Cooperation Council as a possible counterbalance effort to the West – now there is – the numbers are impressive – largest number of people, two nuclear powers, enormous energy resources, all of that very impressive. But there is one important factor, of course, and that is a classical conflict between China and Russia, which mitigates, of course, the potential of being this threat to the West. What's your reading of this?

DR. FINGAR: Even the scenario that we used makes that point. It's done in a way that is kind of an expression of surprise, because of the – what they had in common with they distrusted one another more than they distrusted us. Marriage of convenience as an element – necessity can make strange bedfellows; enemy of my enemy is my friend. Again, depending on how things played out, who is perceived to be meddling in internal affairs and who is perceived to be the rather benign external balancer or public goods provider, it can go many ways. But I guess the broad point I want to make – (inaudible) – by the week, there are no eternal friends and enemies. I guess, Kissinger among others that only thing that is lasting is interests. But interests change too. And in a world that is going to be as much in flux as we are anticipating this, projecting forward unchanged sort of alignments of businesses, NGOs, of governments, of peoples, of religions, seems to me more hazardous.

MR. KEMPE: Question, please.

Q: Hi, Will Peterson with the European Affairs Journal. Just a quick question: You speak about Europe losing clout in 2025. And specifically, do you see the U.S. and the EU and NATO growing stronger together because they're sort of losing their relative importance?

DR. FINGAR: Could. That the similarities and complementarities of culture, of values, of political system, the interdependence of the economies that will persist here will mean there is a continuation of the natural affinity or gravitate toward one another. Part of the point I think we were suggesting though is as Europe wrestles with its demographic problems, deals with the economic challenges, the energy challenges, that an EU that is substantially more cohesive in 2025 than it is today seems unlikely – that not a failure of the great experiment, probably not a deterioration or a retreat but a slower advance and maybe a plateauing for a while.

A Europe that will be even more inward-focused than it is now and therefore not as readily available as a partner for out-of-area activities in this – but again, leadership here and events – a crisis can focus the mind in ways that are unpredictable of if they might happen. But that the Europeans and the Americans are more likely to be drawn toward one another than part seems safe.

And one of the areas of collaboration, cooperation is around energy and environment, climate change and energy – finding ways to work these problems together as an element of national security seems to be a likely feature out in 2025.

MR. KEMPE: Okay, thank you, Tom. We've reached the end of the time. I mean, what you said right at the outset was what you took from this study was the importance of leadership. And certainly that's what I take from this study – taking your reading each and every one of these pages. And I really commend you to do so. It's an excellent report. And if you want to get it, you can get a pdf on acus.org, so a little advertisement for our website. Obviously, it's on the National Intelligence Council website as well. We'll link you there. But this is our show, so I've got to sell our website.

DR. FINGAR: Absolutely, absolutely.

MR. KEMPE: I want to tip my hat to a couple of people before we close. First of all, I want to tip my hat to your predecessor in this job, Bob Hutchins, who's on our board – former chairman of the National Intelligence Council – who was responsible for the last report and has been instrumental in our parallel work and has just written – I co-authored with him – an article on a global grand bargain; we were actually drawing policy conclusions from some of what you're talking about and the work we've done. I also want to tip my hat to Banning Garrett, now – of the Asia Society – but who stood up this work for us at the Atlantic Council. And Joe Snyder, who's been leading the work here with deputy, Patrick deGategno. And we've been very engaged in this work. And tip the hat, also, to Jim Townsend and his action officers, Magnus Nordenman and Jeff Lightfoot, who put together this and the intelligence forum.

And then finally, you did acknowledge Matt Burrows, who – a counselor of the National Intelligence Council – who you have also generously acknowledged in the report as well, and who has the task, I'm not sure I would want, which is looking at long-term planning at the

National Intelligence Council, when you really don't know what's going to happen next week. And this is really what you were up against and you did say the future is now. We've seen oil prices drop in a way we couldn't have imagined; we've seen stock prices drop in a way I certainly couldn't have imagined, and we're seeing a lot of the things here accelerating, which means the policy responses are accelerating as well. At any rate, thank you to all and thanks to you, Tom, for taking this time.

DR. FINGAR: Thank you, Fred. Thank you for hosting.

(Applause.)

(END)