



Futurescape Issue 21 - 7th July 2011

Welcome to the latest issue of Futurescape. In this issue we have lead articles on China's economy, Asian theme parks and growing your own clothing. We also introduce a new section of 'Future Snippets' examining some of the issues we're currently exploring with clients.

We are now posting a lot more regularly to Twitter with developments, projections and future issues that have caught our attention in the course of our work. You can follow us on Twitter and debate these topics with us using the link below.

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As always, we warmly welcome your feedback, ideas and submissions for inclusion in future issues.

Copies of previous editions of the newsletter can be downloaded [here](#)

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Watch a short video of Rohit's keynote speech on global trends [here](#)

A Personal Request for Help

Please excuse me for using the newsletter to issue this request for help. We are looking for anyone who has experience of a medical condition where the individual falls over as soon as they try to stand because the room appears to start spinning and they lose balance. So far neurologists, paediatricians, ear and balance specialists have failed to find a diagnosis. Please contact rohit@fastfuture.com if you or someone you know has been through something similar and been diagnosed.

Future Snippets

This is a new section where we provide short overviews on some of the issues we're currently exploring with clients

The Greek Debt Crisis - Send in the Futurists

What are the possible scenarios for how a Greek debt default might play out?

We are regularly asked to explore future scenarios both for the European Monetary Union (EMU) and for the more indebted European economies in the wake of the current debt drama being played out in Greece. Of particular interest is what might happen if Greece does default on its debts at some point. The bulk of the analysis we've seen so far from economists, governments and the media has been short term focused and heavily laden with emotional rhetoric. We've seen little or no robust exploration of the longer term ramifications of any particular course of action for Greek society and the wider economy. This short termism has helped contribute to the current hysteria that masquerades as debate.

In our view, we need considered analysis exploring different possible scenarios of how a Greek default could play out and the implications for Greece, the rest of Europe and the EMU. The midst of a crisis is when you have the absolute attention of key stakeholders and is - we feel - the ideal time to take a short pause for reflection. We suggest they bring in futurists who could help Greece and the EU explore the multiple drivers at play using some form of accelerated scenario planning exercise. This would allow for a rapid but comprehensive review of critical drivers, assessment of how these key factors might interact and identification of the resulting scenarios that could emerge. In our view we'll never have a better opportunity to ask some fundamental questions - such as:

Can the EMU accommodate countries as economically diverse as Germany and Greece?

How do we repair the EMU mechanism to allow for countries to leave as well as join?

If Greece drives through the current austerity programme in the face of public opposition, how long might it take to rebuild confidence, trust and economic vibrancy?

Future Funding of Start Ups and Micro Businesses

What funding mechanisms have been adopted successfully around the world to support Sole Traders (Practitioners) with their business start up costs?

One of our current foresight studies focuses on accelerating the future development of small to medium enterprises (SMEs) in the UK. In the face of continued economic

uncertainty, public sector funding cuts and a squeeze on large corporate spending and recruitment, it's becoming apparent that many job seekers may have no other option than to set up in business for themselves. A common feature of such businesses is that they have very limited resources and relatively low revenues. A survey conducted for the project found that 46% of respondents were sole traders or self employed, with 42% earning less than £49,000 (US\$78,384).

The creation of sustainable small enterprises is critical to economic growth and the sector is outperforming the rest of the UK economy - which appears to be flat-lining. In April 2011, HP's latest SMB Index found that '...over the past six months UK small-to-medium-sized businesses (SMBs) have grown on average by six per cent...' [1] However, in many cases, those who want - or need - to start out on their own lack the resources to finance even the basics such as a computer. Whilst some can obtain loans, and others can access micro-finance sources in some countries, for many there's little or no provision for such small sums of money.

We are keen to identify examples from around the world of efficient, low bureaucracy funding mechanisms that have been implemented successfully to support the needs of fledgling businesses. Please share any examples you know of.

Chinese Whispers

Is a major Chinese economic correction on the cards - how might it play out and what might the global implications be?

We are well aware that the favourite pastime of many economists and commentators over the last 20 years has been to seize on any negative economic data emerging from China and use it to predict the imminent decline of this fast growing juggernaut. Consistently, these predictions have been wide of the mark and the Chinese government has proved itself adept at navigating through potential roadblocks. However, some of the most recent reports on the scale of China's local government debt suggest that China may be facing its toughest economic challenge in the modern era.

The prevailing economic wisdom - which we have supported - is that the growth of China and other BRIC economies signifies a profound change in the global order. This paradigm is shaping the investment and expansion plans of global business and driving an eastward shift in economic momentum, prestige and relevance. According to projections from the IMF/Economist, of the next \$10 trillion of global GDP, China will contribute \$1.65 trillion and America \$1.43 trillion [2]. Russia, Brazil and Japan complete the top five with contributions of \$698 billion, \$461 billion and \$410 billion respectively. This is a clear sign of the overall direction of economic development. However, these and other figures discussed below suggest that the black and white scenario of absolute western decline and unbridled eastern promise may be overplayed. Clearly, few would argue against the expected rise of Asian economies in particular, or the possibility of China and India dominating the 21st century. However, their unchecked rise is far from a given, as we have tweeted about recently.



Image 1: Clouds on the horizon for Chinese economy?

Nick Ferguson, writing in FinanceAsia on June 8th 2011 reported on Beijing's alleged secret bailout of local governments, at a cost of \$463 billion[3]. Dylan Grice, a global strategist at Societe Generale notes that whilst China exercises a greater relative degree of control over its economy than many western governments can hope for, this may have only bought time rather than saved it from a financial crisis similar to that experienced by many economies in 2008-09. Grice argues that artificially lowering interest rates contributed directly to the global financial crisis by creating a mismatch in the availability of and demand for risk capital. On this basis, Grice suggests that China's 'natural' interest rate should near match its economic growth - at around 11.5%.

The reported scale of China's bad loans suggests that its current interest rate is far too low and anything but natural. Grice concludes that '...While we can't predict where complex systems will go, we know that the longer their volatility is artificially suppressed, the more emphatic will be its release when it does come. It is more likely that China has one-and-a-half times (and counting) the 2008 financial crisis ahead of it.' If this turns out to be the case, the global ramifications would be immense.

A Chinese correction, never mind a full blown crisis, could have profound impacts on the global economy not least it's still nominal motor, the US. For all the talk of a Chinese-U.S economic cold war[4], they remain highly interdependent economically. For example, after American tax-payers, China is the next largest holder of US debt, with \$900 billion worth of Treasury securities[5]. Governments around the world, still struggling in the aftermath of the 2008 crisis, urgently need to consider what could happen should Chinese growth come to a sudden halt. The potential economic, political and social impacts would almost certainly surpass those of 2008 given the weakened nature of the global economy, high levels of consumer debt and the parlous state of many nations' public finances.

What might the different scenarios of a Chinese economic crisis look like?

What could the implications be for the global economy and the countries most dependent on China for export revenues and foreign direct investment?

Wild Rides in Asia

As discussed above, the seeming inexorable rise of China and the broader shift of global power eastwards have resulted in many Western businesses in particular investing heavily in Asia as a largely untapped market. The titans of the leisure industry are no exception. Over the next decade a variety of familiar Western brands such as Disney, Universal Studios, MGM, Paramount and Merlin will all open theme parks across Asia, with further expansion already planned.[6] These brands hope to tap into the rising incomes and wealth of the growing Asian middle-classes, who are increasingly demanding 'international standards' of leisure experience.

The most notable current development is Shanghai Disneyland, which broke ground in April 2011 and is expected to open in five to six years time. Disney has long had a foothold in the region with its theme parks in Japan and Hong Kong, yet its expansion into mainland China could potentially represent one of its biggest and riskiest investments[7]. Universal Studios are not far behind, opening a theme park in Japan in 2001 and officially launching Universal Studios Singapore this year, with another park planned to rival Disney in Shanghai.



Image 2: Bright lights, big market!

As they accelerate their Asian development strategies, a number of crucial challenges and questions lie ahead for Western companies hoping to crack the Asian market. For instance, the differences between Asian countries are vast and market strategies employed in Japan, for example, may not necessarily translate well to Chinese, Korean or Indian audiences. Furthermore, it seems increasingly dangerous to assume that Asian consumers will favour Western offerings over local options. For example, Hong Kong Disneyland has experienced consistently poor revenues - possibly as a result of its relative proximity to its larger sister Disney parks in Japan. This coupled with the recent closure of the much heralded flagship Barbie store in Shanghai [8] suggest that market success is not guaranteed for foreign entrants.

At the same time, the emergence of foreign players in the leisure sector may serve to encourage domestic players to enter the market or expand their existing operations. Such moves, if delivered with sufficient quality, could benefit from nationalist sentiments. For example, in France, Parc Asterix, based on the popular cartoon character, was able to benefit from French audiences spurning Disneyland Paris.

In China, there is also the issue of how well Western firms, with their refined family-oriented image, can adjust to dealing with the Chinese authorities. Some may struggle with centrally imposed restrictions - which are often incomprehensible to Western

onlookers - such to as the recently reported ban on time-travel on Chinese television [9]. Furthermore, a constant backdrop is the issue of human rights - with regularly voiced concerns over China's past record and current policies. How far are the House of Mouse and other companies prepared to adapt their policies, principles and behaviours in order to succeed in this key market?

How can Western brands adapt to local cultures and sensitivities, whilst also offering something different from their local rivals?

How long can the assumed Asian, particularly Chinese, appetite for Western brands and products be sustained?

Can local theme parks capitalise on national sentiment to attract visitors away from their larger foreign rivals?

With foreign investment strategies for many Western firms now predicated on the long term stability of the Asian market and wealth of the Asian middle-classes, what impact could a China-centric downturn have on their performance?

I Can't Come out Tonight - I Haven't Grown Anything to Wear

In researching a recent talk for the textile industry we came across a fascinating TED / CNN interview and video [10] on growing your own clothes by Suzanne Lee - director of the [BioCouture](#) project, author of "Fashioning The Future: Tomorrow's Wardrobe." and a senior research fellow in the School of Fashion/Textiles, Central Saint Martins, London. Ms Lee believes we can grow our own clothes. By using microbiology she has created a fabric from tea, sugar, microbes and acetic acid. Over time through a fermentation process, the mix creates a sheet of Nano fibres formed of spun cellulose. The fabric, once dried can be formed and sewn into patterns and shapes for clothing or footwear. The material has desirable properties such as a propensity to dye easily, however it is also very absorbent and therefore non-weather-proof. However, Ms Lee believes that these kinks can be worked out.



Image 3: The unlikelyst of materials

Lee suggests that while home grown clothing is unlikely to take over from cotton or leather, it does offer the potential to radically change manufacturing processes. In a form of biological 3D printing, the technology could be used in the fabrication of a whole range of shapes by encouraging the culture to form around or within a mould. The prospect of home based manufacturing raises intriguing possibilities in terms of the emergence of new cottage industries whilst challenging traditional manufacturing models and mindsets.

How might such a shift in clothing manufacture impact low wage countries which are heavily reliant on the clothing industry?

Could the idea of custom grown clothing breathe new life into the boutique sector or lead to the emergence of a new type of store - using a range of technologies to enable customers to design and manufacture / grow their own clothes and other physical goods?

Video of the Week

Light Speed Data Transfer

For our video choice in this edition we've gone super geeky and selected [this short video](#) from Intel Research that explains the use of Silicon Photonics for data transfer. Replacing conventional electrical wiring systems with fibre optic wiring would allow for super fast data transfer - for example enabling download of an HD film in one second.



Image 4:

Rohit on the Road

The last few weeks have seen me present on the future of clothing and cleaning to the textiles sector in Brussels, conducting executive briefings on the future of meetings and tourism in Toronto and Finland, keynoting on driving innovation at the annual Airline Retail Conference in London, presenting on future drivers and scenarios for global logistics and talking about future strategy and innovation to EDFs Nuclear Leadership Academy.

In the coming months I'll be delivering client speeches, workshops and stakeholder briefings on the world in 2015-2030, business complexity, strategic innovation, city development, the future of meetings, the future of aviation and airports, tourism futures, developing entrepreneurship, and the future for sectors such as media, hotels, packaging, satellites, retail, insurance and infrastructure.

Please let me know, if you'd like to arrange a meeting, presentation or workshop on one of my forthcoming trips. I'll be speaking in London, Copenhagen, Estonia, the Czech Republic, Slovakia, Lithuania, Leipzig, Vancouver, Florida and Las Vegas.

About Fast Future

Fast Future is a research and consulting firm that works with clients around the world to help them understand, anticipate and respond to the trends, forces and ideas that could shape the competitive landscape over the next 5-20 years. We draw on a range of proven foresight, strategy and creative processes to help clients develop deep insight into a changing world. These insights are used to help clients define innovative strategies and practical actions to implement them.

Sources

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Images

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