Globalization's Future Is Asian

Parag Khanna

Abstract *At the heart of Southeast Asia is Singapore*, a global center for finance and technology. This essay delivers an analysis of the future of the world from an *Asian perspective*. The analysis stresses core trends: first, *imagination and creativity* will be crucial as the world changes faster and faster. *Technologies from AI to gene therapy* are evolving at revolutionary speeds and are colliding in novel and unexpected ways. Second, *complexity must be embraced*. The chain reactions across economics, geopolitics, climate, and demographics make a mockery of linear projections. Asia represents more than half the world population and nearly fifty percent of global GDP in PPP terms. Coming out of the COVID-19 pandemic, only Asia will grow beyond pre-COVID levels in the immediate aftermath. This means the world will become ever more shaped by Asia. But what will the Asian world look like? Can Asians embrace a cartographic pragmatism similar to what they have achieved in the economic and social spheres? What can be done to resolve *Asia's numerous legacy conflicts*? What strategies might lead both to conflict resolution as well as to building a new and more stable Asian equilibrium?

Keywords At the heart of Southeast Asia is Singapore • Asian perspective • Imagination and creativity • Technologies from AI to gene therapy • Complexity must be embraced • Asia's numerous legacy conflicts

1 Scenarios for Asia's Future

When conjuring up visions for the Asia of 2050, two lessons from countless scenario exercises are essential to bear in mind. First, we must be imaginative. History is accelerating. Technologies from AI to gene therapy are evolving far more rapidly than we previously thought and are colliding in novel and unexpected ways. Second, we must embrace complexity. The chain reactions across economics, geopolitics, climate, and demographics make a mockery of linear projections.

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Two decades ago, when the US invaded Afghanistan and Iraq, pundits were quick to declare an eternal extension of American “hyperpower.” Yet here we are, nearly twenty years, into the spectacular delegitimation of the Anglo-American system. Meanwhile, Europe, which even Western analysts dismissed as a geopolitical museum, has embarked on a fiscal compact to match its monetary union, trades more with Asia than it does with the US, and leads the world in climate-resilient investments. Any holistic approach to measuring power and influence does more than look at military assets.

We already live in an Asian world. Asia represents more than half of the world’s population and nearly fifty percent of global GDP in PPP terms. Coming out of the COVID-19 pandemic, only Asia will succeed in returning to pre-COVID-19 levels in the pandemic’s immediate aftermath. Thus it remains fairly certain that the world will become ever more shaped by Asia. But what will the Asian world look like?

2 The Asian System

The rise of the modern Asian mega-system can be traced back around thirty years to the collapse of the Soviet Union. Since that time, numerous milestones have propelled an acceleration of pan-Asian interdependence. The commodities “supercycle” of the 1990s meant that West Asian energy exporters such as the Arabian Gulf countries began exporting far more oil and gas eastward across the Indian Ocean than westward to Europe and America. The 1998 Asian financial crisis forced emerging Asian countries to undertake major reforms in monetary policy and regulation and to open more to trade with each other. By the mid-2000s, intra-Asian trade had exceeded trade with countries outside the region. This provided a very important cushion to the demand shock of the global financial crisis.

Since 2008, not only has Asia led the world in economic growth, manufacturing, and infrastructure investment, but it has also been negotiating major trade liberalization agreements such as the Regional Comprehensive Economic Partnership (RCEP), which has created the largest open trade zone in the world. According to a McKinsey report, 60 percent of trade across all Asia is already internal to the continent. Here again, integration proves to be an important source of resilience against major global shocks such as the COVID-19 pandemic.

Along the way, deeper aspects of integration have also accelerated. The Belt and Road Initiative encompasses nearly all countries in Asia and has contributed massively to infrastructure finance across the region. The Asian Infrastructure Investment Bank (AIIB) also shows how Asians are capable of developing and driving their own institutions. But what about the geopolitical dynamics of the Asian system?

3 A Technocratic Peace?

In recent years, commentators have been far too quick to project that China's Belt and Road Initiative heralded the inevitable return of the Ming dynasty's tributary system of hierarchy across Asia. But rather than resurrect a Chinese version of the British East India Company (another common analogy for the BRI), a strong backlash has already eroded China's ability to coerce. Major powers such as the US, Japan, Australia, and Europe have erected significant barriers to Chinese investment while demanding reciprocal market access, formed a "quad" coalition of navies to maintain a free and open Indo-Pacific region, and are working with weaker states to offer alternative lifelines of credit to dilute China's "debt trap" diplomacy.

Both cases embody geopolitical complexity: the reaction to one power's actions proves to be more decisive than that power's original action. What it took the British nearly 300 years to learn, China is experiencing in the span of three years. China has told us what it wants its place to be in 2049. History will have a different opinion.

Envisioning Asia's future by way of linear projection is therefore dangerous, and so too is using static analogies and antiquated (if not outright irrelevant) theories. Western history teaches that unipolar orders are more stable, but Asia's four thousand years of history have been almost exclusively *multipolar*, with diverse and dispersed civilizations focusing more on commercial ties and cultural exchange than conflict. The most recent power to violate that norm was twentieth-century Japan, an experience of which China is well aware.

Extreme scenarios grab headlines: US Hegemony 2.0, China Takes Over the World, New Cold War, or World War III—take your pick. But if global history is any guide, we would be better served by drawing on precedents from Asia's broad past while infusing disruptive elements coming at us from the future.

As the world gravitates more toward regional constructs than frictionless globalization, the most salient template harkens back to the pre-colonial world, namely the fifteenth- and sixteenth-century Afro-Eurasian system that spanned the Indian Ocean. Today once again, the Indian Ocean region is the center of gravity in global trade, linking highly complementary regions from East Africa to ASEAN in an ever more fluid milieu. This is complemented by the revival of another pre-colonial artifact, the "Silk Roads" stretching from Arabia to the Far East. The resurrection of this trans-regional connectivity (across all of Eurasia) has far more to do with the collapse of the Soviet Union three decades ago than the rise of China, hence we can expect these new Silk Roads to flourish in all directions irrespective of China's influence over the Asian system.

The most fundamental test then of whether Asia's principal powers can maintain stability is whether they can resolve outstanding territorial disputes. Asia has managed three post-Cold War decades of great power stability, keeping major escalations from crossing the point of no return. From the South China Sea and Taiwan to North Korea and the Senkaku Islands, many flashpoints that have elevated fears that World War III would break out in Asia have not yet come to pass. But past success does not guarantee future stability: Asia's evolution into a mature system is far from

guaranteed. On the contrary, Asians have not developed sufficiently robust dispute resolution mechanisms to keep conflicts from boiling over.

The biggest risk of conflict in the twenty-first century thus stems from not settling the conflicts of the twentieth century. Can Asians embrace a cartographic pragmatism similar to what they have achieved in the economic and social spheres? The answer will play a key role in determining whether today's Asian arms race can give way to the type of stable multipolar equilibrium that has characterized Asia's most prosperous eras.

What can be done to resolve Asia's numerous legacy conflicts? What strategies might lead both to conflict resolution as well as to building a new and more stable Asian equilibrium?

Asians have the capacity for collective foresight with the aim to eliminate the need for such tactics in the first place. What has been missing is a process suited to taking advantage of these propitious conditions. Asia requires its own version of the prevalent Western paradigm known as "Democratic Peace Theory," which states that democratic societies do not wage war against each other. Democratic peace theory is both inspirational and aspirational, but either way, it is of limited applicability to Asia given its dissimilar regimes (including non-democracies such as China) and cultures. An approach more suited to Asia might be what I call "Technocratic Peace Theory." Less than a predictive hypothesis, it suggests that expert arbitration is the approach to permanent dispute resolution best suited to the region's heterogeneous landscape. Given that Western scholars and diplomats lack the empathy to grasp both their own and Asian perspectives simultaneously, much less the creativity to reconcile them, it is up to Asians to do this themselves.

An important virtue of a technocratic approach is that it is not biased toward legal conventions or frameworks that not all parties view as legitimate. In the border dispute between India and China, as well as over the South China Sea, boundary demarcations have their origins in late nineteenth- and early twentieth-century colonial-era conventions. These conflicts, then, are effectively pre-legal with respect to contemporary international law. Until sovereignty is settled, how is the law of nations to apply? Western diplomats often speak of the need for a rules-based international order, but in many conflict formations, the rules have yet to be agreed on in the first place.

There is no ideal way to resolve international conflicts, especially given their diverse historical origins, power asymmetries, and diplomatic posturing. But in conflict resolution, the perfect should never be the enemy of the good. And good approaches involve sharing sovereignty, sequencing solutions, and setting boundaries in order to achieve greater collective security. Without prescribing a specific end-state, these tools can deliver a roadmap to peace for Asia. Leaders know that the same back-of-a-napkin approach that caused so many of today's territorial tensions can also just as easily be used to resolve them. This decade is a good time to do just that.

4 Factoring in Complexity

Now let us infuse some unprecedented variables into our construct of the Asian future. First, demographics. The world is headed not toward rampant overpopulation as many feared two decades ago, but rather a plateau of perhaps no more than nine billion people—followed by a rather precipitous collapse. China, Japan, South Korea, Singapore, and other Asian nations are aging rapidly and have fallen below replacement fertility levels. Their need to import foreign manpower is evident in Japan now home to nearly three million foreigners, including legions of young Vietnamese and Indians. It turns out that the country least known for welcoming outsiders has become an immigrant magnet. China too has a very cautious approach toward immigrants, yet beneath the radar is also heavily importing Southeast Asians to fill its growing labor shortages. We are witnessing a new era of Asian mass migrations from young to old societies, reinforcing the melting pot nature of the region.

Another driver of this demographic swirl is climate change. One of the most compelling virtues of the recent *2219: Futures Imagined* exhibit at the Singapore ArtScience Museum was that it made a radical scenario—Singapore as a high-rise Venice, with canals, hanging gardens, and vertical farming—appear entirely plausible. But 2219 could well be 2119, or even sooner. From remote work to travel bubbles, the coronavirus pandemic has taught us to speed up our acceptance of the “next normal.” Singapore’s own “30 by 30” plan to generate thirty percent of our fish and vegetable consumption through local aquaponic farming by 2030 has been brought forward to 2023.

The estimated ten million Indonesians working in Malaysia (in sectors such as agriculture and construction) already represent the largest cross-border community in the region. What will happen as rising sea levels engulf Indonesia’s coastlines, drought scorches its agriculture, and heat effects broil its population? No place on earth is immune to climate effects, but IPCC models are more favorable toward upper peninsular Malaysia, Myanmar, Japan, and even Mongolia than equatorial latitudes. We should not be surprised to find tens of millions of Bangladeshis in northern Myanmar and perhaps hundreds of millions of Chinese in Siberia several decades from now. I once called this emerging blended zone “Sino-Siberia,” and one only has to look at a map of the fourteenth-century Yuan dynasty to realize how plausible a scenario it is.

Today’s technological breakthroughs befit a world of people more on the move than our more recent sedentary period. We are moving from reliance on heavy and polluting hydrocarbon energy toward more localized renewable and alternative resources such as wind and solar. We are recycling, desalinating, and drawing freshwater from the air and building aquaponic facilities wherever food is needed. We can 3D print homes and buildings and tow them on hydrogen powered trailers should some places be threatened by natural disaster. Thousands of satellites circulate in orbit and portable 5G base stations can be erected anywhere. A large share of the workforce is telecommuters, and immunity certifications (even chips under our

skin) will be the new passports as countries compete for talent to fuel their societies. We all have e-wallets and crypto-currencies that work seamlessly across borders.

5 Asia's AI Advantage

The rapid acceleration in artificial intelligence (AI), research, and commercialization also points to growing dynamism across the breadth of Asia. From Japan to Singapore, AI start-ups and research clusters are emerging rapidly, a harbinger of the technological leapfrog that is to come. Asia has been home to tech pioneers for decades. Leading tech companies in Japan and South Korea, for example, have some of the highest numbers of AI patent filings, according to the World Intellectual Property Organization. The success of these and other East Asian conglomerates is also a testament to the quality of their talent and ability to commercialize research. Asians are placing emphasis on scaling applications in industrial and home robotics, self-driving cars, and smart city projects such as one large automotive manufacturer's planned development in the foothills of Mount Fuji.

China now leads the world in annual R&D spending with nearly USD 275 billion (just above 2% of GDP), but other Asian nations are also above the 2% mark, including Japan (roughly USD 176 billion), South Korea (USD 70 billion), and Singapore (USD 13 billion). By comparison, US federal R&D spending is roughly USD 131 billion. While these figures capture a wide range of sectors from biotech to materials to computer science, all are driven by AI. Japan's large-scale push into the Internet of Things (IoT) sensor deployment across Asia should be understood as part of its AI strategy given the data it will generate. As the first country with widespread 5G deployment, South Korea has an edge in gathering data that will deepen its AI prowess in areas such as smart manufacturing, immersive gaming, and autonomous vehicles.

Though its R&D spending is much lower than other countries in the region, Singapore stands out for its ambitious vision for AI and success in execution. Singapore's recently announced AI strategy includes all the key ingredients to become a leading AI hub for Asia: application to urban problems, investment capital for start-ups, training for citizens, and regulatory framework for data protection. Singapore's holistic approach to innovation has helped it rank as the third most innovative country in the world. (Korea is second; the US is ninth.)

While Singapore remains a small market, it has positioned itself as the most dynamic emerging region of Southeast Asia (ASEAN), home to 600 million people with a lower median age and per capita income than China. This zone of nearly 10 countries between China and Singapore is also a highly collaborative one. Leading companies in Japan, China, South Korea, and Singapore are all lead investors in one of Singapore's most promising start-ups, with services ranging from ridesharing to e-payments. One e-commerce and gaming unicorn, SEA Group, also launched in Singapore with funding from a Chinese multinational conglomerate and in 2017

became the region's first tech company to conduct an initial public offering on the New York Stock Exchange.

As foreign investment in manufacturing shifts from China to Southeast Asia, companies are putting AI to work to bring automation to the industrial landscape of Indonesia, Malaysia, Thailand, and Vietnam. These countries are home to major investments from Chinese tech giants, which have opened up AI labs in the region. This trend shows no sign of slowing as venture capital funds invested over USD 3.4 billion in ASEAN in the first half of 2019 and China's investment in the region increased fourfold.

While India lags behind East Asian states in R&D spending and patent filing, it ranks second only to China in the number of computer science graduates it produces each year. By further training software engineers to become data scientists and machine learning specialists, India almost doubled its AI workforce from 40,000 in 2018 to 72,000 in 2019. This labor pool is deeply involved in national initiatives such as a universal identification project—which has already registered more than 1 billion citizens—and a new facial recognition database for law enforcement agencies. Many global companies have set up AI research centers in Bengaluru while one multinational AI company has raised more than USD 325 million to boost enterprise efficiency with AI.

Pakistan is another young and fast-growing Asian market with an increasing emphasis on nurturing deep tech. In 2019, Pakistan was ranked as the region's fastest-growing country for digital freelancers. The government also recently appointed a Massachusetts Institute of Technology trained executive to head its Digital Pakistan initiative.

6 Conclusion

There may still be all manner of tensions across Asia and globally. Armed interventions and land grabs to claim and cultivate fertile habitats may be the new territorial geopolitics. Access to climate oases may be restricted while others scavenge in a more neo-medieval landscape. On top of this, bio-therapies and other preventative medical treatments could exacerbate inequality, both economic and genetic.

The more unpredictable the future appears, the more individuals seek refuge in islands of stability such as Singapore, well-governed enclaves that offer the virtues of security and connectivity humans innately desire. Already Singapore has enough housing stock to support a population of seven million or more, and demographic transition makes higher immigration an eventual necessity. At the same time, becoming a leader in sectors ranging from advanced manufacturing to vaccines requires fresh minds and knowledgeable technicians, as well as manpower to export innovations to a global society that constantly craves upgrades.

There is a saying that “only the paranoid survive.” This means being prepared for a wide range of scenarios since the future is almost never either/or; it is far more

often both/and. That means it is neither all utopia nor all dystopia, not all hyper-globalization nor all hyper-localization. Our global system evolves the way humanity does, not through grand design or random accident but adaptation to changing realities. The faster we react to an accelerating world, the better our chances of shaping the future to our benefit.

Parag Khanna is a leading global strategy advisor, world traveler, and best-selling author. He is founder & managing partner of FutureMap, a data and scenario based strategic advisory firm. He holds a Ph.D. from the London School of Economics. He is author of a trilogy of books on the future of world order: *The Second World: Empires and Influence in the New Global Order* (2008), *How to Run the World: Charting a Course to the Next Renaissance* (2011), and *Connectography: Mapping the Future of Global Civilization* (2016). Parag's newest book is *MOVE: The Forces Uprooting Us* (2021), which was preceded by *The Future is Asian: Commerce, Conflict & Culture in the 21st Century* (2019).

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