

Global Trends 2030 and their implications for the EU-Russia relationship

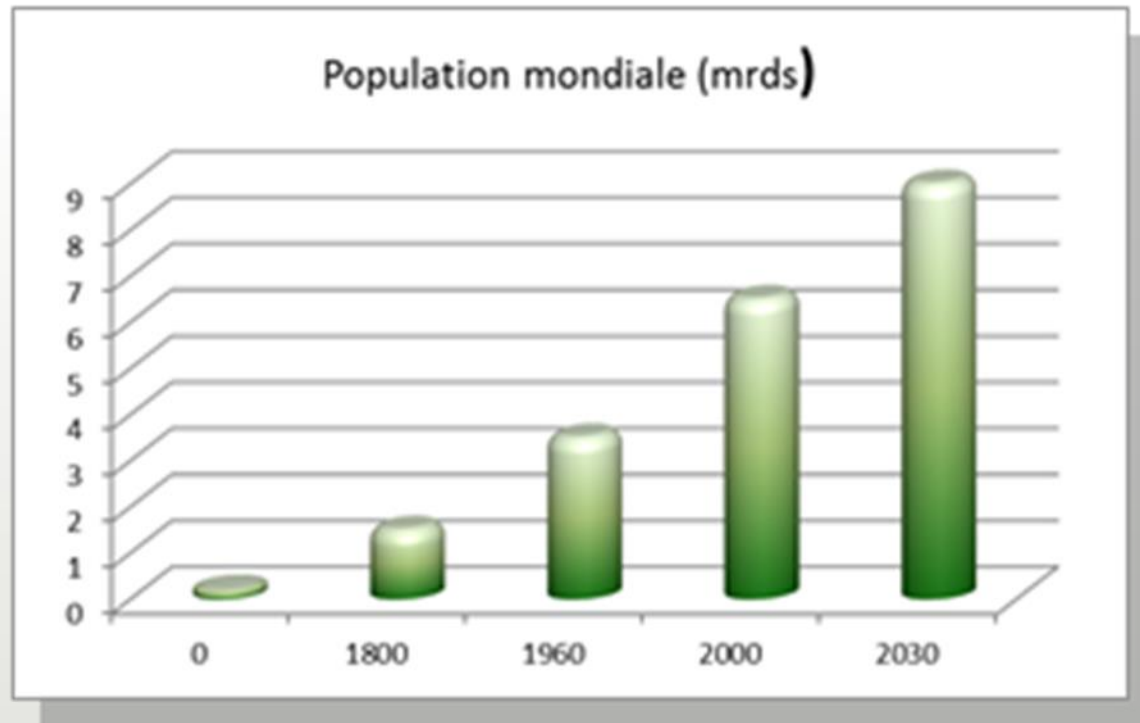
Moscow, 6 March 2014

Key General trends to 2030

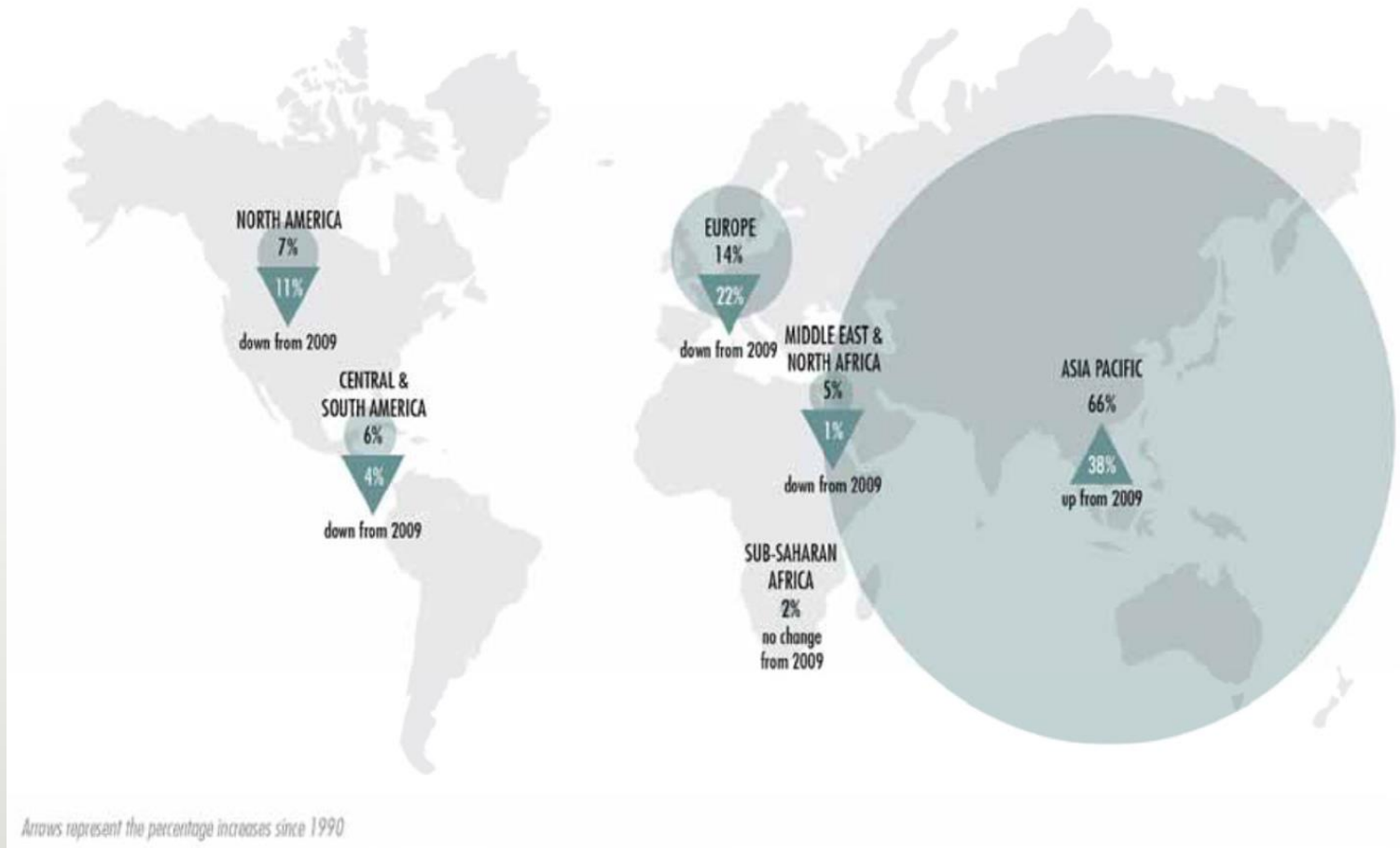
- **Empowerment of people** and rise of middle class
- Rise of **Asia**
- The **transformative role of technology**
- **Resources**: the “perfect storm to come”
- **Global Governance**: more interdependence but more fragmentation. US still dominant



1) Global population might peak and will be affected by unprecedented ageing.



2) Rise of middle class – income differences across countries will narrow

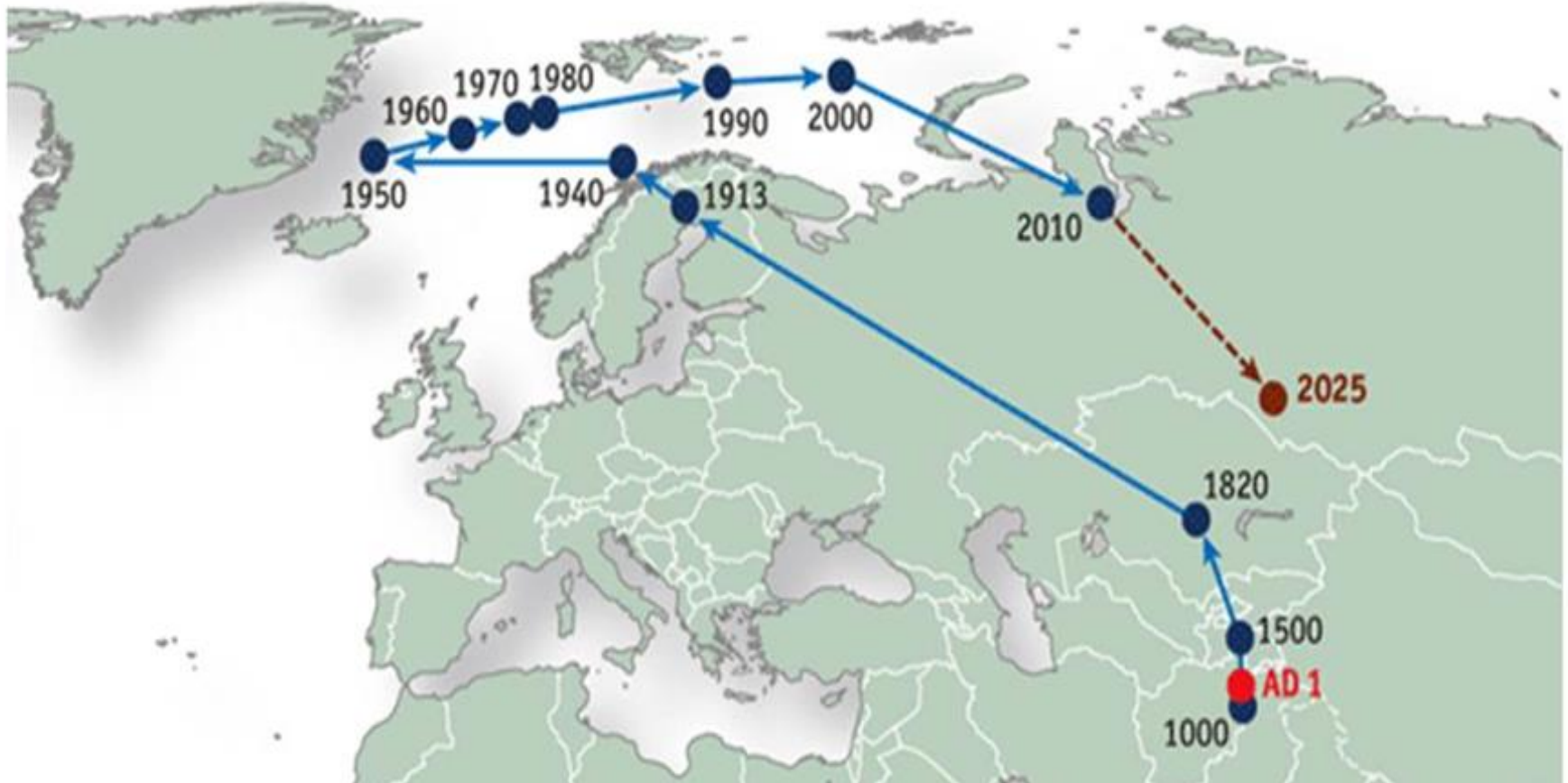


3) Rise of Asia : will represent more than 54% of global population, and 50% of global consumption



Evolution of the earth's economic centre of gravity

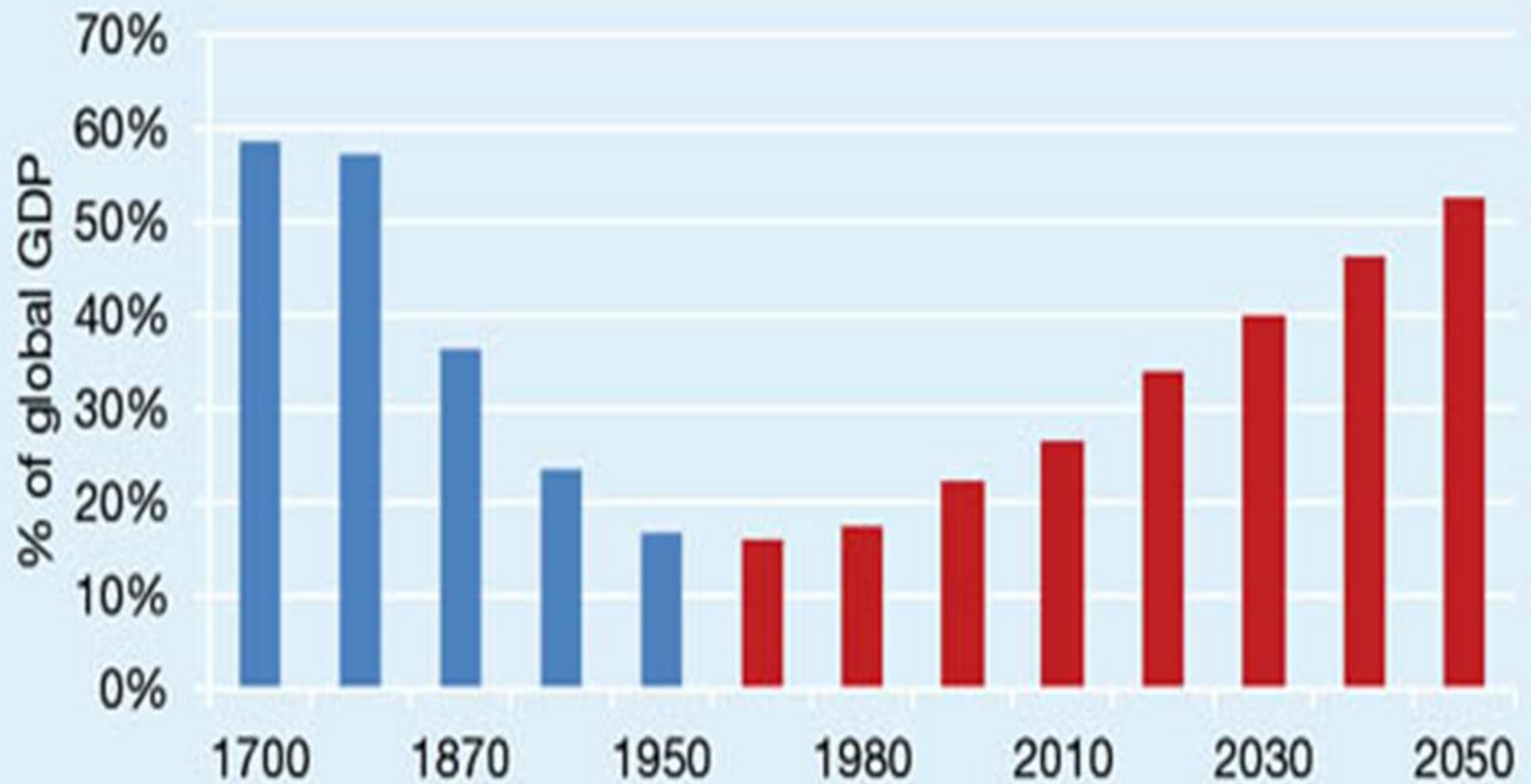
AD 1 to 2025



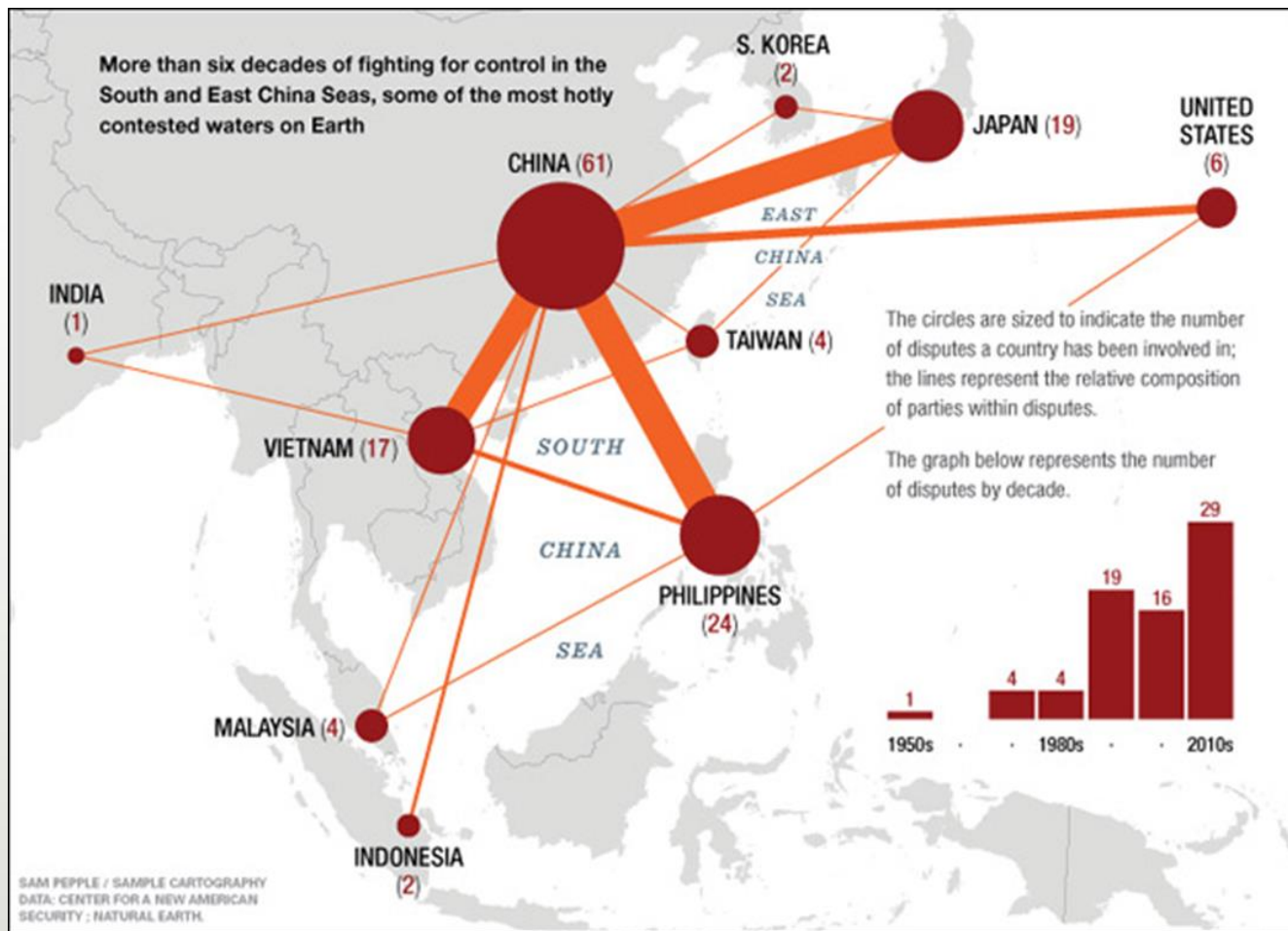
Figure

1

Asia's share of global GDP, 1700-2050



Rise of possible conflicts



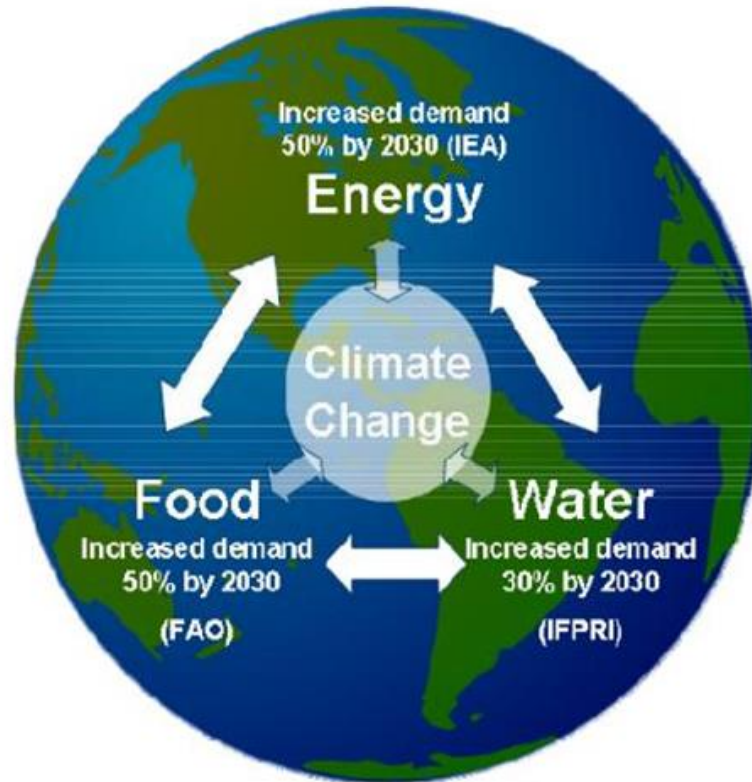
Security and defence

The projections imply that by 2030 the US would still remain the biggest military spender, not because it has the highest GDP (China will have overtaken the US in terms of overall GDP in the mid-20s) but because it spends a higher share of its GDP. However, the share of the US in the G-20 total will have fallen to less than 40% and a combination of the next four (comprising **Russia**, China, India and the UK) would spend as much. The US will thus continue to outspend China by a wide margin (almost twice as much) but the difference will be much smaller than today (ratio of about 4:1).

Table. Military spending 2012 and 2030

	2012	Share G20		2030	Share G20
United States	682	47	United States	845	38
China	166	11	China	465	21
Russia	91	6	Russia	176	8
UK	61	4	India	129	6
Japan	59	4	UK	78	4
P. m. EU		14	P.m. EU		11

4. The perfect storm to come

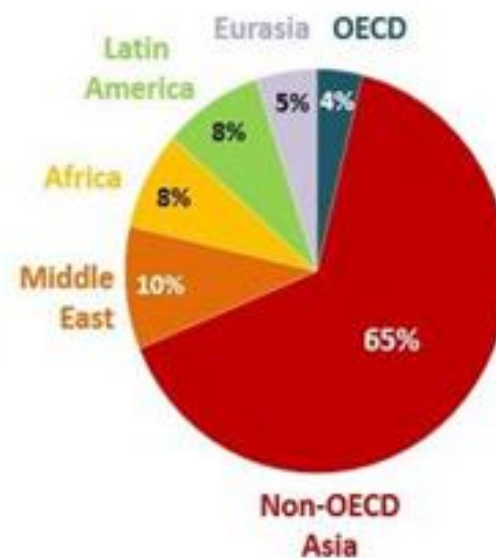


Energy outlook

Primary energy demand, 2035 (Mtoe)



Share of global growth 2012-2035



- ...and for the EU?

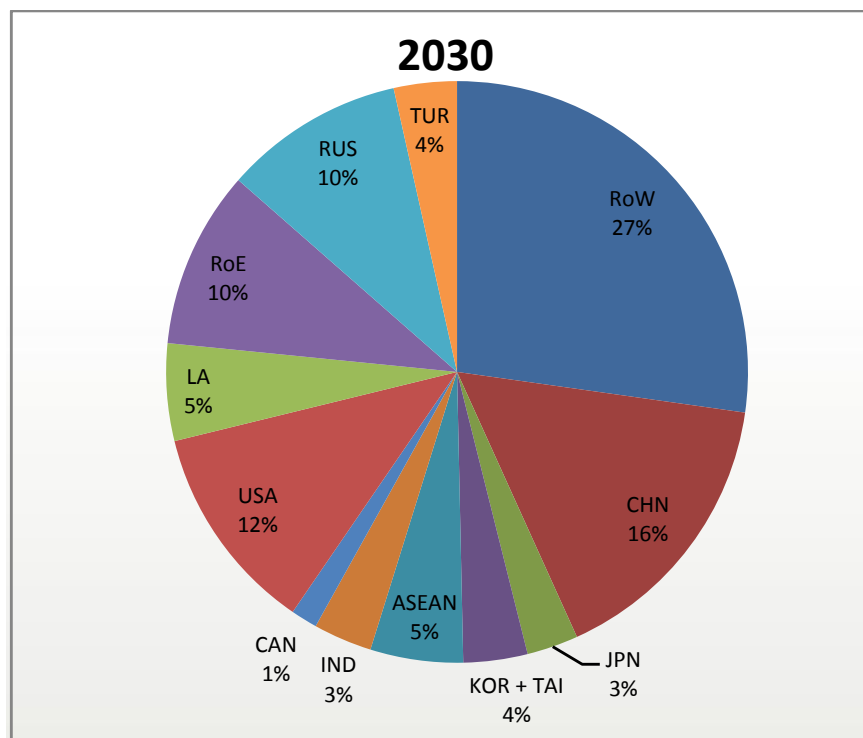
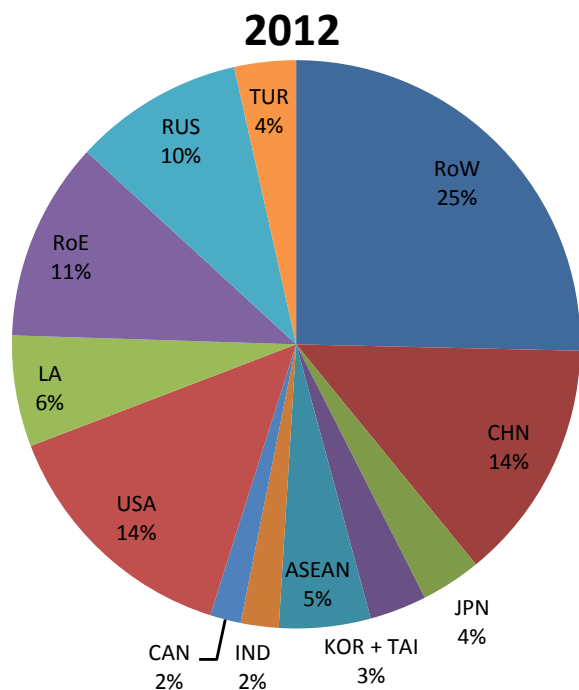
- Focus on:

- Foreign and security policy: globalisation is a driver
- Economy: productivity and investment, innovation, reduction of inequalities
- Society centred on people and on culture of change
- Need a new narrative...and tough choices

G7 1990-2030

Rang mondial	1990	2010	2030
1	US	US	Chine
2	Japon	Chine	US
3	Allemagne	Japon	Japon
4	France	Allemagne	Inde
5	Italie	France	Russie
6	GB	GB	Brésil
7	Russie	Brésil	GB

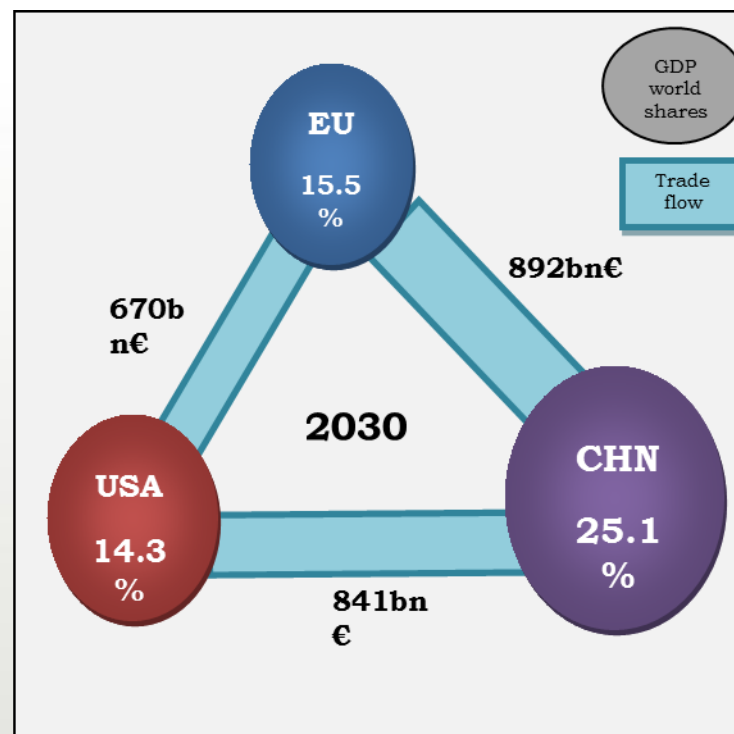
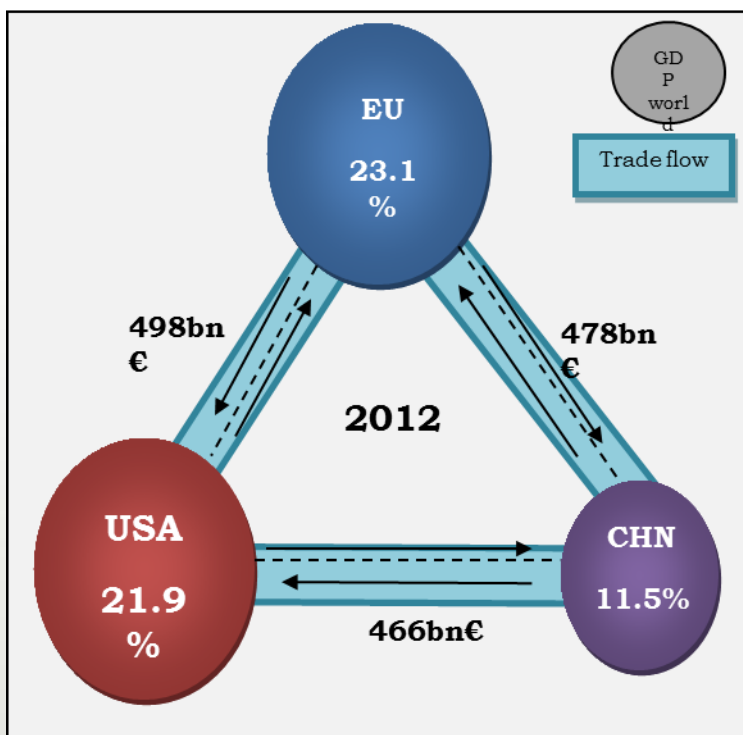
Key EU's Trade partners



Note: RoW: Rest of World, CHN: China, JPN: Japan, KOR+TAI: Korea & Taiwan, IND: India, LA: Latin America, RoE: Rest of Europe, RUS: **Russia**, TR: Turkey.

Source: Mirage results and EU TRADE statistics (Eurostat).

Economic world not plurilateral: G3



European FTA potential partners

Table.1.1 Major potential FTA partners, TTIP vs BRICs

Country	EU trade by partner, 2012, €bn (imports from EU in parenthesis)	GDP Growth to 2030, x-fold*	MFN tariffs**
US	498 (292)	1.35	2.1
BRICs	924 (346)	3.75	n.a.
China	434 (144)	4.50	4.6
Russia	337 (123)	3.29	9.5
Brazil	77 (40)	1.70	10.2
India	76 (39)	3.73	7.2

Note: *Based on current trade volume (DG Trade) and with growth forecasts of MaGE. ** MFN = Most favoured nation. MFN applied 2010 based on trade weighted average. Higher tariffs indicate a larger potential for reduction, *Source:* IMF, WTO and MaGE estimations.

Europe and its neighbourhood

- European Neighbourhood Policy
- Accessing country
- Candidate countries
- Potential candidates
- Protracted conflicts
- Arab upheavals



Strategic Trends 2012 (Center for Security Studies, ETH Zurich)



Strategic neighborhood

- The future of Europe cannot be de-linked from the future of its neighbourhood
- Emergence of a “Strategic neighbourhood”
 - EaP, Turkey, Russia, central Asia, Iran, Gulf, Sahel, Horn of Africa, West Africa.
 - 1,2 bn people
 - 62% of oil reserves, 80% of gas reserves
 - Low level of regional cooperation while important economical and political challenges

Some elements on Global Trends for Russia

- Contracted and ageing population
- The energy and economic reform nexus: is the window of opportunity closing?
- Social and political challenges linked to empowerment and rise of middle class
- A major geopolitical player but uncertainties on the Eurasian Union

Conclusions: key challenges for the EU-Russia relationship

1. **Define a midterm perspective** between short term problems and long term consensus on a "common economic area between Lisbon and Vladivostok"
2. **Focus on new the new Industrial and technological revolution;**
3. **Energy:** from a supplier consumer relation to a technology based relation;
4. **Management of ageing** in an ageing world
5. Improve cooperation on **security issues**
6. Management of the "**common**" neighborhood

Thank you

