

MAPPING FUTURE TRENDS IN GLOBAL ECONOMIC AND POLITICAL POWER

Christian Aid Occasional Paper Number 6

June 2011

Julian Boys, Economic Justice Policy Volunteer

David McNair, Senior Economic Justice Adviser



This paper investigates emerging trends in global power relations and identifies threats to, and opportunities for, poverty eradication efforts that are lasting and sustainable. Power is likely to shift from West to East as the influence of emerging economies increases. At the same time, power is likely to be defused from governments to non-state actors such as NGOs and the private sector. Threats such as climate change require a concerted global response. In contrast, it is likely that the ability of multilateral institutions to deal with these global problems will diminish and challenges will instead be addressed by issue-based networks and informal groupings over which NGOs may have significant influence.

Christian Aid's Occasional Paper (OP) series reflects work carried out by Christian Aid staff and others on a range of development topics. Although OPs are addressed to an audience including policy-makers, academics, the media, other non-governmental organisations and the general public, some prior knowledge of the topic may be needed to understand fully some of the papers.

Disclaimer:

OPs are published in the name of the author(s). Their views do not necessarily reflect those of Christian Aid and should not be so attributed.

CONTENTS

Introduction	2
1. Economic, demographic and resource trends	4
2: Geopolitics: shifting power relations	12
3: An entry point for civil society	16
Conclusions and recommendations	19

INTRODUCTION

Christian Aid works to eradicate poverty. Poverty is complex and multidimensional, but can be characterised simply as a lack of power – in the personal, economic, political and social realms. People are poor when they lack access to healthcare, an education, a decent income, political freedom, a sense of place in their community, or security. People are poor when they are not in a position to make decisions that determine their own life course.¹

At the macro level, the ability of poor people to have power over their own life course is influenced by external factors such as inequality, the quality of the environment, conflict and instability, and access to resources. By analysing the economic, political, social and technological factors relevant to those working towards the eradication of poverty, this paper seeks to inform civil society, international non-governmental organisations (INGOs) and donors regarding the challenges they are likely to face.

Firstly, we analyse trends in economics, consumption patterns, demographics, resources and innovation. Secondly, we investigate the likely responses to these trends at a geopolitical level. Finally, we conclude by considering the implications of continued economic growth within ecological constraints and the alternative measurement of economic progress as a potential entry point for civil society within this multipolar world.

Some themes are overriding – the shift in economic and political power from West to East that has been evident in the past decade is likely to continue as emerging economies grow faster than those in Europe and North America. If the United States falls from its position as world hegemon and new centres of power vie for influence, the geopolitical power of post-war multilateral institutions is likely to decline. Non-state actors such as non-governmental organisations (NGOs) that span regions, countries and

¹ *Poverty Over: We're All in This Together*, Christian Aid, 2010.

continents may have more ability to influence outcomes on transnational issues.

Economic and demographic pressures are likely to put great strain on the earth's already limited resources, particularly energy, water and food, possibly leading to new conflicts. In this context, if access to goods and services are systemically skewed in favour of the rich and powerful, increased demand for resources may have additional negative consequences for poor people. Recent analysis suggests that the majority of the poor now live in middle-income countries, implying that inequality will become increasingly relevant to those seeking to challenge poverty.

Of course, any future predictions are subject to numerous caveats, but we hope that in contextualising these potential development challenges, civil society actors can plan interventions in a more informed manner.

1. ECONOMIC, DEMOGRAPHIC AND RESOURCE TRENDS

Since the 1980s, the global economic architecture has been dominated by a neoliberal paradigm promoted by the World Trade Organisation (WTO) and the Bretton Woods Institutions – the World Bank and the International Monetary Fund (IMF) – which have promoted policies of trade liberalisation, cross-border investment and export-led economic growth; a range of policies sometimes known as the Washington Consensus.² However, it has been clear for some time that the global economic powerhouse no longer lies in North America and Europe; the most vociferous proponents of these policies. Since Jim O’Neill of Goldman Sachs coined the term ‘BRIC’ in 2001, to refer to four major emerging economies Brazil, Russia, India and China, the world has changed dramatically, with the moral voice and economic influence of Europe and North America diminishing in the wake of the 2003 US-led Iraq invasion and the 2008 banking crisis.³ In 2009, preceding the G20 London summit, it seemed that the Washington Consensus was all but discredited and the dominant influence of the Bretton Woods Institutions had waned.⁴ Since then, the G20 has given a renewed emphasis on the role of the IMF in financial stability, while aid donors in Europe and North America are strengthening the role of the World Bank in delivering aid programmes.

On the other hand, two of the most successful emerging economies – China and Russia – are not following the Western liberal model of development, and are instead pursuing a form of capitalism where the state makes key economic decisions and democracy is restricted. This presents an alternative to the prevailing economic norms of the Washington Consensus. The US National Intelligence Council’s *Global Trends* report, published in 2008, suggests that over the next 15 to 20 years, more developing countries may gravitate toward Beijing’s state-centric model, rather than the traditional Western model of markets and democratic political systems, to increase the chances of rapid development and perceived political stability.⁵ This is

not inevitable, of course; the trend in recent decades has been towards democracy: the share of formal democracies has increased from fewer than a third of countries in 1970 to half in the mid-1990s and to three-fifths in 2008.⁶

The ‘BRIC’ grouping is a useful prism through which the change in global wealth and power relations can be analysed. On aggregate, Goldman Sachs predicts that the BRICs’ combined economy will overtake that of the US by 2018.⁷ Some estimates already put China ahead of the US in terms of GDP, when the differing costs of goods and services between the two are taken into account.⁸ By 2020, the BRICs are expected to account for one-third of the global economy, and make up 49 per cent of global GDP growth.⁹

In December 2010, South Africa officially joined the BRIC grouping, which became BRICS. Following South Africa and the BRICS’ lead, Africa’s collective-growth prospects are presented in optimistic terms. *The Economist* found that over the 10 years to 2010, six of the world’s 10 fastest-growing economies were in sub-Saharan Africa. From 2011 until 2016, they predict that the average African economy will outpace its Asian counterparts,¹⁰ while the IMF predicts Africa will take seven of the top 10 places for fastest-growing economies in the world between 2011 and 2015.¹¹

In the wake of the financial crisis, many commentators suggested that the strongest negative impact would be felt by low-income countries as a result of declining aid volumes, remittances and the effect of investors moving money from countries perceived as high risk. However, two years on, the World Bank analysis suggested that in the wake of the financial crisis, developing countries are becoming a new engine of global growth, while ‘advanced’ economies flounder. Almost half of global growth is currently coming from developing countries. As a group, it is projected that their economic size will surpass that of their developed peers in 2015, though clearly this grouping masks great complexities between and within countries.¹²

2 J Williamson, ‘What Washington means by policy reform’, in John Williamson, *Latin American Readjustment: How Much has Happened*, Institute for International Economics, 1989.

3 J O’Neill, *Building Better Global Economic BRICs*, Goldman Sachs, 2001, goldmansachs.com/ideas/brics/building-better.html

4 H Cooper and C Savage, ‘A bit of “I told you so” outside World Bank talks’, *New York Times*, 10 October 2008, nytimes.com/2008/10/11/business/11scene.html?_r=1

5 National Intelligence Council, *Global Trends 2025: A Transformed World*, NIC, 2008, dni.gov/nic/PDF_2025/2025_Global_Trends_Final_Report.pdf

6 United Nations Development Programme (UNDP), *Human Development Report 2010: The Real Wealth of Nations: Pathways to Human Development*, undp.org.ua/downloads/HDR_2010_EN_Complete.pdf

7 D Wilson, AL Kelston, S Ahmed, ‘Is this the ‘BRICs decade’? *BRICs Monthly: 10/03*, Goldman Sachs Global Economics, Commodities and Strategy Research, 20 May 2010.

8 A Subramanian, ‘Is China already number one? New GDP estimates’, Peterson Institute for International Economics blog, iie.com/realtime/?p=1935

9 See note 7.

10 ‘A more hopeful continent: The lion kings? Africa is now one of the world’s fastest-growing regions’, *The Economist*, 6 January 2011, economist.com/node/17853324?story_id=17853324

11 Ibid.

12 O Canuto and M Giugale, *The Day After Tomorrow: A Handbook on the Future of Economic Policy in the Developing World*, World Bank, 2010, siteresources.worldbank.org/EXTPREMNET/Resources/TDAT_Book.pdf

The 2010 Organisation for Economic Cooperation and Development (OECD) report *Shifting Wealth* argues that South-South linkages will be one of the main engines of growth over the coming decade.¹³ Trade, foreign direct investment (FDI) and aid between the emerging giants and poor countries have been intensifying. Between 1990 and 2008, South-South trade multiplied by more than 10 times while world trade only expanded by a factor of four. In 2009 China became the leading trade partner of Brazil, India and South Africa. The OECD Development Centre's simulations suggest that if southern countries reduced their tariffs on southern trade to the levels applied between northern countries, they would secure a welfare gain of US\$59bn.

Although the Doha round of multilateral negotiations has stalled, many developing countries are aware of the importance of South-South tariff reductions and are pursuing this agenda outside the WTO. These negotiations are taking place through the United Nations Conference on Trade and Development (UNCTAD) between member states of the Global System of Trade Preferences among Developing Countries. In December 2009, 22 participating nations (including Egypt, Morocco and Nigeria) agreed to cuts of at least 20 per cent on tariffs that apply to 70 per cent of the goods exported within this group of nations.¹⁴

This agenda is also being pursued through the G20 – Britain, in partnership with South Africa, recently announced intentions to push for the creation of a free-trade area for the whole of Africa.¹⁵ There are currently three distinct free-trade areas within Africa, but negotiations are planned to begin in 2011 between African nations to create a single free-trade entity spanning 26 countries.

Christian Aid and other INGOs have, in the past, been critical of multilateral and bilateral trade negotiations for preserving subsidies in developed countries while demanding that developed countries (often infant industries) liberalise their trade regimes. This resurgence of trade negotiations

suggests a need to ensure that negotiations are not weighted against poor countries and that negotiators are equipped to protect their interests – in particular, preserving regional integration.

The theoretical decline in the neoliberal Washington Consensus is demonstrated by a growing acceptance that controls on flows of financial capital are legitimate policy tools for states. Ilene Grabel and Ha-Joon Chang see the IMF's current promotion of capital controls as representative of the most significant transformation in global financial management of the past 30 years.¹⁶ Developing countries should now have more space to formulate autonomously policies to protect their economies from often damaging international flows of capital with capital controls,¹⁷ and protect domestic 'infant industries' from foreign competition with appropriate industrial policy.¹⁸ These are welcome changes that should be encouraged by civil society to ensure that the theoretical fall of neoliberalism is accompanied by real changes in policy.

Remittances sent by international migrants worldwide are an important source of external finance for many developing countries. Remittance flows to developing countries in 2008 reached US\$336bn. This is three times the size of overall official development assistance to developing countries, and larger than private capital inflows in many countries.¹⁹ As economies stagnate and unemployment continues in the North, this source of income may become less reliable in the coming years. In 2009, for the first time since the 1980s, remittances to developing countries are estimated to have declined, but only by six per cent.

Spending and consumption

Growing levels of wealth in emerging economies (particularly the BRICS) have created a new middle class, categorised as those with incomes between US\$6,000 and US\$30,000. Goldman Sachs suggest that the global middle-class will

¹³ *Perspectives on Global Development 2010: Shifting Wealth*, OECD, www.oecd.org/dataoecd/30/38/45451514.pdf

¹⁴ UNCTAD, 'Developing countries agree to reduce tariffs, with UNCTAD's support', 2009, unctad.org/templates/Page.asp?intltemID=5227&lang=1

¹⁵ P Wintour and P Inman, 'G20: free-trade area for Africa proposed by UK and South Africa', *Guardian*, guardian.co.uk/world/2010/nov/11/g20-free-trade-area-for-africa

¹⁶ I Grabel and H Chang, 'Why capital controls are not all bad', 25 October 2010, ft.com/cms/s/0/4d0e3e34-e02f-11df-9482-00144feabd0.html

¹⁷ CP Chandrasekhar, *Global Liquidity and Financial Flows to Developing Countries: New Trends in Emerging Markets and Their Implications*, 2008, unctad.org/en/docs/gdsmdpg2420083_en.pdf

¹⁸ Dani Rodrik, *The Globalization Paradox: Democracy and the Future of the World Economy*, WW Norton, 2011.

¹⁹ S Mohapatra and D Ratha, *The Impact of the Global Financial Crisis on Migration and Remittances*, 2010, siteresources.worldbank.org/EXTPREMNET/Resources/C17TDDAT_297-320.pdf

increase from 1.7 billion today to 3.6 billion by 2030. It is estimated that by then 85 per cent will live in the BRICS and 'Next 11' countries (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, South Korea, Turkey and Vietnam).²⁰

Typically, as GDP per capita of countries passing through industrialisation is US\$1,000-US\$3,000, saving and investment rises, while consumption falls. Now, the income of tens of millions in China and India is rising above US\$3,000 every year, implying huge increases in demand. In particular, a shift in demand from low- to high-value-added goods is likely.²¹

Gender equality in the BRICS and N-11 countries has improved significantly over the past two decades across a range of areas. Literacy rates, labour-force participation rates, life expectancies and the proportion of women in parliament have all increased.²²

This change in women's social and economic status is leading to increased bargaining power and, because of their different preferences to men, a change in patterns of household spending. According to Goldman Sachs, women are likely to spend more on food, healthcare, financial products, education, childcare and consumer durables.²³

To date, economic growth in the BRICS has created a small, emerging 'super-rich' whose conspicuous consumption is striking, both from an ecological and an equity perspective. The implications of such wealth becoming aspirational for the majority will be considered later.

These changes will inevitably have an impact on global demand and spending patterns, and will increase competition for resources. Environmental pressures will become more acute as demand for energy increases.

Population and demography

Perhaps more significant in the context of resource constraints is the issue of world population, which is projected to grow by 1.2 billion between 2010 and 2025, from 6.8 to 8 billion.²⁴ This is a slower rate of global population growth than that experienced in the past 20 years, suggesting that the world is entering the final phase of a period of explosive population growth that peaked in the mid-1960s, and is heading towards peak population.²⁵

However, headline figures mask complex and differentiated patterns. Geographically, the world has now split into three broad demographic groups. In the first, population is more or less stable or shrinking (for example, Europe and Japan). In the second, a population peak is likely to occur soon (for example, China and India). In the third, population growth is still rapid, with the transition from large to small families slow, or stalled (for example, primarily low-income countries and Africa).²⁶

Two thirds (68 per cent) of the projected 1.2 billion new arrivals will live in emerging or developing countries, and one third (28 per cent) in low-income countries.²⁷ Most will live in Africa and Asia, with India seeing the largest change, accounting for one-fifth of all growth and overtaking China by 2026.²⁸ China is projected to add 100 million to its current 1.3 billion by 2025, while sub-Saharan Africa is projected to add 350 million and Latin America and Caribbean region 100 million. Meanwhile, Russia, Ukraine, Italy, Japan, and eastern European countries' populations are likely to decline.²⁹

Clearly, these trends have implications for the consumption of resources, but human resources can be a country's greatest asset. It is therefore essential to consider the structure of the population.

In Europe and North America, the population is ageing as a result of lower birth rates and longer life expectancies, with

²⁰ Goldman Sachs Global Markets Institute, *The Power of the Purse: Gender Equality and Middle Class Spending*, 2009, goldmansachs.com/ideas/demographic-change/power-of-purse-doc.pdf

²¹ See note 7.

²² See note 20.

²³ Ibid.

²⁴ See note 5.

²⁵ See note 5; A Evans, '10 key issues for international development', blog, 12 October 2011, globaldashboard.org/2010/10/12/10-key-issues-for-international-development/

²⁶ The United States is an outlier as immigration continues to drive up the population.

²⁷ See note 25.

²⁸ D Nelson (2010) 'India to overtake China as world's biggest country by 2026, says report,' *Telegraph*, 12 July 2010, telegraph.co.uk/news/worldnews/asia/india/7885896/India-to-overtake-China-as-worlds-biggest-country-by-2026-says-report.html

²⁹ See note 5.

half of its people over 40 (and nearly a quarter over 60). As a result of its one-child policy, China's population is peaking such that by 2020 the average Chinese person will be 37, while at the same time the average Indian will be 29.³⁰ However, in the poorest countries, projections suggest that in 2025, half of the population will be under 20.³¹ In developing and emerging countries, half will be under 30.³² Over the next decade, many poorer countries are likely to experience increasingly favourable demographic conditions, as a growing number of young adults support fewer children.

Countries with many young adults entering the workforce while supporting fewer children could collect a big demographic dividend, with incomes tripling in the next two decades.³³ However, as the case of India shows, to take advantage of this will require significant investment in education – considered to be a significant brake on the country's development. In the next 20 years, an estimated 240 million youths will come to working age requiring jobs and opportunities. Close to one in three of those aged 15 to 35 is functionally illiterate and seven million more university places are needed to meet the demands for education and for educated workers.³⁴

The world recently undertook a hugely symbolic shift from being predominantly rural to urban: in 2008, for the first time, more than half the world's people lived in urban areas. By 2030, urban dwellers are projected to make up roughly 60 per cent of the world's population. Globally, most future population growth is likely to take place in cities, especially in Asia, Africa and Latin America. Poor people will make up a large part of future urban growth, the majority of which is attributable to natural increase (more births than deaths) rather than migration.³⁵

The traditional focus of development actors on 'poor' countries is likely to become more complex. Based on data collected in the 1990s, Paul Collier argued that the world's billion poorest people are concentrated in 60 countries that are stuck in poverty traps.³⁶ In 1990, 93 per cent of the world's poor people lived in low-income countries. New research suggests that three-quarters of the world's approximately 1.3 billion poor people now live in middle-income countries and only about a quarter of the world's poor – about 370 million people – live in the remaining 39 low-income countries, which are largely in sub-Saharan Africa.³⁷ Of course, this may reflect the graduation of China and India to middle-income status, but it suggests that a consideration of intra-state inequality is likely to become more significant, particularly if new emerging economies follow similar development models to India and Brazil. Poverty is becoming more a problem of internal inequality, and the solution is one of internal redistribution.³⁸

Andy Sumner suggests that that 'long-term poverty reduction requires more focus on structural economic transformation (assessed perhaps by the percentage of employment in agriculture) or a social transformation to a low level of inequality (assessed by the Gini coefficient and implied emergence of a middle/consuming class), or political transformation (assessed by tax revenue as percentage of GDP and the implied accountability that follows)'.³⁹

There are concerns in many areas of the world that inequality and exclusion from growth may fuel social unrest and conflict. In India, it is likely that agitation to divide Andhra Pradesh state is partly a result of the large number of unemployed youth.⁴⁰

30 A Kazmin, 'India: Labour to unlock', *Financial Times*, 4 October 2010, ft.com/cms/s/0/42960b7a-cfeb-11df-bb9e-00144feab49a.html

31 See note 25.

32 UNDESA, *World Population Ageing 2009*, United Nations, 2009, un.org/esa/population/publications/WPA2009/WPA2009-report.pdf

33 See note 25.

34 See note 30.

35 Population Research Bureau, *World Population Highlights: Key Findings from PRB's 2007 World Population Data Sheet*, 2007, prb.org/Articles/2007/623Urbanization.aspx

36 P Collier, *The Bottom Billion: Why the Poorest Countries are Failing and What Can be Done About It*, 2007, treasury.gov.au/documents/1304/PDF/05_The_Bottom_Billion.pdf

37 A Sumner, 'Global poverty and the new bottom billion: three-quarters of the World's poor live in middle-income countries', Institute of Development Studies, 2010, ids.ac.uk/index.cfm?objectid=D840B908-E38D-82BD-A66A89123C11311F

38 D Green, 'What should aid focus on, poor people or poor countries?', 6 October 2010, oxfamblogs.org/fp2p/?p=3699

39 See note 37.

40 See note 30.

Resources and energy

Economic and population growth, along with changing spending and consumption patterns, will no doubt put pressure on the provision of energy, food and water in the coming decades. These may emerge as significant constraints on future growth, especially as there is increasing evidence that climate change is creating greater risks when it comes to water access and food production.

Dependence on fossil fuels is pervasive. The International Energy Agency predicted in the *2009 World Energy Outlook* that oil demand would grow from 85 million barrels a day today to 88 million in 2015 and reach 105 million in 2030.⁴¹ However, proponents of the 'peak oil' theory argue that global oil production has very probably passed its maximum, and that crude oil production is not likely to be more than 75 million barrels a day by 2030.⁴² In the shorter term, the price of oil is likely to spike around 2013, because during the credit crunch and even before the financial crisis, investment in new oil production was too low.⁴³ The events of early 2011 in the Middle East (Egypt, Tunisia and Libya) suggest that political instability is likely to continue to be an area of risk when considering oil price projections and their implications.

If demand outstripped supply on a large scale over the next 20 years, prices of oil would rise dramatically with potentially devastating impacts on developing countries. Thirteen non-oil producing African countries, including South Africa, Ghana, Ethiopia and Senegal, already paid out more for oil imports than they received in aid and debt relief in the three years to 2007. The Institute of Development Studies suggests that some of the poorest countries could lose up to four per cent of their GDP in the case of an increase of oil prices by a third, with disproportionate effects on the poor. The research suggest that in Ghana, Guatemala, India, Nepal, South Africa and Vietnam, the poorest households may spend as much as three to four per cent of their income on kerosene, compared to little more than one per cent of the richest households.⁴⁴

The oil-price spike that peaked in 2008 was a huge contributing factor to the food-price spike of that year, by making fertilisers, on-farm energy use and transportation more expensive.⁴⁵ The World Bank estimates that demand for food will rise by 50 per cent by 2030, as a result of growing world population, rising affluence, and the shift to western dietary preferences by a larger middle class.⁴⁶ It would seem that future interactions between oil and food prices are likely to affect people living in poverty significantly. *Efforts to diversify the sources of energy available to the poor will become all the more vital and are an area for potential programme intervention for INGOs and a growth area for business.*

There are alternatives to oil, of course. By 2025, consumption of natural gas is expected to grow by about 60 per cent.⁴⁷ Three countries – Russia, Iran, and Qatar – hold more than 57 per cent of the world's natural gas reserves. Coal may be the fastest-growing energy source despite being the 'dirtiest'. Rising prices for oil and natural gas would put a new premium on energy sources that are cheap, abundant and close to markets. China is likely to continue its dependence on oil. It is overtaking the US in the amount of carbon emissions it puts in the atmosphere despite its much smaller GDP.⁴⁸ However, China's new five-year plan outlines how the country will achieve its carbon-intensity reduction target of 40 to 50 per cent by 2020 by supporting low-carbon industries, creating carbon markets and investing in green innovation.⁴⁹

Access to energy is key to enabling the poor to provide sustainable livelihoods for themselves and their families. The 2010 edition of the *World Energy Outlook (WEO)* assesses two indicators of energy poverty at the household level: the lack of access to electricity and the reliance on the traditional use of biomass for cooking.⁵⁰ In sub-Saharan Africa the electrification rate is 31 per cent and the number of people relying on the traditional use of biomass 80 per cent. Today, 1.4 billion people around the world lack access to electricity, 85 per cent of them in rural areas.

⁴¹ T Macalister and L Badal, 'Peak oil alarm revealed by secret official talks', *Guardian*, 22 August 2010, guardian.co.uk/business/2010/aug/22/peak-oil-department-energy-climate-change

⁴² K Aleklett, M Höök, K Jakobsson et al, 'The peak of the oil age – analyzing the world oil production reference scenario in *World Energy Outlook*', *Energy Policy*, March 2010, 38 (3), pp1398-1414, tsl.uu.se/uhdsg/Publications/PeakOilAge.pdf

⁴³ See note 25.

⁴⁴ D Willem te Velde, 'Oil prices, poor countries and policy responses', 16 March 2011, blogs.odi.org.uk/blogs/main/archive/2011/03/16/oil_prices_poor_countries_africa_shocks_vulnerabilities.aspx?utm_source=mediarelease&utm_medium=email&utm_campaign=20110316

⁴⁵ Ibid.

⁴⁶ See note 5.

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ F Harvey, 'Connie Hedegaard wins battle for 25% carbon emissions cut', *Guardian*, 8 March 2011, guardian.co.uk/environment/2011/mar/08/connie-hedegaard-25-per-cent-carbon-emissions?intcmp=122

⁵⁰ United Nations, *Energy Poverty: How to Make Modern Energy Access Universal?*, United Nations, September 2010, euei.net/sites/euei.net/files/Energy_Poverty_Excerpt_WEO2010.pdf

Without additional dedicated policies, by 2030 the number of people without access may drop slightly to 1.2 billion. Some 15 per cent of the world's population still lack access, the majority of them living in sub-Saharan Africa.

The number of people relying on the traditional use of biomass is projected to rise from 2.7 billion today to 2.8 billion in 2030. Using World Health Organization estimates, linked to projections of biomass use, it is estimated that household air pollution from the use of biomass in inefficient stoves would lead to more than 1.5 million premature deaths per year, more than 4,000 per day, in 2030. This is greater than estimates for premature deaths from malaria, tuberculosis or HIV/AIDS.

According to the US's leading intelligence organisation report *Global Trends 2025*, new energy technologies are unlikely to be viable and widespread by 2025. Major technologies historically have had an 'adoption lag'. The best chance lies with better renewable energy generation – photovoltaic and wind. With such technologies, the infrastructure-cost hurdle for individual projects would be lower, enabling many small economic actors to develop energy transformation projects to serve their own interests. This might avoid the need for complex new national infrastructure.

In the next 15 years, a consortium of large agricultural producers – India, China, the US and European Union – is likely to launch a second Green Revolution, this time in sub-Saharan Africa, which could help dampen price volatility in worldwide grain markets.⁵¹ By 2025, increases in African grain yields will probably be substantial, but the increases will be confined principally to states in the southern and eastern regions of the continent, which will have deepened trade and security relations with East and South Asian states.⁵²

The use of genetically modified organisms (GM) in agriculture is often seen as a necessary step to feed the growing global population.⁵³ Yet the introduction of this technology may increase farmers' dependence on external 'inputs', such as seeds, pesticides and fertilisers, the prices

of which may fluctuate with energy shocks. In addition, a major study for the World Bank and UN agencies found highly variable yield gains from GM, from 10 to 33 per cent in some places for some crops, to declines in others.⁵⁴ On the other hand, organic and natural farming methods more than doubled yields on average for 40 projects in 20 African countries, while also reducing farmers' environmental impact and dependence on inputs.⁵⁵

Lack of access to a stable water supply, especially for agricultural purposes, will continue to rise globally. Agriculture accounts for 70 per cent of water use globally. Decreased agricultural output will be particularly devastating for those countries that are currently heavily dependent on this sector for employment.

Twenty-one countries with a combined population of about 600 million are currently considered to be scarce in either crop land or fresh water. Thirty-six countries, home to about 1.4 billion people, are projected to fall into this category by 2025. Among the new entrants will be Burundi, Colombia, Ethiopia, Eritrea, Malawi, Pakistan and Syria.⁵⁶

It is clear that the effects of and responses to climate change will affect all aspects of civil society's efforts to eradicate poverty in the coming decades. The recent *UN Human Development Report 2010* identifies climate change as the greatest threat to human progress, whether this is changing crop patterns, access to water or increasing vulnerability to natural disasters.⁵⁷ Yet, while climate change will intensify challenges to development in all areas, it may also provide new opportunities. Climate finance aimed at adaptation and mitigation may soon overtake Official Development Assistance and will increasingly shape the needs and priorities of developing countries, potentially becoming a massive force for poverty eradication.⁵⁸ Ensuring that the volumes of finance are sufficient for climate change mitigation and adaptation, as well as the effective and accountable use of this finance, should be a priority for civil society.

⁵¹ See note 5; Agra Alliance, 'About the alliance for a green revolution in Africa', 2011, agra-alliance.org/section/about

⁵² See note 5.

⁵³ S Connor, 'Africa needs GM food, says top scientist', *Independent*, 8 September 2008, independent.co.uk/news/world/politics/africa-needs-gm-food-says-top-scientist-922489.html

⁵⁴ B McIntyre, H Herren, J Wakhungu et al, *Agriculture at a Crossroads*, International Assessment of Agricultural Knowledge, Science and Technology for Development, 2008, [agassessment.org/reports/IAASTD/EN/Agriculture%20at%20a%20Crossroads_Synthesis%20Report%20\(English\).pdf](http://agassessment.org/reports/IAASTD/EN/Agriculture%20at%20a%20Crossroads_Synthesis%20Report%20(English).pdf)

⁵⁵ O De Schutter, UN Special Rapporteur on the Right to Food, 'Agroecology and the right to food', 2011, www.srfood.org/index.php/en/component/content/article/1-latest-news/1174-report-agroecology-and-the-right-to-food

⁵⁶ See note 5.

⁵⁷ L Gray, 'Climate change is main barrier to development – United Nations', *Telegraph*, 4 November 2011, telegraph.co.uk/earth/earthnews/8111082/Climate-change-is-main-barrier-to-development-United-Nations.html

⁵⁸ O Barder, 'Megatrends affecting development', Blog, 2010, owen.org/blog/3381

The confluence of climate change and energy scarcity amplifies other challenges such as health, agricultural losses to pests and storm damage. Rainfall anomalies and constricted seasonal flows of snow and glacial melts are aggravating water scarcities, harming agriculture in many parts of the globe. The greatest danger may arise from the convergence and interaction of many stresses simultaneously. The importance of reducing vulnerability to increasingly frequent extreme weather events and shocks will continue to rise. The ability of communities to cope with these events should perhaps become a bigger part of civil society's conception of both economic justice and secure livelihoods.

While resource scarcity can be observed already in some very defined parts of the world (using a sliding scale of available resources and underlying political/social relations), evidence as to whether this is likely to become a global phenomenon is inconclusive. However, some commentators suggest that resource scarcities will lead to more disputes over food, energy, land and water, leading to quantitative and qualitative change in the level of conflict observed around the world. A growth of sub-national, relatively low-intensity forms of violence in rural areas may be observed, for example the Naxalite insurgency in India or Peruvians protesting against an irrigation project that would leave them with no water.⁵⁹ Of course, we should not conflate the challenge of climate change and resource scarcity with government energy or infrastructural policy as a source of conflict, but the likelihood is that where resources become scarcer, asymmetries in access to power over these resources will become more tangible.

Innovation and technology

Some hope that technological innovation will provide opportunities for international development, strengthened governance and solutions to the environmental challenges facing the world. This is clearly where the role of civil society, investors and the private sector can converge.

Mobile communication technology, for example, has opened up significant opportunities for business and economic development while helping the poor to engage more effectively in markets. Subscriptions to telecommunications in Africa rose from 54 million to almost 350 million between 2003 and 2008.⁶⁰ Popular mobile services include money transfers, such as Vodafone's 'M-PESA' system, allowing people without bank accounts to send money by text message. Many farmers use mobile telephones to trade and check market prices, allowing them to find where prices are highest and make more profit. Communication is improved, so medical help can be summoned and trips are saved as participants in meetings can change arrangements at the last minute.

The spread of low-cost communications technology – especially mobile phones and the internet – has the potential to change the relationship between citizens and the state by offering new mechanisms of direct accountability, paying taxes and so on.⁶¹ The World Bank's chief economist for Africa Shanta Devarajan has suggested that: 'We can empower poor people to monitor service providers. With some 80 per cent of Africans having access to a cell phone, it is not difficult to have parents (or the students themselves) send an SMS message if the teacher is not in school, or there are no drugs in the clinic or the purported road

⁵⁹ J Vidal, 'Have the climate wars begun?', *Guardian*, 21 September 2010, guardian.co.uk/global-development/poverty-matters/2010/sep/21/climate-wars-machu-picchu-irrigation, see note 25.

⁶⁰ D Smith, 'Africa calling: mobile phone usage sees record rise after huge investment', *Guardian*, 22 October 2009, guardian.co.uk/technology/2009/oct/22/africa-mobile-phones-usage-rise

⁶¹ See note 58.

maintenance program is not happening.’ Initiatives such as the ipaidabribe.com website – where users report acts of corruption they have experienced – may transform the landscape of accountability.

The *UN Human Development Report 2010* sees the proliferation of mobile telephony, satellite television and internet usage as broadening the scope for empowerment and its expression by increasing the availability of information and the ability to voice opinion.⁶² Columbia University economist and emerging markets expert Jeffrey Sachs suggests that ‘the cell phone is the single most transformative technology for development’.⁶³ As technologies become more important in the fight against poverty, new strategies must be developed to promote access to technology and ensure the poorest are not excluded.

Some businesses are pursuing a business model based on ‘frugal innovation’ – designing not just products but entire production processes to meet the needs of the poorest.⁶⁴

Tata Consultancy Services has developed a water filter that uses rice husks (among India’s most common waste products) to purify water. It is robust, portable and relatively cheap, giving a large family an abundant supply of bacteria-free water for an initial investment of US\$24 and a recurring expense of US\$4 for a new filter every few months. The makers plan to produce 1 million over the next year and hope for an eventual market of 100 million. General Electric’s healthcare laboratory in Bangalore has developed a hand-held electrocardiogram (ECG) that sells for US\$800, instead of US\$2,000 for a conventional ECG, and has reduced the cost of an ECG test to just US\$1 per patient.

The key consideration for civil society and donors is how countries can reap the benefits of such initiatives and progress to higher-value-added economic activity in a sustainable manner. The OECD’s *2010 Shifting Wealth* report notes the massive shift of manufacturing capacity from OECD members to the developing world over the past 20 years. Some developing countries have participated and profited from this reorganisation of global value chains, while others have been marginalised.

Shifts are also evident in the distribution of technological capacity, reflected in the rising amount of research and development being undertaken in the developing world. More than 40 per cent of the world’s researchers are now in Asia.⁶⁵ The world’s leading multinationals have increased their research and development bases in low- and middle-income countries.

These examples demonstrate how the interests of business and international development can converge on a relatively small scale, and there are clearly opportunities for civil society to work with business to pursue more sustainable business models. However, when it comes to the macro-level environmental challenges and resource constraints we have considered, the fundamental question of how human progress is defined and measured remains central to the debate.

Having reviewed some of the trends and projections in economics, resource flows and population, we now turn to the hard reality of geopolitics and the potential for the world’s governments and other non-state actors to respond to some of the challenges that are likely to arise in the coming decades.

⁶² *Human Development Report 2010: The Real Wealth of Nations: Pathways to Human Development*, United Nations Development Programme, 2010, hdr.undp.org/en/media/HDR_2010_EN_Complete_reprint.pdf

⁶³ ‘Upwardly mobile in Africa’, *Businessweek*, 24 September 2007, businessweek.com/magazine/content/07_39/b4051054.htm?campaign_id=rss_tech

⁶⁴ ‘First break all the rules: the charms of frugal innovation’, *The Economist*, 15 April 2010, economist.com/node/15879359

⁶⁵ See note 13.

2. GEOPOLITICS: SHIFTING POWER RELATIONS

Demographic, economic and resource trends are inherently political and the economic shift from West to East is reflected in global negotiations and multilateral fora. Given that the challenges we have identified to date are global in nature, an adequate response requires cooperation between states. In almost every case (whether resource constraints, climate change or inequality) beggar-thy-neighbour policies – that seek to benefit one country at the expense of others – are likely to be inadequate to address the problem. Yet the nature of multilateral cooperation is changing. The BRICS grouping is becoming a loose political bloc challenging US hegemony. The first summit of the original BRIC heads of state in 2009 ended with a declaration calling for a ‘multipolar world order’, which *The Times* in London described as ‘diplomatic code for a rejection of America’s position as the sole global superpower’.⁶⁶

The primary prediction of the US National Intelligence Council’s *Global Trends 2025* report is that a global multipolar system will emerge, where a single ‘international community’ composed of nation-states will no longer exist. Power will be more dispersed due to the emergence of new global players, increasingly ineffective and cumbersome multilateral institutions, growth in regional blocs and advanced communications technologies. The relative power of non-state actors (NGOs, businesses, tribes, religious organisations and criminal networks) will increase.

The growing multiplicity of actors could strengthen the international system by filling gaps left by post-Second-World-War institutions, or could further fragment the existing system and impede international cooperation. Recent failures of global governance – such as the disappointing outcome at Copenhagen and the failure of the G20⁶⁷ and IMF⁶⁸ to deal effectively with the threat of currency war and trade protectionism – suggest the latter. This ‘global governance deficit’ is a product of the mismatch between global markets and predominantly national governing institutions.

A US perspective on geopolitical trends

Current trends suggest that global governance in 2025 will be a patchwork of overlapping, often ad hoc and fragmented efforts, with shifting coalitions of member nations, international organisations, social movements, NGOs, philanthropic foundations and companies.

In response to likely deficits in global governance, networks are likely to form among states and non-state actors focused on transnational issues such as climate change, regulation of globalised financial markets, migration, and energy and resource shortages. These networks will operate to pursue convergent goals, based on genuine intent to solve problems, self-interest and moral grounds.

In some cases, the nucleus of an issue network will be a national or international commission or body of experts – unelected but with substantial influence – to report on or oversee some aspects of governance, trade or other issues. Current examples of such networks include the Financial Stability Forum, the Carbon Sequestration Leadership Forum and the International Partnership for the Hydrogen Economy.

Issue groups will be likely to help develop and diffuse standards and regulations for various realms, including regulatory regimes, and management of the ‘new post-industrial economy’. For some kinds of issues, networks will provide the basis for agreement among nation-states. With the groundwork done in informal contexts, nation-states will be able to adopt problem-solving measures, gaining legitimacy and sometimes taking credit for initiatives, while avoiding the stigma of solutions being imposed by external international organisations. The numbers and types of NGOs could well explode by 2025. Low-entry costs, low overheads, and the capacity of individuals and groups to affiliate with each other using the internet and mobile telephony will facilitate such collectives.

In addition to such issue groups, a new set of social actors – super-empowered individuals and even criminal networks – will increasingly influence outcomes. These elites are empowered by their wealth and an array

⁶⁶ T Halpin, ‘Brazil, Russia, India and China form bloc to challenge US dominance’, *The Times*, 17 June 2009, timesonline.co.uk/tol/news/world/us_and_americas/article6514737.ece

⁶⁷ P Inman and P Wintour, ‘G20 pledge to avoid currency war gets lukewarm reception’, *Guardian*, 12 November 2010, guardian.co.uk/business/2010/nov/12/g20-leaders-pledge-to-avoid-currency-war

⁶⁸ L Elliot, ‘IMF annual meeting fails to halt slide to currency war’, *Guardian*, 11 October 2010, guardian.co.uk/business/2010/oct/11/imf-talks-currency-wars

of national and transnational contacts – often spanning businesses, governments, international organisations and NGOs. Using their broad contacts and multiple national identities, they help leverage transnational outcomes across national and organisational boundaries.

Religion-based networks may be quintessential issue networks and overall may play a more powerful role on many transnational issues such as the environment and inequalities than secular groupings. Religious structures can channel social and political protest, especially for those who lack the means of communication and influence available to social elites.

This is relevant because many of the economic trends that will dominate the next two decades have the potential to drive social fragmentation and popular resentment, including the growing gaps between rich and poor, the urban and rural gulfs in India and China, the vast disparities between nations and regions advantaged or left behind by modernisation, and between states able to manage the consequences of globalisation and those with governments unable to do so. Religious activists can draw on sacred texts and long historical tradition to frame popular grievances in terms of social justice rhetoric and egalitarianism.

Adapted from the US National Intelligence Council's report *Global Trends 2025*.⁶⁹

The above account of the possible future of international affairs presents new opportunities for civil society networks, which can use connections in governments and the private sector around the world to influence these debates in a pro-poor manner. Building the capacity of civil society partners to carry out effective advocacy in their own countries should become a high priority for donors and INGOs as they work in an increasingly multipolar world.

Aside from direct advocacy of civil society, a challenge to US hegemony presents the opportunity to introduce alternative cultures, consumption patterns and economic models. Given that China has emerged as a superpower following an alternative economic model, we will briefly consider China's politics.

Shifting visions of progress

We have already noted the significance of Russia and China emerging as economic powerhouses without following western liberal models of development. Instead, both are pursuing a form of capitalism where the state makes key economic decisions and democracy is restricted.

China's politics

Many inside and outside China argue that it will be hard for China to have global legitimacy without liberalising its political system. Yan Xuetong, one of China's most influential policy thinkers, suggests that 'at the moment all of China's attractiveness comes from its economic power, but that cannot last. You need moral power'.

Currently the vast majority of government posts in China are filled through appointment from above, with decisions based on loyalty and personal connections. Regional experiments in democratic politics are being undertaken though, and many hope that if these are successful, similar reforms may be rolled out in the same way that regional experiments in economic liberalisation were.

Yet this is unlikely to happen as democratic-style reform is mostly seen as a way of increasing the legitimacy of the Communist Party, not for its own sake. In 2005 there were 87,000 'mass incidents' in China – including strikes, demonstrations, sit-ins, traffic blockings and building seizures. In only the first half of 2005, 17 of these involved more than 10,000 people. The Chinese government is increasingly aware of the risk of instability posed by these expressions of dissent, and is looking at innovative ways to foster participation and accountability to strengthen the state.

The city of Chongqing, with a population of 30 million, is experimenting with public consultation to inform decision-making, with public hearings having real impacts on policy. In 2007, 100,000 lawsuits were brought against the government by citizens, with a success rate of over 40 per cent. 'Deliberative dictatorship', along the lines of that practised in Chongqing, is forming the template for political reform in China, which allows for a conciliatory measure of participation to be achieved without multiparty democracy.

While deliberative dictatorship holds sway in the political realm, 'Yellow River Capitalism' is likely to provide the principles guiding China's economy. This is a synthesis involving the ideas of the Chinese 'New Right' and 'New Left' – from the former it takes the belief that the market, not the state, will drive economic growth. The latter gives it a concern for inequality and the environment, and a quest for new institutions that can marry cooperation and competition.

Adapted from 'What Does China Think?' by Mark Leonard⁷⁰

⁶⁹ See note 5.

⁷⁰ M Leonard, *What Does China Think?*, Fourth Estate, 2008.

Mark Leonard predicts that the debate on China will shift from its economic to its political rise and increased international engagement, and that from climate change and nuclear proliferation to human rights and global poverty, the world's policies will be set in Beijing.

'The story of the next thirty years will be about how a more self-confident China reaches out and shapes the world... China will provide an alternative pole and a philosophy that will find their place alongside US attempts to create a balance of power that favours democracy, the European penchant for multilateralism and the Islamists' hopes of theocratic rule.'⁷¹

Recent reports from China suggest a growing concern for inequality and the environment from within the ruling Communist Party. With the global economy flagging, the need to increase domestic demand to maintain growth means an interest in boosting the incomes of the poor. Also China is alert to the threat of conflict posed by inequality and the social rifts it fuels. Whatever the motives, the Communist Party leadership closed a conference in October 2010 with calls for 'putting more emphasis on securing and improving people's livelihood to promote social equality and justice'.⁷²

China on the world stage

China offers a different model of economic and social development that other states may follow, and this alternative view is likely to shape the dynamics of international relations. While to date China has not aggressively pursued interventionist policies on the international stage, perhaps because it does not want intervention from outside into its own territorial disputes, this may be changing.

The Shanghai Co-operation Organization (SCO) comprises China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and

Uzbekistan as members, while India, Iran, Mongolia and Pakistan are observers. In political and military terms, the SCO is emerging as a potential rival to NATO in Central Asia. The organisation is based on the values of the Chinese state, especially non-interference and respect for the rights of sovereign nations, rather than the rights of citizens. China is also working towards an East Asian Community – a trade bloc including the Association of South East Asian Nations (ASEAN) plus China – with a single currency by 2020.⁷³

Another indicator of China's growing tendency towards international engagement is in the area of foreign aid. At a conference of African leaders in Beijing in 2006 a US\$5bn investment fund for Africa was announced, along with debt cancellation and plans to build schools and hospitals across the continent.⁷⁴ Much investment goes into transport and communications infrastructure, and is given without political or human rights-based conditions.

Foreign investment and aid by newly rich states such as China, Russia and the Gulf Cooperation Council states is leading to the declining importance of traditional international finance institutions.⁷⁵ In 2009 and 2010 two Chinese state-controlled banks alone lent more to developing countries than the World Bank.⁷⁶ Sovereign wealth funds have injected more capital into emerging markets than the IMF and World Bank combined.⁷⁷ After the IMF had spent two years negotiating a transparency agreement with Angola, Luanda turned its back two hours before the deal was due to be signed after securing a US\$2bn soft loan from China. This event has been repeated across Africa, reflecting a profound shift in economic power.⁷⁸ Since the 2008 financial crisis the IMF has managed to buck this trend towards irrelevance and rise 'like a phoenix', changing its policies and governance to reflect the times as nations such as Greece require rescue packages.⁷⁹ However, it is unlikely that institutions such as the IMF will ever gain the same level of influence they held in the 1980s.

⁷¹ Ibid.

⁷² A Batson, 'China Shifts Attitude on Growth', *Wall Street Journal*, 21 October 2010, <http://online.wsj.com/article/SB10001424052702303339504575565733619553708.html>

⁷³ See note 70.

⁷⁴ China to double its aid to Africa, 4 November 2006, *BBC News*, news.bbc.co.uk/1/hi/world/asia-pacific/6115870.stm

⁷⁵ States in the Gulf Cooperation Council are United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar and Kuwait.

⁷⁶ C Hogg, China banks lend more than World Bank, *BBC News*, 18 January 2011, bbc.co.uk/news/world-asia-pacific-12212936

⁷⁷ See note 5.

⁷⁸ See note 70.

⁷⁹ A Beattie, 'Sovereign bail-outs: A reach regained', *Financial Times*, 21 April 2010, ft.com/cms/s/0/ab006102-4d77-11df-9560-00144feab49a.html

There are fears that the relationship between China and Africa may not be a partnership but may be more exploitative in nature, perhaps even with echoes of colonialism. On the whole, natural resources are exported and finished products imported back into Africa. 'If we go on like this, African resources will be used for Chinese development like they were for European development before,' warns JH Mensah, a former minister in Ghana.⁸⁰

China is anxious to manage its image and present itself as another developing country, rather than the next generation of colonial powers come to exploit the continent's natural resources.⁸¹ There are certainly areas of mutual interest: Chinese efforts to raise productivity could enhance rural African livelihoods, at the same as time addressing the growing problem of food security in China itself. Yet conflicts of interest certainly exist – helping to promote low-cost manufacturing in Africa would undermine China's own manufacturers, for instance. The influence of China on Africa is complex and evolving, with threats and opportunities for development.

This analysis of China paints a picture of increasing complexity as an emerging power grapples not only with domestic political development but also with its role in the world.

Of course, other emerging powers such as India, Brazil and Russia have equally complex dynamics that should be considered and should not be limited to economic models. For example, the role of the media in shaping expectations and aspirations, as well as the international perception of particular states, is crucial. For example, the visions of prosperity presented in films made in Hollywood are quite different from the visions presented in Brazilian, Chinese or Indian films. And when it comes to foreign policy, there is a striking shift occurring with the UK and US disinvesting in international media, while countries such as Russia and Qatar wield increasing influence through their international news operations; something noted by Hillary Clinton in 2011

when she told the US Foreign Policy Priorities Committee: 'We are in an information war and we are losing that war.'⁸²

However, the over-riding theme to emerge from this consideration of an increasingly multipolar world is to consider the need for civil society to invest in understanding these dynamics.

The G20 has become the self-declared primary forum for discussing international economic cooperation. The declining profile of the G8 reflects a shift in geopolitical power. South Africa, Mexico, Brazil and India all now have seats at the G20, so the interests of the millions of poor people living in those countries can, to some extent at least, be said to be represented. The same cannot be said of the millions of people living in poverty in low-income countries such as Bangladesh, Ethiopia and Haiti. The degree to which the interests of low-income and emerging economies align is debatable, but there is certainly some divergence. Civil society should question the legitimacy of select clubs of nations to set the terms of economic interaction, while at the same time exerting influence on behalf of the excluded.

⁸⁰ W Wallis and T Burgis, 'Continent drives a harder bargain', *Financial Times*, 14 June 2010, ft.com/cms/s/0/85632536-74ed-11df-aed7-00144feabdc0,dwp_uuid=e11d5c1a-74ee-11df-aed7-00144feabdc0.html

⁸¹ G Dyer, China's policy: Anxious to shed colonial image and foster a new cycle of trade, *Financial Times*, 14 June 2010, ft.com/cms/s/0/7afdcc4a-

74ed-11df-aed7-00144feabdc0,dwp_uuid=e11d5c1a-74ee-11df-aed7-00144feabdc0.html

⁸² G Lubin, *Hillary Clinton Says Al Jazeera Is Putting American Media To Shame*, businessinsider.com/hillary-clinton-al-jazeera-2011-3

3. AN ENTRY POINT FOR CIVIL SOCIETY

The challenges facing those who seek to eradicate poverty are mounting in the wake of resource constraints, growing risk and changing loci of power. Yet civil society actors must recognise that, despite increasing complexity, there will be new opportunities for civil society to shape the agendas of businesses and governments in significant and unexpected ways through coordinated advocacy, presenting alternative visions to the norm and speaking with moral authority on issues of injustice.

Where economic growth is the primary policy goal of governments, investors and businesses, without a proper consideration of the effects of such growth on society and the environment (sometimes referred to as externalities such as the use of non-renewable resources, the absorption of pollution and so on) it is hard to see more sustainable models of economic development being implemented on a large scale. Given the need for some form of growth for the poor, we need to consider the trade-offs – how can we achieve development with the least environmental cost? Here we consider the extent to which our current models of growth deliver poverty eradication.

Wren-Lewis and Cobham examine the relationship between growth and inequality and find no clear correlation: that inequality may rise or fall as a result of growth.⁸³ Other factors may be as or more important in reducing inequality, with growth shared more equally when accompanied by higher state spending, workforces with greater gender balance, and where the average number of years spent in education was higher.

The problem of growing inequality was emphasised by the *United Nations Human Development Report 2010*, which said that for every country where inequality has improved in the past 30 years, in more than two it has worsened.⁸⁴ The *Global Risks 2011* report by the influential World Economic Forum for business leaders and politicians named inequality ('wealth and income disparities, both within countries and between countries') along with global governance failures, as the biggest threat to the global economy in the coming years.⁸⁵

A 2010 United Nations Development Programme (UNDP) human development research paper found evidence of poorer countries catching up with rich countries, particularly in relation to life expectancy and literacy. No evidence was found to suggest that human development trends can be explained by factors associated with economic growth. Social factors, especially changes in gender roles, seem to be driving the aggregate human development story.⁸⁶

The validity of GDP growth as the main objective of society has long been challenged, mainly due to its failure to reduce poverty and inequality, and its destructive impact on the environment. In rich countries it has been observed that continued increases in wealth do not translate into improvements in welfare and happiness.

The concept of 'decoupling' involves economic output becoming progressively less dependent on material throughput (the use of resources and the output of waste), allowing the economy to grow without breaching ecological limits. This may be achieved through more efficient use of resources, improvements in technology and through the dematerialisation of economies.

However, Tim Jackson in his *Prosperity Without Growth* report for the Sustainable Development Commission, challenges the assumption of continued economic expansion in rich countries and finds little evidence that 'decoupling' can occur effectively. Alternatively: 'de-growth', planned reductions in economic output, as promoted by French economist Serge Latouche, is unlikely to prove a credible alternative.⁸⁷ In market economies continuous improvements in technology lead to continuously increasing labour productivity. This means that fewer people are needed to produce the same level of output from year to year, creating a downward pressure on employment. Growth is therefore necessary in a market economy to prevent recession.⁸⁸

Jackson argues for the possibility of prosperity, defined in terms of human flourishing, without growth.⁸⁹ The new macro-economy he imagines will require enhanced investment in public infrastructures, in sustainable technologies and in ecosystem maintenance. It is likely

⁸³ L Wren-Lewis and A Cobham, *Is 'more' enough? Reassessing the impact of growth on inequality*, Christian Aid Occasional Paper 5, April 2011.

⁸⁴ See note 62.

⁸⁵ Kristel Van der Elst and Nicholas Davis, *Global Risks 2011*, Sixth Edition, riskreport.weforum.org/

⁸⁶ George Gray Molina and Mark Purser, *Human Development Trends since*

1970: A Social Convergence Story, UNDP Human Development Research Paper 2010/02.

⁸⁷ Tim Jackson, *Prosperity Without Growth: Economics for a Finite Planet*, London: Earthscan.

⁸⁸ Ibid.

⁸⁹ Ibid.

to demand a different balance between public and private goods, and require us to reframe our concepts of productivity and profitability.

These ideas focus on the North, where it has long been observed that beyond a certain point (already reached in many countries) increasing wealth does not lead to a decline in the essential elements of furthering prosperity – such as challenging infant mortality, increasing life expectancy or contributing to perceived happiness.⁹⁰ Tim Jackson acknowledges that poorer countries stand urgently in need of economic development. In his view, growth must be ‘rationed’ so that incomes level off in rich countries, while increasing in poor countries.

However, while in the past these criticisms have on the whole come from the margins, mainstream commentators are now communicating these ideas. In October 2010, the chairman of the Financial Services Authority and chair of the Working Party of the G20 Financial Stability Board Lord Adair Turner argued that the conventional wisdom of economics is flawed in three fundamental ways – first, the belief that the objective of policy is GDP growth; second, that market liberalisation is a universally applicable means to this end and, finally, that inequality is instrumentally justified as a necessary consequence of market liberalisation and growth.

Dominique Strauss-Kahn, former managing director of the IMF, recently called on policy-makers to pay more attention to the damaging effects of inequality, making the bold statement that ‘we need to rebalance global growth... the old model is dead’.⁹¹

So how does civil society respond to this? How can it present a vision or a new agenda that may contribute more sustainably to poverty eradication? One way is to consider how we measure progress. David Woodward of the New Economics Foundation argues that our objective should not be to maximise the total quantity of production and consumption, but to maximise the contribution of global production and consumption to poverty eradication, while minimising the impact on the environment. To that end he recommends shifting focus away from growth as an

objective to focus on increasing the consumption of poor households; increasing production of goods and services that allow fulfilment of entitlements; and minimising the carbon intensity of production and consumption.⁹²

One possible move is to evaluate macroeconomic policies not on how they affect growth rates, but whether they lead to the fulfilment of people’s rights. A report by the US Human Rights Network, *Rethinking Macro Economic Strategies from a Human Rights Perspective*, proposes audits of macroeconomic policy by civil society organisations and academics from a human rights perspective. Public expenditure, as well as taxation, fiscal, monetary and trade policy, is appraised according to its intended and actual effects on the fulfilment of economic and social rights.⁹³

Jackson notes the little attention given to sustainability within academic debates. Peter Victor, one of the few economists to have dedicated any time to this subject⁹⁴ has constructed a macroeconomic model of the Canadian economy, where standard macro variables (for example, savings, investment, output, consumption, public expenditure) combine to produce outputs (such as poverty, employment, debt, GDP per capita, carbon dioxide emissions, and so on), with the relationships based on empirical data from the Canadian economy.⁹⁵

Victor then proceeds to develop a number of scenarios by altering the variables associated with growth – such as investment, for example – and looks at the impact on key variables. In one scenario, when growth is no longer targeted, GDP per capita remains flat and CO₂ emissions fall, but unemployment, debt and poverty escalate alarmingly. The next scenario is more encouraging: Victor assumes an introduction of measures such as shorter working weeks, more publicly funded investment on infrastructure and the provision of high-quality public goods. Here, CO₂ emissions also fall, but so do unemployment, poverty and debt.

In 2008 the president of France, Nicolas Sarkozy, created the Commission on the Measurement of Economic Performance and Social Progress, chaired by Nobel prize-winning economists Joseph Stiglitz and Amartya Sen. Their purpose was to identify the limits of GDP as an indicator of economic

⁹⁰ Ibid.

⁹¹ Dominique Strauss-Kahn, *Human Development and Wealth Distribution*, Speech to the International Monetary Fund, 1 November 2010, imf.org/external/np/speeches/2010/110110.htm

⁹² David Woodward, *Always with us? How we could eradicate poverty (if we really wanted too)*, presentation to Christian Aid, November 2010.

⁹³ R Balakrishnan, D Elson and R Patel, *Rethinking Macro Economic Strategies from a Human Rights Perspective*, stuffedandstarved.org/drupal/files/WhyMES-II.pdf

⁹⁴ Stephen Spratt, Andrew Simms, Eva Neitzert and Josh Ryan-Collins, *The Great Transition*, London: New Economics Foundation, 2009.

⁹⁵ P Victor, *Managing without growth: slower by design not disaster*, Edward Elgar Publishing, 2008.

performance and social progress and to consider additional information required for the production of a more relevant picture.

The key message of the resulting report was that our measurement system should shift its emphasis from measuring economic production to measuring people's wellbeing, and that measures of wellbeing should be put in a context of sustainability.⁹⁶ Overall, Stiglitz summarised the report as a call to abandon 'GDP fetishism'.⁹⁷

In the report, wellbeing is characterised as being multidimensional and shaped by the following aspects:

- material living standards (income, consumption and wealth)
- health
- education
- personal activities including work
- political voice and governance
- social connections and relationships
- environment (present and future conditions)
- insecurity, of an economic as well as a physical nature.

Among its many recommendations, the report calls for income and consumption to be considered instead of production when measuring material wellbeing; for inequalities within populations to be given greater prominence; better account to be taken of non-market activities such as leisure and raising families; and for subjective as well as objective measures of wellbeing to be considered.

Concerns have been raised at the 'dashboard-of-indicators' approach proposed by the commission, which allows

people to construct different composite indices for particular purposes.⁹⁸ Nevertheless, many moves are being made nationally and internationally towards more holistic measures of wellbeing. The OECD's ongoing Measuring the Progress of Societies project seeks to become the worldwide reference point for those who wish to measure and assess the progress of their societies. Also, the European Commission has announced its intention 'to develop a comprehensive environmental index and improve quality-of-life indicators'.⁹⁹

The *UN Human Development Report 2010* introduced three measures to the human development family of indices – the Inequality-adjusted Human Development Index, the Gender Inequality Index and the Multidimensional Poverty Index. These measures incorporate recent advances in theory and measurement and support the centrality of inequality and poverty in the human development framework.¹⁰⁰

Such a broader consideration of progress can also be applied by those seeking to challenge and indeed eradicate poverty. Christian Aid has criticised the Millennium Development Goals (MDG) as a weak reflection of the ambition of the Millennium Declaration.¹⁰¹ A striking illustration of the inadequacy of the MDG framework as a measure of progress is that in early 2011 popular revolutions took place against the governing regimes in Tunisia and Egypt, despite these countries ranking first and sixth respectively out of 137 countries in terms of progress towards the MDGs.¹⁰²

A new framework for measuring social progress must better reflect concerns about political freedom, inequality and sustainability. As these are issues in all countries, it has been suggested that future development goals apply to all countries.¹⁰³ Drawing together thinking on the need for a holistic view of development with thinking regarding growth and ecological constraints would seem a useful way for civil society to lead the debate on development in the future.

⁹⁶ J Stiglitz, A Sen, J Fitoussi, *Report by the Commission on the Measurement of Economic Performance and Social Progress*, stiglitz-sen-fitoussi.fr/documents/rapport_anglais.pdf

⁹⁷ 'Man does not live by GDP alone. A new report urges statisticians to capture what people do live by', *The Economist*, 2010, economist.com/node/14447939?story_id=14447939

⁹⁸ *Ibid.*

⁹⁹ europarl.europa.eu/oeil/FindByProcnum.do?lang=en&procnum=NI/2010/2088

¹⁰⁰ See note 62.

¹⁰¹ See note 1.

¹⁰² *MDG Progress Index: Gauging Country-Level Achievements*, Centre For Global Development, 2010, cgdev.org/section/topics/poverty/mdg_scorecards

¹⁰³ J Glennie, 'After 2015, we need a new set of millennium development goals that apply to all countries', *Guardian*, 3 November 2010, guardian.co.uk/global-development/poverty-matters/2010/nov/03/millennium-development-goals-inequality

CONCLUSION AND RECOMMENDATIONS

The fight to eradicate poverty is changing as the power dynamics in the world economy shift. Middle income countries are struggling to translate high GDP growth rates into better lives for their poorest citizens, leading to searching questions about how human progress is measured. Advocating for alternatives to GDP growth, such as indicators of human development, to become legitimate policy objectives should be a priority. This could pave the way for alternative economic models, which conceptualise economies as means to human fulfilment rather than ends in themselves.

Discussions of resource scarcity and environmental constraints are now firmly part of mainstream discourse, especially the fear that future interactions between energy and food prices will lead to political instability and conflict. Policy responses to these threats must be made to work for the poor. As economies try to wean themselves off oil, efforts to diversify the sources of energy available to the poor will become an important programme area for INGOs and a growth area for business. Decentralised renewable energy generation is a promising avenue of exploration.

In a multipolar world, formal multilateral institutions play a diminished role while emerging and middle income countries, particularly in Asia, increasingly have a voice in influencing the agenda of international cooperation between states. At the same time, power is likely to be diffused to non-state actors such as multinational companies, charitable foundations and civil society actors. This presents challenges and uncertainties but also opportunities that civil society should consider. Tailoring advocacy efforts by investing in global coalitions and networks that can form 'coalitions of the willing' with business and states is likely to be an increasingly important way of working for civil society. Leveraging pro-poor outcomes on issues such as international trade and financial transparency requires an informed analysis of the geopolitical landscape and the willingness to be flexible in responding to it.

At the same time, unsustainable consumption patterns in rich countries are the aspiration for many in lower and middle income countries. In future, the role of Northern-based INGOs might involve an increasing emphasis on changing aspirations, lifestyles and consumption patterns on to more sustainable paths through encouraging their own societies to lead the way.



UK registered charity number 1105851 Company number 5171525
Scotland charity number SC039150
Northern Ireland charity number XR94639 Company number NI059154
Republic of Ireland charity number CHY 6998 Company number 426928
The Christian Aid name and logo are trademarks of Christian Aid.
© Christian Aid June 2011