

EVIDENCE REPORT

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Rising Powers in International Development

Advisory Council Seminar IV, 2 July 2013: IDS Rising Powers in International Development Advisory Council Discussion

Rising Powers in International Development (RPID) Programme, IDS

October 2013

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1 Introduction

This document presents a summary of a discussion held on 2 July 2013 between members of the Advisory Council of the IDS Rising Powers in International Development (RPID) programme and IDS RPID staff members. (See list of participants in Annex.) The discussion was held at the Institute of Development Studies in Brighton.

2 Agenda

The following items were discussed:

- The US and China
- Capital inflows to the US
- Demonstrations in Brazil and the new 'middle-income' trap.

3 Key discussion points

- Samuel Huntington's 1969 book¹ is relevant to the current context, suggested one council member, because it had made a number of relevant predictions. This is in the broader context of ongoing economic growth in developing countries, which remains the case despite recent protests. We should do some 'big thinking', it was suggested. The US may once again be gaining an upper hand, suggested another member. Shale gas discovery and exploitation could lead to energy independence. Technological developments that are enhancing productivity remain based in the US. We may also be facing the overestimation of the Chinese potential for growth. China is suffering from problems of excess capacity, an infrastructure overload, a high rate of savings and investments, and a population more demanding of higher living standards, suggested a council member. If China cannot retain its high growth rate we therefore may see problems. In the short term, the Fed's Quantitative Easing (QE) was seen as generating volatility. There are also signs of contraction in the Asian economies, it was observed.
- The US is doing better in the short term, said a council member. Capital is flowing back to the US. This is a challenge to the rising powers, especially those which had had large capital inflows. Latin America used to be most vulnerable to this, observed a council member, who hoped that it was no longer quite so at risk. But there will nevertheless be volatility, the member point out, linked to a decline in the price of commodities precipitated by the economic slowdown in China. We should be more cautious about thinking that the rising powers have found their place in the sun, it was suggested. A council member asked about the processes that are taking place: are they really *pro forma*, or will they lead to real change?
- We are still in the middle of the process, said a council member. The demonstrations in Brazil are still going on. The Brazilian government started to react last week, and this week is going to present many proposals to the Congress, stated the member, who added their personal impressions of last

¹ Political Order in Changing Societies (1969) Samuel P. Huntington

Sunday's demonstrations. These impressions included the notion that the Workers' Party governments in Brazil had not actively represented the traditional middle class and the emergent middle class in many programmes and policies.

- The council member continued: for the first time since Brazil's democratisation the leaders of the protests have come from outside the traditional parties and trade unions, something which has caught many observers by surprise. The strength of the demonstrations hadn't been predicted by anyone, said the member, adding that the following week the trade unions were announcing a national day of demonstration. There had been changes from Congress. The moment was not seen as positive for President Dilma. The economy, added the member, is in the same shape that it was in the previous week. The press is saying it's getting worse, but that's not true; it's not so good, but at least it's not getting worse. The main subject in Brazil was the sense of political expectancy on the part of the population and the capacity of the government to respond to that. We are in the middle of the process and so we still need some time, said the member.
- Alex Shankland discussed his long blog piece on Brazil, out of which the most important theme for the present discussion was the contrast between the traditional and emergent middle class. This was posited in opposition to Fukuyama's description of 'middle class revolutions'. What you actually have is a split between the traditional and emergent middle class, it was suggested. Those sections that were already 'middle class' have been joined by a massive contingent of formerly poorer groups. That reduction in inequality has been more at the expense of the traditional middle class, and not the economic elite. At least in São Paulo, the demonstrations are being led by children of the middle class which abandoned Lula.
- What we may be observing across middle-income countries is a temporary alliance between two sections of the middle class that actually have divergent interests, suggested Alex Shankland. This will be interesting for international development cooperation. There are reasons to think that the emergent middle class in Brazil may be less interested in international development cooperation; they are less internationalist and more parochial in that sense. The other side is the religious side. We may find a sort of Victorian-style philanthropy among the Christian middle class, which may play into Brazil's role in international development cooperation.
- The Brazilian government has done a great job in including people in health and education services, it was suggested, but this doesn't appeal to the middle class. There is also a broader issue around the crisis of representation. From the Chinese perspective, things looked more positive. One headline was that China is showing increasing openness to dialogue with Development Assistance Committee (DAC) members. There is an expanding list of traditional development cooperation partners with whom China is interested in bilateral exchanges, suggested a council member. A new China White Paper, billed for September, would be 'more transparent than ever' and would for the first time commit to providing data on an annual basis.

- Professor Paul Collier's view that the G8 still had relevance if it could engage in collective action was discussed.² This included a focus on tax. States are miles behind the private sector in the way that they cope with the internationalising of production, a council member suggested, who added that we see this in the UK and it has been an issue in Africa for years. We have a potential agenda emerging which could be quite transformational if it pulls through, suggested the member. There is a very big question as to how far G8 initiatives can be amplified around the G20. IDS has a stake through Mick Moore's tax policy centre.³ In the short term China may be suffering from having become somewhat overheated, suggested the member, who added that the 1997-8 crisis had severe short-term effects but does not appear to have made a lasting mark. We have to cope with this big rebalancing of the global economy, it was suggested. These disorders are very important signals of real problems and they put governments on the spot. We are definitely coping with very large social transformations, with emerging middle classes who come from insecure backgrounds and are going to change things in lots of ways. In the short term they could be extremely disruptive.
- Another council member asked to highlight is a specific point: the UK aid cuts and continuing tensions between the West and South Africa. The South Africans reacted very irritably to this, stated the council member, which was suggested to have been a sign of the continuing difficulties in the relationship. What concerns me, said the member, is the impact this has on NGOs, particularly Southern NGOs who uphold Western values. That's important for us to think about. In Kenya we've seen a backlash against the NGOs from the Kenyan middle class. We have also had the denunciations of NGOs in Russia and Turkey. This seems to me an area that we need to be watching, suggested the member.
- The council member asked to add one structural point about South Africa. With all the emphasis on the middle class in the other BRICS, in South Africa the biggest source of disorder has been in the more traditional 'labour vs. capital' front. There has been a split between 'labour aristocracy' and those who are on very low wages or unemployed.
- It was noted that a couple of papers had been sent to council members regarding the Indian civil society movement. There was also the UN High-Level Panel on Post-2015 Development Agenda. Its report had come out with an ambitious agenda which has been met with quite a lot of approval from civil society. The view coming out of the experts' meeting, said a council member, is that 1 billion people will have to move from low productivity jobs to higher productivity jobs. There is also a very significant market failure in the supply of long-term finance, observed the member, which the banking system isn't able to provide. The G20 is also looking at this problem. There will be significant savings growth in emerging countries on the horizon.
- It is important to think about how this process of perfecting democracy is never pretty, said an IDS staff member. Even if it looks like it's going to be a negative process, it could in the long run be a part of these societies perfecting their democratic systems. We are very fortunate to be listening to these perspectives. We are interested in seeing if the rising powers are going

² Co-Director of the Centre for the Study of African Economies, Oxford University, and Professor of Economics and Public Policy at the Blavatnik School of Government

³ International Centre for Tax Policy and Development, led by chief executive officer, Professor Mick Moore (IDS)

to be the next hegemony. But that is not the purpose of this programme: a lot of international research programmes are looking at that, said the staff member: our niche at IDS is how the rising powers are going to change development. There is a wider context: perspectives on economic growth, how this will change rising powers' (and others') perceptions of their 'responsibilities'; these countries are still going to be models for other developing countries.

Annex

Advisory Council Members, Present

Richard Carey, former Director, Development Cooperation Directorate, OECD; and former Co-chair China-DAC Study Group; Member of the IDS Board of Trustees

Merle Lipton, Associate Fellow, Chatham House Africa Programme; Visiting Research Fellow, King's College London

Richard Manning (by phone), President of the Advisory Council; Former Director-General for DFID; former Chair of the OECD DAC; Chair of the IDS Board of Trustees.

Nora Lustig, Professor at Tulane University; Fellow at the Center for Global Development; Co-founder and President of the Latin American and Caribbean Economic Association (LACEA); Member of the IDS Board of Trustees

Rômulo Paes de Sousa (by phone), IDS Senior International Associate; former Vice-Minister for Social Development, Government of Brazil

Advisory Council Members, Apologies

K. Y. Amoako – Founder-President of the African Center for Economic Transformation (ACET); former Executive Secretary of the UN Economic Commission for Africa (UNECA); former member of the World Bank Institute's Advisory Council.

Gabriele Köhler, IDS Visiting Fellow; former UN official.

Rajesh Tandon, Founder-President of the Society for Participatory Research in Asia (PRIA); Member of the IDS Board of Trustees

Li Xiaoyun, Professor at the China Agricultural University, Director of the China-DAC Study Group

IDS Staff, Present

Lizbeth Navas-Alemán, IDS Fellow and Co-Convenor of Rising Powers in International Development Programme

Alex Shankland (by phone), IDS Fellow and Co-Convenor of Rising Powers in International Development Programme

Musab Younis, Research Officer, Rising Powers in International Development Programme

Louise Oakley, Programme Administrative Coordinator, Rising Powers in International Development Programme

Fran Seballos, Partnerships Officer, IDS

Guests, Present

Jennifer Constantine, Consultant for Policy Engagement & Network Development



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