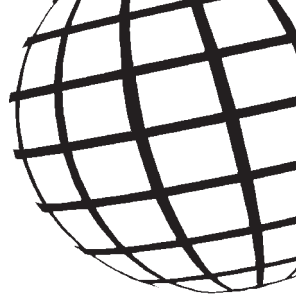




Reflexiones



The World Order in 2060. A free analysis of future happenings in the MERCOSUR countries.

An analysis of the future of the World's Economy.

MERCOSUR countries in the world context, fifty years from now

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Introduction

This paper is meant to be a look in the “crystal ball” to see the future of the world economy 50 years from now, in 2060. I have tried to stay focused and to base my work on scientific research, but there is still a portion of that work which is invention.

Reading the title, some questions might arise: Why should there be a new world order in 2060? Why are we talking about Mercosur countries?¹ Why does it matter?

Let us see the situation as it is in 2010. The world is divided into three major parts. We have the first world countries, which are led by the United States of America and include Europe: These are mainly western countries like Canada, Japan, Australia, and New Zealand. Then we have the emerging countries, which include (among others) Russia, China, Turkey, Brazil, Mexico, South Africa, the Eastern European countries, India, other South American countries. Finally, the third group is made up of countries which do not contribute to the world economy – these are basically seen as “lost” and unimportant in most cases, but of course money can be made out of them too: they are sometimes rich in natural resources and can be exploited easily due to war, hunger and corruption. We are talking mainly about African countries. What importance does Zimbabwe² have in the world economy? First world countries try to be the “good shepherd” and send volunteer groups to cure

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¹ Mercosur is composed of Brazil, Argentina, Uruguay, and Paraguay. This Union was formed and founded in 1991. The following countries have associate member status: Chile, Colombia, Bolivia, Ecuador, and Peru. The ratification of Venezuela's membership is pending.

² According to the World Bank Data, Zimbabwe's GDP in 2005 was USD 3,418,093,552 with a population of 12,522,784 in 2009 and a GNI per capita of USD 360 in 2005.

diseases and to form a new stable government there. But success has failed to materialize. So, to rephrase the first statement: the world is split into two groups. So that's the answer to the question about the new world order.

Why are we talking about the Mercosur countries? Taking a snapshot of the current emerging countries and those which are close to stepping into the developed world, South America has a great number of countries which are getting closer to first world status. They might not all be at the same stage, but more or less all Latin American countries are getting there. The ones that make up Mercosur are the most developed and influential, and they already play an important role. They should not be disregarded today; their growing markets definitely have potential for the current first world countries.

Now to the last question: Why does it matter? It matters simply because the world order changes. For years, if not centuries, the current first countries have "dictated" the role of each country. But time is changing and the economic and market power of those countries is declining, making space for other countries to fill.

The Situation in 2010

The world has just suffered from a financial and economic crisis which started sometime between 2007 and 2008. But honestly, we have not heard anything in the media about the effects of this crisis in African countries or any other underdeveloped countries, because "we don't care". First world countries are "selfish" and are only concerned about their own wellbeing. Some first world countries were hit harder by the crisis, whereas other just got along pretty well. Luckily my home country Austria has not been affected too much. The good news is: All first world countries will get over this crisis sooner or later, because the other developed countries are interested in their allies and will try everything to get them back on track.

But there are also the emerging countries. They were hit too but again: no big news in the media about how they recover. Some of the emerging countries found and will find ways to profit from the crisis. The Mercosur Report (2010) states that, by early 2009, Mercosur countries were already showing signs of stabilization after the financial crisis. Further, since 2003, the exports of Mercosur countries have steadily increased uninterrupted by the crisis. Brazil³ is on its way to become a really important player. So is China,⁴ but in

³ According to the World Bank Data, Brazil's GDP in 2009 was USD 1,571,980,000,000 with a population of almost 200,000,000 and a GNI per capita of USD 8,040. Compared to its neighbor Argentina (USD 308,741,000,000 with 40,000,000, GNI of USD 7,570) a significant difference can be seen.

⁴ According to the World Bank Data, China's GDP in 2009 was USD 4,984,730,000,000 with a population of 1.3 billion and a GNI per capita of USD 3,590.

my opinion the immense cultural difference between China and the first world, their disregard for human rights and the lack of concern for climate issues might be a huge distraction for China's growth in acceptance. Brazil, on the other hand, definitely has its internal problems that make it to the public once in a while but in broad terms is ready for the big step to be a first world country and the first world is ready for Brazil.⁵ Even though experts warn against investing too much in the emerging markets nowadays because there is still fear of a crash like the one that happened in 1997 in Asia, emerging markets are tempting. They currently have rates of return –up to 9.3% till 2030– which are way higher than anything a first world country can offer, which makes investing in the “new countries”⁶ more appealing than investing in the “old ones”.⁷ Analysis⁸ shows that the capital flow to emerging countries in 2010 is higher than it was before the financial crisis hit the world in 2007/2008. By 2030 those new countries should contribute 55% to the global market capitalization, whereas in 2010 they reach only 31%. Even though many new countries have to fight the constant increase in energy prices and inflations they are free of many problems first world countries are facing.

The situation in 2060 - a “Crystal Ball” Analysis

Brain Drain is a common issue in old countries, since economic growth has slowed down and the new countries offer more opportunities as regards careers, future, income, security, etc. Society has changed and living a nomad's life is considered normal. The big players are now Brazil, India, Russia and Turkey, as well as other South American countries, which have made the jump from being emerging countries to world economy leaders. The new countries provide international education and focus on attracting the best professionals all around the world. Besides the Euro and the US Dollar, there are now new strong and reliable currencies: one unified Latin-American currency and one Asian currency. In the old countries the welfare is still quite high but the new countries dictate the world economy. Their markets are still growing and the average age is pretty low, which gives them an advantage since younger people will consume more. Buenos Aires, Santiago and Rio de Janeiro are in 2060 what New York was in the 1960s. Those countries had a long time to learn from the old countries and also saw the negative effects of

⁵ By talking about Brazil I do not intend to break it down only to that country. I am using Brazil as an example of Mercosur countries in general (Chile, Argentina, Uruguay, and Paraguay).

⁶ “New countries” are, in this context, emerging countries such as Brazil, Argentina, Chile, Mexico, China, Turkey, Russia, South Africa, etc.

⁷ “Old countries” are, in this context, first world countries such as the USA, Canada, Japan, Europe, and Australia.

⁸ Sustala, 2010(b): Die letzte Zuflucht.

leading the world's economy. Financial centers, shopping malls, business buildings, educational institutions, hospitals and recreational areas have developed rapidly in all cities to serve the busy business people to have all services in a convenient radius. Since the last financial crisis in 2007/2008 countries have set up more safeguards in the financial systems to prevent such devastating events from repeating. The current problems are the diminishing amount of oil and fresh water. In some parts of the world, there are strong tensions regarding the lack of access to water and oil. Those countries are mainly in the Middle Eastern region and in Africa. Climate issues, which were once "forgotten", are another big problem due to the fast growing economy in the new countries. Pollution has turned out to be a bigger problem than expected, especially as the consequences can be clearly seen now. Fortunately, scientists have found ways to reduce pollution and reverse the damage the planet had suffered. Also on the medical sector there have been big breakthroughs: most types of cancer are curable in 2060 and very few people die from this disease. There are medications against obesity and research on medical genetics goes on.

Africa remains almost unchanged in this picture: It is still left behind. African countries are used for production plants and resources. Just like at the end of the 20th Century, Africa in 2060 has many emerging countries. Cheap labor is needed to satisfy the growing demand in goods and merchandise in the new countries. The reason why African countries do not develop so fast is the long process of dealing with the results of the colonialism that ended in the 20th century. Those countries are slowly establishing governments and finding a way to combine their old, ritual traditions with the new ways of living. But there is no doubt it will take quite a while until African countries will reach slightly the standards of the old and new countries.

What were the characteristics of the once emerging countries explain their success in 2060? Foreign born Latinos for example helped to establish a better lifestyle for their families back home by sending money to their country of origin. By doing that over a certain period of time, the living conditions improved. Another positive effect from foreign born Latinos is that they moved back to their country of origin, after finishing school or college education and participated in the brain gain of the new countries.

To break the development down to some countries let us take a closer look at Argentina and Brazil. Brazil is the main power in South America and pulls the strings of the economy in the Americas. Argentina established a well-founded economy itself, but is still in the shadow of the big neighbor. It might be like Germany with Austria and Switzerland. The big neighbor is the pushing power so the small neighbors have to find their own position in this competition. Argentina has focused on high quality farm products, mainly exporting high quality meat, soy and fruits. Moreover, Argentina's cities have developed to think tanks where intellectuals and experts from all over the world

gather to teach, learn and improve knowledge. It has some prestigious Universities, and students around the globe are trying to get into them.

How does life look like in the old countries? In Europe, for example, in Germany and Austria: both countries have reached their living standards years ago and maintained them well. By the beginning of the 21st century most parts of their societies have achieved a certain level of living so that there was no great need of growing faster and better. Still there is economic growth every year, but this growth is way lower than it is in the new countries where the people are “hungry” for more.

Conclusion/Summary

I am not a professional economist nor am I a fortune teller. By writing this paper I wanted to give a subjective but also scientifically based opinion on the changes in the world economy and power. In my opinion, countries with more inequality (Brazil, for example, that has a few really rich people and many poor) are more likely to become new leading economic powers, because there will be the urge of the poorer inhabitants –who are workforce and are willing to work– that drive the country to more richness. Meaning that the current first world countries have reached a saturated situation, where the people can have whatever they want, for the most part, and there is no need to “fight” for any improvement. The opposite can be seen in South American countries. People there are more likely to stand up for their interests and block streets to get heard. This reminds me of the situation back in the 1960s in Europe, when big changes were happening. Just consider those countries to be some years back but it’s dangerous to not pay attention to them in a sense that they will be the future leading powers, because Europe and USA got “lazy” by having everything they need.

To sum up: the world is still divided into two parts. The old and news countries forming the well-developed parts and then the developing countries, which have some more stable governments and medications for most of the diseases, but are still far behind the quality of life of the developed part.

