

# WIKISTRAT

NEXT GENERATION STRATEGY

Abridged

## COREGAP WEEKLY BULLETIN



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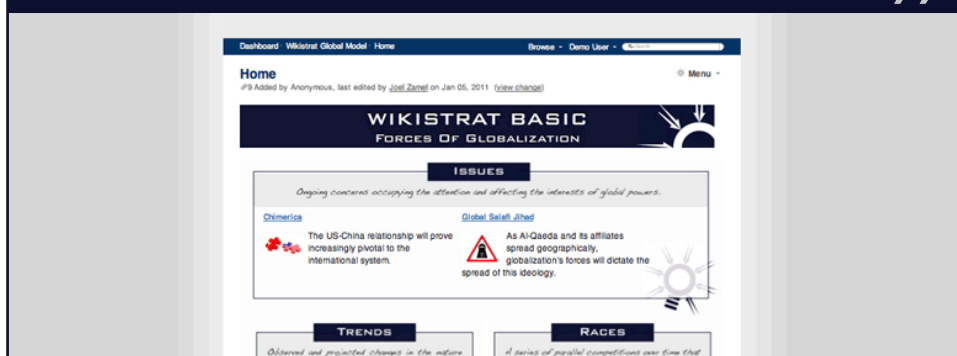
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### YOUR STRATEGIC GUIDE TO GLOBALIZATION'S ADVANCE

**ABRIDGED VERSION:** This is an abridged version of the CoreGap Bulletin. For access to the full publication, subscribe today at [www.wikistrat.com](http://www.wikistrat.com)

### “ LEVERAGING WIKISTRAT'S GLOBAL STRATEGIC MODEL ”



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# TERRA INCOGNITA

## THE DEVILS WE'LL KNOW

It's a fundamental question that has bedeviled US foreign policy for decades: When the time comes for the allied dictator to go, does Washington stand by its man or abandon him? Idealists can argue only one way; realists can argue both ways. But we'll argue that the only way ahead is to rotate leaders regularly, no matter how many competitive parties a political system features. It's simply a matter of cleaning house on a regular basis and upgrading the nation's rules for the constantly morphing challenges that globalization's rapid expansion presents.

Wikistrat Chief Analyst Tom Barnett noted in his classic, *The Pentagon's New Map*, that a primary distinguisher between connected Core and disconnected Gap states is the rotation of leadership. Inside the Core, nine out of ever ten states rotate their leaders, on average, every four to six years, while inside the Gap only ten percent manage this trick. The result? Almost one-third of Gap states can't hold onto a leader for four years, while almost two-thirds can't get rid of one in less than ten. That's about to change.

As we should know by now, democracy, as Tom likes to say, "is a dish best served cold – to an expanding and aging middle class." Stick that plate in front of a hungry, young, impoverished lower class and you'll get radical answers, like Hamas and Hezbollah. "Illiberal democracies," says TV journalist Fareed Zakaria. "Democracy," chimes in economist Paul Collier. In a nutshell, that's Israel's fear about the current unrest in the Mideast.

But here's the trick: with globalization so quickly penetrating developing economies with insufficient middle classes, the West and East either go with that flow or get busy defending dictators for the long haul. More frightening is the realization that even when that middle class seems up to the task, history say nobody goes to war with the same frequency – or reckless vehemence – than immature democracies. That's what gets you Washington instinctively standing by its man – just like the Obama administration (and the four before it) did with Egypt's Hosni Mubarak. It's the devil you know.

And there's plenty to fear in Egypt. Half of the population lives on less than \$2/day, and the bulk harbor all manner of crude, inaccurate and downright bizarre views of how a modern state should behave in this age. A democratic Egypt is more likely to screw things up across the board than an autocratic one – no doubt about it.

But the authoritarian alternative, as much as we might care to schedule its lifespan, cannot be mandated from outside. Globalization runs this show now – neither America nor China. Washington imagines itself a status quo power, but the historical truth remains: the United States, which birthed modern globalization and has been its staunchest defender in the nearly seven decades since, continues to be the planet's most revolutionary force – destroyer of local tradition and avatar of ubiquitous, self-empowering connectivity.

So pervasive has globalization become that it now emanates more from the East than from the West. Witness the protests in Egypt: nary an anti-American sign to be found. The process has simply outgrown the United States, meaning globalization schedules its own revolutions.

One thing seems clear enough: another huge nation-building task is at hand in unready and immature Egypt, in many ways no less complex or comprehensive than the one achieving initial operational capability in Iraq. Thankfully, Washington can't possibly dictate this show, but that only means other great powers will need to step up considerably.

And when we speak this way of Egypt, a country of potential regional leadership, we truly enter terra incognita.



### Wikistrat's Special

- ➔ Egypt After Mubarak - War Room
- ➔ Anti-Mubarak Protests in Egypt
- ➔ The future of revolution: fighting your way into the global middle class

### Special Strategic Issues

- ➔ Economic Development in the Arab World
- ➔ Islamic Radicalism and Reform

### Global Trends

- ➔ Political Trends

### Global Shifts

- ➔ The Governance Shift
- ➔ The Security Shift

### Global Races

- ➔ Al-Qaeda vs. U.S. globalization in Middle East

### Regional Net Assessment

- ➔ Middle East Net Assessment

### Global Net Assessment



## FOOD - HOW RISING ASIA DESTABILIZES THE ENTIRE GAP

Asia's rising population and income balloons individual caloric intake there, driving up global food prices. Developing Gap economies are highly vulnerable to such inflation, because food can constitute as much as 80 percent of household budget. This resource revolution begets political ones.

### ANALYSIS

China is a perfect example of this dynamic, as consumption of beef and dairy has more than doubled in the last decade, triggering price pressure on feed grains (especially corn) and likewise shifting production in their favor globally, which in turn raises the premium for bread-making grains (wheat, rye, oat, barley, etc.). Quickly double the price of staple bread in poor countries across North Africa and the Middle East and you've got the recipe for revolution.

China will tell you it doesn't "export revolution," but its sheer rise says otherwise, as does its tendency to slap on export bans whenever its own food supplies are put at risk. That trick, plus price caps, tariffs and counter-speculative rules are all being employed by Asian nations desperate to maintain their "food security." Mideast nations, even more dependent on foreign food sources, do all that and more, but Asia's size matters because it's roughly half the world's population. Last month the UN's food price index hit an all-time high.

For now, America plays the grain equivalent of oil-rich Saudi Arabia, as its wheat exports jumped 8-fold (!) in the second week of January, after Tunisia's implosion began and everybody instantly started stockpiling.

### OUTLOOK

A recent UK global food study proclaims the era of cheap food is over – forever. With a 70 percent demand rise by 2050 (outpacing 50 percent population growth), prices are slated to grow between 50 to 100 percent. Naturally, experts assume agricultural productivity won't keep pace. But try this on for size: America has doubled its production of corn over the last four decades while planting on essentially the same amount of land, so let's not dust off our DVD copies of "Soylent Green" just yet. Most experts think the US can double corn production – yet again – by 2030.

### WIKISTRAT BOTTOM LINES



#### Dependencies

Global climate change will make it far harder to grow food along the Equator, where most of the population growth will occur. Global food production must shift northward.



#### Risks

The world needs to double agriculture production without adding much land. Only Russia and Brazil have spare land capacity. Everywhere else, urbanization threatens.



#### Opportunities

The food we dare not name, genetically modified organisms, are the inevitable way forward. Money will be chasing this imperative like crazy in coming decades.



#### Recommendations

The WTO's Doha Round promised to liberalize the food flow between Core and Gap. Time is wasting.



### Special Strategic Issues

- ➔ Food Wars
- ➔ Brazil-An Agricultural Superpower
- ➔ China's Fast Rise

### Global Trends

- ➔ Technological Trends
- ➔ Sustainability Trends
- ➔ Economic Trends

### Global Shifts

- ➔ The Consumption Shift
- ➔ The Food and Water Shift

### Global Races

- ➔ Frankenfoods vs. climate change
- ➔ China locks up resources vs. becoming target of anti-globalizers

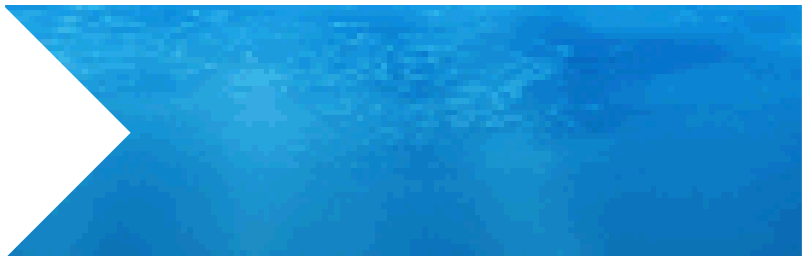
### Five Flows

- ➔ Flow of Food & Water
- ➔ Flow of Investment

### Regional Net Assessment

- ➔ Asia Pacific Net Assessment
- ➔ Middle-East Net Assessment

### Global Net Assessment



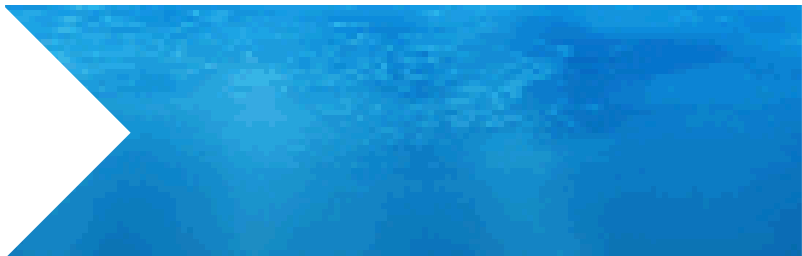
## GLOBAL OVERVIEW

A tumultuous fortnight for globalization, and the revolutionary rumblings in North Africa continue to capture the world's attention – as they should. Here are the topics covered in this week's CoreGap report:

- The prospect – and peril – of immature democracy sprouting in Egypt;
- In response, the “frantic firewalling” as we call it in our Egypt war room, across the rest of the region;
- Al Jazeera's skyrocketing regional and global prominence, thanks to its great coverage on Tunisia and Egypt;
- Rising global food prices that seem to be a trigger for a lot of the unrest we're tracking globally right now;
- Another terror strike in Moscow by Russia's north Caucasus insurgents;
- Asia's banks going abroad in search of bargains and new retail opportunities;
- America's Gulf Coast fisheries recovering faster than expected following the BP spill, and some US energy companies pushing to expand export facilities;
- The Doha “development round” receiving renewed attention at the recent Davos World Economic Forum
- Zimbabwe announcing that it anticipates China investing as much as \$10 billion into its moribund economy; and
- The scary news out of south Asia that Pakistan's nuclear weapons total now outpaces archrival India's.

Wikistrat remains somewhat fixated on events in Egypt, where the uncertainty of the past two weeks is well captured by the breadth of scenarios in our “war room”. At first, it seemed like the initial “explosive rip” of protests would be enough to topple Hosni Mubarak, but with just enough concessions from him to deflect that opening blast, events segued into the “steady drip” of the building movement, disappointing many protestors but arguably aiding their cause. The anti-Mubarak narrative is so new for the world that the story needs time to spread and take root in the West's major capitals, where the initial reaction of “who lost Egypt?” now yields to the resignation that, no matter how comfortable the West was with that devil it knew, the time has come for a dramatic change.

Navigating the path ahead won't be easy for anybody, as everybody fears another Pakistan or – worse – another Iran. That's why we're still of the opinion that some international mediation would be useful – or what we call the “Viennese sausage-making” tipping point, whereby the world's great powers conspire with the Egypt's broad-but-somewhat-incoherent opposition movement to negotiate the terms of Mubarak's surrender. Yes, we realize that any and all delay works to Mubarak's advantage internally, even as it shreds his reputation globally. But this isn't the Ivory Coast or even Zimbabwe, where discredited leaders can flout global norms primarily because the world lacks motivation to depose them.



## GLOBAL OVERVIEW

The events in Cairo are seminal on all scales and in all directions, not the least of which being that Egypt has been a key US military ally for three decades. With all the American blood and treasure expended on Iraq's fledgling democracy, there is simply no way at this point that the Obama administration can live with Mubarak staying past September, and there's solid logic to say that, if Omar Suleiman is up to the task, Mubarak should go sooner than later so as to end any popular fears that he'll pull some "emergency" out of his hat just before the scheduled elections. By "up to the task," we mean that Suleiman takes himself out of the running as a matter of principle and transparency.

For if Mubarak schemes to stay in power, we see no alternative for the US than to isolate itself from the regime and overtly take up the cause of its toppling. Scary? You bet. But spin out the competing scenario for a bit and you'll see what we mean. The Egyptian opposition isn't going anywhere, and the quickest way to turn this into Israel's nightmare is for Washington to play backstop to this era's "shah." That would be a particularly devastating mistake considering the Egyptian army's popular standing.



After Iraq, there are turning points but no turning back points. All Americans may not have backed George W. Bush's "freedom agenda," but globalization's writing is on the wall and all over the Arab street: youth will be served, one way (jobs) or the other (radicalization). The United States does its best work when it goes with globalization's historic flow, consolidating freedom where it can and pushing the envelope where it must. It's now time to push some envelopes, lest Washington lose sight of the fact that the "Beijing consensus," such as it is, remains the true status-quo perspective (dictators in place, raw materials in the pipeline).

Globalization just gave the West a huge present – an ideological shot in the arm when it needed it most. And to watch it all covered by Al Jazeera... well, that just goes to show you that Qatar, that wannabe Singapore, remains a true diamond in the rough, triggering transformational connectivity as any genuine trading state should.

## GLOBAL OVERVIEW

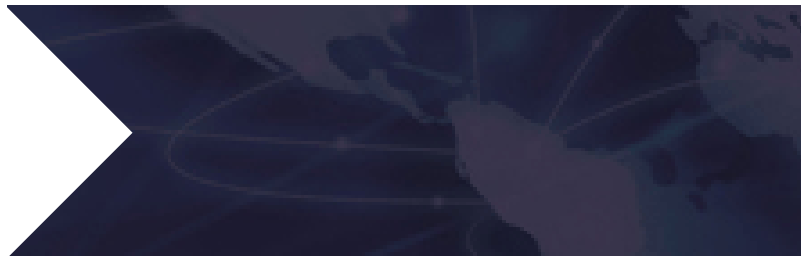
And so the “never again” cry regarding American nation building efforts in the region already rings hollow, for who can expect Egypt to pull off what needs to come next by itself? Washington may dread the prospect, but as China’s purported massive investment in Zimbabwe indicates, it should not consider itself the rescuer of last resort. Asia’s money is going global – big time. And there are most definitely failed/failing states needing rehabilitation. Washington and Beijing may not be able to muster a “consensus” between them, but no matter. The agenda for progress seems clear enough.

The two superpowers, along with India and just-bombed Russia, share a deep commitment to battling radical Islamic extremism, and all our fears intersect on the same locations – like unsteady Pakistan with its hundred-plus nuclear weapons. But as recent events in North Africa have shown, we can’t get too fixated on WMD. Almost all of history’s revolutions begin with a loaf of bread that costs too much. Global food prices are driving the current wave of unrest, and they must be dealt with by reviving the Doha “development round.” Collectively we either meet the demands of all those Egyptian protesters for a more just existence – or somebody else will. And no, there’s no insulating ourselves from this world, and abandoning it all to the tender mercies of those mercantilist Chinese is no answer either, for Beijing saves all its sympathy – as does New Delhi – for its hundreds of millions of rural poor who want all the same things those Egyptian protesters now demand. The West helped create and long sustain the powder keg that is the Middle East; it cannot walk away from the necessary solutions just because it’s feeling old and uncompetitive and depressed.

So please, put aside any dreams of energy autarky and stay glued to your TV and PC and smart phone screens, because globalization’s done come to the Middle East and doesn’t plan on leaving any time soon.

In the end, this new cresting struggle over globalization’s promise and peril will come down on the side of connectivity, boosting Turkey and Israel and Qatar but undermining Iran and Syria and Saudi Arabia – none of which are ready for what comes next.

But with enough practice, Wikistrat doesn’t see any reason why you, the subscriber, won’t be.



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SUBSCRIPTION

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CORPORATE

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GOVERNMENT

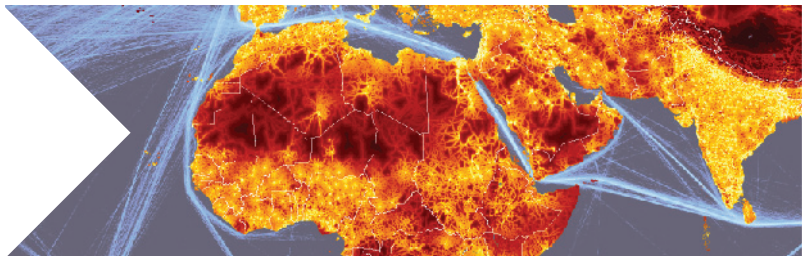
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### GOVERNMENT

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Dr. Barnett, world leading grand-strategist, is the author of five books and a NYT bestseller. He has served in the past 20 years in various leadership positions in the consulting world, including positions as Senior Managing Director at Enterra Solutions, Partner at IEG Strategies, Assistant for Strategic Futures, Office of Force Transformation (OFT), Office of the Secretary of Defense. Dr. Barnett is also former Senior advisor to the Office of the Secretary of Defense, the Joint Staff, Central Command, Special Operations Command, and Joint Forces Command. In the past few years Barnett has been authoring the successful "Globlogization" blog, and in 2010 joined forces with Wikistrat to establish a unique strategic consulting service offering.



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