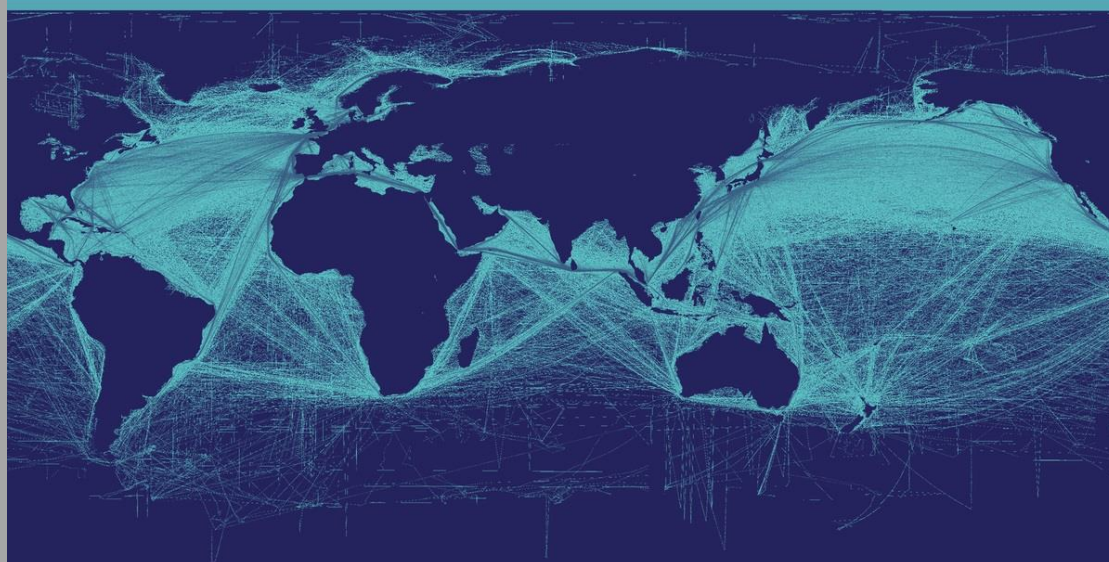


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The world in **2050**

Striving for a more just, prosperous, & harmonious global community



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A young child with rosy cheeks is smiling broadly, showing their teeth. They are wearing a blue denim jacket over a green shirt. The background is a red wall with a wooden structure on the right side. A teal banner is overlaid on the bottom half of the image.

The Global Megatrends

Harinder S. Kohli

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INTRODUCTION

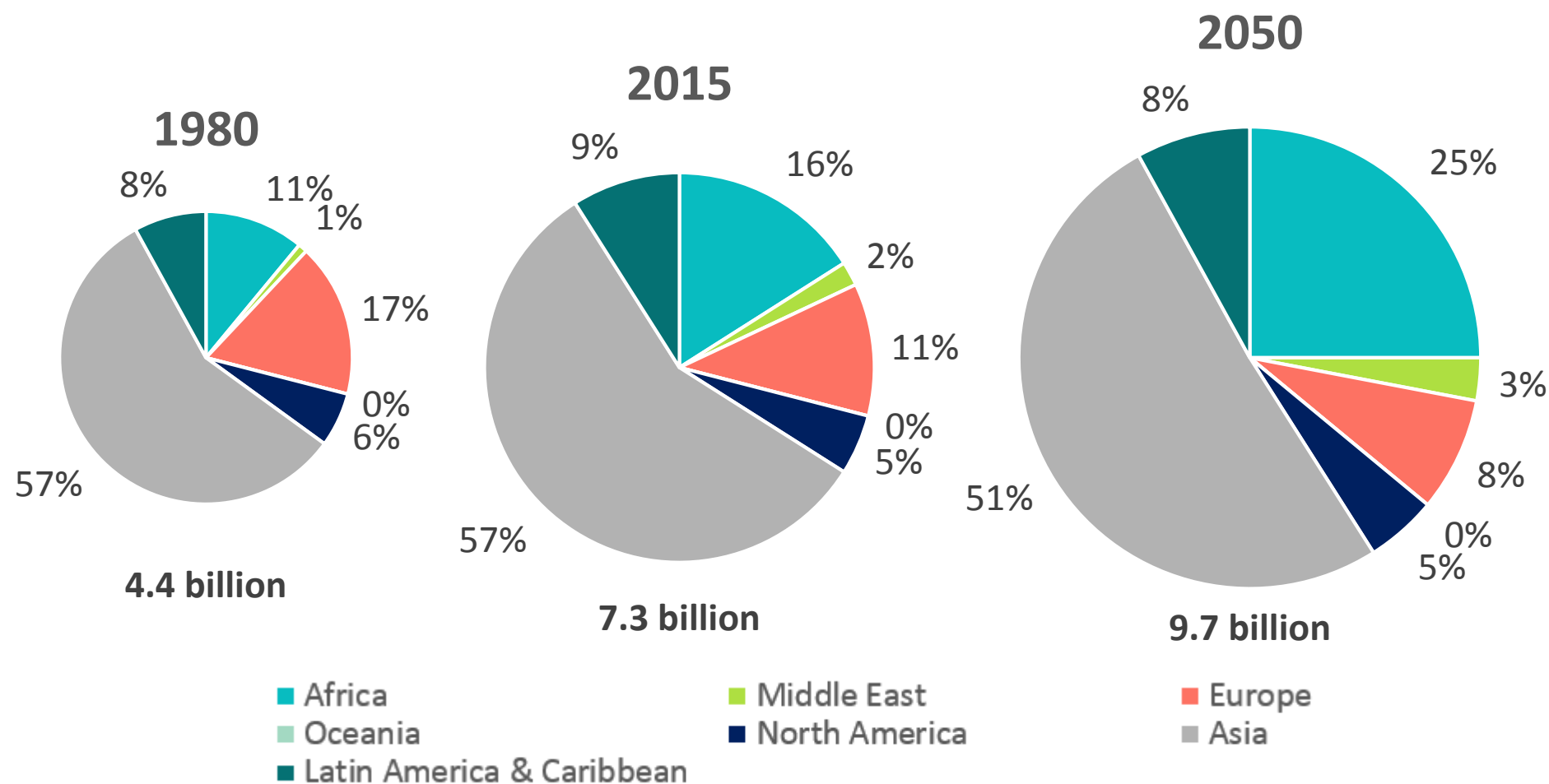
- Ten megatrends fundamental to long-term prospects of economies worldwide
- They are relevant to advanced and emerging economies alike
- Fortunes of all economies are becoming more intertwined
- Distinctions between developed and developing countries getting blurred
- These megatrends interact with each other, not isolated
- They must be viewed as a whole



1. DEMOGRAPHICS

- In 1980, the world population was 4.4 billion, with Asia accounting for 60%
- The main concern then was a “population explosion” in the so-called “third world”
- By now, growth rates have eased in all parts of the world, except the Middle East and Sub-Saharan Africa
- Today, the world has 7.3 billion people. By 2050, we may be 9.7 billion, with Africa accounting for 55 percent of growth
- Except for Africa and the Middle East, all regions will share new challenges of aging and even declining populations
- This transformation has fundamental social, economic and political implications

GLOBAL POPULATION





2. URBANIZATION

- In 1980, most people in the world lived in rural areas
- Today, just over 50 percent of global population urbanized
- By 2050, the world will experience an avalanche of urban migration, mainly in Asia and Africa
- Between 80-90 percent of economic output in urban areas
- Key implications—cities will need to:
 - Modernize swiftly to support economic modernization and competitiveness
 - Improve quality of life of their residents to accommodate rapid urbanization
 - Meet rising expectations of upper and middle classes



3. GLOBALIZATION: INTERNATIONAL TRADE

- For the past half century, key drivers of long-term growth have been globalization of international trade, capital, and ideas
- Trade as a share of world GDP rose from about 17 percent in 1960 to nearly 50 percent in 2014
- Despite setbacks during the Great Recession, further globalization expected through 2050, but at slower pace
- Asia to account for biggest increases in global savings, investment, and trade
- Key implications: emerging markets must do more
 - Domestically (improve policies and institutions)
 - Internationally (fight to maintain an equitable and open trading system)



4. GLOBALIZATION: FINANCIAL MARKETS

- Explosive growth in the size and depth of financial markets, and in their globalization in past 50 years
- Between 1990-2007 global financial assets jumped from \$56 trillion to \$206 trillion; improved mobilization and allocation
- Global Financial Crisis of 2007 was a “wake-up call” to entire world. Current institutions ill-suited to handle new realities
- World today is awash with excessive liquidity, leveraging and risk-taking, which cause repeated financial crises
- Future risks from geo-political threats, demographics, technology and climate change may be even greater
- Urgent: Reconfiguration of global monetary and financial architecture



5. RISE OF A MASSIVE MIDDLE CLASS

- A distinguishing phenomenon of this century is emergence of a massive middle class in emerging market economies
- The world is poised to see an explosion in the size of the middle and upper-income classes (per capita income >\$10 per day)
- In 2050, the percentage of world population classified as middle or upper class could rise to just over 80, or some 8 billion people
- There could be over 4 billion additional middle and upper class consumers, fueling further consumption, savings and growth
- Fundamental social and political implications (i.e. Arab Spring)



6. COMPETITION FOR NATURAL RESOURCES

- Concerns about sustainability of economic growth are not new, dating back to Malthus and re-emerging during rapid growth
- But, prospects of universal prosperity create a new situation: Our fragile planet already showing strains (i.e. global warming)
- Highly unlikely that its finite natural resources can support 4 billion potential new consumers adopting the current Western consumption pattern
- Technological breakthroughs will help reduce unit demands for natural resources, but unlikely to be enough
- People worldwide will need to adopt new styles: more frugal and in greater harmony with nature



7. CLIMATE CHANGE

- Global consensus that climate change is scientifically validated, and will have a critical impact on economic and social well-being of all humanity
- Examples: increased frequency of severe weather events; melting of glaciers; rise in sea levels and coastal flooding; sharp increase in drought stricken areas; and poor urban air quality
- Both mitigation and adaptation measures necessary
- After years of frustrating international negotiations, the Paris Conference in December 2015 finally brought breakthrough
- But political promises must be converted into actions by all



8. TECHNOLOGICAL PROGRESS

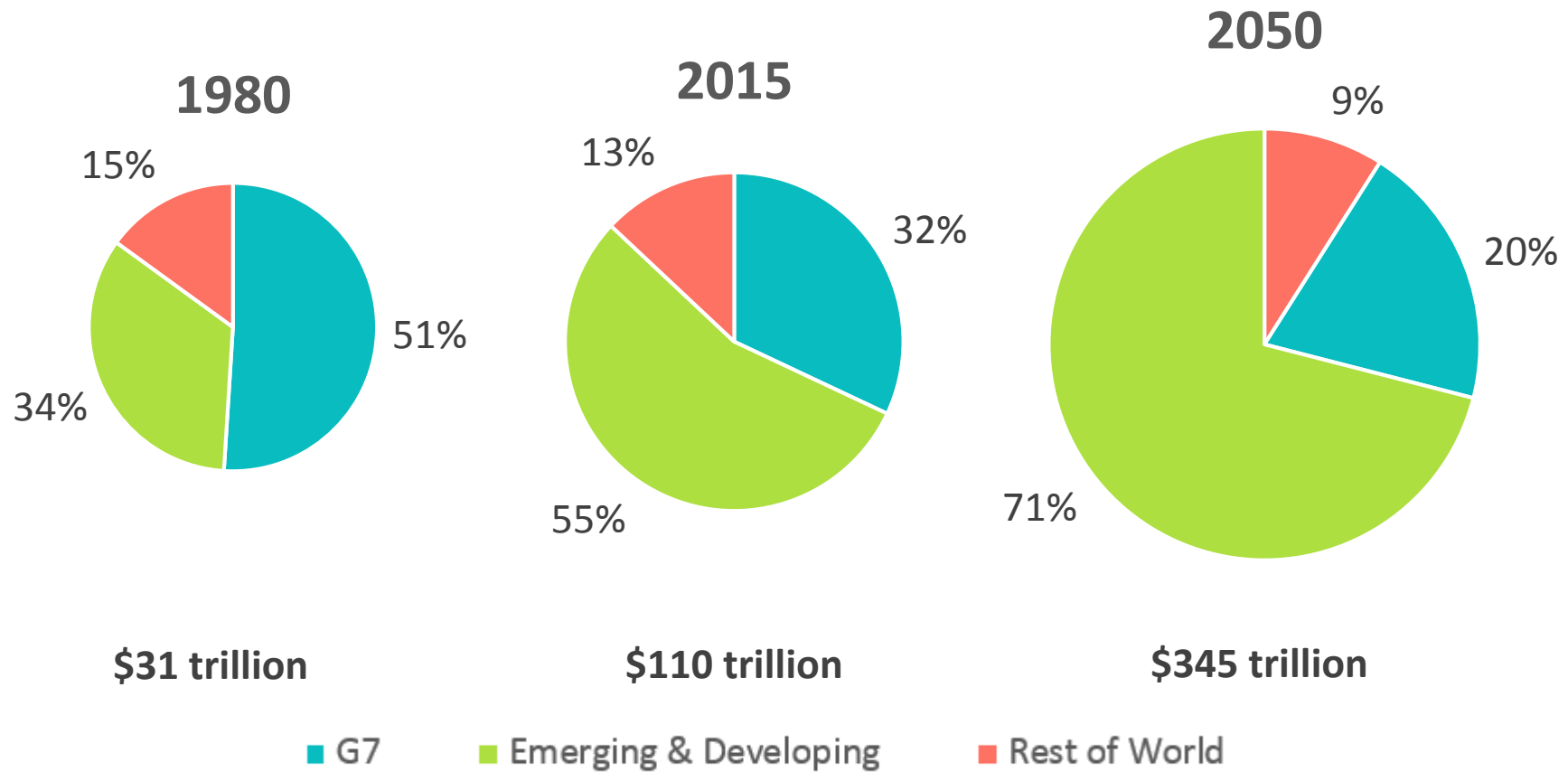
- The global productivity frontier has steadily improved over the past 100 years (about 1% annually)
- Latest example: communication revolution. In 2015 already 91% of American consumers had their mobile phones within reach at all hours
- By 2050, practically all Internet connections could be through mobile devices
- The pace of technological progress is accelerating; breakthroughs could help tackle global challenges (i.e. climate change; natural resources)
- Technological innovation also necessary to meet the needs of “the bottom billion”



9. RISE OF EMERGING MARKET ECONOMIES

- In 1980, the G7 economies accounted for 51 percent of global GDP (PPP)
- Today, emerging markets produce 55 percent of global GDP; a total reversal of their relative weight in less than 35 years
- By 2050, today's emerging market economies could account for about almost three quarters of the global output
- But, the G7 countries will continue to have a much higher GDP per capita than emerging economies: \$79,900 vs. \$28,500
- Incremental growth in global GDP, savings investment, and trade will be mostly in the emerging markets, particularly in Asia

SHARES OF GLOBAL OUTPUT (PPP)





10. THREAT FROM VIOLENT NON-STATE ACTORS

- Interstate wars have declined since end of Cold War, but terrorism and other non-state violence have become a deadly problem
- Combination of fundamentalism, rebellion against existing institutions and communications technology is proving deadly, with worldwide reach
- This rise of non-state actors poses a threat to global peace, security and rule of law
- To reduce these threats, critical to improve domestic economic prospects, equity, credibility of institutions
- Threats from violent non-state actors are a global issue that require global action and solidarity