Atlantic Council
BRENT SCOWCROFT CENTER ON INTERNATIONAL SECURITY

Scenarios of a World Transformed

Based on "Our World Transformed: Geopolitical Shocks and Risks," a new report by the Atlantic Council, the Pardee Center for International Futures, and Zurich Insurance

Geopolitical volatility will be a key driver of uncertainty over the next few years.

Three key risks include:

Protectionism
Water and Food Scarcities
Energy Crisis

What impact could these risks have on:

Global Gross Domestic Product (GDP) | Extreme Poverty | Middle Class | Instability

Find out below...

First thing's first: the Base Cases

	Global GDP trillion USD	Extreme Poverty (less than $1.90/day) million people	Middle Class ($10+/day) million people	Instability Number of Countries
What does 2016 look like?	82	950	2,480	–
And if current assumptions about the future hold, what the world look like in 2035?	141	710	3,950	–

Keep these numbers in mind...

The changes to global GDP, extreme poverty, the middle class, and country instability within each scenario that follows will be compared to these Base Cases.

Now on to our first scenarios...

Protectionism

The Scenarios

Globalism Resurgence

This scenario is set around a rebound in trade in goods and services and foreign direct investment (FDI), which could include modified versions of the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership.

Protectionist Victory

This scenario leads to a significant reduction in trade in goods and services, and in FDI as a share of GDP.

Green numbers indicate better than the Base Case 2035.
Red numbers indicate worse than the Base Case 2035.

	Global GDP trillion USD	Extreme Poverty (less than $1.90/day) million people	Middle Class ($10+/day) million people	Instability Number of Countries
Base Case 2035	141	710	3,950	–
Globalism Resurgence	+25	-22	+68	0
Protectionist Victory	-18	+33	-54	+64

Global economic output is almost $44 trillion less in Protectionist Victory.

Nearly 120 million more people enter the middle class in Globalism Resurgence.

But why does this matter?

With the loss of growth, countries could see reductions in health, education, and infrastructure spending, increasing instability.

Next up, a global risk already upon us...

Water and Food Scarcities

The Scenarios

Arid Earth

In a world with increased water scarcity and slow advances in technology the number of countries facing instability increases. This is a world in which geopolitical risk expands.

Severe Weather

This world would see the risk of political instability and economic degradation, but the weather variability would likely incentivize all governments to build up their resilience.

Green numbers indicate better than the Base Case 2035.
Red numbers indicate worse than the Base Case 2035.

	Global GDP trillion USD	Extreme Poverty (less than $1.90/day) million people	Middle Class ($10+/day) million people	Instability Number of Countries
Base Case 2035	141	710	3,950	–
Arid Earth	-1.8	+6.8	-11.5	+15
Severe Weather	-7.0	+21.0	-38.0	+21

Volatile crop yields may require increased investment in agricultural technology. These investments could improve resilience to future shocks. But these diverted funds could also decrease global GDP by $7 trillion.

In both scenarios, the number of countries experiencing water scarcity and food insecurity rise dramatically.

But why does this matter?

A future with erratic weather leads to more volatile crop yields. When food insecurity spikes, it puts pressure on countries unable to cope. This increases the potential for instability.

Finally, onto scenarios resulting from an...

Energy Crisis

The Scenarios

Constrained Energy

Other sources of energy, including renewables, cannot make up for the loss of Middle East energy supplies (due to a conflict in the region).

Accelerated Renewables

In a world in which oil production from the Middle East and the Organization of Petroleum Exporting Countries is significantly reduced, renewables become more competitive.

Green numbers indicate better than the Base Case 2035.
Red numbers indicate worse than the Base Case 2035.

	Global GDP trillion USD	Extreme Poverty (less than $1.90/day) million people	Middle Class ($10+/day) million people	Instability Number of Countries
Base Case 2035	141	710	3,950	–
Constrained Energy	-54	+23	-93	+26
Accelerated Renewables	-46	+16	-76	+24

In Constrained Energy, Russia overtakes Saudi Arabia as the world's largest oil producer, and approaches 15 levels of total energy production by 2035.

With the more rapid adoption of renewable technology in Accelerated Renewables, nearly all countries reduce their global carbon footprint relative to the Base Case.

But why does this matter?

An energy crisis would have the biggest negative impact on global GDP out of all of the scenarios studied. It would also see the largest number drop out of the middle class.

Before you go, here are some...

Key Takeaways

1. Geopolitical volatility will be a key driver of uncertainty over the next few years.
2. Geopolitical risks are interrelated, so understanding the connections is a vital step in managing risk and avoiding surprises.
3. Boards and risk managers must consider the potential impact of geopolitical risks on their financial and physical assets, operations including supply (value) chains, and people.
4. Effective risk management requires companies to take into account the interdependencies between risks, and more than ever demands a truly holistic risk management approach.

A World Transformed

Summary of Scenarios

Green numbers indicate better than the Base Case 2035.
Red numbers indicate worse than the Base Case 2035.

	Global GDP trillion USD	Extreme Poverty (less than $1.90/day) million people	Middle Class ($10+/day) million people	Instability Number of Countries
Base Case 2016	82	950	2,480	–
Base Case 2035	141	710	3,950	–
Protectionism				
Globalism Resurgence	+25	-22	+68	0
Protectionist Victory	-18	+33	-54	+64
Water and Food Scarcities				
Arid Earth	-1.8	+6.8	-11.5	+15
Severe Weather	-7.0	+21.0	-38.0	+21
Energy Crisis				
Constrained Energy	-54	+23	-93	+26
Accelerated Renewables	-46	+16	-76	+24