PART FIVE

THE INTERNATIONAL SYSTEM

WHO RULES THE WORLD? 241

THE INTERNATIONAL FINANCIAL SYSTEM 244

THE INTERNATIONAL TRADING SYSTEM 260

THE INTERNATIONAL AID SYSTEM 289

HOW CHANGE HAPPENS: THE 2005 GLENEAGLES AGREEMENTS 311

INTERNATIONAL RULES AND NORMS 313

THE INTERNATIONAL SYSTEM FOR HUMANITARIAN RELIEF AND PEACE 317

HOW CHANGE HAPPENS: LANDMINES, AN ARMS CONTROL SUCCESS STORY 333

CLIMATE CHANGE 335

GLOBAL GOVERNANCE IN THE TWENTY-FIRST CENTURY 351

WHO RULES THE WORLD?

Global institutions such as the World Bank, the IMF, and the United Nations, transnational corporations, rich country governments, (and even international non-government organisations such as Oxfam) are sometimes viewed as the most powerful and dynamic forces in the fight against poverty and inequality. This book has argued, on the contrary, that the main actors are poor men and women and their national governments – a combination we have called active citizens and effective states.

This is not to deny the power of global institutions. In tackling global poverty and inequality they can, by both action and omission, be either part of the solution or part of the problem. They can foster efforts to build an effective, accountable state and an active citizenry, or they can undermine or even crush them. This part of the book examines those aspects of the international system most relevant to the fight against poverty and inequality, and explores how global institutions can be placed at the service of development.

The web of international institutions, laws, regulations, and agreements collectively known as 'global governance' is constantly growing in range and density. Global governance can help the fight against poverty and inequality in eight main ways:

- Managing the global economy through, for example, rules on trade and investment;
- Co-ordinating the systemically important countries, for example through the Group of Twenty (G20), to manage the functioning of international financial markets;
- Redistributing wealth, technology, and knowledge through aid or other mechanisms, such as international taxation;
- Averting environmental or health threats, through agreements such as the Montreal Protocol (on ozone depletion) and the Kyoto Protocol on climate change, or through institutions such as the World Health Organization or UNAIDS;
- Avoiding war and limiting abuses during war by providing a forum for negotiation of differences, and upholding the body of international humanitarian law, such as the Geneva Conventions;

- Preventing powerful countries or corporations from harming weaker and poorer ones. This 'stop doing harm' agenda includes regulating the arms trade, carbon emissions, corruption, and destructive trade policies;
- Providing a safety net for the most vulnerable people when disaster strikes and states are unable or unwilling to cope, as through the relief work of UN agencies or the international community's embrace of the 'responsibility to protect';
- Changing attitudes and beliefs, for example through the Convention on the Elimination of Discrimination Against Women (CEDAW) or the Convention on the Rights of the Child.

Unfortunately, global governance often fails to live up to these high ideals. Whether by using aid for short-term political purposes, waging war rather than averting it, using regional trade agreements to impose economic strait-jackets rather than the freedom to pursue wise development policies, or simply failing to rise to the historical challenges facing us all, the misguided actions of global institutions and the short-sighted policies of wealthy countries often pose threats to development. The whole project of multilateralism – the nations of the world working in concert to address its many challenges and problems – has been questioned in the aftermath of the US invasion of Iraq and the apparent failures of numerous UN summits to achieve more than a watered-down consensus.

Powerful states are inevitably tempted to bend or bypass institutions of global governance, but they do not always succeed. Public pressure can persuade the more enlightened leaders to put building a stable and fair global system ahead of their own short-term self-interest. Moreover, the rule of law through international institutions can become capable of influencing even the most powerful of nations as, for example, when the World Trade Organisation ruled against US cotton subsidies in 2005 because of the damage they do to producers in other countries. (The US, sadly, failed to comply with the ruling.)

The global balance of power is shifting rapidly, as the world enters what looks increasingly like the 'Asian Century'. In 2009 the tectonic plates of world power shifted with startling speed, as the G8 handed the baton of world leadership to the G20, and European diplomacy was humiliated at the Copenhagen climate summit by a combination of old and new power (principally, the US, China and India). A new 'global middle class' of increasingly assertive developing countries, led by China and India, is challenging the dominance of Europe and North America in global institutions, while a range of regional organisations and initiatives such as the African Union or the Shanghai Cooperation Organisation is creating a more varied political geography than the traditional global–national divide.

Global governance systems must adjust, and rapidly, to this new geometry of power, and yet the multilateral system often verges on paralysis, failing to take the action necessary to correct deep flaws in the financial system, or sleepwalking towards irreversible climate change. At the time of writing, a looming financial crisis once again hangs over Europe, and probably the global economy, threatening an even greater test of the ability of global institutions to cope with change and instability. This century, humanity will either sink or learn to swim together.

THE INTERNATIONAL FINANCIAL SYSTEM

THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND

In 2005, the World Bank and the International Monetary Fund (IMF) told the government of the impoverished West African nation of Mali that it would have to privatise its energy companies and its major export sector, cotton, if it expected to see any loans or credits. Mali's President Amadou Toumani Touré went to Washington to plead his country's case, but later could only lament: 'People who have never seen cotton come to give us lessons on cotton … No one can respect the conditionalities of certain donors. They are so complicated that they themselves have difficulty getting us to understand them. This is not a partnership. This is a master relating to his student.'[1]

The ensuing liberalisation of the cotton sector left Malian farmers exposed to world markets, where cotton prices are artificially suppressed by massive US and EU subsidies, and they received 20 per cent less for their cotton in 2005 than in the previous year. Combined with unfavourable exchange rates, rising input prices, and late rains in 2007, the result was devastating, with thousands of farmers running up unpayable debts and some leaving cotton farming altogether. Production in 2007–8 collapsed to half its previous level.[2]

The acronyms of faceless international organisations do not usually start riots, but the three letters IMF provoke explosive reactions. Throughout the 1980s and 1990s, 'IMF riots' periodically ravaged cities throughout the developing world, leaving hundreds of people dead and wounded and losses of millions of dollars in damaged and looted property. In the South Korean financial crisis of 1998, restaurants offered cut-price 'IMF menus' to the newly unemployed, who protested with placards carrying the eye-catching slogan 'IMF = I'm Fired'.

For much of the past 30 years the IMF and the World Bank have been pursuing nothing less than a radical overhaul of the way that developing countries run their economies. That role has been hugely controversial and, in many eyes, profoundly destructive, and both institutions have been obliged to rethink their approach. The IFIs' level of influence has ebbed and flowed in inverse proportion to the state of different countries' economies. When countries are in crisis, they become hugely dependent on the Bank and Fund as gatekeepers of other donor lending as well as private capital; when times are good, their leverage shrinks, to almost nothing as in the case of the emerging economies in recent years. They are also powerful sources of research and technical assistance, which helps them shape what policies aid donors and many developing country governments consider to be 'sound'.

The IMF and the World Bank were born in July 1944 in Bretton Woods, New Hampshire, when the outcome of World War II was already evident. The new institutions formed part of an attempt by the victorious powers to prevent a repeat of the global economic collapse of the 1930s, which had sown the seeds of war. While constitutionally part of the UN system, the giant multilateral financial organisations were set up in a radically different manner. While the UN system works largely on a 'one country, one vote' principle (with the notable exception of the Security Council), decisions at the IMF and World Bank in general are taken on the basis of 'one dollar, one vote', guaranteeing the dominance of the United States and other major donors.[3] At US insistence, the organisations were located in Washington, within walking distance of the White House, rather than with the UN in New York.

The Fund and Bank were arguably given the wrong names at birth. The IMF is supposed to lend money like a bank when financial crises threaten, while the World Bank funds projects and government reform programmes to address longer-term development issues. The two institutions were created not to feed global markets but to step in where markets failed, in order to mitigate the harsh effects of global capitalism.[4]

At first, they confined their attentions to rebuilding Europe with loans to Denmark, France, and the Netherlands. As Europe began to recover, they began to look farther afield. The Bank's first loan to a developing country went to Chile in 1948. However, it was the breakdown in the early 1970s of the system of fixed exchange rates, followed by the onset of a global debt crisis in the early 1980s, that catapulted the Fund and Bank to global prominence. Across large swathes of Latin America, Africa, and Asia, governments had run up large debts and then saw interest rates spiral just as the prices of their exports collapsed. Desperate to reschedule their debts and find new sources of capital, they turned to the Fund and the Bank.

In return for loans, the two IFIs demanded far-reaching reforms, disguised by bland euphemisms such as 'stabilisation' and 'structural adjustment'. Acceptance of such policy reforms quickly became obligatory for countries to access development assistance from donors and the global financial system.

Although Nineteenth Street in Washington DC, which separates the two institutions, is a border of fierce institutional rivalry, the Fund and Bank largely shared the same DNA of economic orthodoxy. They both believed that the underlying problems of developing countries sprang largely from a mistaken, state-centred development model that ran out of steam in the 1970s, echoing the anti-state 'Reaganomics' and 'Thatcherism' of the time. The ultimate foe was price inflation; the broad solution was 'less state, more market'. The programme called for stabilisation by cutting state spending to reduce inflationary pressures, followed by structural adjustment – a mix of deregulation and liberalisation designed to unleash the 'animal spirits' of the market.

With only minor variations, this recipe – dubbed 'the Washington Consensus' – was implemented across dozens of countries in Latin America and Africa.[5] Home-grown economists and politicians who shared a belief in the diagnosis and the proposed cure led the way, deploying the powerful leverage exercised by the Fund and Bank to push through unpopular reforms.

If structural adjustment were a medicine, it would long ago have been banned due to its adverse side effects. From 1960–80, sub-Saharan Africa's 'failed' statist economic model grew at an annual per capita rate of 1.6 per cent. At the time these figures were seen as scandalously low, but in hindsight they look like a golden age. From 1990–2005, Africa's gross domestic product grew by an annual per capita rate of only 0.5 per cent.[6] In Latin America, the 1980s became known as the 'lost decade' of development. In Russia, 'shock therapy' reduced people's life expectancy by four years from 1990–2000, and incomes plummeted by a third. In China and Viet Nam, however, which rejected the Bank and Fund's policy prescriptions in favour of a more cautious and partial transition to a market economy, incomes increased by 135 per cent and 75 per cent respectively during the same years.[7]

Tellingly, even the man who coined the term 'Washington Consensus' later stressed: 'I never thought of the Washington Consensus as a policy manifesto, for it omitted a number of things that seemed to me important, most notably a concern for income distribution as well as for rapid growth.'[8] And so it proved: rising inequality became one of the most alarming features of stabilisation and structural adjustment.

One of the most ambitious reviews of the impact of these policy reforms on the ground was carried out by a network of NGOs, trade unions, and academics in a dozen countries that had gone through World Bank-funded adjustment programmes. Using a methodology jointly designed with the Bank, the Structural Adjustment Participatory Review Initiative (SAPRI) involved thousands of local organisations participating in national field exercises on four continents, the majority of which were carried out jointly with the Bank and national governments.

Its conclusions, published in April 2002, were damning.[9]

Trade liberalisation led to growing trade deficits, export growth typically based on natural resources and low-skilled labour, and the failure of many local manufacturing firms, particularly innovative small and medium-sized ones that generate a great deal of employment. Transnational corporations have often been the principal beneficiaries.

Financial sector liberalisation directed financing toward large (usually urban) firms, with the largest share of loans going to a few powerful economic agents. Small and medium-sized firms, rural and indigenous producers, and women are largely excluded from borrowing, thereby exacerbating existing inequalities.

Labour market reforms led to fewer regulations concerning labour stability and firing practices, thus facilitating the widespread use of temporary contracts and leaving workers with little recourse when employers choose to cut back their workforce. Labour rights have been affected by restrictions placed on the right to strike and to bargain collectively.

Privatisation earned mixed reviews. Civil society groups drew a distinction between enterprises involved in production (where privatisation sometimes made economic sense) and those delivering basic services, such as water and electricity (where access to affordable, quality services did not improve for the societies as a whole and, in some cases, worsened). In El Salvador, for example, poor consumers saw their bills rise at nearly twice the rate of increases for high-end consumers.

Agricultural reforms generally included the removal of subsidies on agricultural inputs and credit, liberalisation of producer prices, privatisation of state entities involved in marketing and distribution of inputs and produce, liberalisation of trade in agricultural inputs and commodities, and currency devaluation. For example, in the first half of the 1990s the World Bank and the IMF required that the state marketing board in Zambia be abolished, all maize and fertiliser subsidies removed, and price control ended.[10] Although some reforms of state systems were clearly required, only those producers with previous access to resources and economies of scale were able to benefit, and markets often failed to fill the gap left by the retreating state.[11]

When these issues are raised today, the response of the IFIs is usually, 'We have changed; these criticisms are out of date'. The Bank's policies have indeed evolved, both in terms of content (for example devoting two of its recent annual flagship World Development Reports to the topic of inequality, in 2006 and 2012) and in terms of process, working closely with civil society organisations on topics such as social inclusion and accountability that would have cut little ice at the height of the Washington Consensus in the 1980s and early 1990s. What's more, the Bank has pursued a significant turn towards directly financing the private sector, not least through its International Finance Corporation,[12] raising concerns both over its role in pressing for privatisation of essential services, and over accountability.

Recently the IMF too has shown heretofore unknown signs of flexibility. During the 2008–9 global financial crisis, it allowed governments of low-income countries to weather the storm by running fiscal deficits (although after this short Keynesian interlude it returned to its austere habits). Its recent research has even addressed some previously taboo topics, such as the positive role of capital controls,[13] the pernicious economic impact of high inequality,[14] or the feasibility of financial transaction taxes.[15]

Oxfam's experience has been that changes in policy and process in Washington have not always been matched by changes in policy advice to governments on the ground. In the case of economic policy conditionality, while there has been a reduction in the number of prior actions and triggers attached to World Bank lending that specify economic policy reforms, conditions still routinely push specific economic policies. That experience has been borne out by the findings of numerous external evaluations, suggesting that the barriers to change are not just intellectual but political and institutional, and that deeper reform of the IFIs is urgently needed.

Any visitor to the Bank or Fund will soon realise that their staffs are hard-working and smart, and genuinely committed to promoting growth and poverty reduction in developing countries. So why does the sum of their actions fall so far short of their shared aspirations? Three powerful forces largely determine the intellectual and policy inertia that holds back efforts to learn from the failures of adjustment and to change the way that the Fund and the Bank work.

The power of their shareholders: The USA and, to a lesser extent, the other rich countries exert huge influence through their positions on the boards of both organisations, and often use their position to promote their own national interests: for example, liberalisation programmes typically provide improved access for rich country investors and exporters.

Their choice of economic frameworks: Despite the many possible responses to sluggish growth and inflation, the orthodox approach is overwhelmingly dominant, with more heterodox economists facing hostility and criticism.

The institutional pressures of bureaucracy: As in any institution, staff concern for career and salary leads to a high level of conformity and conservatism. If you follow the standard recipe and things go wrong, it is the institution's fault; if you try something different and it doesn't work, the buck stops with you.[16]

In 2007 many commentators were starting to question whether the IMF in particular was actually necessary. As its loan income dried up, it had downsized significantly and seemed to be becoming quietly irrelevant. Then came the successive waves of the global financial crisis, putting the IMF once more at the centre of the global economy. The unthinkable rapidly became the normal, with the IMF being called in to help advanced country after advanced country, and to play a lead role in trying to avert the eurozone crisis. At the same time the global credit crunch meant a rapid increase in demand for loans from the World Bank. To remain both relevant and useful, the IFIs must assert their independence from their larger shareholders and place themselves at the service of their customers. Where effective states are able to insist on sensible policies, rather than succumb to pressures to follow

Washington Consensus blueprints, the Fund and Bank could play a positive supporting role:

- The World Bank could strengthen its support for 'global public goods', such as technological advances in health or agriculture, where it should work with UN bodies and other elements of the international system. In these areas, national governments or individual companies may not have sufficient incentives to invest, since the benefits (or harm) accrue to everyone rather than just to their own country or firm. Although the Bank is moving into these areas, to date it has done so in an ad hoc and chaotic fashion, setting up some 70 separate trust funds for work on different issues, with little overall sense of direction or priority.[17]
- The Bank and the Fund could isolate policy advice and research from lending. The institutions' policy advice is hugely influential but is akin to 'tied aid', in that it comes attached to loans and financial dependence.[18] Research and policy advice could be required to stand on their own merits by giving developing country governments 'technical assistance vouchers' that they could cash in with the most suitable provider, whether the World Bank, another UN body, or a university. Another idea would be to split up the Bank's policy department, move the parts to various developing countries, and require them to compete for business.
- The Fund's only legitimate involvement in low-income countries is helping governments deal with short-term problems in their cash flows and providing technical advice on request, for example on how to improve the monitoring of spending on reducing inequality and poverty. Prolonged involvement in the affairs of poor countries is unhelpful. The IMF should concentrate on monitoring the national economic policies of those systemically important countries that could threaten global financial stability, and seek to build consensus for reforms despite the experience of recent decades in which developed countries remained largely indifferent to IMF criticism.[19]
- As a first step, donor governments should stop making their own aid conditional on countries having a Fund or Bank programme in place. Giving the IFIs such exaggerated influence as 'gatekeepers' is neither warranted by their past performance nor helpful in encouraging policy pluralism and national ownership.
- Donor governments will also have to drive reform of the institutions themselves, starting with their governing bodies. Despite some promising rhetoric following the financial crisis, recent changes in the governance and share of the IMF and World Bank held by developing countries were minimal. In the concessional lending arm of the World

Bank (IDA), for example, even after reforms in 2010, the very countries that IDA is meant to serve have the least representation.[20] High-income countries still have over 61 per cent of the votes, middle-income countries have under 28 per cent, and low-income countries have only 11 per cent, with Europe in particular heavily over-represented.

- Moreover, despite promises of reform, the heads of the Fund and the Bank have to date still been political appointees of, respectively, the EU and the USA. Until a meritocratic appointments system is introduced, it is hard to see why any developing country should turn to the IFIs for advice on good governance. At a staff level, the Bank and Fund also need to improve their grasp of politics and social change, if they are to support country-led processes rather than impose economic blueprints.

The World Bank and the International Monetary Fund stand at a historic crossroads, similar to that which they faced after the collapse of the fixed exchange rate system in the 1970s. How they chart a new course will determine both their future relevance and their contribution (whether positive or negative) to the global effort to tackle poverty and inequality.

DEBT CRISES

Debt is a key reason why the international financial institutions exert so much leverage over poor countries. In Dickensian Britain, the debtors' prison awaited those who could not meet their personal or business debts. Bankruptcy procedures finally superseded such grim establishments, allowing individuals to clear their debts and rebuild their lives. Countries that default on their foreign borrowing, however, face a similar fate: an interminable process of restructuring, dried-up access to credit, and painful squeezes on public spending, with a drastic impact on poor people. Until this decade, such debates were largely confined to developing countries, but the eurozone crisis now threatens to engulf advanced economies such as Greece and Italy.

There are at least three different sorts of crisis involving debt, each of which requires a different response. First, in very poor countries the crisis consists mostly of unmanageable debts owed by the national government to creditor governments and to the IFIs (although some of these have come from loans to pay off private creditors). In middle-income 'emerging markets', where private lenders have lent to private borrowers, a mass default can threaten the whole economy, as occurred in several East Asian countries in the late 1990s. And finally, in middle-income countries crises can be due to government borrowing from a mix of private and public creditors, as in Argentina in 2002 and the fragile members of the eurozone in 2012. The first case is a chronic problem, built up over years and popularly known as a 'debt crisis', while the others are sudden-onset disasters related to capital markets and are known more commonly as 'financial crises', although the distinction is increasingly blurred. The former will be discussed here, and the latter addressed later in this section.

Until the mid-1990s, rich countries adopted a standard approach to debt crises in both poor and middle-income countries, based on three principles: first, multilateral debt (i.e. that owed to the IFIs) must always be serviced, while other debts could be rescheduled; second, negotiations must be undertaken on a 'case by case' approach, in which creditors negotiate jointly as a group but borrower countries have to face their creditors alone; and third, structural adjustment conditions are to be part of every rescheduling deal. The core aim of this approach was to keep countries from defaulting. In practice this meant drastic cuts to public spending, which was repeatedly slashed in the middle of economic crises to keep repayments flowing to Western banks and credit institutions.

Debt crises thus produced a perverse flow of resources from poor to rich – a society-wide squeeze familiar to anyone who has ever taken out a bank loan. During the 'lost decade' of the 1980s, Latin America sent the rich world over $500 for every man, woman, and child on the continent, even as growth slumped and poverty grew.[21]

In the face of public protest, and as structural adjustment failed to trigger sufficient growth even to stave off default, creditor governments and the IFIs embarked on a series of debt relief initiatives that grew in coverage as each in turn failed to solve the problem. The international community introduced the Heavily Indebted Poor Countries Debt Reduction Initiative (HIPC for short) in 1996, its Enhanced version (often known as HIPC II) in 1999, and the Multilateral Debt Relief Initiative (MDRI) in 2005; each was more comprehensive than the last.

Active citizens played a large role in obliging governments in both rich and poor countries to move on the debt issue. The Freedom from Debt Coalition in the Philippines and Koalisi Anti Utang in Indonesia both campaigned against 'illegitimate debt'. In May 1998, 70,000 Jubilee 2000 supporters formed a human chain around the G8 summit in Birmingham, UK and – as politicians inside the meeting later confirmed – forced debt onto the summit agenda, which culminated in the Enhanced HIPC programme a year later. Global campaigning by Make Poverty History and the Global Call to Action against Poverty achieved a similar breakthrough at the G8 summit in Scotland in 2005. Each time, governments swore that the latest debt relief initiative would be the last. Luckily, citizens refused to believe them and, when the plight of debtor nations failed to improve, continued to campaign for more.

Naturally, creditors continued to try to set the terms of the negotiations, but effective states proved themselves able to negotiate better terms. Argentina played hardball with the IMF and other creditors after its 2002 crisis, and was thus able to rebuild its economy at record speed.

With HIPC, the creditors began to break new ground by actually writing off debts, rather than simply rescheduling them; by including multilateral, rather than just bilateral, debt; by dividing relief equitably among creditors; and, in the Enhanced HIPC initiative, by basing debt relief on a 'poverty reduction strategy' drawn up by the government in consultation with civil society. The most recent incarnation, the MDRI, has gone still further by offering full cancellation of countries' debts to the IFIs incurred up to certain dates, a limited application of the '100 per cent cancellation' that campaigners had long called for and which creditors had long claimed was impossible.

Serious concerns remain about both the HIPC and the MDRI, not least the extent to which they have entrenched the force of, in particular, IMF conditions. Countries must comply with these to get debt relief, which forces them to spend years implementing painful structural adjustment policies in order to access the debt cancellation that was promised to them as a solution to an urgent crisis. This is connected to the fact that the HIPC and the MDRI are designed, implemented, and monitored by the IFIs, with creditors treated as generous benefactors – rather than those responsible for often irresponsible or self-interested lending that contributed to the crisis in the first place – and debtors as errant children who need to behave.

Nonetheless, debt relief has translated into big money. The total debt relief for the 30 countries to have completed by September 2010 was worth $88.8 billion in today's money,[22] combining agreements with multilateral institutions and bilateral and commercial creditors. Because it directly frees up funds for governments to spend over many years, debt relief is a very efficient form of aid: for the 36 post-decision-point countries, poverty-reducing expenditure increased by more than three percentage points of GDP, on average, between 2001 and 2009, while debt service payments declined by a similar amount.[23]

It should be remembered, however, that debt relief is often dwarfed by the amount that poor countries have already paid on these loans. In 2004, the Nigerian government reported that the country had had original loans of $17bn, had repaid $18bn, and still owed $34bn. Its much-trumpeted 2005 debt-relief deal finally led to significant debt cancellation, but the deal required the country to make a down payment of a further $12 billion.[24]

Indebted countries face new threats in the shape of so-called 'vulture funds'. In 1999, as Zambia was trying to negotiate clearance of the debt it owed to Romania, a company called Donegal International, registered in the tax haven of the British Virgin Islands, swooped in and bought up the debt – then valued at around $30m with accrued interest – for a knockdown price of $3.3m. The company then sued Zambia in the UK courts for the full amount of the debt, plus compound interest, demanding a staggering $55m in total. In the end the judge ordered the Zambian government to hand over $15.5m.

As of late 2010, $1.2bn was currently or previously subject to litigation in 17 separate cases, of which $183.4m had been awarded to creditors so far. The bad news is that, in many cases, the law is on the side of the vulture funds, but that may be changing. Thanks in part to bad publicity and active campaigns, in April 2010, the UK parliament passed laws limiting the amounts that litigating creditors can claim from HIPCs in UK courts;[25] similar changes are being sought in the US.

A few major corporations have attempted similar legal arm-twisting. In 2003 the Big Food Group, at that time owner of the UK-based Iceland supermarket chain and other companies, sued Guyana for over £12m, only to drop the case after an outcry by UK NGOs. In December 2002, Nestlé agreed to return a $1.5m settlement to the Ethiopian government to be put towards famine relief, after a campaign by Oxfam and others.[26] These were high-profile brand-name companies worried about their reputation. Vulture funds have no such scruples: although the G8, the IMF, the World Bank, and others have expressed concern about vulture funds, no action has yet been taken.[27]

The way that debt and default have been handled represent a major failure in global governance, needlessly increasing the human suffering that inevitably accompanies economic crises and ratcheting up inequality in their wake. It has to some extent shielded banks and Western institutions by imposing further sacrifices on those least able to cope, although chaotic defaults often inflict high costs on creditors too. Twenty-five years of repeated efforts have failed to put an end to debt crises.

Cancelling poor countries' debts, while necessary, will not address the underlying reasons why debts build up unsustainably after each debt relief exercise. Two sensible proposals would help to change the way that capital flows to poor countries. First, the poorest countries should receive grants, not loans. Second, creditors should share the risk, for example by tying remaining repayments to commodity prices (since a country's ability to repay is linked to its export earnings), by lending at fixed interest rates or in local currencies, or by helping borrowers insure their debt repayments against shocks.[28]

Creditors also need to accept that both parties to a loan – lender as well as borrower – must share responsibility for ensuring that the money is wisely used. In 2006, the Norwegian Development Ministry showed the way when it announced that it would cancel – without conditions – debts being paid by five low- and middle-income countries, on the grounds that they were incurred through Norway's own 'development policy failure'. The Norwegian government concluded it had been at fault for carrying out 'inadequate needs analyses and risk assessments' for export credits extended to Ecuador, Egypt, Jamaica, Peru, and Sierra Leone (the credits were related to Norway's Ship Export Campaign of 1976–80, which sought new markets for its shipbuilding industry).[29]

Norway's Development Minister Erik Solheim explained that 'By cancelling these debts we want to give rise to an international debate on lender responsibility'. The G8 looked like it might take up his call the following year, when finance ministers announced their support for the development of a 'Charter of Responsible Lending', but nothing concrete has yet been agreed.

Action is also needed on so-called 'odious debt' racked up by corrupt or repressive regimes. Until 2006 Ethiopia, for example, was still repaying debts incurred by the repressive Mengistu regime that was in power from 1974–91, much of which went to finance the suppression of the erstwhile freedom fighters who are now in government. Similarly, the ANC government in South Africa is repaying debts incurred to prop up apartheid, and the Chilean government is paying off debts taken on by the dictator Augusto Pinochet.

A just solution would be to forgive odious debt through some form of international adjudication and, by giving the UN the authority to declare 'credit sanctions' against current regimes, make it clear that debts to these regimes would be considered odious. This would prevent the 'immoral hazard' of banks and governments lending to repressive regimes and saddling their peoples with the obligation to repay the loans.

One especially pernicious side effect of successive debt relief initiatives has been to extend the influence of the IMF and the World Bank. Unless these institutions are substantially reformed, we are unlikely to see the sort of just and inclusive development model that would make debt crises a thing of the past.

FINANCIAL CRISES

> Citizens' confidence is measured every four years with an election. The market measures business confidence every four seconds.
>
> (Brazilian academic, Marcus Faro de Castro[30])

In rich and poor countries alike, the ubiquitous glass and steel skyscrapers of the banks and other financial institutions are one of the characteristic landmarks of the new age of globalisation. The rise of global finance has been extraordinary. The breakdown in the early 1970s of the global system of fixed exchange rates established at the Bretton Woods Conference in 1944 unleashed a world of financial volatility in which huge profits could be made by those who new how to ride the ever-increasing surges of capital flowing across borders. By 2010, the average daily global turnover in traditional foreign exchange markets stood at $4.0 trillion, 20 per cent up on the pre-crisis volumes and 77 times the volume of global exports (goods and services). For financial markets, it was in some ways as if the global crash of 2008–9 had never happened.[31]

This financial tsunami has been driven by a combination of technology and politics. Computerisation and the internet have turned global financial markets into integrated 24-hour operations, while governments around the world have acted to remove barriers to capital flows. In this they have been urged on by orthodox economists, notably at the IMF and World Bank, who argue that allowing capital to flow freely (known as 'capital account liberalisation') boosts efficiency and growth.

Poor countries undoubtedly need capital to invest, both in the private sector and in public investment such as roads, energy generation, or schools and hospitals. Poor people need access to finance for mortgages, to finance small farms and businesses, or to cover the costs of ill health or other shocks. However, instead of a steady transfer of long-term investment, capital flows have been so short-term, volatile, and huge that in the past decade alone, they have triggered financial meltdowns in Russia, Malaysia, Brazil, South Korea, Thailand, Indonesia, the Philippines, and Argentina. By one calculation, even before the most recent global meltdown, banking and financial crises had wiped 25 per cent off the economic output of developing countries over the past 25 years.[32]

The most recent wave of crises has prompted a rethink in Washington, with some recognition that, while foreign direct investment (FDI) tends to be both stable and productive, the more short-term flows often encouraged by capital market liberalisation are downright damaging. Even before a crisis hits, capital account liberalisation carries some serious risks:

- Investors are prone to 'herding', jointly rushing into (or out of) an economy in such huge numbers that they destabilise it. This was something recognised by the economist J.M. Keynes as long ago as 1941, when he said, 'Loose funds may sweep around the world, disorganising all steady business. Nothing is more certain than that movement of capital funds must be regulated.'[33]
- Sudden inflows can lead to currency appreciation, making the country's exports less competitive.
- The threat of crises forces governments to waste resources amassing huge 'war chests' of international reserves to ward off a run on their currency.
- The constant need to appease the markets can undermine democratic government. Private credit ratings agencies such as Standard & Poor's or Moody's judge the creditworthiness of governments, determining the interest rates at which governments can borrow on financial markets. Their judgement on what financial risk is posed by different economic policies is typically based on a highly orthodox economic analysis that has often been proved to be of limited value (see Part 3) but which exerts a huge influence over policy decisions, such as how much a government feels able to spend or the setting of interest and exchange rates.

When a stampede of capital out of a country triggers a crisis, there is an almost inevitable sequence of events. The government raises interest rates in a vain attempt to lure investors back, but the exchange rate continues to drop, eventually triggering a run on the banks. Credit dries up and business grinds to a halt, job losses mount, and the government turns to the international community for help.

Such help comes at a price: governments are usually required by the IMF or other bodies to cut spending and raise interest rates, exacerbating the recession, and typically end up bailing out the financial sector by taking over its bad debts. Private debt is converted into public debt, so that creditors get paid but the taxpayers get stuck with the bill. As one foreign banker admitted to the *Wall Street Journal* at the time of the Latin American debt crisis of the 1980s, 'We foreign bankers are for the free market system when we are out to make a buck and believe in the state when we're about to lose a buck.'[34]

The impact of these arcane financial manoeuvres on poor people can be devastating. In the 1998–9 financial crisis, Indonesia's economy was cut almost in half (a loss of 45 per cent of GDP).[35] In Argentina, poverty doubled in a single year during the crisis of 2001–2.[36] Since rich people are usually better at protecting their assets (for example, by spiriting their wealth out of the country before a crisis hits), financial crises almost always increase inequality. In the words of Thai economist Pasuk Phongpaichit, 'For the poor, growth may trickle down – but disaster sweeps down like an avalanche.'[37]

There are numerous sensible ways to avoid such disasters. Countries that have maintained capital controls and have been cautious in opening up to capital flows, such as China, Chile, and India, have avoided crises of this kind. Governments raising money on international capital markets could link repayments to growth or commodity prices, so that they can pay more back in good times, less in bad times. The IMF attempted to devise an orderly process for bailing out governments, similar to a company bankruptcy procedure, to replace the chaotic and damaging confusion that usually surrounds a financial crash, only to have its proposals for a 'Sovereign Debt Restructuring Mechanism' blocked by a combination of powerful governments and financial interests, as well as some developing country governments.[38] That opposition may change now it is the rich economies that look set for disaster, although the chaotic handling of the Greek debt crisis in 2011–12 suggests not.

While the IMF has backed off from its mid-1990s call for capital account liberalisation to become part of its core business, the push for deregulation continues by means of regional trade agreements. In its bilateral trade agreements with Chile and Singapore, the USA insisted on the elimination of widely applauded controls aimed at deterring short-term speculative capital flows and encouraging longer-term investment.[39]

The last point illustrates a serious obstacle to change. Whatever the obvious long-term benefits of managing capital flows to avoid crises, there are profits to be made from volatility. In the middle of the market mayhem of the late 1990s, NatWest bank happily reported that 'currency and interest rate volatility provided significant trading opportunities'.[40] Only firm political leadership can overcome such opposition. Within developing countries, financial sectors wield increasing economic and political clout, and constitute a domestic lobby for liberalisation and against the kind of controls that can bring stability but would cut into their profits.

TAXATION

A major component of capital flows that cries out for effective regulation is tax evasion and avoidance. On conservative estimates, illicit flows of potentially taxable resources out of developing countries in 2008 were around $1.26–1.44 trillion,[41] roughly ten times the volume of global aid. This happens through a number of mechanisms:[42]

- Assets are held offshore in tax havens that guarantee secrecy and so help rich people and companies avoid paying taxes. The Tax Justice Network estimates that $11.5 trillion are held in offshore assets, resulting in annual unpaid taxes of some $225bn.[43] The notorious US energy company Enron showed how it was done. According to the US Senate report into the company's collapse, Enron's accountants set up a global network of 3,500 companies, 440 of them in the tax haven of the Cayman Islands, and paid no federal income tax at all between 1996 and 1999.[44] More recently, Google Inc. cut its taxes by $3.1 billion between 2007 and 2010 by moving its foreign profits through Ireland and the Netherlands to Bermuda.[45]
- Corporations are adept at abusing so-called 'transfer pricing', which involves under- or overcharging for trade within different company affiliates in order to minimise tax. This, plus similar practices between unrelated companies, costs developing countries an estimated US$160bn each year.[46] One study revealed companies recording internal transactions of TV antennas from China priced at $0.04 and Japanese tweezers priced at $4,896.[47] Shell companies are set up in tax havens to further reduce liabilities: roughly half of world trade is believed to pass through tax havens, at least on paper.[48]
- To attract investments that are mobile (e.g. light manufacturing), governments must offer ever-lower taxes and other incentives to investors to match those of rival locations.
- Governments are unable to tax an increasing amount of economic activity due to the growth of the informal economy.

Moreover, developing countries are under huge pressure through trade talks and aid conditions to cut what is currently one of their most effective means of raising taxes – trade tariffs.

Taxation lies at the heart of the social contract between citizen and state, and is discussed more fully in Part 2. To make national tax systems work for the poor, governments need to build up their ability to collect taxes and to do so progressively, so that rich people pay more than poor people. Citizens, in turn, need to hold governments to account for how taxes are collected and spent. But unless international measures are taken to shut down the luxury boltholes used by tax avoiders, poor countries will continue to miss out on the lion's share of the revenue they are due.

Such measures could include rules for greater transparency from corporations: for example, specifying how much tax they pay to each government, including tax havens, rather than a single global aggregate figure across the whole company; improved exchange of information between governments; and an end to secrecy in offshore tax havens. Between 2008 and 2011 this issue landed on the desk of the G20, the UN, the OECD and the IMF, but action that would benefit developing countries is still lacking. More ambitious would be a global agreement on a minimum level of corporate taxation to reduce the pressure for tax competition, with rules for allocating the profit income of transnational companies, requirements for the international exchange of taxation information, and other ways to protect national tax regimes against predatory practices.[49]

In 2003, the then President Chirac of France commissioned a high-level study of international taxation as a way to raise money for development. The Landau Commission concluded that a range of international taxes were both feasible and could raise significant sums.[50] They would need to be introduced simultaneously by all major financial centres, to avoid creating a new generation of tax havens, but the Commission did not see this as an insuperable obstacle. Moreover, such flows would be more stable and predictable than aid that has to be negotiated every year or two. The options discussed included:

- *Environmental taxes:* these include taxes on carbon, or sectors not currently covered by the Kyoto Protocol, such as maritime and air transport. Environmental taxes have a double benefit of curbing greenhouse gas emissions and raising funds for development. The Climate Change Adaptation Fund levy discussed in the section 'Climate change' is an example.
- *Taxes on financial transactions*, such as foreign exchange transactions. Sometimes known as a 'Tobin tax',[51] and popularised worldwide as the 'Robin Hood Tax',[52] these would impose a very small tax on the huge daily volumes of financial transactions, which would raise significant sums without significantly interfering with the workings of capital markets.
- *A surtax on the profits of transnational corporations* as a 'normal counterpart to the benefits they derive from globalisation'.
- *A tax on arms sales*, whether domestic or international.

In July 2006 France went a step further and introduced a small 'solidarity contribution' on airline tickets, the proceeds of which were destined for buying supplies of drugs to treat HIV, malaria, and TB in the poorest countries.

The anarchy and volatility of international finance constitute a major threat to the livelihoods of poor communities, and are a critical missing piece in the architecture of global governance. Bringing some sort of order will require both international efforts and more assertive national policies from developing country governments to regulate such flows in the interest of their long-term development. The extraordinary ingenuity of the rich world's 'financial engineers' (amply demonstrated in multiple corporate scandals) should be redirected into coming up with reasonable forms of national and international taxation that can generate funds for development, without doing serious damage to the economy.

Reform must also address the opaque nature of the current international financial architecture, giving citizens and poor country governments a far greater say in its workings through a combination of transparency and greater democracy in decision-making. To curb the extreme volatility of capital flows will be politically difficult, as volatility has acquired its own constituency in the shape of powerful financial institutions which profit from the daily surges of capital markets. But the alternative is that an increasingly uncontrollable world of international finance will destabilise governments, drive up inequality, and precipitate deeper and more frequent financial crises.

THE INTERNATIONAL TRADING SYSTEM

TRADE RULES

At 7.30am every morning, the streets of the Bangladeshi capital of Dhaka light up as a Technicolor tide of young women in vivid saris emerge from the slums en route to the thousands of mouldering factories that line the streets of the city. The women remain there until well into the night, cutting and stitching clothes for export. On the other side of the world, in the southern Brazilian town of Sapiranga, the smell of glue hangs over the streets, emerging from the many shoe factories, ranging from giant modern plants to backstreet workshops that churn out millions of pairs of shoes for shipment to the malls and high streets of North America and Europe.

Shopping is an exercise in globalisation. Buying food, clothes, shoes, or electronics binds consumers and some of the world's poorest workers into a single global web of trade and investment. International trade has a key role to play in the fight against poverty and inequality, promising benefits to both producers and consumers. It can create jobs and wealth that offer a lifeline to poor families and communities, and provide cheaper goods and services.

However, the system is rife with rigged rules and double standards, which sabotage the potential benefits. Four key obstacles must be addressed for trade to fulfil its potential.

Barriers: Trade rules allow rich countries to use tariff and non-tariff barriers to keep developing country exports out of lucrative markets. The average US tariff for all imports is 1.6 per cent, but this rises to 14–15 per cent for some least developed countries (LDCs) in Asia, such as Bangladesh, Nepal, and Cambodia. As a result, in 2004 the US Treasury collected roughly the same amount in tariff revenue on imports from Bangladesh ($329m) as it did on imports from France ($354m), even though France exports 15 times as much to the USA. In the same year, US aid to Bangladesh was just $74m.[53]

Subsidies: Agricultural trade rules have allowed US and EU agricultural subsidies to make it harder for poor producers to compete. The value of subsidies and other support to agriculture in OECD countries now runs at about $250bn a year, more than double the value of global aid.[54] Due to massive subsidies and other support, the USA is able to export its cotton and wheat at 35 per cent and 47 per cent respectively of their cost of production. The EU exports sugar and beef at 44 per cent and 47 per cent respectively of their internal cost of production.[55] The result is an enfeebled agricultural sector in developing countries: when food prices are high, small farmers in particular are poorly placed to benefit, and when they are low, they can be outcompeted by subsidised imports. One silver lining about rising food prices is that, combined with fiscal pressures on governments, they are likely to revitalise efforts to reform scandalous European and American subsidy regimes.

Forced liberalisation: Trade rules oblige some poor countries to reduce tariffs, removing a key source of government revenue, turning artificially depressed world market prices into local prices, and undermining both farmers' livelihoods and longer-term efforts to industrialise the economy. The World Trade Organisation, along with many bilateral and regional trade agreements, seeks to elevate principles of deregulation, liberalisation, and equal treatment between foreign and domestic companies to a status akin to that of human rights, even though they run counter to the historical experience of successful countries. Such agreements tend to erode the 'policy space' needed to upgrade the economy and to build strong national champions in modern industries. For example, limits on foreign investment in key industries, used by (among others) Japan, South Korea, and even the USA during their take-off periods, now fall foul of the WTO's 'national treatment' principle; the widespread use of 'local content requirements' to oblige companies to source from local suppliers violates the WTO's TRIMS (Trade Related Investment Measures) agreement, as would Taiwan's use of export requirements, obliging foreign companies to reach a certain level of exports.[56]

Patents: Intellectual property laws restrict developing countries from accessing technology and drive up the cost of all technology-rich products, including life-saving medicines. The trade deal currently proposed between the USA and Colombia, for example, would increase medicine costs by $919m by 2020 – enough to provide health care for 5.2 million people under the public health system.[57] FTA negotiations between India and the EU threaten to undermine India's dynamic generic drug industry, which is producing affordable medicines for poor countries worldwide.[58]

While the current international rules for the flow of goods, services, capital, and knowledge create problems such as these, the *lack* of rules in other areas creates further obstacles to development: first, managing the flow of the other factor of production, labour (i.e. people); and second, regulating the behaviour of the most powerful actors in the international economic system, transnational corporations and third, managing volatility in international commodities markets.

International trade is governed by overlapping sets of rules and regulations. Importing companies impose ever more sophisticated standards on quality, safety, and traceability, which would-be exporters must satisfy. Governments impose another layer of health standards. Regional and bilateral trade and investment agreements limit what tariffs a government can charge on imports, what subsidies it can pay its producers and exporters, what obligations it can place on foreign investors, and how it regulates patents. Standing above all these, and to some extent locking them in place, is the World Trade Organisation, which oversees 15 agreements signed during the 'Uruguay Round' of global trade talks.[59]

The forerunner of the WTO, the General Agreement on Tariffs and Trade (GATT) was set up after World War II, in part to avoid a return to 1930s-style trade wars between the major powers which triggered a traumatic global recession. However, with the upgrading of the GATT into the WTO in 1995 came a number of worrying developments that coincided with, and to some extent came to epitomise, growing public disquiet about the impact of globalisation, as became clear when the WTO's Seattle ministerial meeting in 1999 collapsed amid public protests and clouds of teargas.

Two years later, the WTO sought to recover from the 'battle of Seattle' by launching a set of global trade talks dubbed the Doha Development Agenda, so named to reflect the mandate they had of redressing some of the injustices of the global trading system. The final statement from the Doha Round included nine separate references to the need to guarantee extra flexibility to developing countries through 'special and differential treatment' and a promise to deal with the tariffs that keep many developing country exports out of rich country markets. Working groups were set up to look at some of the most pressing issues facing developing countries, such as Trade, Debt and Finance, and Trade and Technology Transfer, and discussions were mandated on the particular problems facing small economies.

Ten years on, the Doha Round appears deadlocked. Deadlines have come and gone, and the promises made in 2001 have long since been broken. The rich countries in the WTO have appeared incapable of accommodating the demands of a large number of increasingly assertive developing countries, and this has produced a long and dispiriting stalemate. Throughout the course of the round, Oxfam and others have supported developing country governments and civil society organisations in focusing attention on the links between trade and development and the need to right the rigged rules and double standards in the system, if globalisation is to work for development.[60]

In agriculture, for example, international trade rules impede the efforts of developing countries to develop their economies and reduce poverty. Rich countries and poor countries support their farmers in different ways. Subsidy superpowers such as the EU and USA support agriculture with large helpings of state aid. Cash-strapped poor countries have to use import tariffs to keep up prices for their farmers and protect themselves from dumping. Rather than favour tariff-dependent developing countries, the trade rules do precisely the opposite. Through a series of carefully crafted loopholes, the WTO Agreement on Agriculture allows rich countries unlimited subsidies, while trying to impose cuts on the use of tariffs by poor and rich countries alike. The rich countries' reluctance to end this double standard lies at the heart of the stalemate in the Doha Round.

Perhaps the most egregious example is the US cotton industry. Between 2001 and 2010, US government outlays for cotton subsidies totalled about $26.4bn. Economic modelling suggests that these subsidies caused more than $1.6bn in lost revenue for the 12 cotton-producing countries of West and Central Africa over the same period.[61]

The WTO's Agreement on Agriculture did, however, close down some of the avenues for Northern subsidies, and developing countries such as Brazil have become increasingly assertive in taking the subsidy superpowers to the WTO court and winning, as in the cases of US cotton subsidies and EU sugar subsidies. According to trade lawyers, a total of some $13bn in rich country agriculture payments are on the wrong side of the law, and this promises a procession of court cases at the WTO in coming years.[62]

In addition, the Doha negotiations at least introduced some useful ideas for how to adapt agricultural trade rules to meet the needs of poor people, which may eventually be adopted. Vulnerable developing countries won recognition for their right to have extra flexibility to protect 'special products' of particular importance to food security and rural development from premature liberalisation. Regrettably, rich countries and large developing country exporters launched a concerted attempt to water down these exemptions by restricting the criteria and permitted number of products.[63]

The rise of China and other leading developing countries is changing the dynamics of international trade negotiations. Where once the USA and the EU used to negotiate between themselves and then present the rest of the world with a *fait accompli*, the WTO is increasingly multi-polar, with India and Brazil joining the heart of negotiations, alongside larger groupings such as the G90 alliance of smaller economies. This geopolitical shift holds out the prospect of fairer trade rules, but only if the USA and the EU can be persuaded to prioritise long-term development – something which currently looks a long way off.

While most public attention has focused on the WTO, there has been a proliferation of bilateral and regional accords, which are in many cases even more damaging. According to the WTO, some 300 'preferential trade agreements' are now in existence, covering over a third of world trade, 139 of these are between developed and developing countries.[64] On average, a new bilateral investment treaty is signed every week.[65] Virtually no country, however poor, has been left out.

Rich countries often use these bilateral and regional accords to win concessions that they are unable to obtain at the WTO, where developing countries can band together and hold out for more favourable rules. The USA and EU are pushing through rules on intellectual property that reduce poor people's access to life-saving medicines, increase the prices of seeds and other farming inputs beyond the reach of small farmers, and make it harder for developing country companies to access new technology, an issue explained in detail below.

Free trade agreements have also been used to challenge local government decisions, as in the infamous case of Metalclad in Mexico. When Mexican state and local officials used their authority over land use regulation to stop the US multinational from operating a hazardous waste disposal facility on top of an aquifer that provided drinking water to a town in the state of San Luis Potosi, Metalclad brought a suit against Mexico under NAFTA's Chapter 11 on investment, claiming that its property rights had been violated. A NAFTA tribunal, meeting in secret as is the custom in international arbitration, agreed that Metalclad's rights had indeed been violated and ordered the Mexican national government to pay $16m in damages.[66]

New trading powers such as India and China are also pursuing regional agreements and may duplicate many of the rigged rules and double standards that abound in North–South deals, since the outcomes of trade negotiations reflect the balance of power between the negotiating parties more than their geographic location. Accords between countries of similar weight can be fairer, as (at least in theory) can the WTO, where developing countries at least enjoy safety in numbers, although their interests often diverge. Negotiations between countries of vastly disparate power – the USA and Peru, for example – risk becoming neo-colonial impositions.

Most alarming among the EU's bilateral and regional negotiations are the Economic Partnership Agreements (EPAs) with former colonies in Africa, the Caribbean, and the Pacific. In these David-and-Goliath talks, the EU claims not to have any 'offensive interests', but its behaviour to date suggests that its default position is to make traditional 'eye for an eye' demands for concessions, irrespective of their impact on development.

Going beyond the provisions negotiated at a multilateral level, these agreements impose far-reaching, hard-to-reverse rules that systematically dismantle national policies designed to promote development. The overall effect of such rule changes is to undermine the development of effective states. They strip developing countries of the capacity to effectively govern their economies, robbing them of the tools they need to gain a favourable foothold in global markets, and transfer power from governments to largely unaccountable multinational firms.

Although developing country governments have proved themselves to be increasingly assertive at the WTO and in some regional and bilateral agreements, the balance of power in international trade negotiations remains tipped heavily in favour of rich countries and large, politically influential corporations. Furthermore, within developing countries, trade policy is often the exclusive province of large exporters, while small businesses, trade unions, NGOs, women's groups, and indigenous peoples have very few mechanisms for participation, and their rights and needs are largely ignored.

Trade rules have proved largely immune to the progress achieved in recent years in recognising the importance to development of rights and equality, evidenced in areas such as aid, conflict, and debt relief. Instead, rich country trade negotiators continue to pay lip service to development, while arguing that 'political realities' oblige them to get as much as they can and give as little as possible in return. Recalcitrant business lobbies are likely to urge them to defend perceived victories, no matter what the developmental cost. One US negotiator at the WTO memorably summed up this attitude when he reminded delegates that the US Congress needed to see 'blood on the floor' in the form of painful concessions from poor countries before it was likely to agree to do anything itself in what had been packaged as the 'Doha Development Round'.[67]

These kinds of attitudes, and the developing countries' refusal to cave in, have paralysed the Doha Round. On one level, this is better than accepting a 'bad deal' and the multilateral trading system continues to function, however unfairly. But storm clouds are gathering over the global economy, fuelling protectionist sentiments in the North, and that system is more fragile than it would be were the round to be functioning smoothly and fairly. All it takes is for one major power to openly defy a ruling by the WTO to precipitate a crisis of authority and legitimacy in the institution, with serious consequences for the multilateral system. Rich countries have both a moral duty and a long-term self-interest in ensuring that this does not happen.

Shifting governments to the long-term vision that underpinned, for example, the USA's willingness to give unilateral market access to its defeated opponents after World War II will not be easy. The strong economies need to offer more and demand less, rather than push the weak into further disadvantage. Developed countries ought to cut subsidies and open up their markets, while allowing developing countries more 'policy space', not less, so that they may find the right trade and investment policies among the wide range that have led to economic take-off in different countries.[68]

Official trade rules are often less important in determining the effectiveness of trade for development than the trade 'realities' of the system: access to finance, technology, or the nature of the chain of buyers and sellers for a particular product. These are discussed in Part 3. More equitable global institutions and fairer rules for trade will not deliver development on their own, but they hold out hope of at least reining in the rapacious behaviour of the most powerful corporations and countries, allowing poor countries and citizens to harness trade for their long-term development.

INTELLECTUAL PROPERTY

The global governance of 'intellectual property' (IP) such as patents, copyrights, and trademarks constitutes one of the most glaring examples of the rigged rules and double standards that bedevil the international trade system. While powerful governments seek ever greater liberalisation of trade and capital markets, they are using their negotiating clout to force the global system towards increasing levels of 'knowledge protectionism' in the shape of IP rules that close down the flow of knowledge and technology. IP negotiations lure the corporate lobbyists out of the shadows, revealing their extraordinary access and influence over the US and EU governments, among others.

The underlying principles of IP protection are simple. New inventions are often costly to develop, and if rival firms were allowed immediately to copy and market new inventions, the incentives for companies to invest in R&D would be few. IP laws provide companies with a temporary monopoly during which they can charge high prices to recoup their investment.

The task of maintaining a balance between society's interest in creating incentives for innovation on the one hand, and promoting the widespread dispersion of inventions on the other has been fraught ever since the Venetians first introduced patents at the end of the fifteenth century. Corporations find it far easier to make a profit from monopoly than from innovation, and so have invariably argued for strengthened IP rules, often to the detriment of wider society. At an international level, rich countries have consistently used IP to preserve their technological edge and 'kick away the ladder' from potential competitors.

Ironically, even in the rich countries the proliferation of patents threatens to undermine their purported aim. In many fields, firms seeking to innovate must navigate through a 'patent thicket' protecting existing technologies that they want to incorporate into a new design. In stampedes such as the patent applications on hundreds of thousands of gene sequences for fragments of human DNA, the hard slog of innovation has given way to a Klondike-style gold rush of 'patent mining' as an easy source of profits. More recently concerns have been focused upon the problem of 'patent grabs' – whether for the genetic traits that could be applied to improve crop profitability, or the acquisition of thousands of patents by large technology companies in a race to dominate certain technology markets.[69]

The role of technology in development follows a fairly standard path, described by one UN report as 'a developed, innovating "North" and a developing, imitating "South"'.[70] All countries initially grow by imitating and adapting existing technologies. As they approach the global 'technological frontier', they move into innovation. One of the reasons why countries such as China or India, which are in 'catch-up' mode, grow so much faster than the industrialised countries is that adapting existing technologies is much easier than creating new ones.

Historically, IP legislation has followed development: as countries have grown richer, and as they evolve from imitation to innovation, they have introduced more stringent IP laws. Chemical substances remained unpatentable until 1967 in West Germany, 1968 in the Nordic countries, 1976 in Japan, 1978 in Switzerland, and 1992 in Spain, by which time these countries' chemical industries had established themselves.[71] This pattern has been broken over the past 20 years by a combination of new institutions such as the WTO and regional trade agreements and an extraordinarily aggressive campaign by large corporations and their home country governments.

Global IP legislation also imposes a growing financial burden on poor countries, through the costs of introducing largely irrelevant or unsuitable IP laws to comply with the WTO and through the drain of spiralling royalties to the owners of patents – almost always rich world TNCs. In 2010, developing countries paid out a net $37bn in royalty and licence fees, largely to companies in the industrialised nations. The USA was the big winner from the system, earning a net $106bn, considerably more than its overseas aid budget.[72]

The spread of potentially damaging 'one size fits all' international IP rules took off in the 1980s, when a number of pharmaceutical and other companies scored the spectacular coup of persuading the US delegation to include them in the Uruguay Round negotiations that led to the creation of the WTO. Industry lobbyists overwhelmed opposition from the secretariat of the GATT (which hosted the talks) to adding IP to the agenda. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) introduced a global IP system, including a minimum patent protection period of 20 years, along with protection for industrial designs, trademarks, copyrights, and other IP rights. Unlike several other WTO agreements, the TRIPS rules applied even to the poorest developing countries, although they were given longer deadlines for implementation.

Nowhere have TRIPS been more controversial than in the drugs industry. Each year more than ten million people in developing countries perish from infectious and parasitic diseases, most of which could be treated with existing medicines.[73] Although there are other important factors behind the death toll, such as dilapidated health services, high drug prices are a key barrier to saving lives.

The vast majority of people in developing countries have to buy their own medicines. For example, in India over three-quarters of all spending on health services is out of pocket, of which 75 per cent is spent on medicines.[74] People in the developing world are thus acutely vulnerable to high prices.

Pharmaceutical giants spend considerable amounts of money trying to delay the introduction of off-patent generic versions of medicines for as long as possible, and TRIPs rules are a vital part of their armoury in this effort. The gap between the prices of patented and generic medicines is large, for a variety of reasons: R&D costs are high, relative to other industries, and the costs of copying a medicine are usually very low; companies pursue very different business models, with producers of patented medicines investing massively in advertising, absorbing the cost in high prices, while generics concentrate on high volume and low costs. As long as they can retain a monopoly, pharmaceutical companies know that desperate people will pay whatever they can for the medicines that can keep them alive: it is the epitome of a sellers' market.

Prior to the creation of the WTO, some 50 developing countries either excluded medicines from eligibility for product patents, or provided shorter periods of protection and other safeguards.[75] Thanks to flexible IP regimes, India became known as the 'pharmacy of the developing world', manufacturing most of the world's generic medicines and exporting them to poorer developing countries. Since 2001, for example, competition among Indian generics producers has driven down the cost of first-line antiretroviral medicines from $10,000 per patient per year to the current level of less than $80 per patient per year.

Although the poorest countries have a grace period until 2016, most of them do not have manufacturing capacity and therefore have no means of producing generic medicines for their populations. The damage is most severe in the case of 'new diseases' such as HIV and AIDS, and other diseases with rising incidences such as cancer and asthma, which require new generations of drugs, all of which are under patent. In fact, access to these medicines has already been curtailed because the world's major producers of generic, low-cost medicines were obliged to implement the TRIPS agreement by 2005.

The TRIPS agreement allowed some flexibility for developing countries to override patent rules to protect public health, but this promptly degenerated into a legal battleground as rich corporations and countries turned to the courts in an effort to restrict them from doing so. In 2001, a group of 39 of the world's largest pharmaceutical companies took the South African government to court over the terms of its 1997 Medicines Act. At that time around 4.5 million people in South Africa were infected with the HIV virus, but the vast majority of them did not have access to effective treatment, in part due to the extremely high prices of ARVs. Other problems included the highly unequal health infrastructure inherited from the apartheid period, lack of finance, and lack of political will in some sections of the government to tackle HIV and AIDS.

The companies decided to pursue legal proceedings despite the devastation caused by South Africa's public health crisis, sparking international condemnation. They argued that the Medicines Act allowing 'parallel imports' (imports of cheaper patented medicines) breached the TRIPS agreement, when in fact TRIPS is neutral on this issue. Citizen campaigns (spearheaded by the Treatment Action Campaign and including a global campaign by Oxfam and MSF) and public uproar became such a serious threat to the drug companies' reputations that they dropped the lawsuit.

The case also helped to galvanise the passage of the Doha Declaration on TRIPS and Public Health, agreed upon by all WTO members prior to the start of a new round of global trade negotiations in November 2001. The Doha Declaration unequivocally recognised that the TRIPS Agreement 'can and should be interpreted and implemented in a manner supportive of WTO members' right to protect public health, and in particular, to promote access to medicines for all'. The legal clarity of the Doha Declaration, combined with the bad publicity from the episode, motivated some drug companies to stop opposing the import or local production of generic antiretroviral medicines, and to offer some of their ARVs and other medicines at lower or 'no-profit' prices in sub-Saharan Africa. Yet such ad hoc initiatives have mostly been limited to a few high-profile diseases (in addition to HIV and AIDS, TB and malaria), and even for those diseases have fallen short.

Prices for some key medicines, including first-line ARVs, have fallen sharply in recent years. But newer antiretroviral medicines, needed because they are more effective or to overcome toxicity or resistance to first-line medicines, are often ten times more expensive. In addition, developing countries face an increasing burden of non-communicable disease – according to the World Health Organization, over 80 per cent of deaths from non-communicable diseases today occur in developing countries. New medicines to treat cancer, heart disease, and diabetes, patented aggressively by the industry, are priced out of reach of poor people. At a high-level summit on the burden of non-communicable diseases during the UN General Assembly in September 2011, the United States and European Union successfully eliminated any mention of the Doha Declaration on TRIPS and Public Health in the final Declaration. Instead, it only acknowledged the right of countries to apply TRIPS safeguards and flexibilities to reduce medicine prices.[76,77] In so doing, rich countries have signalled that they will actively try to limit the scope of the Doha Declaration to a few high-profile diseases (HIV and AIDS, TB and malaria), even though non-communicable diseases are now the main cause of morbidity and mortality in low- and middle-income countries.

The pharmaceutical industry continues to aggressively seek to enforce patents and to charge high prices for medicines in low- and middle-income countries across Asia and Latin America, keeping medicines unaffordable for millions of poor people. When countries recently tried to use TRIPS safeguards, it again jumped all over them, even returning to the aggressive legal tactics that had earned it such a black eye a few years previously. Novartis and Pfizer became embroiled in legal disputes in India and the Philippines respectively, while Thailand's decision to issue a compulsory licence for its second-line HIV medicine Kaletra prompted Abbott Pharmaceuticals to de-register seven new medicines from the Thai market. Abbott subsequently backed down after global protests.[78]

Rich countries are also working to render the public health safeguards in TRIPS meaningless by including more stringent patent rules in bilateral agreements. The US–Jordan FTA, signed in 2000, required Jordan to agree rules on so-called 'data exclusivity', which block the registration and marketing approval of generic medicines for five or more years, even when no patent exists. Data exclusivity delayed generic competition for 79 per cent of medicines launched by 21 multinational pharmaceutical companies between 2002 and mid-2006 that otherwise would have been available in an inexpensive, generic form. Recent studies have shown similar, adverse public health impacts in Guatemala, a poor country with considerable public health challenges.[79] Partly as a result of such TRIPS-plus rules, medicine prices in Jordan and Guatemala have increased drastically, threatening the financial sustainability of government public health programmes. In Jordan, stricter levels of intellectual property protection have conferred few benefits with respect to FDI, domestic R&D, or accelerated introduction of new medicines.

In 2011, the United States proposed a raft of 'TRIPS-plus' measures in the Trans-Pacific Partnership Agreement, a nine-country regional negotiation[80] including mandatory patent extensions, expanded scope, data exclusivity, patent registration linkage, aggressive enforcement measures, and the elimination of pre-grant opposition, all of which would limit access to medicines in the low-income countries that are party to the agreement (Vietnam and Peru).[81]

Some new trade rules seek to block the movement of generic medicines by labelling them as counterfeit products. European Union procedures adopted in 2008 require customs officials to enforce intellectual property rules, and at least 20 shipments of generic medicines en route from India and China to other developing countries have been seized in European ports. This included medicines to treat HIV and AIDS and cardiovascular diseases. The Anti-Counterfeiting Trade Agreement, agreed by 10 countries plus the EU in 2011, opens the door to more such actions by declaring subject to seizure at the border any product suspected of infringing of intellectual property that seems 'confusingly similar' to the relevant trademarked product.[82]

A second concern over the potential negative impacts of IP rules is so-called 'bio-piracy' – the theft and patenting of traditional knowledge from developing countries. One of the most notorious examples occurred in 1995, when two researchers from the University of Mississippi Medical Center were granted a US patent for using turmeric to heal wounds, an art that has been practised in India for thousands of years. To get the patent repealed, the claim had to be backed by written evidence – an ancient Sanskrit text

Similar patent disputes have broken out over attempts by US firms to patent basmati rice (a tasty variety perfected over generations by Indian farmers), *ayahuasca* (an Amazon rainforest plant sacred to Colombia's indigenous peoples), the neem tree (an Indian plant traditionally used to produce medicines and pesticides), and extracts of black pepper.[83] In 2005, the Peruvian government accused Japanese scientists of trying to patent the extract of *camu-camu*, a pale orange fruit found in the Amazon that has the highest concentration of vitamin C of any known plant, 60 times greater than lemon juice.[84]

Besides excluding communities from the profits of products based on the traditional knowledge that they have developed, bio-piracy is emblematic of a wider problem: the transfer of knowledge from the public to the private domain, which puts profit before innovation or human welfare.

There is no shortage of ideas as to how to restore IP rules to their proper place in the global system. These include:

- Within TRIPS, recognise that different levels of development require different kinds of IP rules, including much easier recourse to safeguards and flexibilities such as compulsory licensing and parallel imports of life-saving drugs and technologies, and much greater commitment to technology transfer.
- More radically, remove IP from the WTO altogether, scrapping TRIPS, and return the issue to a reformed version of the UN's World Intellectual Property Organization (WIPO). WIPO has been criticised for 'sending missionaries to convert the uncivilized economies of the South'[85] to the merits of strict IP rules, but since 2004 a group of developing countries led by Argentina and Brazil have successfully introduced a development agenda for WIPO.
- Encourage pharmaceutical companies to contribute their intellectual property to a patent pool for medicines. In 2008, UNITAID, the airline-tax-backed medicine-purchasing facility, launched a Medicines Patent Pool to reduce the prices of new, antiretroviral medicines and to encourage the development of appropriate new treatments. As of September 2011, one company, Gilead Sciences, had agreed to license their IP to the Patent Pool.[86] The US government, via the National Institutes of Health, also agreed to license its IP to the Patent Pool for a critical antiretroviral medicine.
- Establish international guidelines on the balance between public interest and incentives for innovation, and give priority to ensuring that knowledge and innovation is placed at the service of development, perhaps through an 'International Convention on Access to Knowledge'. Examples of approaches based on access to knowledge include the open source movement that generated the Linux computer operating system and the user-generated free online encyclopedia, Wikipedia.
- Explore alternative ways of encouraging research and development into pressing issues (health, climate change). These could include increasing public funding for collaborative efforts to develop new vaccines and medicines. In 2010, a ten-year partnership between PATH, the World

> Health Organization, the National Institutes of Health and the Serum Institute of India culminated in the successful development of a low-cost vaccine for meningitis A, which periodically erupts in West Africa.[87] In addition, 'advance market commitments' involve aid donors promising to purchase large quantities of a yet-to-be-invented medicine or vaccine for particular health problems at a negotiated price. The first advanced market commitment, which allocated $1.5 billion to purchase pneumococcal vaccine for use in the world's poorest countries, was criticised by Oxfam and Médecins Sans Frontières as a very expensive procurement contract. The vaccine chosen was already under development by multinational drug companies for highly profitable sales in rich country markets, and the price ultimately negotiated was too high for many countries.[88] A suggestion by Nobel prize-winning economist Joseph Stiglitz, which has been increasingly championed by civil society groups, is to offer a large prize for the invention of a drug, on the proviso that it is not placed under patent and can go straight to generic production. The current system of global rules on knowledge is a severe and growing obstacle to development. It drives up inequality, creating a world of technological haves and have-nots, stifles innovation even in the North, and in the worst cases constitutes little more than what economists call 'rent seeking'. The obstacles to changing it are not intellectual – there are any number of good reform proposals – but political. Those corporate leaders with a longer-term understanding of the need to tackle inequality and poverty must rein in their lobbyists, while politicians in both North and South must show leadership and curb the kinds of backdoor political influence that allows short-term corporate self-interest to stop knowledge flowing in the global economy.

Such changes require active, informed citizens, as the case of South Africa's Treatment Action Campaign shows (see Part 4). They also require effective states, able to stand up to pressures in trade negotiations or in their own courts in the interests of tackling poverty and inequality. Developing country governments, backed by public pressure at home and internationally, have become increasingly assertive in defending their citizens' right to health and knowledge. It is vital that they are allowed and encouraged to do so.

MIGRATION[89]

> Migration is the oldest action against poverty. It selects those who most want help. It is good for the country to which they go; it helps break the equilibrium of poverty in the country from which they come. What is the perversity in the human soul that causes people to resist so obvious a good?
>
> (J.K. Galbraith, *The Nature of Mass Poverty*, 1979)

While the international community expends huge efforts constructing a system to manage international flows of capital, goods, and services, there are no effective global rules for the flow of the other 'factor of production' – labour. This constitutes a vacuum at the heart of global governance. No migrant-receiving state has ratified the 1990 International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families, which came into force in 2003 and aims to guarantee the rights of migrant workers; all the signatories are countries of origin, not destination.[90]

When an Oxfam researcher approached groups of youths on the beaches of Senegal, waiting to take their chances in risky boats to the Canary Islands and thence to Spain, they gave a simple but powerful reason for why they were about to risk their lives: 'Because it is close, and there is work.' Nothing determines an individual's life chances more than where he or she is born, and migration is the most straightforward way to change those chances for the better.

Throughout history, migration has been one of the most effective responses to poverty. Between 1846 and 1924, 48 million Europeans left the Old World and scattered around the globe. In the UK, Portugal, and Italy, a third of the population abandoned their native lands.[91] In relative terms, these numbers are some five times higher than current levels of migration, even allowing for 'illegal' migrants. What is new is the desire to prevent such movement: our great-grandparents faced far fewer obstacles than today's would-be migrants. Passports did not assume their modern form until after World War I: not a single person was refused entry to Britain in the nineteenth century.[92]

Migrants face an ever-expanding array of barriers, both legal and physical. Where First and Third Worlds meet, on the US–Mexican border, or at Melilla, a small Spanish enclave in the north of Morocco, borders are studded with watchtowers, fences topped with barbed wire, and police equipped with planes, helicopters, boats, radar, thermal imaging equipment, and electronic detectors.

However, the migrants keep going. The economic and social forces driving immigration are irresistible and growing. Greatest of them all is the wage gap between rich and poor countries. Even allowing for differences in the cost of living, wage levels in high-income countries are approximately five times higher than those of low-income countries for similar jobs, and the gap is growing as inequality between countries rises inexorably.[93] Demographic differences add to the pressure to migrate: migrants are usually young and youth unemployment is high in developing countries, while the ageing populations of rich countries demand ever more workers, especially in low-skilled jobs such as home health aides, caretakers, fast food workers, or drivers.

With the exception of the political barriers imposed by Northern governments, migration is getting easier. Transport costs are falling, access to information means that migration is no longer a leap into the unknown, and improved communications mean that migrants can stay in touch with their families and countries by phone, internet, and home TV channels on cable.

More than 215 million people (roughly 3 per cent of the world's population) live outside their countries of birth.[94] This includes South–North migration and increasing South–South movements, such as the thousands of Bangladeshis working in the Gulf states or the many Filipino women who work as domestic servants in Hong Kong and the Middle East. South–South migration is now nearly as great as South–North, largely between countries with common borders.[95] Both can involve trafficking, sexual abuse, and violations of labour rights, such as the widespread abuse of Burmese migrants in Thailand.

Migrants send vast sums back home. Remittances to developing countries were estimated to reach $351 billion in 2011, three times the size of global aid and twelve times the 1990 level.[96] Flows through informal channels could add another $100bn to that figure. Moreover, remittance flows are more reliable and less volatile than either foreign direct investment or aid.

Remittances flowing to poor families across the developing world are typically spent on basic needs, including education and health care. They allow families and communities to cope better with the risks that afflict those living in poverty, whether at an individual level, when a family member falls ill or a crop fails, or at a community level – diaspora communities are usually the first to react when a monsoon or an earthquake hits. When Ecuador suffered an economic crisis in the late 1990s, thousands of people left the country, many for Spain, and remittances rapidly expanded to 10 per cent of GDP – a vital lifeline for a country in crisis.[97] Remittances from migrants are also critical in helping people survive drawn-out crises like those in North Korea, Myanmar, and Zimbabwe.[98]

These cash injections have a tangible impact: children from households where a family member has migrated are more likely to attend school, stay in school for longer, and progress through school significantly faster than their peers in non-migrant households. The positive educational impact is particularly strong for girls. In Pakistan, for example, girls' enrolment rates increase from 35 per cent to 54 per cent if they live in a migrant household.[99] The World Bank estimates that remittances have reduced poverty by 11 percentage points in Uganda, six in Bangladesh, and five in Ghana.[100]

Not only does migration ease unemployment in the migrant's country of origin, it can increase the flow of capital into the country, encourage foreign trade and investment via burgeoning diaspora communities, and stimulate technology transfer and tourism, as well as aid. More intangibly, migration boosts the inflow of new ideas.

For poor people, migration inevitably brings costs as well as benefits, including the personal cost of leaving home and country, and the higher risk of abuse in the workplace, especially when the migrant is in the country illegally and lacks recourse to the law.

BOX 5.1
MIGRANTS MAKE A DIFFERENCE

Zacatecas is a Mexican state with a history of migration to the USA that goes back over 100 years. For the past 15 years, Zacatecan migrants have been forming 'clubs' in the US to send remittances to finance social infrastructure projects back home. One of the first clubs was formed by migrants from Jomulquillo, a farming village in an area of Zacatecas that was depopulated as a result of successive droughts in the 1970s. 'Fourteen years ago we were having a party', remembers Antonio Rodriguez, a 53-year-old chef who has been living in Los Angeles since the late 1970s. 'We said to ourselves, we have good clothes and cars and at home they have nothing – and we decided we had to do something about it.'

The Jomulquillo club has since raised thousands of dollars through social events, raffles, and collections. It has financed a metal bridge to span the village stream, while drainage, sewers, and running water have been installed. The school has been refurbished, a dance hall built, and a paved road now links Jomulquillo with Jerez, the nearest market town. 'The old people couldn't believe it', says Mr Rodriguez. 'We felt very good about the work we did there.' By the end of 2005, migrant groups and governments had invested $230m in a total of more than 5,000 small-scale projects across Zacatecas.

Sudanese migrants in Qatar have performed similar socially conscious miracles of generosity in their home communities. Perhaps the most spectacular remittance-funded project is the international airport in the Indian state of Kerala, opened in 1994 and funded by some of the four million workers, mainly in the Gulf states, who were fed up with the delays and hassle with grasping customs officials at Delhi airport and who wanted a direct route home.

Source: *Financial Times*, 31 August 2007 and 29 August 2007

Women make up just over half of all migrants. They face greater risks and threats than men, but they also have the chance to gain economic independence. Women whose partners migrate are also more independent, typically much more likely to open their own bank accounts, register land or housing in their own names, or look for their own sources of income. Women migrants tend to send more money back to their families (Bangladeshi women send home an average of 72 per cent of their salaries) and, when at the receiving end, tend to spend more of it on health and education.[101]

Concerns surround the 'brain drain' of key workers such as doctors and nurses: at least 12 per cent of Indian doctors work in the UK, and Jamaica and Grenada have to train five doctors for every one that stays.[102] Teachers and nurses have a right to migrate, like anyone else, but people in poor countries also have a right to expect professionals trained with public money to stay and work in their home country for a number of years after graduation. Others dispute the brain drain argument: Michael Clemens of the Center for Global Development, a Washington thinktank, argues that 'enormous numbers of skilled workers from developing countries have been induced to acquire their skills by the opportunity of high earnings abroad', sparking an increase in skilled workers who remain at home.[103]

Most public debate on migration is over the costs and benefits to the recipient country, rather than to the country of origin. Here there is a gulf between evidence and public perception, and between economics and politics. Numerous economic studies show that migrants add to the demand for goods and services, introduce new ideas and skills, and do not drain social service spending. Instead, they are among the most dynamic members of society and are unlikely to live on welfare when they could be earning more by working. Studies in the UK, Australia, and elsewhere show significant net payments to the state from migrants.[104]

Yet popular sentiment in some recipient countries is increasingly anti-immigrant and has hardened considerably since the onset of the economic crisis in North America and Europe in 2008. It constitutes the main barrier to making migration work for development. US academic Lant Pritchett has identified a number of 'framing' assumptions that influence the debate on migration: that it is morally legitimate to discriminate on the basis of nationality; that development is about countries, not individuals; that our responsibility towards others varies with geographical proximity.[105]

This raises the thorny question of whether there is a 'right to migrate'. The UN Declaration of Human Rights states only that 'everyone has the right to freedom of movement and residence within the borders of each State' (so there is a right to internal migration) and that 'everyone has the right to leave any country, including his own, and to return to his country' (so there is a right to emigrate but no obligation on any country to admit the migrant, excluding asylum cases, which are covered elsewhere). More recently the UN's Special Rapporteur on the right to food has argued that the right of asylum should be expanded to include people fleeing from hunger and famine, which would certainly include some of those currently classified as 'economic migrants'.[106] In general however, there is little comfort to migrants from international human rights law: they are on their own.

Stopping migration is both wrong and impossible. But for the foreseeable future, arguing for a return to a world of completely free movement of people is a forlorn task. An approach with more prospect of success would be to ask, 'What are the policies toward migration that would be most beneficial to the world's currently poor people (nearly all of whom reside in poor countries) and yet are (or could be) still politically acceptable in rich countries?'[107] Such an approach would rule out two common proposals: select migrants based on a combination of qualifications and wealth, or agree rules through the World Trade Organisation. The first approach would prevent most poor people from migrating, while any agreement in the WTO is likely to be extremely weak and ineffective. Bilateral agreements provide more prospect of success.

Improving the contribution of migration to development requires action at a global level, as well as by governments, backed up by public pressure, both North and South. In the long term, the flow of people deserves as much attention as that of capital or goods, perhaps through a World Migration Organisation, which would replace the largely toothless International Organization for Migration.[108] In Europe a Common Migration Policy could help by rescuing the issue from the point-scoring and xenophobia of national politics, where political leaders live in fear of being branded 'soft on migration'.

Increasing the proportion of migrants who migrate legally is vital to guaranteeing their rights and safety, and all governments should sign and ratify the 1990 International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families, and ensure that migrant workers enjoy the same rights as nationals. In 1998, Italy showed the way with the 'Testo Unico' law, which guaranteed medical assistance and labour rights regardless of citizenship status, and a range of measures to protect migrants from violence and sexual trafficking.[109] In part thanks to pressure from organisations of migrant workers and their allies, Hong Kong has some of the most enlightened policies in this area, including a range of migrant workers' unions and 'mobile ambassadors' based at the airport, who provide arriving migrants with information on government policies, contact information for NGOs working with migrant labourers, and government training courses on issues such as labour rights.[110]

In the North, active citizens have a vital role to play in pushing the case for better migration rules and combating the worst abuses. Migrants themselves are leading the way: in 2007, 158 immigrant advocacy groups from around the USA launched a nationwide boycott of Western Union, the largest US money-transfer company, accusing it of charging exorbitant fees while failing to adequately reinvest in immigrant communities.[111]

Internationally, the main objective should be to increase flows of new temporary migrants, who then return to their countries of origin. Circular migration eases fears in recipient countries and maximises the benefits to home countries, as returning migrants bring home new skills, ideas, and cash. Surveys show that would-be migrants much prefer the idea of temporary migration to a permanent move, were both options to be made legal.[112]

One possibility would be to pay a portion of a migrant's social security or pension payments into a 'return fund', similar to a standard pension scheme, which would become available only upon his or her return. This would ensure that workers arrive back home with a sizeable pool of resources to invest. There could be penalties for home governments whose nationals failed to comply with return requirements. For example, quotas for sending countries could be reduced in proportion to the numbers of migrants who failed to return, thus increasing incentives for them to create a hospitable economic and political climate at home to encourage their nationals to return.

Developed country governments can minimise the risks of brain drain by addressing the causes of the workforce crisis in their own public services and avoiding cherry-picking the skilled workers that developing countries so desperately need. Ethical codes of practice for recruiting countries have been tried, with some success. For example, the UK's ethical recruitment code has halted the increase in recruitment of overseas nurses in the National Health Service, although most private agencies do not apply it. Rich governments could also reimburse developing country governments for the cost of training new health and education workers.

Lobbying by migrant worker organisations has helped to convince developing country governments to act to maximise the benefits of migration. Both the Philippines and Sri Lanka require workers leaving the country to register with the government. Departing migrant workers must pay a fee for registration and provide the details of their employment, including the name of the employer and the country to which they are migrating. In return, the government tracks employers and those who violate employee contracts or exploit migrant workers in any other way are blacklisted. As an additional incentive for registration, the government of Sri Lanka provides departing workers with life insurance, scholarships for children, airport assistance, interest-free loans to help with migration costs, and other benefits.[113]

Increasing the quantity and quality of migration is one of the most effective ways to tackle global poverty and inequality. It would correct one of the fundamental injustices of globalisation: the fact that capital and goods can largely flow free of hindrance, but people cannot. However, it remains largely a Cinderella issue in the development debate, one that politicians and lobbyists avoid for fear of nationalist backlash. In the years to come, migration will only increase. For anyone concerned with development, ensuring that it contributes as much as possible to human welfare is an urgent and critical task.

GLOBAL BUSINESS

International rules and treaties governing trade, migration, and other economic matters are made among states, and guide the policies and practices of national governments. The gaping hole in global governance – the elephant in the room – is the lack of rules for global business, the transnational corporations (TNCs) that exercise a central role in growth and development as generators of jobs, tax revenues, technology, and consumer goods, yet are subject to the disciplines of international treaties only if national governments choose to make them so.

The positive contribution of businesses to development through wealth creation, innovation, and technological transfers is often undermined by a deeply unjust structure of global governance that accords them vast privileges and powers but few responsibilities. Corporations must be subject to effective regulation by states as part of a renewed social contract geared to generating sustainable growth with redistribution.

Many companies have made progress, especially on environmental issues, but also increasingly on social issues. These are often the biggest firms which have the resources and capacities to address problems and which risk their 'licence to operate' if they do not meet public expectations. Public reporting among a handful of companies has improved dramatically, and for many so has performance.

Regrettably, there are still many companies whose operations abroad fall well short of the legal standards of their home countries. The problem with voluntary standards in these situations is precisely that they are voluntary, leaving enforcement to the companies themselves and allowing 'free-riders' to ignore such standards, and so gain a cost advantage over their more scrupulous rivals. Voluntary standards are important but they cannot replace the need for binding rules that prevent the abuse of power by large TNCs operating in developing countries.

In business, as in politics, size matters. In 2011, Wal-Mart's sales came to $419bn,[114] more than the GDP of all 35 low-income countries put together, or of major economies such as Argentina , South Africa, or Norway. All told, the universe of TNCs now spans some 103,000 parent companies with over 886,000 foreign affiliates.[115] In 2010, these foreign affiliates generated an estimated $6.6 trillion in value added, employed some 68 million workers, and exported goods and services valued at more than $6.2 trillion.[116]

The growth of TNCs has been driven by changes in business, technology, and politics. Improved communications and falling transport costs have allowed firms to spread production and management chains across countries in order to maximise profitability; meanwhile structural adjustment and liberalisation programmes worldwide have removed tariff and investment restrictions and have privatised numerous state-owned industries, often putting them into the hands of TNCs. As a result, FDI inflows to developing countries are growing at double digit rates, apart from a slump in the crisis year of 2009. In 2010 it reached $574bn, nearly four times the annual volume of aid.[117]

While global governance is weak or non-existent when it comes to regulating corporate behaviour, it often imposes restrictions on governments to

BOX 5.2
EARNING A 'LICENCE TO OPERATE'

At both national and international levels, civil society organisations such as trade unions, consumer movements, and NGOs can play a useful role in harnessing the benefits of foreign direct investment. In southeastern Madagascar, the mining company Rio Tinto is currently developing an ilmenite mine, the raw material for the production of titanium dioxide pigment, mainly used in paint production. The company was once notorious for ignoring the health and safety of its workers and the surrounding communities, leaving environmental and social disaster in its wake.

Motivated by a combination of pressures, including judicial rulings in Australia, concern over the damage to its reputation caused by a bad press, and NGO campaigns, the CEO of the Australian half of the company championed an effort to rebuild its 'social licence to operate' from local communities and governments. Over 20 years, the company conducted preparatory research and trust building with local communities and NGOs before moving forward with the project.

Initially sceptical NGOs have been won over by Rio Tinto's change of approach (the Worldwide Fund for Nature and Conservation International among them). The transformation was also encouraged by pressure from investors, and by partnerships with experienced NGOs who helped Rio Tinto to address the project's social and environmental impacts.

Some general lessons emerge from this and other experiences of changing corporate behaviour:

- The company recognised there was a business case for sustainable development.
- Communities, consumers, and NGOs put initial pressure on the company.
- NGOs acted as an important bridge for the company to work with local communities.
- Government regulation forced strategic change.
- There was buy-in and leadership for change at the top of the company.

Sources: Oxfam, based on published sources and telephone interviews with protagonists.

companies' benefit, and these sometimes damage development prospects. TNCs have persistently and successfully lobbied for changes in national policies and in the rules of international trade and investment. In layer upon layer of bilateral, regional, and global agreements, developing country governments have surrendered the right to regulate foreign investment in their own national interests. Investors have increasingly sought to use these provisions not just against expropriation by government, but against any government policy that affects their profitability.

Corporations have always tried to influence governments, but with increasing size has come increasing clout. The strong-arm tactics of the pharmaceutical industry to prevent developing country governments from overriding patents in order to save lives are notorious. In the USA, pharmaceutical companies spent $759m to influence 1,400 congressional bills between 1998 and 2004, and they employ 3,000 lobbyists.[118] Most of these focus on domestic legislation, but lobbyists also play a key role in shaping the US negotiating position at the WTO and elsewhere.

In the Uruguay Round of negotiations that led to the creation of the WTO in 1995, the pharmaceutical lobby steamrollered through an agreement on IP whose implications were unclear to many of those involved. Only after it came into effect did developing countries realise the extent to which they had signed up to a major extension of corporate monopolies and high-priced drugs that would amount to a death sentence for thousands of sick and dying people.

On some issues, companies use their influence to press for positive change. In the Netherlands, ABN AMRO went to the Dutch parliament with Oxfam Novib to argue for stronger Dutch regulations on cluster bombs. In the UK, institutional investors such as Insight have lobbied the British government to improve its handling of the OECD guidelines on multinational enterprises. Climate change, in particular (as explained below), has seen its share of both progressive and damaging corporate lobbying.

Using their clout to promote their private interests at the expense of the public good is only one of the worrying aspects of corporate activity that Oxfam has found in its work with transnationals in such disparate fields as coffee, mining, and garments. Other issues that point to the need for better governance of corporate behaviour are discussed below.

Commodity value chains: Since the days of the East India Company, monopolies and cartels have allowed large corporations to manipulate markets. In recent years, a small number of transnational corporations have come to dominate the 'value chains' of products such as coffee, tea, grains, fruit, and vegetables. The six largest chocolate manufacturers account for 50 per cent of world sales.[119] Four firms – Dupont, Monsanto, Syngenta and Limagrain – account for over 50 per cent of the world's seed industry sales.[120] Such market concentration ratchets up global inequality, depriving poor countries and producers of many of the potential benefits of trade.

TNCs have used their increased market power to claim an ever larger slice of the cake. In the early 1990s earnings by coffee-producing countries were some $10bn–$12bn and the value of retail sales of coffee, largely in industrialised countries, about $30bn. Within a decade the value of retail sales exceeded $70bn, but coffee-producing countries only received $5.5bn.[121] Such control can prevent poor countries from breaking into the more profitable 'value added' parts of the commodity chain, for example processing coffee or making chocolate, rather than simply exporting the raw materials.

On a more positive note, an increasing number of companies such as Cadburys and Unilever are buying their products from smallholder farmers, devising ways to share risk, and working with the farmers to achieve the necessary scale and quality standards.[122]

Labour rights: In sectors as diverse as food, clothing, and electronics, retailers have responded to cut-throat competition by pushing risks and costs down the supply chain, with devastating effects on the men and (mainly) women in far-flung countries who produce the goods. Oxfam's research on eleven independent, small- to medium-sized garment factories in Tangiers that produce clothes for Spanish retailers found intense work schedules to meet demands for quick turnarounds, often compounded by abuses such as forced overtime, denial of even elementary rights such as being able to use the toilet, and short cuts that endanger health and safety.

One study shows that in developing countries TNCs themselves are generally less likely to kill, injure, or abuse local workers and populations than domestic companies.[123] However, the incapacity or unwillingness of TNCs to assume responsibility for the conditions under which their suppliers produce the goods that they sell constitutes an obstacle in the fight against poverty and inequality.

Oil, gas, and mining: In countries such as Sierra Leone, Angola, and the DRC, violent warlords have used revenues from the mines owned or linked to both national companies and to TNCs to buy arms and pay off their supporters, fighting 'resource wars' that exact a devastating human toll. More broadly, TNCs have done little to stem the corruption that is common in the extractive industries, thus undermining political stability and long-term development. This issue is discussed in Part 2.

Corruption: World Bank figures suggest that $1 trillion in bribes is paid annually by international companies to secure lucrative deals. In 2004, the World Bank estimated that over 60 per cent of multinational corporations paid undocumented bribes in non-OECD countries to procure contracts.[124] The export credit agencies of rich country governments, which insure large companies to trade and invest in developing countries, can be complicit in corruption, most directly by including 'commissions' that hide bribes in the overall sum underwritten, and most notoriously in the arms trade, which accounts for 50 per cent of the bribes paid worldwide between 1994 and 1999, according to the American Chamber of Commerce.[125]

There are several promising developments in this field, provided Northern governments are willing to back them. The OECD Convention on the Bribery of Foreign Officials in International Business Transactions (the OECD Anti-Bribery Convention) makes it a criminal offence for a representative from a business operating from any OECD country to bribe a government official anywhere in the world. In contrast with the civil penalties imposed before the Convention was introduced, company directors and managers may now face jail terms if they engage in active corruption. While countries such as the USA, France, Germany, and Italy have enforced anti-bribery laws, since the Convention took effect few significant prosecutions have occurred in Japan, Canada, or Australia. The UK government drew widespread condemnation in 2007 when it suspended investigations into a lucrative arms deal between British Aerospace and Saudi Arabia, citing national security considerations.[126] In 2010, Britain approved a new international bribery act,[127] which came into force a year later, The Act criminalised both the offer and acceptance of bribes in other countries both by companies established under UK law, and foreign-registered companies doing business in the UK.

Most countries lag behind the USA in holding their companies to account; the 1977 Foreign Corrupt Practices Act has led to numerous prosecutions. For example, in 2006 the US Securities and Exchange Commission (SEC) alleged that Brazilian and South Korean subsidiaries of the Tyco conglomerate had repeatedly made illegal payments to government officials in those countries in exchange for business. The SEC action was settled with $50m in penalties.[128]

The International Chamber of Commerce and Transparency International have each developed a voluntary code of conduct against bribery, and the UK government has encouraged companies to adopt similar voluntary codes for arms production and commerce. The UN Convention Against Corruption (UNCAC) came into force in 2005; it was signed by 140 countries, of which 80 have ratified the Convention. UNCAC covers both developed and developing countries, and requires state action on public and private corruption, on both bribe-givers and bribe-takers. It also promotes international co-operation (for example, joint investigation, extradition, legal and technical assistance, information sharing); provides for asset recovery (for example, returning millions of dollars stolen and stashed in Northern banks); and provides protection to whistle-blowers.

Finally, the international effort to track down and seize the financial accounts of suspected terrorist organisations gives the lie to previous claims that regulation is politically impossible. Northern governments could prevent banks and offshore tax havens from accepting the proceeds of corruption. This is a civic responsibility of the large private companies involved, and is in the interests of ensuring long-term prosperity by promoting stable, democratic countries around the world.

The governance of TNCs must address both responsible and irresponsible firms, not least to ensure that the latter cannot gain an unfair advantage by abusing employees, communities, or the environment, in the process undermining the contribution to development of foreign trade and investment. As well as restoring the role of the state in effectively regulating and managing foreign investment and trade in the national interest (see Part 3) and showing zero tolerance for corruption (discussed elsewhere), a number of steps are needed at a global level.

Responsibility: The first step is for TNCs to accept responsibility for people whose lives they affect, and not just for their direct employees, who are often few in number. After initial denial, most major garment brands today accept some responsibility for the labour conditions in their suppliers' factories.

Recognition of corporate social responsibility (CSR) is now spreading to some of the rapidly growing domestic companies in developing country giants: a 2008 survey by the *Economist* magazine found CSR thinking established in Brazil and India and growing in importance in China; however, it was little in evidence in the other 'BRIC' country, Russia.[129] In Hong Kong, Oxfam is in regular dialogue with clothing companies that have regionalised and now run garment factories in Cambodia and other countries in the region. In Indonesia, Unilever conducted groundbreaking research with Oxfam to understand its 'poverty footprint', exploring its impact on small farmers, suppliers, and distributors, as well as employees.[130]

Transparency: For firms to be accountable, they must first provide information on issues such as their social and environmental policies and impacts. Nike broke new ground in 2004 when it published a list of its supplier factories worldwide. There are numerous initiatives to codify how data should be collected and reported. The Global Reporting Initiative, in particular, has become increasingly sophisticated and is now commonly used by leading companies across various industries.[131] The general principle of transparency should also be extended to corporate lobby activities at both national and international levels.

Monitoring and verification: If companies are to be transparent, they must have something worth reporting. In many cases, corporations are only now learning how to gather relevant social and environmental data (it took one major European garment retailer two years just to establish where its clothes were being made), and there is a clear need to develop robust systems for doing so. Learning from peers and other experts is crucial. The Ethical Trading Initiative brings together companies (mainly from the supermarket and garments sectors), trade unions, and NGOs to promote, monitor, and independently verify labour rights throughout global supply chains.[132]

Legal reporting requirements: Efforts to improve corporate performance (and curb abuses) can be greatly helped by home country governments passing legal requirements on companies to monitor the impact of their activities and to publish reports of their findings. In the UK, changes in the law requiring companies to publish their assessments of so-called 'non-financial risks' have galvanised efforts by long-term investors such as pensions funds to ensure that the companies in which they invest are not risking reputational damage, or endangering their long-term survival, by cutting corners on social and environmental issues.

Competition law: Given the increasing control of numerous markets by handfuls of global corporations, there is a strong argument for some form of global competition authority. Although in theory such an authority could be housed in the WTO, many developing countries argue that the agenda there is more likely to be driven by transnational corporations' desire for improved market access than by a concern to improve development outcomes. As a result, competition was dropped from the Doha agenda in 2004. A separate global competition authority, perhaps housed within the UN system, is more likely to command trust.

Liability: When companies commit serious abuses, such as the notorious 1984 gas leak at the Union Carbide plant in Bhopal, India that killed an estimated 20,000 people and left a further 100,000 with lifelong damage, should they be liable to prosecution in the country where the abuse takes place, or in a court in their home country? Other countries could follow the example set by the US Alien Tort Claims Act and allow victims to sue in a company's home country (this is particularly important in cases where the rule of law is weak). Alternatively, judgements made in foreign courts could be enforced by courts in rich countries by, for example, collecting damages.

BOX 5.3
CORPORATE RESPONSIBILITY OR ACCOUNTABILITY? VOLUNTARY SCHEMES VS REGULATION

Most businesses argue for corporate responsibility, achieved by self-regulation through voluntary initiatives. Civil society organisations, on the other hand, tend to demand corporate accountability, in particular to those stakeholders whose lives are directly affected: people displaced by mining, women denied proper working conditions in sweat-shops, farmers denied a living wage by the prices given for their produce.

Voluntary initiatives range from TNC public relations-based promises to behave well, through peer review, to so-called 'multi-stakeholder' initiatives involving corporations and other relevant groups in jointly developing guidelines, monitoring performance, and dealing with problems, which can be very effective. Some of these are intergovernmental, such as the UN Global Compact, while others are independent, such as the Ethical Trading Initiative or the Roundtable on Sustainable Palm Oil.

The more effective initiatives are those that involve a range of stakeholders, independent forms of monitoring, and verification of corporations' claims and performance, and in addition are clearly linked to international standards such as the conventions of the International Labour Organization or UN human rights law. Corporate responsibility initiatives are more effective when they are driven by a company's board and CEO – not just by the CSR department – and when they lead to changes in the core business model rather than remaining an 'ethical add-on'. So, for example, retailers need to take into account the impact of ordering rapid turnaround times on large volumes of clothing or other goods on hours and working conditions at the end of the supply chain, while drugs companies need to adopt different pricing strategies for rich and poor countries as a standard, rather than an occasional concession to public or government pressure.

Voluntary initiatives play an important role in encouraging businesses to engage properly in corporate responsibility. They can also end up influencing legal frameworks, for example when leading companies lobby governments to pass rules that require laggard companies to report, thereby preventing them from gaining an unfair competitive advantage. In the UK, the Ethical Trading Initiative successfully lobbied the government to introduce controls on so-called 'gang masters' organising migrant labour in British farms and packing houses and to enforce minimum labour standards.

That said, there is still a pressing need to address the lack of global governance relating to businesses working in developing countries, where the regulatory framework and/or the capacity to enforce it is weak. There should be no double standards in the way that businesses operate home and abroad.

Sources: www.unglobalcompact.org; for a dauntingly comprehensive guide to global business and human rights, see: www.business-humanrights.org/Home

The UN, for one, thinks that the days of corporate impunity are coming to an end, with the UN Special Representative on Business and Human Rights arguing that 'Corporations are increasingly recognized as "participants" at the international level, with the capacity to bear some rights and duties under international law.'[133] The Special Representative, Professor John Ruggie, has seen his 'Protect, Respect and Remedy' framework for business and human rights accepted by the UN Human Rights Council, although what this will mean for company practice has yet to be tested.

Scrapping bad laws could help as much as passing good ones, and two prime candidates for the dustbin are the WTO agreements on TRIPS and TRIMs (Trade-Related Investment Measures), both of which severely curb the ability of developing countries to use industrial policy effectively. An agreement to set a floor on global corporate taxation would also ensure that poor countries avoid a regulatory 'race to the bottom', instead receiving a decent tax revenue with which to fund public services and infrastructure.

The key test for efforts to improve the impact of TNCs in developing countries is whether they strengthen or undermine efforts to build active citizenship and effective states. Wherever possible, TNCs should be regulated by strong national governments, accountable to their citizens.

The best initiatives already do this: supply chain initiatives based on ILO Core Conventions strengthen labour rights and the voice of trade unions in often hostile settings. The Extractive Industries Transparency Initiative (EITI) supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas, and mining, providing the information that civil society watchdogs need to monitor what their governments are doing with the income from natural resources.[134] Companies involved in the Ethical Trading Initiative have lobbied governments such as that of Bangladesh to improve the quality of their labour inspectorates.

The drivers of such changes have included not just workers, campaigners, and NGOs but also institutional investors concerned about the long-term viability of their investments. So-called 'shareholder advocacy' has become an important factor in pressing for improvements both in individual companies and at a broader level. In the USA, a shareholder resolution that won an unprecedented 92 per cent of the vote persuaded the gold-mining giant Newmont to set up an independent global review committee to scrutinise 'the company's policies and practices relating to existing and potential opposition from local communities'.[135]

Globalisation is leading to ever-expanding trade in goods, services, knowledge, and people. These flows are always subject to rules of some kind – even free markets need rules, and the global system is far from a free market. But rules emerge from negotiations and politics: they are the outcome of power struggles, more than an exercise in logic or the maximisation of human happiness. In such struggles the powerful, be they corporations or governments, are much more likely to impose solutions that benefit themselves, often at the expense of the weak.

Rewriting the rigged rules of international trade and investment is central to making global governance work for development. The system needs more rules in some areas, such as taxation or migration, and fewer rules in others, such as intellectual property. Rewriting and enforcing the rules will need a combination of active citizens, North and South, and assertive, effective governments able to correct the imbalances of power that dog global negotiations and work with the private sector to maximise the development benefits on the ground. Only then can the the power of globalisation to deliver sustainable growth with equity be fully realised.

THE INTERNATIONAL AID SYSTEM

A few years ago, vacancies for nursing posts in Malawi were running at over 60 per cent, and large swathes of the country had no doctors at all. Low pay and poor working conditions were driving staff away at an alarming rate, to work for NGOs, private hospitals, or in other sectors altogether – or even to migrate overseas.

This seemingly intractable crisis, familiar to most developing countries and some rich ones as well, was transformed in short order by a judicious influx of aid. With 90 per cent funding from the UK and the Global Fund to Fight AIDS, malaria and tuberculosis, Malawi's Ministry of Health increased salaries by 50 per cent for 5,400 existing front-line health workers, recruited 700 new health staff, expanded and improved training schools and trainers, and plugged critical gaps with expatriate volunteers.

'In 2003, resignations of nurses were at one or even two a week. It was shocking', said Dr Damison Kathyola, director of Kamuzu Central Hospital in the Malawian capital Lilongwe. 'Since we introduced incentives, we've somehow stemmed it to one or two a month.'[136]

Aid from rich countries to poor ones can relieve poverty and suffering, fund the clean water and millions of teachers and health workers that poor countries need, and provide an injection of capital and know-how to help kickstart economic growth. Aid's most tangible successes have been in health, where vaccinations have eradicated smallpox and saved 7.5 million lives from 1999 to 2005 simply by halving deaths from measles.[137] More children are being immunised than ever before – over 100 million children a year in recent years.[138] For the first time in documented history the number of children dying every year has fallen below 10 million – the result of improved access to clean water and sanitation, increased immunisation coverage, and the integrated delivery of essential health care.[139]

More broadly, many of today's successful countries began their take-off with an influx of aid, such as the US Marshall Plan that transformed post-war Europe, the aid that funded the initial take-off of Botswana, Taiwan, and South Korea, and the transformation of Spain and Ireland by EU structural funds.

Aid can redistribute wealth from rich regions, countries, and people to poor ones, fight deprivation and invest in global public goods, such as disease control and environmental protection. However, aid cannot achieve such progress on its own. Well-designed aid programmes complement and support national and community development efforts, strengthening both effective states and active citizens. In contrast, poorly designed aid competes with states and citizens or even undermines them.

Overseas development assistance (ODA), as aid is officially called, is a relatively recent phenomenon, one born out of decolonisation and reconstruction after World War II. Its birth is often linked to the inaugural address of US President Harry Truman in 1949, in which he announced that 'For the first time in history, humanity possesses the knowledge and skill to relieve the suffering of … the half of the people of the world living in conditions approaching misery.' The war years and their immediate aftermath saw the creation of many of the organisations that still dominate the international aid scene today, including the United Nations, the World Bank and the IMF, and international NGOs.

Aid inspires passion. Zealous advocates see aid as one of the great causes of modern times and argue that a 'big push' can lead to the 'end of poverty', in the title of the book by perhaps its most prominent advocate, Jeffrey Sachs. Equally passionate sceptics point out that President Truman's words of 1949 could just as easily reflect the state of the world 60 years later. If \$3.9 trillion in aid since 1960[140] has had so little impact, they argue, surely aid doesn't work?[141] Eminent economists on both sides swap contradictory numbers and conclusions (see Table 5.2). Others see aid as being driven primarily by self-interest and foreign policy, arguing that the allocation of aid based on Cold War alliances (however grisly the regime) has now morphed into aid based on support for the 'war on terror', which has little to do with development need.

Even aid's supporters disagree about whether it should be viewed as a sensible and generous gesture of solidarity to rebalance the extreme inequalities in the global distribution of income, or as a matter of justice: minimal reparations for problems caused by the rich countries through colonialism, imperialism, and today's unfair trade and finance regimes.

Whatever the motives, the purpose of the international aid system became much clearer as, throughout the 1990s, a series of UN summits set globally agreed objectives on poor people's access to wealth, water, education, and health, as well as the essential steps needed to achieve them, all culminating in the Millennium Development Goals, which were agreed at a special summit in 2000 (see Table 5.1). These provided unprecedented levels of international agreement, strengthening the arguments for increasing aid and focusing it on fighting poverty. Mass global movements, including Jubilee 2000 and the Global Call for Action against Poverty (GCAP), raised the political profile of development issues and increased the political rewards for taking them seriously. The AIDS crisis prompted growing public concern, which was reflected in new bilateral funding and the establishment of large dedicated funds both in the USA and globally. Most of the MDGs set 2015 as their target date and there is now considerable discussion on what, if anything, should replace them.[142]

TABLE 5.1: THE MILLENNIUM DEVELOPMENT GOALS

	GOAL	*KEY TARGET*
1	ERADICATE EXTREME POVERTY AND HUNGER	Halve the proportion of people living on less than $1 a day by 2015. Halve the proportion of people who suffer from hunger by 2015.
2	ACHIEVE UNIVERSAL PRIMARY EDUCATION	Ensure that all children complete a full course of primary schooling by 2015.
3	PROMOTE GENDER EQUALITY AND EMPOWER WOMEN	Eliminate gender disparity in primary and secondary education by 2005, and in all levels of education by 2015.
4	REDUCE CHILD MORTALITY	Reduce the mortality rate of children under five by two-thirds by 2015.
5	IMPROVE MATERNAL HEALTH	Reduce by three-quarters the ratio of women dying in childbirth by 2015.
6	COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES	Halt and begin to reverse the incidence of HIV/AIDS and other major diseases by 2015.
7	ENSURE ENVIRONMENTAL SUSTAINABILITY	Halve by 2015 the proportion of people without access to safe drinking water and basic sanitation.
8	DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT	Develop a non-discriminatory and rules-based trading system, provide more generous aid and deal comprehensively with the debt problem.

INTERNATIONAL NGOS

Although they constitute only a minor part of the overall aid system in terms of their financial clout, international non-government organisations (INGOs) such as Oxfam are among the more recognisable voices in the development debate.[143] Most INGOs have their head offices in the rich, developed countries and raise their money there from the public and from governments. They work in partnership with increasingly influential Southern-based NGOs specialising in advocacy (such as Third World Network and Focus on the Global South) or in programming on the ground (such as BRAC and SEWA).

Like official development assistance, INGOs are a relatively recent phenomenon. Oxfam, for example, was founded in 1942. Working primarily with funds donated by the general public, INGOs can be distinguished from government aid agencies in three key ways: they are relatively independent from the geopolitical interests of states; they offer ordinary citizens (particularly in the North) an opportunity to take part in efforts to fight poverty and inequality as supporters, volunteers, or contributors; and they often engage more effectively than governments with citizens in the developing world who are excluded from existing institutional structures.[144]

It is noteworthy that the major INGOs are based in the same countries that won World War II and which came to dominate the institutions of global governance: the United States, Britain, and France. A second tier is made up of INGOs based in other former colonial powers (the Netherlands, Belgium, Italy, Germany, Spain, Japan), with a smattering from rich countries with less historical baggage in the developing world (Canada, Australia, New Zealand).

The major agencies underwent a huge expansion in the 1980s, when they began attracting government funding and when the public began to donate massively in response to humanitarian disasters, most notably the Ethiopian famine early in that decade. With growth came scale, professionalism, co-ordination, and an increasing diversification of activities.

Total government support to INGOs concerned with development issues totalled an estimated \$379m in 2003, a tiny fraction of overall aid, but nearly three times the amount given a decade earlier. Meanwhile, national NGOs operating in their own territories received some four times that amount.[145] Total financial flows from Foundations and NGOs in 2008 were estimated at about \$23.5bn a year by Development Finance International, about a fifth of the volume of official government aid.[146]

THE QUANTITY OF AID

In a reflection of the traditional geopolitical motives for much aid, volumes declined precipitously when the Cold War ended, falling to a low of \$58bn in 2000. However, the millennium marked an apparent turnaround, with global aid reaching \$129bn in 2010, the highest level ever.[147] This was all the more remarkable given the fiscal pressures in donor countries after the financial meltdown of 2008–9. However, the World Bank sounded a cautionary note when it looked at the record of 24 previous financial crises in donor countries over the last three decades. It found that on average, aid keeps rising for 2–3 years after the start of the crisis, then goes into freefall for a decade and doesn't recover its pre-crisis levels until 17 years after the start of the crisis. At the time of writing we may be at the beginning of the freefall, with a number of governments reneging on their aid promises.[148]

The heightened international focus on security post-9/11 has also played a part in increased aid volumes, particularly to Iraq and Afghanistan. As Richard N. Haass, President George W. Bush's Director of Policy Planning Staff, put it within months of the 9/11 attacks: 'In the conduct of the global campaign against terrorism … our tool kit must also include effective foreign assistance.'[149]

In 2005, rich countries pledged to increase their aid by a further \$50bn by 2010, with half of this going to Africa. European governments made the lion's share of these promises, setting themselves an aid target of 0.51 per cent of their gross national income by 2010, on the way to reaching 0.7 per cent of GNI by 2015 (see How change happens: the 2005 Gleneagles Agreements for the background to the breakthrough). In the event, donors delivered around $32bn of the $50bn increase, and then used 'creative accounting' to make it look like $49bn.[150]

The past decade has also seen the entrance of new donor countries, including China, India, Brazil, South Africa, Russia, Venezuela, and Saudi Arabia, which are now a significant part of the aid picture. Between 2005 and 2009 aid from such donors more than doubled from US$4.6 billion to US$10.4 billion. China is estimated to be providing some $1.5–2bn a year in aid, about half of which goes to Africa. It is popular with African governments, as Senegal's President Abdoulaye Wade explained during one tense exchange with the EU: 'If I want to do five kilometres of road with the World Bank, or one of the international financial institutions, it takes at least five years. One year of discussions. One year of back and forth. One year of I don't know what. With the Chinese it is a few days and I say yes or no, they send a team, and we sign.'[151]

Besides new national donors, 'philanthropreneurs' such as the Bill & Melinda Gates Foundation have also joined the big league. The scale of international private philanthropy going to development is difficult to assess, but one estimate puts it at $7–9.5bn annually, of which the Gates Foundation accounts for $2.5bn.[152] While they are not on the same scale, international NGOs are also raising and spending much more than ever before.

Politically, the rise of new donors enhances the bargaining power of poor countries and thus their ability to avoid damaging conditions on the aid they receive. At the same time it undercuts the already overstated ability of traditional donors to pressure for human rights and governance reforms. However, a high-level conference on aid effectiveness in the Korean city of Busan in 2011 marked the tentative beginning of a new global partnership of old and new donors, as China and others agreed to use its conclusions as a non-binding 'reference' for their own aid programmes.[153]

THE QUALITY OF AID

Good aid can transform lives; bad aid undermines development. Aid donors have always been motivated by a mixture of altruism, hubris, and self-interest. Sadly, when it comes to determining the priorities and methods of aid spending, dedicated and knowledgeable aid practitioners are too often overruled by the dictates of domestic politics or geopolitical calculations. According to one analysis of the US aid programme, a third of all US aid goes to Israel and Egypt, much of it as armaments, yet neither is a low-income country.[154]

At least 20 per cent of bilateral aid ($15–20bn) is tied, most of it from the US, Germany, Italy and Japan, with donors insisting it be used to buy goods or services in the donor country.[155]

TABLE 5.2: THREE GRAND NARRATIVES ON AID: SACHS, EASTERLY, AND COLLIER COMPARED

The aid optimist: Jeffrey Sachs (*The End of Poverty*)	The aid pessimist: William Easterly (*White Man's Burden*)	Paul Collier (*The Bottom Billion*)
CORE ARGUMENT: DIAGNOSIS		
An aid optimist: extreme poverty can be eradicated within a generation. Poverty trap: poverty itself leads to underinvestment in basic services, which depletes poor people's capital stock and leads to deeper poverty. Hostile geography: remote, landlocked, or mountainous countries face huge additional obstacles.	An aid pessimist: aid has failed because it is planned from the top down, without accountability structures and without feedback from the people served. It creates perverse incentives (e.g. promotion based on how much money you manage to disburse) that have little to do with development or poverty reduction. In contrast with top-down 'Planners', bottom-up 'Searchers' find out what local people want, and supply it using market mechanisms. Searchers nimbly adapt to local conditions, and keep the customer satisfied. They understand incentives and accountability.	Four 'traps' keep a billion people excluded from global prosperity: The Conflict Trap; The Natural Resources Trap (too much rather than too little); Being Landlocked with bad neighbours; Bad governance. Collier analyses four instruments to deal with these: Aid; Security (i.e. military intervention); International laws and charters; Trade policy.
CORE ARGUMENT: SOLUTIONS		
Massive though affordable injection of aid by rich countries. Target basic services (agriculture, education, health, water and sanitation, communication, and transport) to unlock the poverty trap. Then poor people will be able to save, invest, and prosper on their own. Sachs' work has led to the creation of the 'Millennium Villages Project', which seeks to put these ideas into practice through integrated rural development projects in selected villages across Africa.	There is no 'big idea', but some principles: Make aid agents individually accountable. Let those agents search for what works. Evaluate, based on feedback from the intended beneficiaries and scientific testing. Reward success and penalise failure.	Focus on the most difficult environments. Accept more risk, and a higher rate of failure. Be flexible, seize reform opportunities at an early stage.

The aid optimist: Jeffrey Sachs (*The End of Poverty*)	The aid pessimist: William Easterly (*White Man's Burden*)	Paul Collier (*The Bottom Billion*)
STRENGTHS		
A powerful piece of aid advocacy that counteracts the unwarranted pessimism often surrounding the aid debate. Sachs himself is an extraordinary ambassador: fervent, inspiring, hyperactive, and tireless. Advocates repair of the aid machinery: National poverty strategies developed by recipient governments identifying investments and financial needs to meet the MDGs. Co-ordination among donors to meet financial needs. Grants, not loans. Long-term, predictable aid. Decentralisation of investment decisions. Emphasises basic technologies and interventions that have worked in a variety of contexts. Tackles head-on some of the anti-aid arguments on corruption, past failure, authoritarian governments, and culture.	Suspicious of the 'It's up to us' view that sees aid as a way for the rich countries to singlehandedly end poverty in poor ones. Stresses the need for donors to be made accountable to aid recipients. Identifies the importance of incentive systems in determining the behaviour of aid and government officials. Rightly dismisses top-down structural adjustment, shock therapy, and conditionality (Easterly was a World Bank insider). The detail of his argument, in contrast with the overall message (and the title), argues for 'better aid' rather than 'no aid', and sets out some good ideas for how to achieve it. Has a strong sense of the indigenous creativity in developing countries that can trigger development. Good complement to Sachs in advocating services and technologies beyond the basics.	On aid, positioned somewhere between Sachs and Easterly, but leaning towards Easterly on aid scepticism. Good discussion of when and when not to give aid and whether to do so in the form of finance or technical assistance. Strongest on the links between conflict and development, including the case for military intervention in cases such as Sierra Leone, and the need to be much more creative about seizing moments of post-conflict reconstruction to help countries escape from poverty. Also very convincing on the special problems (and limited solutions) of Africa's landlocked countries.

TABLE 5.2: THREE GRAND NARRATIVES ON AID (CONTINUED)

The aid optimist: Jeffrey Sachs (*The End of Poverty*)	The aid pessimist: William Easterly (*White Man's Burden*)	Paul Collier (*The Bottom Billion*)
WEAKNESSES		
Massive aid is necessary but may not be sufficient: Sachs assumes that breaking the poverty trap alone will unleash economic growth. Interventions are limited to agriculture, basic social services, and basic rural infrastructure. Underplays the importance of politics and power in development. Weak on institutions: Strong institutions (especially public institutions) are needed to translate national strategies into effective investments on the ground. Weak on citizenship: Active citizenship is needed to set priorities for decentralised investments targeting the poorest people and to hold local and national institutions accountable. Sachs' big push is similar to the integrated rural development programmes of the 1970s, which failed due to lack of government support, manipulation by local elites, and low levels of participation (although Sachs addresses this last point by stressing the importance of participation in project design).	Undermines support for massive increase in aid budgets that is necessary to provide basic social services and meet the MDGs. Underplays the importance of politics and power in development: Ignores the role of the state in creating the market conditions in which 'Searchers' can flourish. Market solutions will not work for people whose wealth and income are too low to register as 'market demand'. Ignores the central role of planning in development success stories such as China, Viet Nam, South Korea, or Botswana. Does not give a chance to donors to apply lessons learned and plan aid with more accountability and recipient ownership. Stronger on critique than on proposition.	Overall the diagnosis is much more compelling than the conclusions (except on post-conflict reconstruction). Blind spots on inequality, sustainability and climate change, and rights. Largely ignores political science, history, and other disciplines in favour of almost exclusive reliance on the mathematical wizardry of 'econometrics' to establish links and causation between variables such as aid and conflict. Applicability of this kind of econometric analysis is disputed. The dramatis personae are made up almost entirely of benevolent economists and heroic finance ministers, faced with incompetent or corrupt governments and civil servants trying to thwart them. No recognition of the role of political parties, trade unions, or active citizenship of any sort. An orthodox liberaliser on trade and investment, with little time for NGO concerns about negative impacts of premature liberalisation.

Sources: Jeffrey Sachs (2005) *The End of Poverty: How We Can Make it Happen in Our Lifetime*, Penguin; www.millenniumvillages.org; William Easterly (2006) *White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*, Penguin; Paul Collier (2007) *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It*, Oxford University Press.

Aid allocation is often distorted by geopolitical interest. One study showed that when a developing country becomes a non-permanent member of the UN Security Council, its aid from the USA increases on average by 60 per cent.[156] In Europe's case, cultural ties (for example a shared language) and post-colonial guilt are also factors, with a disproportionate amount of aid going to former colonies. Other problems include byzantine procedures, the policy changes that donors demand as conditions for giving aid, waste caused by tied aid and an over-reliance on technical assistance, and overlapping and unco-ordinated approaches that undermine state structures. More recently, there has been a preference for channelling aid via the private sector, and an increased emphasis on proving results or 'value for money', which has raised concerns that aid will be spent on what is most easily measured, rather than what is most important.[157] All of these can reduce the effectiveness of aid and handicap the effort to build active citizenship and effective states.

The delivery of aid is extraordinarily complex and cumbersome. Developing countries with limited numbers of trained officials must grapple with a proliferation of international 'financing mechanisms', including 90 global health funds set up to address specific diseases or problems. Uganda has over 40 donors delivering aid in-country. Government of Uganda figures show that it had to deal with 684 different aid instruments and associated agreements between 2003/04 and 2006/07, for aid coming into the central budget alone. St Vincent (population 117,000) was asked to monitor 191 different indicators on HIV and AIDS.[158]

In 2006 some Malian civil servants spent over 100 days managing donor missions (a telling expression) from just two of the country's donors, the World Bank and the IMF – one in every three working days. A senior official from the Ministry of Finance in Mali noted, 'They usually come three to four times a year and stay for more than one week, visiting up to ten ministries at a time when here. Our hands are completely tied.'[159] A survey of 14 countries by the OECD and the World Bank showed an average of 200 donor missions per year, three-quarters of these by a handful of donors (the 'chronic travellers'). Cambodia and Viet Nam each received 400 missions, Nicaragua 289, Bolivia 270, and Bangladesh 250.[160]

Most aid is still given on a short-term basis (one to three years) and its volume tends to fluctuate, undermining the ability of developing country officials to undertake long-term planning and investment. A recent study by the IMF, for example, revealed that aid flows are more volatile than fiscal revenues, and the higher the aid dependency of a country, the more the volume fluctuates. Worryingly, the study showed that aid volatility has increased in recent years.[161] Unable to count on steady revenue, developing country governments hesitate to invest in recurrent costs, such as the salaries of public sector workers, which are a crucial step in providing essential services such as health care, education, social protection, and water and sanitation.

Donors continue to force developing countries to give back a considerable part of their aid money by making them purchase inappropriate and expensive goods and services from the donor country. The OECD estimates that such 'tied aid' raises costs by between 15 and 30 per cent.[162] In 2001, OECD members agreed to untie all their bilateral aid to least developed countries (LDCs), except for food aid and technical assistance. From 1999–2001 to 2008, the proportion of untied bilateral aid rose progressively from 46 to 82 per cent.[163]

The professionalisation of the aid field over the past 30 years has led to improved levels of monitoring, evaluation, reflection, and planning. The same process, however, has also skewed budgets toward spending on technical assistance. The high-priced consultants who propose, monitor, and evaluate aid programmes now pocket 6 cents of every aid dollar.[164] A study of technical assistance in Mozambique found that rich countries were spending $350m per year on 3,500 technical experts, while the entire wage bill for Mozambique's 100,000 public sector workers was just $74m.[165] While technical assistance may be helpful, for example in enabling governments to learn from the experiences of others, donors ought to place developing countries in control of technical assistance funds, so that they can decide whether to hire local or other consultants to undertake work that fits their own needs and priorities.

Even when well intentioned, the long shopping lists of 'conditions' attached by donors undermines the essential task of building institutions and policies rooted in local economic and social structures – the path followed by all of today's successful economies. Of course, taxpayers in rich countries – and citizens of poor countries – are entitled to expect aid to be used to promote development and to be clearly accounted for. However, many donors undermine quality by imposing their own preferred economic policy reforms. 'Conditionality' often obliges poor countries to implement policies based on dogma and ideology, rather than on evidence – for example, privatisation and liberalisation which, as discussed in Part 3, have a poor track record in triggering growth or reducing poverty.

Donor hubris can also erode state institutions. One insider account of Ghana's attempt to adopt new policies after the 2000 election of an energetic new president highlights the corrosive impact on institutions of aid dependence. Aid donor staff were ideologically hostile to the president's proposals to promote industry, and distrusted the abilities of government staff to design such a programme. They insisted that the government use 'technical assistance' to design its flagship industrial policy and, desperate for resources, the government agreed. Soon the Ministry for Private Sector Development had more foreign consultants than civil servants. With policy backgrounds rooted in the international aid industry, the consultants themselves were sceptical of many of the government's ideas. Instead of aid backing a genuine effort to build an effective state, it bogged the government down in a debilitating wrangle with donors, sucking the energy out of its development plans.[166]

One innovative approach undertaken by donor and recipient governments to address the poor quality of much aid is the Education for All (EFA) initiative, which between 1999 and 2008 has helped 52 million children who might never have received an education to enrol in school.[167] Under the EFA compact, poor country governments promised to draw up realistic long-term education sector plans and to increase their own investment in primary education. Donors in turn promised to work together so that, as the World Bank's Development Committee put it, 'No countries seriously committed to education for all will be thwarted in their achievement of this goal by a lack of resources.' Not only have some 30 developing countries had their plans endorsed and funded but, egged on by citizen campaigns, governments in 70 countries are spending more on education as a proportion of total government expenditure.[168]

Traditional donors grouped in the OECD's Development Advisory Committee (DAC) have also acknowledged the need to improve quality. The Paris Declaration on Aid Effectiveness of 2005, followed by similar meetings in Accra (2008) and Busan (2011) laid out a set of principles to be implemented by both donors and recipients.[169] Developing countries agreed to give priority to the fight against poverty, promising to produce national poverty plans with the participation of their citizens and national legislatures. They also agreed to create more transparent and accountable management systems for public finances, in order to ensure that resources go where they are intended.

Rich countries in turn agreed not only to provide more aid, but also to align their aid around developing country priorities and systems, in recognition of the fact that recipient country ownership over the development process is an essential prerequisite for successful development. They also agreed to cut the high administrative burden by working in a more co-ordinated fashion, for example by organising joint visits and reporting.

While the Paris principles are generally positive, they address efficiency more than effectiveness, and civil society organisations have pointed out that the principles appear to be divorced from values such as justice, human rights, gender equality, democracy, or even the reduction of poverty. What is more, the Paris Declaration covers a shrinking proportion of the global aid pie, since it does not apply to new donors or to private foundations.

Like windfalls from oil revenue, large inflows of aid risk undermining the social contract between state and citizenry. Aid-dependent governments often respond more to the interests and desires of donors than to those of their citizens. One cross-country study found a 'robust statistical relationship between high aid levels in Africa and deteriorations in governance', arguing that 'political elites have little incentive to change a situation in which large amounts of aid provide exceptional resources for patronage and many fringe benefits'.[170]

This pitfall can be avoided in part if donors also fund civil society and parliamentary watchdogs that hold government to account. While the volume of aid to such accountability mechanisms is likely to be dwarfed by flows to the state, it can help to make states responsive and can be crucial for the active citizen side of the development equation. In the longer term, using aid to fund education and adult literacy programmes can strengthen citizens' movements and spread notions of rights that can compensate for the potential damage to the social contract.

Some economists, along with the IMF, argue that large aid inflows cause economic problems in recipient countries, such as rising inflation, appreciation of the exchange rate, and knock-on effects that undermine economic competitiveness – a syndrome known as 'Dutch disease'.[171] The fear of Dutch disease, however, seems to be far greater than the reality. A recent survey of aid in seven countries found little evidence that large scale-ups in aid had actually caused Dutch disease, partly because developing country governments were already used to dealing with the manifold effects of volatile and unpredictable aid.[172]

One way to minimise the dangers of aid dependence might be to impose time limits on aid, as the USA did with European recipients of the Marshall Plan and with its aid to South Korea and Taiwan in the 1960s. In a manner analogous to the temporary protection of infant industries, time-limited aid would provide both resources and incentives to build up alternative revenue streams through taxation or economic diversification by the time the deadline arrived – another task that aid can support. Such an approach would be politically difficult in practice, but some form of exit strategy is essential for both donors and recipients.

As Uganda's president Yoweri Museveni told a conference in Washington DC in 2005: 'I have made revenue collection a frontline institution because it is the one which can emancipate us from begging, from disturbing friends … if we can get about 22 per cent of GDP [double the current rate] we should not need to disturb anybody by asking for aid…. instead of coming here to bother you, give me this, give me this, I shall come here to greet you, to trade with you.'[173] Many other leaders have been following Museveni's advice: over the last decade aid dependency has fallen on average by a third in the poorest countries.[174]

The best kind of aid strengthens responsive state structures. In Botswana, which for many decades has been Africa's economic success story, the government took control of aid immediately after independence and made sure that it was integrated into its own national budgeting and planning procedures. Though heavily dependent on aid (even in 1973, when its economic take-off was well under way, aid funded 45 per cent of total government expenditure), Botswana refused donor proposals that did not fit its own priorities and insisted on tailoring donor activities to the government's way of doing things.[175]

By contrast, when donors fund myriad small projects, or set up parallel systems with NGOs or other service providers, they are more likely to undermine the state than strengthen it. Qualified staff leave government for better-paid jobs in the aid world, and government planners struggle to implement coherent national development plans that pull together different and often competing players.

Part of the answer to better aid lies in providing governments with core funding, known as general budget support (GBS), or with funding earmarked for a particular sector such as agriculture or health (known as sector-wide approaches, or SWAPs). Rather than insisting that aid be spent on 'flagged' projects, where visiting development ministers can hold their photo opportunities, GBS or SWAPs enable governments to spend it on strategic recurring costs such as teachers' and health workers' salaries.

A rigorous evaluation of the impact of GBS in seven countries found that it boosted funding to basic public services in health and education, and reduced the transaction costs of multiple meetings, donor visits, and reporting requirements.[176] More importantly, GBS can strengthen the institutional capacity of governments to deliver on reduced poverty and inequality. However, it places particular demands on donors, who have to make credible long-term commitments. Project funding can be switched on and off, with only limited impact on overall stability. Not so with GBS, since if aid for salaries and other 'recurrent costs' is withdrawn, governments have to find the money themselves, with the risk of running up excessive deficits.[177]

Despite the evidence of its effectiveness, the political tides since the onset of the global financial crises are working against GBS. Donors are either cutting budgets or desperate to 'prove' the effectiveness of their aid, so prefer tangible, attributable aid channels to the more complex world of GBS. Attacks on aid by Dambisa Moyo, William Easterly and others have particularly undermined aid to governments. In 2010, only 2 per cent of aid flowed as general budget support.[178]

FRAGILE OR CONFLICT-AFFECTED STATES

Concerns about aid quality can seem utopian when many of the world's poorest states are either fragile or bent on pillaging their own populations. Almost a quarter of humanity, over 1.5 billion people live in areas affected by fragility, conflict or large-scale criminal violence.[179] This, according to the 2011 *World Development Report*, is where global poverty is increasingly concentrated.[180]

For aid donors, fragile and conflict-affected states constitute an intractable headache (although this does not approach the migraine faced by their citizens). Such states tend to be among the most in need of assistance, yet the mechanisms for effective delivery tend to be weak and prone to diversion.

The gut reaction of politicians to deny aid to such regimes, unfortunately, often exacerbates the problem, but so does bad aid, which props up repressive governments and weakens their accountability to their citizens.

In the final years of Daniel Arap Moi's three-decade reign in Kenya, for example, donors cut off aid due to pervasive corruption. A new government was elected in 2003 on a platform of fighting corruption and introducing free primary education, and aid was duly reinstated. Soon, 1.6 million children saw the inside of a classroom for the very first time. The government covered most of the cost of free schooling, with substantial support from aid. But it failed to follow through on its initial steps to fight corruption and even reinstated two corrupt ministers, one of them as Minister of Education. In such a situation should donors cut aid, even if doing so would once more exclude children from school?

Withholding aid has proven to be a blunt instrument for addressing corruption. Like attempts to force change by attaching conditions to loans, or offering technical solutions (legal reform, training, and the like), cutting off aid frequently ignores the political foundations of the problem, which ensure that corruption will persist as long as someone finds it useful and profitable.

Corruption, discussed in more detail in Part 2, is as much a symptom of poverty as a cause, and its prevalence often dwindles as a country develops. Despite the rhetoric emanating of late from the World Bank, corruption will not make or break the long-term struggle to build effective governing institutions. Aid can play a role in reducing 'corruption for need' by raising the low public sector wages that force teachers, health workers, and civil servants to demand payments from poor people for services that ought to be free. Donor governments can do much to counter 'corruption for greed' by punishing corporations that pay bribes and closing tax havens where ill-gotten gains can be safely hidden.

There is another option. The US Millennium Challenge Account, for example, practises 'selectivity', by which aid goes to governments that can demonstrate effective, democratic governance or progress in reducing poverty. Where imposing conditions on governments in exchange for aid failed, selectivity would reward achievement rather than promises. Of course, walking away may leave poor people in the lurch, and oblige more expensive interventions later on. The model for the selectivity-based allocation of aid is the 'poor but virtuous' country, where extensive poverty coincides with a well-intentioned and legitimate government. Unfortunately, few such countries exist. For all its superficial appeal, selectivity is unlikely to be of much help to the poorest communities.

Selectivity highlights a paradox: aid tends to work best in countries that need it least. This dilemma has no easy answers, but some general principles should apply. First, aid must not undermine the state, for example by setting up long-term parallel systems to deliver services that drain staff from an already enfeebled state system. On the contrary, the aim must be to build an effective and accountable state. Second, humility is in order. Donors alone cannot 'solve' the problem of nation-building; they can merely support or undermine indigenous efforts. Nation-building is a long-term exercise ill suited to the short concentration spans of rich country politicians or officials under growing pressure to show 'value for money'. Finally, if walking away exacerbates human suffering, then aid donors should do so only if they are certain that the long-term benefits outweigh the immediate costs.

INGOS AND AID QUALITY

INGOs are relatively free from the pull of domestic politics that distorts the aid efforts of governments, and the ethos of altruism runs wide and deep within them. However, altruism can at times become a mask for hubris and is not always sufficient to keep self-interest at bay. Having grown in size and profile, INGOs can at times exaggerate their own importance or delude themselves into believing that they alone are privy to the answers to development's riddles.

The autonomy of INGOs is restricted by the high dependence of some on funding from Northern governments, primarily as implementing agents for official aid and emergency relief programmes.[181] As INGOs have grown in size and influence, their thinking and practice have evolved. The charity ethos that predominated in the 1950s and 1960s was replaced by self-help mantras in the 1970s and 1980s (captured in the slogan 'Give a man a fish and he eats for a day, teach a man to fish and he eats for life'). Since the mid-1990s, a 'rights-based approach' has steadily gained ground among many INGOs and some government donors. The shift to a rights-based approach has placed civil and political rights and economic, social, and cultural rights centre-stage. Also growing in weight are concerns for the environment (suppose pollution kills the fish?) sustainability (suppose the man catches all the fish?) and gender rights (what are women doing while the man catches fish?).[182]

The practice of INGOs has also expanded beyond community-level development and relief work. In recognition of the impact of wider social and political processes on their work, beginning in the late 1970s, INGOs took up the task of building solidarity with struggles against oppression in southern Africa and Central America. The developing country debt crisis and IMF structural adjustment programmes in the 1980s and 1990s then moved INGOs to devote increasing resources to public education, campaigns, and lobbying, aiming to influence the behaviour of governments, corporations, and other institutions that affect the lives of poor people.

Today, INGOs are far more than providers of finance (their budgets are dwarfed by those of government donors). Rather, they act as catalysts, brokering relationships between social movements, governments, and the private sector, raising public awareness directly or through the media, and as lobbyists, putting co-ordinated pressure on international organisations such as the World Bank or the WTO. Southern-based INGOs are increasingly influential in this work.

From the mid-1990s onwards, the largest development NGOs began to formalise their relationships into federations and confederations, such as Oxfam International. They recognised that the collapse of Communism, the new drive for globalisation, and powerful new communications media made a global response to suffering and poverty both necessary and feasible. No longer just loose collections of national NGOs bearing the same name, these INGOs are now transnational organisations responding globally on issues such as aid, debt relief, the roles of the UN, the IMF and World Bank, the arms trade, climate change, and international trade rules.

The growth in INGO advocacy has helped to challenge the Washington Consensus policies of liberalisation and deregulation espoused by the World Bank and major aid donors since the 1980s. However, INGOs have proved more adept at criticising existing policies and practices than articulating a convincing and comprehensive alternative paradigm. One reason for this may be that NGOs' promotion of active citizenship, which has undoubtedly helped push issues of rights and participation up the political agenda, has not been matched by a clear view of the role of the state in development or of how best to create (rather than merely distribute) wealth.

As they have grown, INGOs have been subject to scrutiny and criticism. Although some critiques are motivated by political differences, many of them pinpoint issues that deserve urgent attention, and have given rise to profound (some might say interminable) soul-searching.

Efficiency: The same critique of government aid made earlier can apply to INGOs. Their aid at times suffers from delays, under-funding, lack of co-ordination, or inappropriateness, and imposes excessive demands on local partners. While in part a result of the increasing dependence of INGOs on government funding (which imposes its own delays and demands), these faults also result from the breadth of the development agenda. They can best be remedied by greater transparency and more effective mechanisms of accountability.

Respect for the role of the state: Some INGOs provide basic services such as health care and education in developing countries, particularly in situations where the state is unable to deliver them. Such efforts can never achieve the required scale or scope, and may compete with the building of an effective state. Even in Bangladesh, which has some of the largest and most influential NGOs anywhere in the world, total combined NGO services reach only about 18 per cent of the population.[183] In the long run, the aim must be to strengthen government systems to ensure that poor people have access to essential services.

Short-termism and service delivery: The cult of 'results-based management' imposed by government funders can bias the activity of INGOs and their local partners towards short-term, measurable results and away from efforts to promote longer-term change and respect for rights. It is easier to measure how many clinics or school places have been created than the extent to which attitudes to women's rights have changed. Similarly, the large chunks of government aid money on offer can turn NGOs into mere 'ladles in the global soup kitchen', focused on service provision.[184] Much of the new aid money is for relief and emergency work, which reinforces the bias toward service delivery, rather than social change. Some NGO insiders have gone so far as to say that 'We need to bury the aid paradigm in order to liberate ourselves to achieve the impact we say we want.'[185]

Caution and compromise: Whether through the conscious desire to curry favour, a greater understanding of the constraints on Northern decision-makers, or the more subtle influences exerted by regular contact with government and the desire to be seen as 'sensible interlocutors', INGOs often adopt more conciliatory attitudes towards governments than their grassroots partners and allies. Dependence on government funding, or fear of being denied permission to operate, can lead to self-censorship and a narrowing of permissible debate. In some cases, donor influence is stark, as with US government funding for HIV and AIDS that requires programmes to promote abstinence rather than condom use.

Accuracy: Under pressure to keep donations flowing so as to maintain far-flung networks of offices, staff, and in some cases warehouses of supplies, INGOs sometimes move too quickly to cry wolf, as occurred in southern Africa in 2004 when food supplies were thin and some agencies claimed that famine was imminent. The same pressure that tempts INGOs to overstate crises, combined with their can-do ethos, may also cause them to be less than forthright about the limits of their ability to cope with the aftermath of catastrophes, thus raising unrealistic expectations.

ACCOUNTABILITY

After quality, the second key challenge facing the international aid system, including INGOs, is accountability, and the two are intimately linked. One of aid's most withering critics, William Easterly, who crossed over after 16 years in the World Bank, ridicules top-down 'Planners' as modern-day Soviet commissars, out of touch, inept, and self-serving. He contrasts them with bottom-up 'Searchers', who are open to new ideas and opportunities, nimble, and driven by consumers (in this case poor people), not dogma:

> In foreign aid, Planners announce good intentions but don't motivate anyone to carry them out; Searchers find things that work and

> get some reward. Planners raise expectations but take no responsibility for meeting them; Searchers accept responsibility for their actions. Planners determine what to supply; Searchers find out what is in demand. Planners apply global blueprints; Searchers adapt to local conditions. Planners at the Top lack knowledge of the Bottom; Searchers find out what the reality is at the Bottom. Planners never hear whether the Planned got what they needed; Searchers find out if the customer is satisfied. Will Gordon Brown be held accountable if the new wave of aid still does not get 12-cent medicines to children with malaria? Indeed, the two key elements that make searches work, and the absence of which is fatal to plans, are feedback and accountability.[186]

Easterly is onto something: the absence of accountability lies at the heart of the problem; effective aid has to be tailored to local cultures, politics, and institutions and must avoid the curse of blueprints designed in Washington, Brussels, or London. Many of the problem areas discussed above arise precisely from this mistaken top-down Planners' approach. But Easterly's proposed cure – a naïve faith in markets – conveniently ignores the realities of powerlessness and marginalisation in the lives of many poor women and men, and the vital importance of building an effective, accountable state.

There is a fundamental inequality about the way that international aid works. Recipients are accountable to donors, and they must file hundreds of reports and host dozens of 'donor missions' to prove it. Accountability rarely operates in the opposite direction. Some poor countries make the attempt – Afghanistan, for example, decided in 2002 to set the ground rules for donor engagement in its reconstruction[187] – but most have neither leverage nor recourse to sanctions against donors if advice is poor or if projects are damaging. A new architecture is needed that makes donors accountable to recipients.

Part of the answer ought to lie in a good-faith implementation of the Paris Declaration, but aid donors should accept that developing country governments must remain in the driver's seat, working with civil society, the private sector, political parties, and other domestic actors to devise policies that fit national needs.

Without a change in mindset on the part of donors, however, Paris-style co-ordination between aid providers could actually increase their ability to speak to recipient governments with a single voice, undermining 'nationally-owned' strategies that donors do not like. Donors should also welcome, rather than fight, assertive governments such as Ghana, Botswana, or Afghanistan, which insist on aid on their own terms.

For their part, INGOs regularly criticise companies and governments both North and South for their lack of responsiveness to people living in poverty, but many NGOs are less formally accountable to their supporters than governments are to their electorates, or companies to their shareholders.

INGOs have responded by improving their transparency (for example, publishing their financial statements and policies), agreeing codes of good practice on issues such as humanitarian relief work, adopting membership structures, and instituting peer reviews and regular consultation with a range of 'stakeholders', including partner organisations in developing countries.[188]

In most countries, INGOs are accountable by law to the host government (which can lead to tensions when states resent NGO activities). They are also subject to rigorous reporting requirements to their official funders. In 2006, eleven of the major INGOs from the human rights, development, environment, and consumer sectors created the INGO Charter of Accountability to set a standard for their members and to give stakeholders greater confidence.[189] Member signatories, now numbering 25, provide an annual report of their accountability (for which they use the NGO supplement of the Global Reporting Initiative guidelines), and these reports are assessed by an Independent Review Panel. The reports and the panel's feedback are all published on the INGO site.[190]

While activists from developing countries appreciate the support that their organisations receive from INGOs, they often complain that INGOs are domineering, using their resources and skills to hog the limelight, impose their own agendas, and lure talented staff away with the promise of higher salaries. In the long term, this dynamic could well undermine the effort to build active citizenship in developing countries, and is particularly significant in light of the growth of increasingly sophisticated Southern NGOs, which are challenging the traditional roles of their Northern counterparts as intermediaries between Northern funders and poor communities and as 'builders of capacity' of grassroots organisations.

In these bouts of North–South arm wrestling, developing country governments are often in a stronger position than they realise, since donor staff are under huge pressure to disburse money. 'Weapons of the weak', such as passive resistance or agreeing to one thing and doing another, can often pay better dividends than a stand-up fight. As one Rwandan official wryly observed, 'When dealing with donors, you have to deal with them as you would milking a cow. Treat them nicely and more milk flows than you would have expected; treat them badly and they kick over the bucket.'[191]

Empowering aid recipients would be an attempt to make aid more like a competitive market and less like a monopoly (in that sense the Paris Declaration is, if anything, making aid more monopolistic, albeit with benign intent). Creating such a marketplace would go with the trend towards an ever greater proliferation of aid providers – new donors, vertical funds, philanthropreneurs, Western governments, and multilateral and regional institutions. However, at the moment aid is a market where the consumers (developing country governments) find it very hard to exert choice precisely because they have no power.[192]

One idea might be to allocate the overall global aid budget to recipient countries, which could then decide which aid agencies to use. A successful voucher system would depend on a healthy level of competition so that the 'consumer' would have clout. Harvard economist Dani Rodrik half-jokingly proposed breaking up the World Bank's policy advice arm into separate competing bodies, based in different developing countries.[193] They would then be forced to provide the advice that developing countries actually want and are prepared to spend their aid revenues on, turning the current relationship on its head by 'putting the first last'.[194]

Alternatively, aid could be reconceived as transfer payments, like those made by central governments to provincial ones, to be spent within agreed guidelines but in the way that the recipient government chooses (GBS comes close to this vision). Either of these options would bring the aid system more into line with the overall purpose of redistributing global wealth from rich to poor regions, countries, and people.

Even stopping short of such seismic shifts, the global aid system could be run much more accountably. For all their faults, the WTO and the UN provide forums where rich and poor countries meet to try to manage their overall trade and political relationships. No such forum exists for aid. The UN's Economic and Social Council (ECOSOC) could become one or alternatively the rich countries' invitation-only club, the OECD, could expand the inclusion of poor countries in its influential Development Assistance Committee (DAC) and embrace new donors such as China and the Gates Foundation, which currently operate without even the minimal peer review offered by the DAC.

The voice of aid recipients could be strengthened by creating an international Ombudsman who would investigate complaints of abuse or broken promises. Or recipients could band together, turning the tables by regularly compiling and publishing their own appraisals of the quality of aid from the various providers. There is nothing like coming last in a league table to shame politicians and civil servants into action.

One of the most promising areas of progress in recent years has been on aid transparency. At the 2011 aid summit in Busan, years of work by the International Aid Transparency Initiative (IATI) and civil society organisations, such as Publish What You Fund, culminated in US Secretary of State Hillary Clinton announcing that the United States would be signing the IATI, taking its membership up to 75 per cent of global aid. Donors committed to draw up plans within a year, explaining how by 2015 they will publish electronically full details of all current and planned future aid projects in a common, open standard.[195]

MAKING AID WORK

This book argues that the redistribution of voice, power, assets, and opportunities that constitute development is most likely to occur through a combination of active citizenship and effective states. Aid must be measured against its effectiveness in building the capacities of both state and society to address poverty and inequality.

Despite moves to improve the system, aid remains hampered by politics, arrogance, and self-interest. In the future, a higher proportion of aid-receiving countries are likely to be those with weak states and profound economic and political problems. At the same time, the proliferation of donors will complicate the already slow-moving efforts to harmonise donor activities around the Paris Declaration.

Much of the force for change will have to come from outside the cosy aid world, building on the progress already made by developing country governments, spurred on by civil society organisations demanding greater accountability and effectiveness, supported by NGOs both North and South, and perhaps by the more far-sighted private sector leaders who see both the human and commercial case for building prosperity in the South.

In a fast-evolving world, how can INGOs best contribute to building accountable citizenship and effective states? In 2000, when aid budgets appeared to be in terminal decline and 9/11 had yet to transform global politics, a number of NGO-watchers met to discuss 'NGOs beyond aid'.[196] They suggested that non-government development agencies 'adopt a fourth, value-based position between state, market and civil society.... In this the NGO role is one of multi-sector negotiation, as well as of promoting and exacting compliance of duty holders to deliver people's rights.'

Unpicking the jargon, the gathering suggested that NGOs should aim to be:

- Supporters of poor people and their organisations, helping them to build the skills and organisational capacity needed to demand their rights and feed their families;
- Negotiators and trusted mediators, whether bringing together rival groups to prevent tension turning into conflict, or getting small farmers into a room with supermarket buyers to thrash out the practicalities of selling into a global market;
- Respected watchdogs of the behaviour of powerful governments and corporations, including themselves;
- Acknowledged innovators in the public interest, in areas such as health, education, water, and sanitation, with a constant eye on seeing their own small efforts adopted by governments or other bigger players.

At a global level, they suggested that INGOs should mobilise the public and pressure for international action to address problems that national governments alone are unable to solve, notably where the formal machinery of global institutions is inadequate. (Oxfam's work on debt, aid, trade and climate change seeks to address some of these gaps in global governance.)

A decade on, this position looks prescient, although it should be complemented by a growing role in facilitating exchanges of ideas from South to South, from South to North, and vice versa – recognition that many issues such as inequality, exclusion, environmental sustainability, or accountability are common to all countries irrespective of latitude or longitude. Though the proposals are in need of a healthy dose of humility, these roles would steer INGOs away from becoming simply non-profit service providers. Above all, INGOs must keep their eyes firmly on the developmental prize of supporting (and never presuming to replace) active citizens and effective states.

Aid is not a panacea for development, and aid alone will not 'make poverty history'. It can help or hinder developing countries on the road to building active citizens and effective states, but it cannot substitute for the national development process. As one former Eritrean finance minister reflected at the time of the historic Gleneagles G8 summit of 2005:

> By many measures, it's been a great year for Africa, with debt relief, awareness-raising concerts and G-8 leaders pledging more aid. I'm gratified the world has turned so much attention to my continent. At the same time, a voice inside me wants to shout: 'Wait. This is not the way real development happens!' … We continue to ignore the stark lesson that externally imposed development models haven't gotten us far. The only way forward is for Africa to drive its own bus and for the driver and passengers to be in full agreement about where they're going. That said, we do need help filling up the tank.[197]

Putting aside delusions of omnipotence and omniscience is a vital first step in making aid work for poor people. The rich countries' first priority should be to ensure that they 'do no harm'. They must move from a paternalistic, post-colonial mindset to relationships based on mutual respect between people facing many problems in common. They must give aid in ways that build government capacity and help build accountability to citizens, rather than fuel conflict or corruption or undermine state development. They must keep the promises made in the heady days of 2005 and help 'fill the tank' by delivering more and better aid. The rest is up to the peoples and governments of the developing world.

HOW CHANGE HAPPENS: THE 2005 GLENEAGLES AGREEMENTS

At their annual summit in 2005, the leaders of the Group of Eight (G8) countries promised a dramatic turnaround in the rich world's willingness to fund development. They agreed to increase global aid levels by around $50bn per year by 2010 and to write off the debts of up to 50 of the world's poorest countries. Though critics derided the commitments as inadequate, and collective backsliding subsequently removed much of their lustre, the promises at Gleneagles constituted a marked departure from past practice. If nothing else, leaders would pay a political price for reneging on their pledges. How did such a commitment come about?

The months leading up to the Gleneagles Summit in Scotland saw an unprecedented combination of government and civil society activism. The British host government, keen to ensure that the event would be perceived as a success, championed development funding from the start, setting up a high level 'Commission for Africa' in 2004 which included several African heads of government and musician/activist Bob Geldof, and which produced a well-argued and costed plan for how the extra aid should be spent.

Civil society groups, meanwhile, campaigned in 70 countries across the globe, including all the G8 nations, as part of the Global Call to Action Against Poverty, a campaign known in the UK and a number of other countries as 'Make Poverty History'. Nelson Mandela added his considerable moral weight when G8 finance ministers met in February. Then celebrities Geldof, Bono, and others organised a series of 'Live 8' concerts in most G8 countries the week before the summit, which were watched by two billion people. The campaign culminated in a march of 225,000 people in Edinburgh to deliver a petition that carried an astonishing 38 million signatures.

The combination of public pressure and the UK government's astute manoeuvring of the summit agenda strengthened the hand of pro-aid ministers in G8 governments, weakened the resolve of blockers (USA, Japan, and Italy), and convinced those who could have swung either way (Canada and Germany). The first sign of movement came as early as February, when G8 finance ministers outlined a debt cancellation plan. Then in May, EU leaders committed to aid increases that went a long way toward meeting the $50bn target.

Activists both inside government and out benefited from a broader revival of commitment to development, evidenced in the reversal of falling aid levels since 2000 and the endorsement that same year of the UN's Millennium Development Goals. The efforts of African governments to promote a sense of progress – through the New Economic Partnership for African Development, the spread of elections, and the restoration of promising levels of growth

– also helped make aid politically palatable. Leaders may also have wanted to rebuild international co-operation after deep divisions over the 2003 invasion of Iraq.

Strong growth in the global economy was a factor, allowing the G8 leaders to concentrate on long-term issues, breaking free of the crisis management mindset of previous summits. And unexpected events too played a critical role. The Asian tsunami six months earlier had prompted an unprecedented display of public generosity, which in several cases had shamed politicians into increasing government humanitarian relief, and demonstrated the level of public interest in development issues. Then on the first full day of the summit, terrorist bombings in London killed more than 50 people, evoking a sentiment of solidarity in which G8 leaders were keen to support the British government.

The upbeat message on aid and debt contrasted sharply with the leaders' inability to achieve significant progress on climate change or the stalled trade talks at the WTO. Generally speaking, leaders find it easier to promise money than to change their own policies: reductions in carbon emissions or righting the rigged rules of global trade cannot be achieved by writing a cheque.

The lesson of 30 years of G8 summits is also that progress is often achieved only through reiteration – the same issue returning year after year to the summit agenda. The 2005 summit marked the fifth successive discussion on Africa, whereas climate change had not figured on the G8 agenda since 1997. The reappearance of climate change on the agenda in the years following Gleneagles may therefore hold out some hope for future progress in the talks on a successor to the Kyoto Protocol.

In sum: growing public legitimacy of the issue, leadership by a government willing to champion it, massive public expression of support, annual iteration, a demand restricted to money, and a confluence of unexpected events were the elements that made the Gleneagles Agreements possible.

Sources: Oxfam International (2005) 'What Really Happened at the G8 Summit?'; N. Bayne 'Overcoming evil with good: impressions of the Gleneagles Summit, 6–8 July 2005', in M. Fratianni, J.J. Kirton, and P. Savona (eds) (2007) *Financing Development: The G8 and UN Contribution*, Aldershot, UK: Ashgate.

INTERNATIONAL RULES AND NORMS

More intangible than finance or trade, but perhaps just as influential in the long term, is the way that the international system exchanges, develops and disseminates ideas (perhaps the ultimate 'global public good'). Ideas have always shown little respect for national boundaries, as the work of Tom Paine or Karl Marx demonstrated, but the decades since World War I have seen the rise of a global system for debate and agreement on a range of values best described as 'norms': the explicit or implicit rules, including an ever-expanding body of international law, specifying what behaviours by states and their leaders are considered acceptable, not only in the international arena but also domestically.

Milestones in this ever-expanding global conversation include the rules of war (discussed in the next section), and the 1948 UN Declaration of Human Rights. In more recent decades, the exercise has produced a bewildering proliferation of conferences and 'high-level panels' that set international targets such as the Millennium Development Goals and negotiated treaties and conventions. The International Labour Organization (ILO) alone has 189 conventions, most recently one on the rights of domestic workers adopted in 2011. Such agreements are the product of years of intense negotiations among governments, intensively lobbied by citizen and business groups. All are intended to influence the behaviour of states, companies, citizens and others, but more subtly to influence how people think, what is considered 'proper' or desirable.

While some stops on the merry-go-round of international conferences are rightly condemned as meaningless gabfests, their overall influence has been undeniable. The body of negotiated international agreements both captures humanity's evolving understanding of its condition, and nudges forward attitudes and beliefs on all sorts of topics: whether bribery is acceptable or parents have the right to beat their children; whether we should allow discrimination against migrant workers, indigenous people or those living with disabilities, or what activities should be considered as 'work'.

Very little of this involves 'hard law', enforceable in the courts with fines and other sanctions – the UN Security Council, the International Criminal Court and (to a lesser extent) the WTO are exceptions. Most is 'soft law', using moral suasion and the power of shame to set standards by which 'hard' national legislation can be measured.

WOMEN'S RIGHTS

The often fierce debate over women's rights offers a good example of the international system's role in spreading ideas, since global debates and agreements have played a key role in challenging the combination of policies, institutions, beliefs and expectations that shapes the life chances of girls and boys, and impose strict limits on women's lives.

The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), adopted in 1979 by the UN General Assembly, is often described as an international bill of rights for women. CEDAW defines what constitutes discrimination against women and states commit themselves to undertake a series of measures, including:

- To incorporate the principle of equality of men and women in their legal system, abolish all discriminatory laws and adopt appropriate ones prohibiting discrimination against women;
- To establish tribunals and other public institutions to ensure the effective protection of women against discrimination; and
- To ensure elimination of all acts of discrimination against women by persons, organizations or enterprises.

CEDAW, followed by other major international moments such as the 1994 International Conference on Population and Development in Cairo, and the 1995 World Conference on Women in Beijing, created a framework for steady upward pressure on respect for women's rights. According to UN Women's 2011 *Progress of the World's Women* report:[198]

> In 1911, just two countries in the world allowed women to vote. A century later, that right is virtually universal and women are exercising greater influence in decision-making than ever before. Alongside women's greater political influence, there has been a growing recognition of women's rights, not only political and civil, but also economic, social and cultural rights. Today, 186 countries worldwide have ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW),[199] signalling their commitment to meeting the human rights of women and girls, breaking down the barriers to gender equality and justice.

CEDAW also illustrates the subtle interaction between international processes and wider currents in society, in this case the upsurge of feminism in the 1970s. The international system helps to lock in and spread such shifts, and often provides symbolic battlegrounds for supporters and opponents. For example at the Cairo conference, an unusual alliance of the Vatican and several predominantly Islamic governments fought a fierce rearguard action against the right to contraception.

The African Union Protocol on the Rights of Women,[200] adopted in 2003, was another milestone in the effort to enlist the international system in support of women's rights, and more recently the creation of 'UN Women'[201] in 2010 under the leadership of Michelle Bachelet and the publication of the World Bank's first flagship report on gender equality and development in 2012.[202]

Women's movements have been instrumental in shaping the course of international norms, which then become significant rallying points for struggles to achieve progressive reforms to legislation at the national level. These efforts, in turn, can be catalysts for changes in attitudes and beliefs, as in the example of Morocco's Family Law cited earlier in this book (see Part 2).

The success of norm-setting in the international arena has usually outpaced the hard slog of transforming national laws and especially attitudes and beliefs. Not surprisingly, a perennial debate within the women's movement questions whether influencing international accords should be accorded priority. While acknowledging the achievements to date, many argue that a focus on the international has undermined the resources available to local and national struggles where real changes in women's lives can be won.

Aid donors such as DFID, SIDA and CIDA, which traditionally work on the national rather than international level, have sparked another interesting debate by moving away from support for progressive legislation and awareness-raising toward a greater emphasis on girls' education and women's employment as a way to enhance women's status. To what extent is educating and employing women a way of generating growth (women for development) rather than reshaping economic and financial systems to improve the rights, power and lives of women (development for women)?

HARD AND SOFT LAW

The interplay of 'hard' and 'soft' law is undoubtedly complex.[203] Hard law relies primarily on the authority and power of the state, while soft law relies primarily on non-governmental actors in the construction, implementation, and operation of a governance arrangement. Hard law is more legalistic, often defined by international convention; soft law is a much broader domain, covering everything from vague exhortations to commitments to report at regular intervals against a set of commitments or agreed standards (e.g. on fair trade).

Given these characteristics, different problems often lend themselves to different approaches. Hard law works best for tightly specified, simple problems that can be codified tightly enough to satisfy legal or quasi-legal process. Soft law may work better for more complex problems affecting more actors.

There is sometimes disagreement over whether soft law paves the way for hard law (e.g. on labour rights), or is used to fob off public concern as a low-cost and ineffective sop (e.g. so-called environmental 'greenwash'). Both can be true. Two distinguishing features that make soft law effective appear to be its negotiation by a multi-stakeholder process (typically involving governments, firms and civil society organisations) and its implementation via public investigation, reporting and technical assistance.[204] Nothing focuses a leader's mind better than having to report on their failures and successes in public.

The international conversation on rules and norms constitutes one important aspect of global citizenship, a way for humanity as a whole to debate its evolving sense of right and wrong. The resulting web of exhortation, agreement and constraint influences leaders, citizens and companies in terms of how they understand their roles, their identity and the nature of the world around them. These debates are likely to remain important symbolic and actual battlegrounds for those seeking progressive change and more equitable relations between women and men.

THE INTERNATIONAL SYSTEM FOR HUMANITARIAN RELIEF AND PEACE

THE INTERNATIONAL HUMANITARIAN SYSTEM

Most humanitarian relief is provided locally, by neighbours, relatives, and friends and local and national governments. Saving lives in this way is as old as recorded history. Religious institutions ran most humanitarian work in the past, and today they remain key mobilisers of solidarity with the victims of war and natural disaster. For example, the Muslim tradition of tithing or alms, known as *zakat*, prescribed in the Koran, to this day delivers direct cash assistance freely and quickly to those most in need.

Indeed in the twenty-first century, the majority of humanitarian relief is becoming more local, not less. The world is moving away from a Western-inspired, UN-centric model of humanitarian response to one which is much more diverse, localised, and (with luck) sustainable. Whether preparing for disasters, or reacting when they strike, a greater proportion of aid is likely to come from local authorities and communities, businesses, and national governments, armies and NGOs of the countries affected.

This is a necessary and welcome trend, not least in the face of a growing number of small and medium disasters. But the international humanitarian institutions will still have a vital role to play, and a heavy responsibility to improve its performance more than recent reforms have achieved.

A well-governed and well-run humanitarian system is still vital in providing a safety net in times of crisis, to help prevent vulnerability, whether chronic or short-term, from turning into a downward spiral of disintegration, rising inequality, and impoverishment. This section examines the global system of humanitarian response, and suggests how its failings can be corrected.

The past 150 years have seen the emergence of professional institutions specialising in humanitarian relief, some of them based on religious institutions, others governmental and non-governmental. Founded in 1863, the Red Cross movement became a global force at the turn of the twentieth century, when it was joined by the Catholic charity Caritas. After World War I, the International Federation of the Red Cross and Red Crescent Societies (IFRC) was formed, as was the Save the Children Fund. Oxfam grew out of the Oxford Committee for Famine Relief, set up in 1942 in response to famine in Nazi-occupied Greece, and CARE was founded in response to the refugee crisis that followed World War II. Médecins Sans Frontières (MSF) emerged during the Biafra crisis in Nigeria two decades later. Over the past decade, many of these large humanitarian agencies, including Oxfam, have formed international networks of like-minded organisations to expand and improve their global reach.

The UN system, with its numerous specialised agencies, plays a crucial lead role in preparing for and responding to natural disasters, food emergencies, and conflict.[205] Following the end of the Cold War, the United Nations and non-government organisations embarked on a major expansion of their capacities, as did the governments of wealthy nations. Today's humanitarian system is a labyrinth of national governments, UN agencies, NGOs, and the Red Cross movement, whose total spending averaged $5.7bn annually between 1999 and 2002. The unprecedented response to the Asian tsunami of December 2004 pushed this up to an estimated $16.7 bn in 2010.[206]

Taken together, these actors form a rudimentary global welfare system that attends almost every war or natural disaster. Despite its success at saving lives, however, the humanitarian system is dogged by a series of organisational and other barriers, which often result in delayed responses to crises, under-funding, poor co-ordination, and inefficient and at times downright misguided actions. Most serious for the longer term is the tendency of international humanitarian aid groups to bypass local and national organisations, both civil society and government: this not only fails to build the capacity of local organisations to undertake emergency response, but actually undermines it by luring away qualified staff and monopolising logistical resources. There have been improvements in recent years, discussed in greater detail below, but these have fallen short of creating a truly consistent and effective international humanitarian system.

The humanitarian system has a number of failings.

Allocating funds according to media coverage or politics: The aid provided by donors is often too little or arrives too late. In the Horn of Africa in 2011, warnings of food shortages came as early as November 2010, and grew in urgency as the months passed, yet it was only when the March–May rains had failed definitively – and after the UN declared the situation a famine in July 2011, and pictures of suffering children hit the world's TV screens, that the money started to flow. By that time, some 11.3 million people were going hungry and needed assistance; many had sold livestock, land, seeds, or tools, or had gone into debt to buy food, rendering themselves even more vulnerable to future crises.[207]

Reliance on this 'CNN effect' distorts the allocation of aid by diverting it away from situations of chronic vulnerability or emergencies that lack dramatic newsreel footage. Although UN flash appeals (for rapid-onset natural disasters, conflicts or sudden deteriorations in existing humanitarian crises) are put out within days, most of them receive less than 30 per cent of the funds they request in the first month, when needs are greatest.

All too often, aid follows political self-interest rather than need. UN figures for 2011 show that at any one time there is a skewing of aid towards the emergency that happens to be in the political spotlight. That year, UN humanitarian appeals received 60 per cent of the funds sought for 62 million people in need of humanitarian aid. The stark contrast continued between crises to which donor governments gave relatively generously – the Libya appeal was 83 per cent funded – and others. Almost 15 million people needed aid in Niger, the Central African Republic and Zimbabwe, all of whose appeals were less than 50 per cent funded. And 5.4 million people were affected by Pakistan's second successive year of major floods, this time out of the international media spotlight, whose appeal received only 46 per cent funding.[208]

The size of the disparity proves incontrovertibly that humanitarian aid is being directed for reasons other than the humanitarian imperative to deliver aid where it is needed. Although the UN system has many failings – for example, weak leadership and the variable quality of its humanitarian assessments – simply blaming the UN is too easy; it is the donors who are fundamentally responsible for giving some emergencies little or no funding, while others get much more.[209]

Poor co-ordination: The explosion in the numbers of humanitarian agencies demonstrates the abiding strength of voluntary action, and this core compassionate impulse is laudable. However, it can complicate the effective delivery of aid. In the days and hours after a natural disaster, or in the 'fog of war', an element of chaos is unavoidable. Urgency can save lives but can also compound the confusion, undermining the impact of the response. The UN's Office for the Co-ordination of Humanitarian Affairs (OCHA) seeks to co-ordinate the work of the many UN and NGO agencies responding to a disaster, but it faces a daunting task. In Haiti, following the 2010 earthquake, OCHA held daily co-ordinating sessions to identify needs, allocate responsibility, and avoid duplication of efforts. But with thousands of NGOs (many inexperienced in major disasters), several meetings a day, few buildings still standing (meetings were held in overheated tents), the result was predictably chaotic; many more simply failed to attend or to acknowledge the UN's co-ordinating role.

These problems, however, should not be exaggerated. Two major evaluations of humanitarian assistance at moments of exceptional crisis (the Rwandan genocide and the Asian tsunami) – a decade apart and spanning the period of greatest growth in the NGO sector – concluded that the failure to effectively co-ordinate many hundreds of agencies did not prevent a relatively small core of major NGOs from providing the bulk of the critical humanitarian assistance effectively.[210] Moreover, the main actors were domestic rather than foreign. In 2009, 37 per cent of the response to Bangladesh's Cyclone Aila was from INGOs, four times as much as the UN's 9 per cent, but less than the Bangladesh state's 52 per cent.[211]

Besides the myriad non-government agencies that turn up in the wake of a disaster, the sprawling UN system of dozens of different funds, programmes, commissions, and specialised agencies is particularly chaotic and in need of rationalisation and reform.[212] In Viet Nam, there are 11 UN agencies, which between them account for only 2 per cent of aid flows. In Ethiopia there are 17 different UN agencies; in Zanzibar there are 20.[213] Twenty-seven UN agencies claim some degree of responsibility over water and sanitation. The level of fragmentation and the 'turf wars' between competing UN bodies led the UN's exasperated special envoy to Africa on AIDS to lament, 'Nobody is responsible. There is no money, there is no urgency, there is no energy.'[214]

The wrong kind of aid: When faced with a distant emergency, members of the general public often give what they have at hand. As a result, donations of used clothing or canned goods that are too expensive to ship, or are simply not needed, can eat up the scarce resources of humanitarian agencies. The clogging of the port of Colombo, Sri Lanka with containers of spontaneously collected and dispatched children's clothes and toys after the 2004 Asian tsunami, for example, was so severe that it delayed the location and release of equipment essential for supplying clean water.

Sadly, donor governments often behave in a similar way, disposing of surplus goods that are unsuitable for the crisis in question, or which could be sourced much more economically in or near the area experiencing the disaster. Expired medicines commonly turn up in such donations, but perhaps the most egregious example is in-kind food aid.

Ask members of the public about their picture of humanitarian relief and they will often cite feeding the hungry. Food aid is a precious resource that saves lives where there is a regional shortage of food, as in North Korea today. Worldwide, about 5.7m tonnes of international food aid were provided in 2010, down from 15m tonnes in the late 1990s. The food was distributed to some 150 million needy.

That fall in aid volumes is not necessarily a bad thing. All too often the root problem is poverty, not production, and hunger occurs even when food is readily available on local markets. Under these circumstances, shipments of surplus grains from the USA and elsewhere can undermine local farmers by flooding the market and driving down prices. Even when food is not available locally at the time of an emergency, food aid takes on average four to six months to arrive, by which time the country concerned may be recovering – and the sudden arrival of cheap food can ruin local farmers just as they are getting back on their feet.[215]

In-kind food aid has traditionally been a knee-jerk response to crises, not because food needs to be shipped halfway around the world, but because rich countries need to dispose of their surplus farm production. In fact, the donor group charged with overseeing food aid is housed not at an aid body but at the International Grains Council, a trade body based in London.

Shipping food from donor countries can also be wasteful. With high oil prices, transport can eat up much of the food aid budget – up to 40 per cent in Canada's case in 2004, which helped to prompt a policy change to allow increased local sourcing.[216] In addition, a third of the global food aid budget is wasted because the USA insists on processing food aid domestically and shipping it via national carriers.[217] An OECD study found that the actual costs of tied food aid transfers were on average approximately 50 per cent higher than local food purchases and 33 per cent more costly than procurement of food in third countries (so-called triangular transactions).[218] An extra $750m a year in aid for poor countries could be released if rich countries, particularly the USA, gave food aid as cash instead of in kind.

Where food is available on local markets, food aid can also be demeaning: evaluations of cash-transfer schemes show that people prefer cash to soup kitchens because cash provides a greater choice over spending priorities and respects their dignity, rather than treating them as passive beneficiaries. When people use the cash to buy agricultural inputs, it also helps to improve livelihoods and boost the local economy (see Part 4).[219]

Three of the four major donors – the EU, Canada, and Australia – have promised to use food aid more judiciously and to increase the proportion they buy in developing countries, rather than source it from home.[220] Largely due to the lobbying of agribusiness and shipping interests, the USA remains defiant and, as the supplier of more than 50 per cent of the world's food aid, continues to distort the world's response to crises. Although Washington is providing $300m for more cost-effective local and regional purchase and cash payments, these come from other precious humanitarian budgets. The main body of the Food Aid program at $1.5–2bn annually is unchanged.

Short-term solutions for long-term problems: As discussed in Part 4, there is increasing recognition that much of the vulnerability experienced by poor people and communities is actually chronic rather than event-driven, and needs to be dealt with through national government social protection systems, supported by international aid, rather than through short-term humanitarian assistance. This blurs the boundaries between 'emergencies' and 'development', but it also more accurately reflects real life for millions of people living on the edge of poverty.

Recognition of these failings prompted a spate of initiatives in recent years aimed at turning the international humanitarian system into something closer to the co-ordinated response of a modern welfare state. The UN introduced a 'cluster approach', nominating lead agencies in eleven areas of humanitarian action (for example, UNICEF leads on nutrition, education, and water and sanitation, while UNHCR is in charge of managing camps for people affected by war or disaster).

Overall, however, these clusters' benefits have only slightly outweighed their shortcomings and costs. They have improved humanitarian agencies' understanding of standards and accountability, and co-ordination among international actors, but often weakened it with national actors. Much more still needs to improve, not least to ensure that international co-ordinating mechanisms are complementing rather than overriding the national co-ordination systems of governments and NGOs.

At the UN 'World Summit' in September 2005, the 192 UN member governments promised to improve the timeliness and predictability of humanitarian relief, including upgrading the UN's existing Central Emergency Response Fund (CERF). This would enable the UN system to provide a rapid response and adequately fund 'neglected emergencies', rather than waste precious weeks and months passing the hat round to donors.

In its first year, the CERF committed $259.3m for over 331 projects in 35 countries. This included $182.4m for rapid response and $76.9m for under-funded emergencies. Donors duly upped their pledges to $418m for 2011.[221] CERF funding has undoubtedly saved lives, particularly in under-funded or 'forgotten' emergencies. However, the CERF suffers from administrative and disbursement delays both at its headquarters in New York and in the field, since funding is channelled through UN agencies that have done little or nothing to adapt their own procedures –signs that an overly cumbersome system for disbursing funds can still undermine the CERF's effectiveness.[222]

In 2006 a high-level panel appointed by the UN Secretary-General made some further recommendations that could improve its humanitarian response: UN bodies need to work together as a single entity in any given developing country, with a single boss, budget, and office; funding for UN operations, both to promote development and to react to short-term emergencies, needs to be more predictable and long-term; the UN needs a single, powerful voice on women (it currently has three separate entities); and it needs to pay more attention to environmental and sustainability issues.[223]

For their part, in 2003 donor governments set up the Good Humanitarian Donorship initiative to identify and promulgate best practices. This is based on 23 principles, including increasing the timeliness of aid and providing aid according to need.[224] International NGOs have also set up a series of learning and accountability projects, most sporting the inevitable acronyms. HAP looks at downwards accountability to those affected; ALNAP brings together evaluation and learning across the sector; and the Sphere Project promulgates technical and good practice standards, through a humanitarian charter, a website, and a comprehensive manual for humanitarian workers on the ground.[225] Finally, the Code of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Relief seeks to maintain high standards of behaviour, along with independence, effectiveness, and impact.[226]

As discussed in Part 4, all these initiatives are characterised by varying degrees of self- and peer review, transparency, and public reporting, but stop short of anything more binding, such as disqualification or legal liability in cases of negligence or abuse. The preface to the NGO Code of Conduct states, 'It is a voluntary code, enforced by the will of those accepting it to maintain the standards laid down in it.' NGOs have thus far been unable to agree on any of the various proposed models of certification or accreditation, let alone issues of legal liability and disqualification. There are numerous reasons behind this, one being that national governments of affected countries ought, arguably, to be the ones making informed choices, rather than being told who it is that (largely) Northern actors see fit to license.

The humanitarian 'community' (some would call it an industry) has for the time being opted to pursue a centralised model of co-ordination and propagation of good practice. As in the case of the increasingly complex and ungovernable international aid system, the system could be treated more like a market than the global equivalent of a state welfare body. Because new NGOs, new donor governments, and private sector businesses are constantly joining in, reporting and transparency may be more effective than trying to co-ordinate the activities of hundreds of different organisations. As one author remarks: 'Less time spent waiting for the new organogram from Geneva, or campaigning for the right resolution to be passed in New York could leave more time for shaping an innovative solution on the ground.'[227]

To 'empower the consumer' in such a market would be even harder than in the case of development aid, since people who have been struck by a disaster are unlikely to shop around for the best provider. The real consumer in such circumstances is likely to be the national government in question, which would screen and choose the international relief organisations best suited to its needs.

But the consumers in question are often not waiting to be empowered, with much talk of a 'new business model' for humanitarian action that values Southern capacity more than ever before. At the end of 2011, the President of MERCY Malaysia – a major international NGO based in Kuala Lumpur – argued that 'a greater role for Southern, national and local NGOs' is the only way to respond to increasing disasters, and there should be a realisation that climate change adaptation, preparedness, and risk reduction are as 'humanitarian' as immediate relief. He might have added that traditional Western humanitarian donors, gripped by economic crisis, are not likely to continue to increase their funding to match a rising tide of humanitarian need.

For these reasons, the centre of humanitarian gravity is moving Southwards. That shift is well under way in many countries, as evidenced by Bangladesh's response to Cyclone Aila. That shift poses important challenges to international humanitarian agencies like Oxfam, making a strong case for them to move towards becoming more of a 'humanitarian broker', supporting others more than doing aid itself. [228]

For the foreseeable future, millions of poor people and their communities will continue to depend on that combination of international and national help to cope with chronic vulnerability or to get them through disasters that are seldom of their own making. Success in this effort switches off a grinding engine of deepening inequality, suffering, and poverty. Helping people in such situations is a hugely complex and challenging task, combining the immediate need to relieve suffering and prevent deaths with the longer-term effort to rebuild states and enable people to retake control of their own lives. The international system that has grown up around this task has its share of problems, but in recent years there has been notable progress in achieving a fast, co-ordinated response. The prize could not be greater.

PEACE, WAR, AND THE RESPONSIBILITY TO PROTECT

In Oxfam's long experience of providing relief in conflict zones, it has learned that protection from violence can often be even more urgent than the provision of clean water, food, or shelter. As Part 4 showed, conflict hits poor people and communities the hardest, driving up inequality and making them more vulnerable to other risks such as drought or disease. More directly still, it is civilians that suffer most from the violence of armed conflicts, in death, injury, sexual violence, and the destruction of civilian infrastructure.

International attitudes to such civilian 'collateral damage', often caused by armies that deliberately target unarmed civilians, are changing after a prolonged effort to change attitudes and beliefs about violence. In recent years, television, mobile phones and social networking sites have passed pictures of violence and atrocities around the world – not least in the violent repression against the 'Arab Spring' revolutions of 2011. Those who kill and attack civilians have found it more difficult to hide. Some governments at least have taken civilian safety more seriously, and at the United Nations there has been more than a decade of slow, painful progress at putting a higher priority on the protection of civilians.

Until the end of the Cold War, the UN Security Council's responsibility for upholding international peace and security, established in the UN Charter in 1945, was not only blocked by superpower rivalry. It was also understood as applying only to the preservation of peace *between* nations, while the nature of conflict was already changing to be increasingly dominated by violence *within* them. That has now changed, and the protection of civilians from violence, including internal armed conflicts, has become a significant part of the Security Council's agenda and, among other things, an increasing focus for UN peacekeeping missions around the world.

The moral and legal basis of this is not new. Under international humanitarian law, warring parties have particular obligations to limit harm to civilians and to protect the lives and security of people in their territories, as well as their access to essential services. Depending on the kind of abuse, when states and others are unable or unwilling to fulfil their responsibilities, international law provides for other states to take action.

'NON-INDIFFERENCE'

More recent is the increasing awareness, when states and others are unable or unwilling to fulfil their responsibilities, that the UN, regional organisations, and others must support or sometimes pressurise those states to uphold the rights of their own citizens. The UN Security Council's interest in internal conflicts, and protecting civilians in them, is the most important sign of this development, and this is not just a Western trend. In 2000, when the African Union succeeded the Organisation for African Unity, often derided for failing to challenge some of its members' abuses, it agreed in its Constitutive Act that it, the AU, had the right to intervene to prevent genocide, war crimes and crimes against humanity.[229] This was the first international treaty to enshrine such a right to intervene, a sign perhaps of a new principle of 'non-indifference' to qualify the non-interference in the affairs of other states that has been a fundamental of international law since the UN Charter and the end of colonialism.

In 2005, in the same spirit, the UN World Summit agreed a 'responsibility to protect' (R2P) civilians from genocide, war crimes, ethnic cleansing and crimes against humanity. Like the AU's decision, this was driven by a determination never to repeat the tragedies of the 1990s, when the international community had been unwilling to prevent the genocide of some 800,000 civilians in Rwanda or the massacre of thousands of people in Srebrenica and elsewhere in Bosnia. But it was also meant to encourage greater action to prevent mass atrocities and rebuild societies after them.

In 2011, the UN Security Council invoked that responsibility when it authorised military force to protect civilians in Libya. At the time of writing, the controversy over that decision, which may have saved thousands but also helped overthrow a regime, continues. Time will still tell whether the World Summit's decision in 2005 will come to be seen as a defining change in international relations, or whether the mixed motives of governments that invoke it will come to discredit the responsibility to protect before it is has the chance to succeed.

Meanwhile, the UN Security Council, for all its greater awareness on the need to protect civilians, still faces two fundamental problems: the lack of reliable and detailed information and analysis on threats to civilians worldwide, and the need for consistent consideration for all crises based on the level of threat and risk to the well-being of civilians – rather than, as is still now the case, having its actions primarily driven by the political interests of its permanent and most powerful members.[230]

Where international interventions have succeeded, they have helped to build peace across four 'pillars': development, reconciliation, building a political framework, and providing security. Action on all four is needed on every level, from local civil society to national governments, and must be sustained for periods that outstretch the often short attention span of the international community.

In the past decade several hundred thousand combatants have taken part in UN 'disarmament, demobilisation, and reintegration' (DDR) programmes in 30 countries,[231] and the UN's blue-helmeted peacekeepers have become an increasingly common sight in conflict-torn lands across the world. They have more frequently been mandated to use force, with the UN moving from being a hapless observer of atrocities in Rwanda or the Balkans to showing a greater readiness to protect civilians.

However, their frequent inability to do this effectively shows how much remains to be done – in resources, training and simple willingness to act – and the limits of what peacekeeping can ever achieve without everything else that must be done to build the pillars of peace and stability, including community-driven peace-building, security sector reform, and improving the effectiveness of aid in all fragile societies.

Oxfam has been increasingly focusing on how it can support community peace-building and protection. In eastern DRC, Oxfam works with 'protection committees' made up of six men and six women elected by the community in general assemblies. The committees carry out awareness-raising on Congolese law and human rights, negotiate with the local authorities and peacekeepers to prevent or respond to abuses and violations; and help victims/survivors of violence and abuse get access to help.

Community peace-building has been carried out with much success by local and international organisations in a range of conflict and post-conflict countries, including Cambodia, Viet Nam, and Nepal. Oxfam has been implementing peace-building programmes since the early 1990s in northern Kenya, where disputes often arise over scarce resources, and has seen a marked reduction in conflict, and more peaceful coexistence among pastoralists. Oxfam is now implementing similar projects, with pastoralist education as an entry point, in Ethiopia, Sudan, Mali and elsewhere. Even in Afghanistan, community-driven peace-building by organisations such as Cooperation for Peace and Unity has delivered tangible results, most directly in peacefully resolving different kinds of disputes, including tribal feuds, and competing claims for land and water.[232]

At the same time, development donors have been increasingly focused on improving the justice and security services of fragile societies, as well as other essential services, learning from the mistakes in Iraq, Afghanistan and elsewhere. Security sector reform – improving the capacity, performance and the respect for rights shown by the police and other security forces – has become an important strand of development assistance in recent years. In DRC the army is frequently identified by communities as a major source of threat, not safety. Composed of a mix of only partially trained, equipped and integrated former rebel groups, the army often exploits prevailing lawlessness rather than asserts the rule of law. Some donors have described it as a case of security sector 'form' rather than 'reform'. Donors are investing in programmes to pay, train and garrison soldiers, but much greater co-ordination plus sufficient political will from the Congolese government is needed to make these programmes add up to creating an effective and accountable army.

There is still a long way to go. In 2009, the OECD criticised donors for 'numerous imbalances in the provision of aid between countries (the Central African Republic was characterised as an 'aid orphan'), between provinces (Afghanistan, DRC, Haiti) and between social groups (Haiti)'.[233] Some donors have increasingly concentrated their aid in countries seen to threaten *their* security, at the expense of other countries – part of a wider trend to see aid as part of more 'coherent' rich-country foreign policies. Since 2002 one-third of all development aid to the 48 states labelled 'fragile' by the OECD has gone to just three countries: Iraq, Afghanistan and Pakistan.[234] In the rush for policy coherence, too many donors have pursued 'whole-of-government' approaches, in effect putting their own interests first, rather than a more co-ordinated approach in the interests of the affected communities and countries, in their human security, their rights to peace and security, as much as to economic and social development.

Central to the argument of this book, too much aid to fragile countries has focused exclusively on state-building, without a parallel focus on supporting civil society, and particularly supporting citizens – trade unions, women's groups and others – to hold the state to account to provide essential services.

Underpinning the UN's expanded role in peace operations, and the entire international security system, is the growing body of international law on conflict, known collectively as international humanitarian law (IHL). Best known for the 1949 Geneva Conventions (covering the treatment of non-combatants and prisoners of war), the Nuremberg Rules (for the prosecution of war criminals), and the 1948 Convention on the Prevention and Punishment of Genocide, IHL is designed to limit human suffering and to protect civilians in armed conflicts. The rules are to be observed not only by governments and their armed forces, but also by armed opposition groups and any other parties to a conflict.

The basic rules and obligations under IHL can be summarised as:

- *Distinction:* A distinction must be made at all times between the civilian population and those taking part in hostilities. Attacks must be directed only against military objectives. As such, indiscriminate attacks which fail to distinguish between military objectives and civilians are prohibited.
- *Precaution:* Not only must civilians and their possessions not be the object of attack, but also every precaution must be taken when attacking or locating military objectives to avoid, and in any event to minimise, incidental civilian losses and damage.
- *Proportion:* Warring parties are obliged to weigh carefully the direct military advantage of any attack against the potential for harming civilians. In no case shall such harm be excessive in relation to the concrete and direct military advantage anticipated.

A further key aspect of the Geneva Conventions obliges every party to a conflict to allow the rapid and unimpeded passage of humanitarian relief to civilians who need it. Governments and warring parties must not allow their officials, allies, or citizens to disrupt life-saving aid. Despite this, attacks against civilians, including aid workers, are sadly still common occurrences. In Iraq, Oxfam was forced to close its office in 2004 due to the threat to its staff, although it continues to support Iraqi partners and in Afghanistan, Somalia, Darfur and elsewhere, there has been a rising trend of attacks on aid workers since 2006. Though the motives for individual attacks may be complex and uncertain, an increasing proportion of such attacks have been politically motivated.[235] Part of the problem has been the blurring of the boundaries between military and humanitarian activities when, for example, soldiers dress as civilians in order to deliver aid aimed at winning 'hearts and minds', or when military forces that are seen as a warring party support the delivery of relief. It was this concern that persuaded the UN in 2011 to resist calls for EU troops to help the humanitarian effort in Libya, or, at the time of writing, AU troops to do the same in Somalia.

International law can strengthen citizens' efforts to hold states to account. In Colombia, CCJAR, a lawyers' collective, was able to take the government to the Inter-American Court of Human Rights on behalf of the victims of a 1997 massacre in the village of Mapiripán by paramilitaries, with the collaboration and acquiescence of state security forces, in which at least 49 people were seized, tortured and killed. The Court found that the government's investigation of the killings had been inadequate and that the government had failed in its responsibility to protect the community during the five days over which the massacre took place. It ruled that the authorities should pay compensation to the victims' families and guarantee their safe return to the village.

The growing influence of international humanitarian law was exemplified by the creation in 2002 of the International Criminal Court, which has global jurisdiction over genocide, crimes against humanity, and war crimes. ICC warrants may complicate delicate peace negotiations, as many argued occurred in Uganda, and may not help provide immediate protection of civilians under threat but, over the long term, international legal experts believe that the prosecution of war criminals by the ICC will help deter violations of international humanitarian law.

REFUGEES

People crossing borders to flee violence and persecution are protected under international law, and have a right to asylum. Far more people, however, now flee violence but, willingly or unwillingly, remain within their own countries, without the same rights under international law. By the end of 2010, there were 43.7 million people forcibly displaced around the world, the highest number for 15 years. 27.5 million of these were internally displaced people (IDPs).[236] Including the 4.8 million Palestinian refugees under UN auspices, there are over 15 million refugees in the world today, the vast majority from developing countries. Developing countries provide asylum to over four-fifths of them.[237]

Those seeking refuge often face a phalanx of border controls and interception methods, which can push them further into danger and abuse. If they manage to reach a territory and make their asylum claim, they frequently find a culture of hostility and disbelief, and often face destitution, detention, deportation, and denial of due legal process. Europe's air, sea, and land interception and border controls, for example, make no allowances for people who may be fleeing conflict and persecution. As ministers and civil servants admit, these are 'blunt instruments' that are blocking many people who have legitimate protection claims.[238]

There is a clear case for enhanced global governance in the field of humanitarian relief and conflict. International mechanisms and institutions are needed to ensure that costs are shared equitably and that all parties are treated fairly.

THE ARMS TRADE

Conflict would not be so prevalent or so deadly without the open global trade in weapons, and it is arms-fuelled violence that undermines development in so many countries. In November 2001 around Kisangani, the scene of intense fighting in the Democratic Republic of the Congo that involved many civilian deaths, Amnesty International found ammunition cartridges for North Korean, Chinese, and Russian heavy machine-guns, Russian revolvers, South African assault rifles, Chinese anti-aircraft weapons, and Russian, Bulgarian, and Slovak automatic grenade launchers. At the time, the DRC was subject to

EU and UN arms embargoes, which should have prevented the sale of all of these weapons.[239]

International efforts at arms control have long focused on nuclear and other sophisticated weapons systems, yet small weapons and light arms are the true weapons of mass destruction, responsible for some 300,000 deaths in 2003.[240] And these are unregulated by international law. The UN has imposed arms embargoes but they are very difficult to enforce, given the nature of the industry.

Many weapons are now produced by global supply chains spread across a number of different countries, similar to those found in the electronics industry. This enables companies to circumvent national controls on arms exports to human rights violators, an exercise in which governments North and South are colluding. Austrian pistol-maker Glock, for instance, has planned to set up production facilities in Brazil, from where exports would not be subject to the EU's Code of Conduct on Arms Exports, while in 2002 the Indian government scrapped its 'blacklist' of countries barred from buying its weapons. India has subsequently exported to Myanmar and Sudan, both of which, according to the UN and Amnesty International, systematically violate human rights and are now subject to EU and UN arms embargoes.[241]

National governments by themselves have been unable or unwilling to rein in this deadly trade, not least because of the lobbying power of large arms firms, both in their home countries and in their main markets. For most of the last century, the world's major arms exporters were the USA, Russia, the UK, and France. In the past decade, however, the big four have been joined by China, India, Israel, South Korea, and South Africa.

Arms firms are typically backed up by large public subsidies in the form of official 'export credit guarantees' against non- or late payment. In the UK, while arms deliveries made up only 1.6 per cent of all visible UK exports from 2000–3, they accounted for 43 per cent of the government's export credit guarantees.[242]

Collectively, countries in Asia, the Middle East, Latin America, and Africa spent $1.9bn on arms in 2010, accounting for three-quarters of all arms transfer agreements worldwide.[243] In the face of the extraordinary levels of death and waste, governments and citizens' groups are increasingly taking action. In West Africa in 2006, the 15 countries of the Economic Community of West African States (ECOWAS) signed the world's first regional arms trade treaty. The treaty, in large part the result of a public campaign led by a number of NGOs (including Oxfam), included controls on international arms transfers and a ban on arms sales to non-state actors – a first.[244] With the support of ECOWAS members, that same year the UN General Assembly voted overwhelmingly to launch talks on a global Arms Trade Treaty. Based on the principles of international human rights and humanitarian law, such a treaty would create minimum global standards for arms transfers, preventing those likely to be used to violate human rights or hinder development. The success of similar moves on landmines (see How change happens: Landmines, an arms control success story) shows what can be achieved through co-ordinated international action.

At the time of writing, governments and civil society alike are preparing for the major UN conference in 2012 that will, it is hoped, establish an Arms Trade Treaty with the necessary measures to prevent irresponsible arms transfers violating human rights, international humanitarian law or undermining development. It may then take another 20 years before such a treaty is enforced as rigorously as it must be, but it will be essential for the international system for peace and security that such a Treaty comes into force and is allowed to function effectively.

SECURITY AND THE 'WAR ON TERROR'

The aftermath of the attacks on the USA of 11 September 2001 had a profound, and in many ways disastrous, impact on international efforts to prevent and resolve conflict. The political agendas in many of the most powerful countries shifted away from addressing causes towards policing consequences, and the West slipped back into a Cold War-style paradigm of protracted war. In retrospect, the 1990s look like a brief interlude in a bleak panorama dominated by an overwhelming focus on military security. Moreover, the struggle against terrorism has itself become another vicious circle, with terrorism, the global 'war on terror', and other brutal counter-insurgency campaigns each fuelling one another.

The 'war on terror' confronts a genuine threat. However, it has relaxed controls on arming human rights abusers in countries such as Georgia and Pakistan, has increased restrictive measures in developed countries against asylum seekers and refugees, and has exacerbated xenophobic reactions to immigration.[245] People fleeing terror are finding themselves denied protection, in the very name of the 'war on terror'. Relief agencies also find their ability to provide assistance without interference from combatants in conflicts curtailed in many countries, along with the freedom of civil society organisations to operate.

The 'war on terror' also undermined attempts to improve human rights and governance, as, during the first decade of this century, the US government and others have lost the moral high ground, as well as their interest in the problem. In 2005 it became clear that the use of torture was effectively US policy.[246] Signing up to the 'war on terror' has given governments carte blanche to ignore challenges on human rights and governance, a loophole that has been exploited by governments from Chechnya to Israel to Zimbabwe.

Because the 'war on terror' saw conflict as a military struggle to vanquish enemies, it failed to address the political, social, and economic drivers of conflict. Fighting terrorism certainly requires effective police and related security measures – but after 2001, terrorism became a justification for seeking military solutions to problems that are more than military in nature, and poor people are paying a terrible price. The US and other governments appear to have learnt some lessons from their failed 'war on terror' policies, and hopefully the second decade of this century will see more effective action to reduce terrorism and conflict.

Conflicts, as Part 4 showed, have local roots that require largely local solutions aimed at achieving peace and strengthening the combination of active citizens and effective, accountable states that holds the key to development. The international system can provide aid and diplomacy to support local efforts at conflict prevention and to relieve the terrible human toll when conflicts do break out. It can improve its aid to fragile and conflict-affected states and make violence and fragility central to its post-2015 development agenda. Just as important, it can focus that aid where the needs are greatest rather than according to donors' immediate political and security interests. It can do more to support regional efforts at peacekeeping, especially in Africa. In exceptional circumstances, when governments are unable or unwilling to protect their own citizens, the international community should be ready to step in militarily. However, powerful countries must also address their own roles as drivers of conflict, whether through the arms they sell or as financiers of war through the purchase of natural resources.

Just as risk and vulnerability at an individual or community level often require a level of social protection and safety nets to prevent shocks turning into long-term disaster, so at a global level countries need support, if natural disaster or conflict is not to overwhelm their ability to guarantee rights and dignity to their citizens. That support must be co-ordinated, based on need, and be built on robust and impartial international institutions, particularly the UN. In turn, powerful governments need to show the same vision at a global level, as the founders of welfare states have done in the national arena, recognising that both morality and long-term self-interest require not only leadership, but a readiness to set aside short-term advantage and to put their own house in order on issues such as aid and the arms trade.

HOW CHANGE HAPPENS: LANDMINES, AN ARMS CONTROL SUCCESS STORY

Until recently, governments and military commanders saw antipersonnel mines as a cheap, low-tech, and reliable weapon. Landmines were killing or injuring 26,000 people every year, and were stockpiled by some 125 countries. Now, thanks to an international treaty banning their use, that number has fallen to between 15,000 and 20,000 people a year. In 2005, only three governments – those of Myanmar, Nepal, and Russia – acknowledged using landmines (rebel groups used them in a further ten countries). The number of countries producing landmines had fallen from 50 to 13, despite the fact that a quarter of the world's governments had not yet signed or ratified the treaty.

The 1997 Mine Ban Treaty, and the 'Ottawa Process' that led to it, broke new ground in the annals of diplomacy, riding a wave of post-Cold War optimism, which allowed governments and NGOs to look at security issues with fresh eyes. Global civil society, led by NGOs in the International Campaign to Ban Landmines (ICBL), put the issue on the international agenda and built the extraordinary momentum needed to ban weapons that most governments considered to be as common and acceptable as bullets.

The ICBL mobilised public opinion and influenced governments across the globe with a clear and concise message: that nothing can justify the human cost of landmines. Its founding members were NGOs engaged in clearing mines, providing prosthetics for victims, and documenting the impact of mines on civilians. Governments immediately recognised their unmatched expertise on the issue. The diversity of ICBL's membership and its flexible structure (it has never had a secretariat, and it only became a legally registered entity after receiving the Nobel Peace Prize in 1997) added to the movement's strength.

Perhaps the key factor in the success of the movement was the close co-operation between the ICBL and a handful of like-minded governments (especially Canada, Norway, Austria, and South Africa), as well as with UN agencies (especially UNICEF) and the International Committee of the Red Cross. In the face of opposition from the great powers, this core group created a new form of international diplomacy, built upon a willingness to operate outside the UN system, extensive NGO participation, leadership from small and medium-sized countries, rejection of consensus rules, and avoidance of regional blocs.

The movement provided essential expertise to the diplomatic process and played a major role in the actual drafting of the treaty. At the first formal diplomatic conference in Ottawa in 1996, for example, Canadian diplomats and the ICBL worked together to ensure maximum government attendance. ICBL was given a seat at the table, while governments as yet unwilling to support a total ban were relegated to observer status. Campaigners helped to draft the language of the final declaration and the action plan. At the end of the conference, Canadian Foreign Minister Lloyd Axworthy stunned the delegates by announcing that his country would host a treaty-signing conference in a year's time.

Campaigners and core government supporters had learned from the failure of the UN-sponsored negotiations on a Landmines Protocol in 1995–6, when formal structures led by consensus gave the great powers infinite opportunities to delay and dilute, and traditional alignments and regional loyalties undermined progress. With the strong support of the then Secretary-General Kofi Annan, they took the process outside the UN and, rather than allow consensus to water down the treaty to the lowest common denominator, stressed the concept of 'like-minded' participation, whereby only those who believed in a total ban should take part. The negotiating rules required a two-thirds majority to make changes to the text, effectively undercutting efforts by the United States and others to weaken it through amendments.

Signed in December 1997 by 122 governments meeting in Ottawa, the Mine Ban Treaty was an agreement of the willing, not of all governments. But, as the figures above suggest, it has even affected the behaviour of some non-signatory governments. Like other parts of international humanitarian law that have not been universally agreed, it created an international norm of good behaviour that almost all governments now follow.

The campaign had certain advantages that may not be present in other cases: a focus on a single weapon, an easy-to-grasp message, and highly emotive content. The weapon itself was neither economically important nor militarily vital. However, the campaign proved that governments and civil society working together can rapidly address a major humanitarian concern, overcoming the opposition of the world's biggest and seemingly most uncompromising states.

Sources: International Campaign to Ban Landmines (2001, 2005) 'Landmine Monitor Report' (www.icbl.org); International Campaign to Ban Landmines (2006) 'Global Success, Big Challenges: Mine Ban Treaty Turns 7', press release, 1 March 2006; R. Muggah and S. Batchelor (2002) 'Development Held Hostage: Assessing the Effects of Small Arms Availability', UN Development Programme, Bureau of Crisis Prevention and Recovery, New York (this report mentions a figure of 25,000 casualties a year); S. Goose (2000) 'The Campaign to Ban Antipersonnel Mines – Potential Lessons', paper presented at the conference Human Security: New Definitions and Roles for Global Civil Society, Montreal International Forum.

CLIMATE CHANGE

Climate change is no longer a potential threat, the distant consequence of continued pollution. Scientific analysis of the European heatwave of 2003 that killed over 30,000 people showed it to be more clearly attributable to global warming than any previous disaster – climate change finally had its smoking gun.[247] In 2010, a year of extraordinary climatic crises produced floods in Pakistan that affected 20 million people and caused what UN Secretary General Ban Ki-Moon described as the worst disaster he had ever seen; record-breaking floods in Australia, China, Colombia, the Philippines, and Thailand; a 100-year drought in the Amazon basin; and, the worst forest fires in decades in Russia, responsible for more than 50 deaths. Drought in the Horn of Africa in 2011 provided a grim foretaste of what awaits the continent if climate change continues unchecked. Each disaster reaffirmed the shift from potential to actual impacts reflected in the Intergovernmental Panel on Climate Change's 2007 report. The challenge this presents the international community has never been clearer or more urgent.

In the rich countries, governments are already responding – the UK has nearly doubled spending on flood control and coastal erosion[248] – and insurance premiums are rising in tandem with the added risks. As discussed in Part 4, developing countries face far greater risks from climate change, because they are exposed to more intense climate-related hazards and because poor people and communities are less well equipped to withstand such shocks. Without urgent action, climate change will undermine decades of development and will increase poverty and inequality at both global and national levels. Even rich countries are not immune to such dramatic impacts – but poor countries are being affected first, and worst.

Scientists have been aware of the threats posed by climate change for decades, but the international apparatus for addressing the problem is more recent and is still largely incomplete. Beyond the scattered initiatives of some national governments, what currently exists is an agreement on the reduction of greenhouse gas emissions (known as 'mitigation') by some wealthy nations, carbon trading schemes to assist in that task, and several small international funds set up to assess and help pay for the additional costs of coping with climate change (known as 'adaptation') in developing countries.

These responses, organised under the 1992 UN Framework Convention on Climate Change and its 1997 Kyoto Protocol, are as yet entirely inadequate relative to the ultimate objective of the Convention: to stabilise the global climate within a timeframe that allows ecosystems to adapt naturally, ensures food production is not threatened, and enables sustainable development to take place. Increasingly, many observers now openly acknowledge that the Convention is failing to achieve this objective. While governments committed to avoid an average global temperature increase of more than 2°C at the 2010 UN climate conference in Cancún, many scientists argue that achieving that objective would require even more ambitious action to avoid an increase beyond 1.5 degrees. But scientists estimate that avoiding 2°C – let alone 1.5 – with a probability of success greater than two-thirds would require a turnaround by 2020.[249] Following the 2011 UN climate conference in Durban, this seems less likely than ever. While governments did not completely rule out necessary action within that timeframe, they fell far short of committing to it. They agreed to conclude an emissions-cutting agreement in 2015, which would only begin to take effect *after* 2020.

WHAT'S FAIR: STOP HARMING, START HELPING

Meeting this challenge will be a Herculean task, on the scale of global wartime mobilisation. Because the world economy is entirely dependent upon the fossil fuels that are the worst culprits in causing global greenhouse gas emissions, the need to tackle these emissions has far-reaching implications. Few economic sectors will be untouched, and the political, managerial, and organisational challenges of driving the rapid changes needed are massive. Further, the spillover effects of both impacts of, and responses to, growing emissions will affect all other aspects of the international system, including regimes governing trade and financial flows, aid and humanitarian relief, and conflict and security.

However, the challenge for the international climate regime is not just to ensure that global emissions of greenhouse gases are cut radically and fast: this must be done in a way that redresses the deep injustices that lie at the heart of climate change. Poor people least responsible for climate change are now most at risk from its impacts (see Part 4). Climate change will force developing countries not only to prepare for unprecedented natural disasters and adapt agriculture to significantly drier or wetter conditions (or both), but to build modern economies without heavy dependence on fossil fuels – something no country has ever done before. And all this on top of the pressing need to overcome poverty and inequality.

Since industrialised countries bear an overwhelming historical responsibility for the excess carbon currently in the atmosphere, they have a duty to lead in both mitigation and adaptation efforts, at home and abroad. This is part of the 'ecological debt' rich countries owe poor countries, which has been estimated to exceed the entire developing world's actual debt of $1.8 trillion.[250] In other words, the international regime must ensure that the richest, most responsible countries stop harming and start helping.

The principles of equity that underpin this view are written into the international climate regime, which states that rich countries 'should take the lead in combating climate change and the adverse effects thereof'.[251] In addition to the importance of justice in its own right is the practical relevance of fairness and equity. Developing countries are unlikely to commit to take action under an international climate regime that is patently unfair. So far, the feeble pledges of rich countries fall far short of requirements. The enormous political challenge that this represents can be seen in the resulting stand-off in international climate negotiations.

In order to secure an effective international climate regime, rich countries must move quickly to reduce their own emissions (i.e. stop harming), which still continue to rise year-on-year nearly 20 years after the UN Climate Convention was signed. In addition, rich countries must finance both adaptation and mitigation efforts – including development and deployment of relevant technologies – required in developing countries (i.e. start helping), to encourage sustainable development and poverty reduction. In turn, developing countries must put these incentives to work by taking steps to build their resilience to unavoidable climate change, and by moving to low-carbon development paths themselves.

JUST ADAPTATION

Early on in the climate negotiations, the Alliance of Small Island States (AOSIS) – gravely concerned that climate change could see many of its countries swallowed up by rising sea levels – raised the prospect of compensation for climate change damages under international environmental law.[252] Climate change could one day be treated as the equivalent of a gigantic industrial accident – an atmospheric *Deepwater Horizon*. But perhaps the closest parallel is with the tobacco industry, which has found itself forced to answer the question, 'Why did you continue trading and concealing evidence, when you knew your activities would lead to millions of deaths?'. Much the same could be asked of both companies and governments that, despite the increasing strength of the evidence, fail to rein in carbon emissions. Uganda's President Yoweri Museveni has described climate change as 'an act of aggression by the rich against the poor'.[253] Will the courts one day agree with him?

In large part, the answer will depend upon the extent to which rich countries deliver on their commitments and the principles underpinning these, such as the 'polluter pays' principle, which establishes the duty of polluters – rather than victims – to pay for the costs of their pollution. Since the worst impacts of climate change can be greatly reduced through effective preventive steps – preparing for floods, anticipating dry spells and heatwaves, building infrastructure to withstand unprecedented frequency and scale of climate-related disasters – paying for adaptation rather than damages is a much more efficient and humane approach for polluters to deliver on their obligations. Apart from helping to avoid a chaotic welter of litigation, it can save lives and boost, rather than undermine, human development.

How much will adaptation in developing countries cost? While calculating such costs is a complicated and inexact science, setting a ball-park figure is critical to provide guidelines for the international community. In 2009 the World Bank's 'Economics of Adaptation to Climate Change' project estimated global costs of adaptation in developing countries at $70–100 billion per year between 2010 and 2050, depending on whether wet or dry conditions prevail and assuming a temperature rise of only 2°C by 2050.[254] The 2007 *Human Development Report* called for $86bn annually by 2015 in order to avoid 'adaptation apartheid' – a gulf between rich countries, where massive adaptation outlays are already planned, and poor countries, currently being left to (literally) sink or swim.

National adaptation cost estimates are critical for better understanding how adaptation investments should be calculated and directed, it is already clear that unless the worst-hit countries – already strapped for cash – receive international compensatory financing, fighting climate change will stymie long-term efforts to reduce poverty. Equally, unless adaptation financing is additional to international aid commitments needed to achieve poverty reduction goals, developing countries will be unable to address both challenges.

Who should pay, and on what basis? The UN Climate Convention's principle of 'common but differentiated responsibilities and respective capabilities' (Article 3.1) provides a guide that still holds valid. Assuming that countries that are both *responsible* for producing excessive emissions and *capable* of providing assistance should bear the costs, Oxfam has developed an 'Adaptation Financing Index' as an indication of what each country should pay. On this basis, Oxfam has calculated that the USA, the European Union, Japan, Canada, and Australia are responsible for over 95 per cent of the financing needed. It estimates that the USA is responsible for over 40 per cent, the European Union for over 30 per cent, and Japan for over 10 per cent. Within the European Union, the top five contributors to adaptation financing should be Germany, the UK, Italy, France, and Spain.[255]

The international climate regime must become a strong and orderly global system to address both adaptation costs and the mitigation of carbon emissions. Rich countries have so far pledged less than $550m to international funds for developing country adaptation – less than 0.5 per cent of what is needed.[256] Even the most promising new source of funding, the Climate Change Adaptation Fund, which will fund adaptation measures in developing countries, initially with funds from a 2 per cent levy on carbon credits generated under the Clean Development Mechanism (CDM), discussed below, is only expected to raise another $80m–300m annually from 2008–12.

While the Adaptation Fund should become an important channel for directing resources for adaptation in developing countries it must work to complement the Green Climate Fund agreed in 2010, which over time could become the 'one stop shop' for climate finance, including adaptation. That is clearly needed by poor countries, along with the GCF's promised focus on women and civil society participation. But a fund is only as good as its funding base, and sources of predictable, long-term funding still need to be massively expanded in order to meet the scale of need. One approach that is consistent with incentives to reduce emissions is to earmark proceeds from the auction of emissions permits in domestic carbon markets, such as the EU Emissions Trading, as Germany has done since 2007, or to direct revenues collected from fair carbon pricing schemes for the high and rising emissions from international shipping and aviation. Whatever approach is finally adopted, fairness demands that rich countries explain how they will make good on their obligations and commitments to help the vulnerable countries meet the costs of climate adaptation.[257]

THE MITIGATION CHALLENGE

When the UN Climate Convention was signed at the Rio Earth Summit, in 1992, the international community looked forward to action by rich countries that would bring their emissions back down to 1990 levels by 2000. Today, as daily news reports chronicle how climate change is beginning to threaten food supplies and overrun the adaptive capacity of natural ecosystems, it is clear that the international community's efforts to address the climate threat are failing – at least relative to the ultimate objective of the Convention.

Globally, greenhouse gas emissions must fall sharply and fast. Ultimately, the questions, 'How far?' and 'How fast?' are political questions that the international community must answer, mindful that with each answer political leaders accept a degree of risk that poor people will bear most directly. Global cuts in the vicinity of 80 per cent below 1990 levels by mid-century are necessary in order to preserve a reasonable chance of keeping global warming below 2°C – let alone the 1.5°C that is increasingly accepted as a safer ceiling. Even with this dramatic drop in emissions, the world still faces as much as a one-in-three chance of catastrophic climate change.[258] Each day, week, month, and year that passes while emissions continue to rise is a step closer to potentially irreversible changes that lie across the 2°C threshold. Each delay in beginning to bend the emissions curve downwards makes reaching the 80 per cent target more expensive – and more unlikely.

In 2006, former World Bank chief economist Sir Nicholas Stern estimated the costs of stabilising carbon emissions at around 1 per cent of global GDP by 2050 – an enormous amount, but ultimately tolerable, and dwarfed by the 5–20 per cent of global output that Stern estimated would be the cost of *inaction*.[259] His influential review made a strong case for urgent action, arguing that mitigation 'must be viewed as an investment, a cost incurred now and in the coming few decades to avoid the risks of very severe consequences in the future'. The report concluded that: 'Tackling climate change is the pro-growth strategy for the longer term, and it can be done in a way that does not cap the aspirations for growth of rich or poor countries. The earlier effective action is taken, the less costly it will be.'

Discussions to date have often degenerated into an unproductive standoff in which rich countries argue that fast-growing nations such as China and India need to accept curbs on their emissions while making only feeble progress in doing so themselves, whereas the poorer, more populous countries point to their much lower emissions per capita and the historic culpability of the rich countries in squandering the planet's carbon tolerance levels, and stress the developmental need for growth.

Bridging this divide is clearly a pre-condition for progress towards the level of global cuts necessary, as well as an indicator of the extent to which any future climate regime is perceived to deliver justice. Requiring poor countries and communities to forgo prosperity in order to save the planet is tantamount to asking them to pick up the tab for centuries of pollution by developed countries. It is both unjust and unlikely to work.

Following the 2011 UN climate conference in Durban, the question of what share of global mitigation action is fair for each country to assume lies firmly at the heart of negotiations of the comprehensive agreement to be finalised by 2015. This question has been the proverbial elephant in the room for years. The latest round of UN negotiations kicked-off in Bali in 2007, with an agreement that hinged on an awkward balance of words (in paragraphs 1(b)(i) and 1(b)(ii)) that both maintained the formal distinction between 'developed' and 'developing' countries agreed in 1992 and blurred the boundary between them. But determining fair shares for climate action – moving towards a more real-world differentiation between countries' responsibilities for emissions and their capacity to act – only makes sense in the context of prior agreement on an overall global cap or limit to the amount of emissions humanity can or should tolerate. Without knowing the size of the pie, it's hard to know whose piece is too big or too small.

In Copenhagen in 2009, governments veered towards an alternative approach, with most agreeing to a voluntary (non-binding), 'pledge-and-review' model, which paid lip service to the global goal of avoiding a 2°C temperature increase but did not concern itself with the obvious gap between the bottom-up emission reductions pledged and either what was required to achieve the global goal or what each country's fair share might be.

One important outcome of the 2011 Durban conference was the recognition of the inadequacy of mitigation action these pledges represent, a concern that will only grow as the results of the fifth IPCC assessment report emerge in 2013–14. But the need to identify and divide up responsibility on the basis of fair shares is just as immutable as the conclusions of climate science. While the options for slicing up global emissions obligations are many, the ethical principles that must underpin any viable burden-sharing agreement boil down to:

- *Equal emissions per capita:* No one person has a greater right to the global atmosphere's carbon cycling capacity than anyone else.
- *Responsibility and capability:* People and countries must take action on the basis of their responsibility for causing the problem (historical emissions) and their capability to assist.
- *The right to development:* The current level of poverty in a country must be taken into account in determining its obligation to pay towards mitigation and adaptation.

Critically, the burden-sharing framework embodied in the post-2012 climate regime must be defensible according to objective application of these principles *and* must satisfy more subjective ideas of justice and fairness. One approach that does this is captured in the Greenhouse Development Rights framework, in which national obligations to make – or pay for – carbon cuts are based on past responsibility for emissions and current capacity to pay, while guaranteeing the right to development of poor countries. In contrast with other approaches, it takes intra-national inequality (of income and emissions) into account by exempting the income and emissions of people who fall below a minimal 'global middle class' threshold of about $7,000 per capita. It argues that rich countries bear responsibility for current climate change and so should pay for the lion's share of global adaptation and mitigation efforts, allowing developing countries to focus on poverty reduction and development.[260]

However the burden is shared, reversing centuries of rising carbon emissions will not be an easy task. How can governments, companies, and individuals ensure that emissions peak, and then fall, within the next 5 years? This question lies at the heart of the increasingly urgent debates on how to respond to climate change. The three main options use traditional tools of government policy.

Standards: Governments could reach global and/or national agreements setting emission standards for different industries, and agree a regime to enforce these rules. Examples include quality standards on vehicle emissions or legal requirements that new housing be carbon-neutral.

Subsidies: Rich country governments could subsidise carbon reduction efforts – for example research into new technologies in fields such as renewable energy or carbon capture – or they could support companies or individuals producing or adopting existing low-carbon equipment. All countries should also end perverse subsidies that actually encourage fossil fuel use and currently cost over $400bn a year – six times more than the spending on building up renewable energy sources.[261] If redirected, this could finance developing country adaptation.

Taxes: By ensuring that the true cost of carbon emissions is reflected in the prices paid by consumers, governments can create a system-wide incentive for low-carbon solutions and encourage innovation to meet this new demand. A tax on carbon emissions could curb greenhouse gases and at the same time raise funds for adaptation or other purposes. Taxes on air travel are increasingly justified as carbon taxes. However, although simpler to implement, taxes will not necessarily reduce the quantity of emissions, which is the critical factor in combating global warming.

Another approach that has gained great momentum combines standards and taxes to use price pressures to drive down carbon use via a regional, national, or global market for carbon emissions reductions. Modelled on US efforts to reduce sulphur dioxide emissions under the Clean Air Act, carbon trading allows companies to buy and sell 'carbon permits' so that those who find it easiest to reduce emissions do so, and make a profit by selling the resulting carbon savings to other companies who find it harder to cut their carbon footprint.

While individual governments have used all of the above approaches to reducing emissions, carbon trading was adopted early on as a central tool for driving the global response. But after growing nearly tenfold from 2005–8, carbon trading stalled after 2009, when the total value of the global market reached its peak at around $144 billion. The largest market by far continues to be the European Union's Emission Trading Scheme (EU ETS), which grew to 84 per cent of the global carbon market value in 2010, worth nearly $120bn. The Kyoto Protocol's Clean Development Mechanism (CDM) is the second largest, but due to growing uncertainty about the post-2012 period its value sank from 2007 to 2010, finishing lower than it started in 2005, the first year of the Kyoto Protocol. The remaining carbon markets – incipient domestic markets in Australia, Japan, Canada, and the USA – form a tiny fraction of total volumes.[262] Unlike the EU scheme or the CDM, these are not tied to the Kyoto commitments. There is also a small but still fast-growing voluntary market in offsets ($394m/125m tonnes of CO_2e in 2010).

The two main types of carbon trading that make up today's markets are emissions trading and offset trading. In the former, also known as 'cap and trade', the government sets a ceiling (or cap) on emissions from a particular economic sector and a schedule for lowering that ceiling over time. Companies in that sector are allocated a tradeable permit (or allowance) for their emissions, and must pay a fine if their emissions exceed that amount. Companies that find it cheaper to reduce their emissions can do so and sell their permits to other, dirtier, companies. The EU Emissions Trading Scheme is an early example of this kind of carbon market.

Trading in carbon offsets involves reducing emissions from projects outside of an economy that has an established mandatory cap on emissions. For example, by funding an energy efficiency project in a developing country, a state or company can earn credits for the reductions achieved and apply them to its own emissions allowance. The CDM run by the United Nations, involves trading offsets, while the EU Emissions Trading Scheme is a hybrid involving both kinds.

The carbon market is a construct of government policy, and its effectiveness hinges on the will and resolve of governments to set tough limits on emissions and reduce them over time. This is what creates market scarcity, driving the carbon price higher, creating the incentive for private sector actors to deliver more efficiency gains and greater reductions in emissions. While most observers and market players still expect convergence around a global carbon price in 2020, there is far less confidence as the 2012 deadline approaches that trading schemes will be expanded to other countries and sectors.[263] No instrument – whether market-based or not – can substitute for government action to limit and tighten the screws on carbon growth.

So far, carbon markets remain fragile, unproven, and hugely controversial. They are also relatively small, covering only a fraction of global carbon emissions . On the plus side, they have established market institutions, rules, and a price for carbon that responds in real time to changing global conditions. That much constitutes an impressive piece of institutional innovation, and discussions about the future of carbon trading under a post-2012 framework are buzzing. But the real test is whether this market will lead to rapid and significant emissions reductions and low-carbon investments, in both North and South. And therein lie significant drawbacks:

- Thanks to industry lobbying, caps were initially set far too high in Europe's flagship scheme, and the price of carbon duly collapsed, removing incentives to cut emissions. Ongoing industry lobbying threatens to undercut proposals to introduce auctioning of emissions permits into the ETS.
- The price of carbon has been too volatile to prompt the long-term investments in areas such as renewable energy that are required if emissions are to be reduced.[264]
- Because carbon trading seeks reductions in greenhouse gas emissions at the lowest possible overall cost, it channels private sector efforts toward the cheapest reductions rather than those that are vital in the long-term, such as changes to infrastructure, new technologies, and dispersed emissions sources (for example, transport and housing).

The CDM has had to grapple with other problems: severe doubts surround the credibility of monitoring and verification of carbon reductions in some countries; the poorest countries are effectively excluded by their low levels of emissions and lack of concentrated sources; and the initiative may even deter governments from curbing pollution, as they wait for a chance to 'cash in' under the CDM. In such circumstances the offsetting option within the EU scheme constitutes a major leakage, offering firms the chance to buy their way out of carbon constraints on the cheap, with few net benefits in curbing overall emissions.

There is also a real tension between the CDM's twin aims of reducing overall emissions and transferring funds for low-carbon investments in the South. The market suits big, cheap emissions reduction projects, such as overhauling outdated chemical plants, rather than the dispersed investments that benefit poor people directly.

The strength and utility of these markets depends on how existing policy frameworks are reformed to make them more stringent, predictable, and credible.[265] Some potential key developments under allowance-based cap-and-trade systems include extended geographic scope and linking between markets in different countries; inclusion of new sectors, such as aviation; and more auctioning of permits, instead of free handouts to polluters (the leading allocation method in the past). In the longer term, more radical exponents of market solutions have even floated the possibility of personal carbon permits, providing incentives for individuals to save energy and sell their savings to inveterate SUV-driving, flight-hopping carbon hogs.

To date, however, carbon markets have not delivered either significant emissions reductions or progress towards more sustainable development models. The risks of failure are enormous. By the time we know how effective carbon trading really is, billions more tonnes of carbon will have been pumped into the atmosphere and irreversible changes may well be under way.

The reliance on carbon trading betrays a mix of ideological bias and perhaps the influence of lobbying from traders always keen to create another profitable (and preferably volatile) market. Trying to apply a market solution like carbon trading to every problem can entail seemingly endless contortions, when often a simple regulation or tax would be both more direct and more effective.[266] Other approaches, such as regulation, subsidy, and taxation, must be included if the global response is to match up to the urgency of the challenge.

Regardless of the instruments employed, the global mitigation effort will require big changes in the way that high-consumption societies live, and in the distribution of finance and technology across the globe. Just as with adaptation, successful mitigation will require the transfer of clean energy technologies and finance to tailor and deploy these in developing country contexts on a massive scale. An innovation fund for clean development to finance an environmental equivalent of national poverty reduction strategies would be essential to allow developing countries to curb their emissions while also addressing poverty and inequality. It remains to be seen whether the Green Climate Fund can deliver this.

The Intergovernmental Panel on Climate Change (IPCC) shows what good global governance can achieve. Set up in 1988 by the UN's World Meteorological Organisation and the UN Environment Programme, the IPCC has since released four comprehensive assessments of the available scientific, technical, and socio-economic knowledge relevant to climate change, in 1990, 1995, 2001, and 2007. Policy-makers refer to these reports as the definitive word on the state of climate-related science.

The impressive authority and influence of the IPCC stem from the body's carefully conceived procedures and governance structure. Critically, the IPCC does not carry out any new scientific research itself; its reports are nothing but expert reviews of all of the published, peer-reviewed scientific findings available. It is expressly barred from making policy recommendations on the basis of its reviews – conclusions must be 'policy-relevant, not policy-prescriptive'.

Most importantly, as an intergovernmental body, the IPCC's conclusions must be agreed by all member governments before publication. This means that the IPCC's findings reflect not only the considered judgment and interpretation of around 1,000 scientists, but also a consensus of governments around the world.[267] It also means that its findings tend to be presented in the most conservative possible form, since governments that maintain an active interest in muzzling inconvenient scientific findings have some sway over decision-making.

Accused variously of 'scientific activism' or of being overly beholden to powerful government interests, the IPCC has worked relentlessly to consolidate, update, and communicate knowledge about human-induced climate change, in spite of intense political pressures. These efforts earned the IPCC the 2007 Nobel Peace Prize (shared with former US Vice President turned climate campaigner, Al Gore).

In contrast, an array of foot-draggers and deniers, ranging from genuine opponents to self-serving lobbyists, have put up a determined opposition. The Global Climate Coalition (GCC), set up in 1989 by the energy and automotive industries, opted for tactics employed by the tobacco lobby – one of whose lobbyists had the private slogan 'doubt is our product' – to, in the words of one leaked internal memo, 'reposition global warming as theory rather than fact'. Its most important victory was perhaps the US Senate's 95-to-0 vote in 1997 to oppose US participation in any agreement (i.e. the Kyoto Protocol) that imposed mandatory greenhouse gas reductions on the USA.

The GCC ran a $13m advertising campaign against Kyoto ('It's not Global and it won't work'), arguing it would damage competitiveness and unfairly let China and other developing countries 'off the hook'. Eventually the accumulation of evidence led BP to resign from the GCC in 1996, to be followed by Shell and Ford. In 2002, the coalition closed down, but its legacy is a public debate in the USA (the world's largest emitter) that still lags years behind that in Europe. Precious years have been wasted that increase both the urgency and difficulty of responding and the damage that is already under way.[268]

The most spectacular recent example of 'doubt is our product' lobbying by climate change deniers has been around what they dubbed 'climategate', where leaked emails showed sloppy behaviour by climate scientists at the University of East Anglia, on the eve of the crucial Copenhagen climate summit in 2009. Six committees subsequently investigated the allegations, finding no evidence of fraud or scientific misconduct, but by then the damage was done, and a cloud of doubt had fallen over the science surrounding climate change. While the scientific consensus on both its causes and consequences has continued to strengthen, public concern, especially in the North, has weakened.

On the other side of the debate, environmental and, increasingly, development organisations have been joined by some unusual allies from the private sector. Some business sectors with 30-year investment horizons, such as pension funds or oil companies, naturally think along a longer timescale than the four-year electoral cycles of many politicians. The banking, insurance, and reinsurance industries meanwhile have become alarmed at the spiralling costs of environmental disasters, or interested in the potential returns from climate-friendly energy sources, technologies, and production systems. Other long-term investors fear another type of 'climate risk', namely the risk that oil companies and others responsible for climate change could lay themselves open to future litigation, along similar lines to the tobacco and fast food industries, for failing to anticipate regulation of emissions.[269]

A dwindling band of economists still question whether the benefits justify the costs in terms of forgone growth and poverty reduction, taking the view that future costs and harm are much less important than current costs.[270] (This view ignores the possibility or impact of irreversible damage that cannot be meaningfully costed.) The Stern Report effectively countered such arguments. Progress has also been hampered by the intellectual gulf between the natural scientists who have so far dominated the climate change debate and the social scientists who lead discussions on development. The two academic tribes speak different languages, and so have struggled to build a common front.

Technology is bound to play a central role in the transition to a low-carbon economy that drastically reduces reliance on fossil fuels for transport, agriculture, and energy production. Technology is seen by some as a form of 'get out of jail free' card that will allow both rich and poor countries to keep growing their market economies while simultaneously achieving the reductions in carbon emissions needed to avoid catastrophic climate change. But is this techno-optimism justified?

One possibility is a new technology that transforms the world's reliance on carbon – for example, clean nuclear fusion that produces carbon-free energy. Nothing of that kind appears imminent, however (scientists have been trying to tame fusion for some 50 years, with little success) and even were such a technology to be discovered, it would take decades to commercialise and disseminate. With the global economy growing, and carbon emissions rising, the world cannot afford to wait any longer for such a painless technological fix to the problem.

Existing technology could in theory buy us some time, but only if the most advanced, cleanest techniques were to rapidly spread to all countries. If the whole world was able rapidly to become as carbon efficient (in terms of tonnes of carbon per unit GDP) as the more efficient, but not exceptional, developed countries (Germany, Italy, Japan, UK, Switzerland), global carbon emissions would fall by some 43 per cent. That, together with existing technological trends (global carbon efficiency has improved by about 1.6 per cent per annum since 1975), would buy us about 10 extra years in which to find a technological and development pathway that would allow us to cut global emissions by 80 per cent by 2050 compared to 1990 levels, (the level of reductions required to minimise the risk of catastrophic climate change).[271]

Such a wholesale switch to new and existing clean technologies would require a massive effort on a global scale, overriding intellectual property rules and short-term commercial self-interest, and backed by appropriate funding. It also ignores issues such as the rapidly rising use of air travel, which is becoming increasingly significant as a source of greenhouse gases, without any low-carbon alternative in sight. It may well be that patterns of consumption have to change as much as patterns of production. These are huge challenges, but the alternatives are equally unpalatable: cross your fingers and hope for some technological magic bullet to emerge, or accept lower global rates of growth in the market economy.

In practice, avoiding catastrophic climate change is likely to require a mix of solutions, including accelerated technology transfer, innovation, and reduced emissions in the big polluter countries. It remains an open question whether this will include lower growth rates in some or all countries, or whether a combination of human ingenuity and political leadership will be enough.

For the poorest countries, the transition to a low-carbon economy may not be so urgent – after all, with the exception of the giant and rapidly growing economies of China and India, their carbon footprint remains very small. Eventually, however, they will have to find a path to development that does not rely on massive fossil fuel consumption, either because prices are simply too high or because (in a manner analogous to the nuclear proliferation treaty) those countries that have already used huge reserves of carbon to industrialise their own economies will deny that option to others. Another key consideration is whether poor countries can afford to be 'locked out' of new, low-carbon energy systems that will inevitably become a driver of competitiveness in the future.

In effect, poor countries will have to make transitions to carbon-efficient economies earlier in their development paths than today's developed countries did, just as they are currently doing in terms of transitions to literacy, low child mortality rates, and lower birth rates. At the very least, this will require a change of mindset among elites in developing countries, who tend to aspire to US models of conspicuous consumption.

What if there is no technological fix, and a planned and publicly agreed rebalancing of growth fails to occur? Then, economic adjustments can only occur chaotically in a scramble for carbon based on brute force rather than reason. A complicating factor is the possibility that the world will hit 'peak oil' in the near future, leading to rapidly rising prices and further tensions over access to carbon reserves. While rising prices would help push the world towards cutting carbon emissions (indeed that is part of the reason behind carbon trading and carbon taxes), they are likely to be a disaster for equality. Take away political leadership, and any price-driven or even military struggle over resources between the world's poor people and its gas-guzzling elites can have only one outcome – the exclusion of those without the power or wealth to gain access to carbon.

At a global level, a power struggle between carbon 'haves' and 'have-nots' could bring an abrupt end to the period of rapid global development that followed the end of colonialism. In its place we might see the fall of a 'carbon curtain' separating a wealthy, high-tech group of countries (or populations within countries), able to protect themselves from the ravages of climate change and control access to carbon, from poor countries and communities living through a new Dark Age, prone to increasingly erratic and devastating climate conditions, unable to afford the carbon needed to join the wealthy group.

These are apocalyptic thoughts, and environmentalists have been accused of crying wolf in the past, only to be proved wrong by new technologies and further discoveries of natural resource deposits. But as Jared Diamond's book *Collapse* graphically shows, environmental damage, and the nature of society's response to it, explain the sudden disappearance of some of history's greatest civilisations.[272] It should be remembered that in Aesop's fable, the wolf did indeed attack the shepherd boy's flock, and no one came to his aid.

While the EU and the USA remain locked in stand-off over how the international climate regime should evolve, the biggest gulf lies between rich, industrialised countries and developing countries. Complicating matters further, developing country governments are themselves divided on climate change. Low-lying countries such as Bangladesh and a number of small island states face national disaster if sea levels continue to rise, and are vociferous in their demands for action. Others are in the middle of huge economic growth spurts, heavily dependent on rising fossil fuel use, and are rapidly becoming some of the largest greenhouse gas emitters in the world.

Such governments remain suspicious of calls to curb their emissions, pointing out that the rich North has industrialised on the basis of fossil fuels, and now wants to deny poor countries that same opportunity. They also argue that it is natural for large countries such as China or India to have large aggregate emissions: true 'carbon equity' should be on a per capita basis. On that reckoning, emissions from the industrialised nations still dwarf those from emerging powers.

They have a point, but global warming is a reality, and even as they resist imposed disciplines on their emissions, large developing countries are actively experimenting with different varieties of self-discipline. Brazil, China, India, Mexico, and South Africa have all introduced voluntary measures to moderate their emissions growth. However, the terms of disciplines assumed in the context of an international agreement, in particular the justice or injustice with which the pain is distributed between countries and between groups within them, continue to be hotly disputed. The transition to a low-carbon economy will be greatly eased if the rich countries move first and fastest (after all, they genuinely need to make deep cuts, while even the fastest-growing developing countries only need to stabilise at or around current levels), provide the technology and additional funding needed to reduce reliance on fossil fuels, and provide the large-scale financing needed urgently by developing countries to adapt and prevent the worst impacts in coming decades. But the pressure on emerging economies to assume their (fast-growing) fair share of global emissions reductions is growing in line with their carbon pollution each passing month and year.

Climate change represents one of the greatest ever challenges to global governance: it is a turbo-charged version of the other threats that the international system was created to counter, such as war or financial crises. Somehow, the international community must work together to drastically reduce carbon emissions, while ensuring the right to development for poor women and men in a carbon-constrained world. And the challenge is time-bound: inadequate action will determine an irreversible shift within the next 10 years.

Powerful interests profit from the lack of regulation, in this case of CO_2 emissions rather than the arms trade or capital flows. Global institutions are weak or are dominated by governments in thrall to those vested interests. The benefits from preventive measures will only accrue in a relatively far-off future, and often in different countries altogether. The political reality is that floods in New Orleans or Central Europe are much more likely to prompt action in Washington or Brussels than cyclones in Bangladesh or droughts in Niger.

New institutions of the kind required by climate change have come about in the past as the result of a shock that galvanises allies and convinces waverers, such as war or depression. Such shocks have enormous costs, especially for poor people. In this case, waiting for a major systemic shock will probably entail irreversible tipping points. In that, it resembles nuclear warfare, where global agreements must be reached *before* a major shock occurs.

Convincing the public of the need for short-term sacrifice in the interest of long-term solutions is always difficult: witness the glacial pace of pension reform in many countries. Achieving all this with equity is even harder – as in the Doha trade talks, where rich countries have resisted granting additional flexibility to any poor country that might become a competitor. Politicians may hope that a less costly path comes along in the shape of technological fixes that can obviate the need for difficult trade-offs. However, technological solutions could well end up increasing inequality, while the wilder visions of geo-engineering – such as sprinkling the oceans with iron filings to encourage algal growth or launching giant reflectors into space – are likely to have serious unintended consequences.

The political obstacles are great, but the scale of the threat is almost unimaginable: climate change could make large parts of the globe uninhabitable, triggering a species loss comparable to the end of the dinosaurs. One of those species might be our own. Perhaps more plausible is a disintegration of civilisation, catapulting society back centuries, if not millennia. The global governance of the international system faces no sterner test in the years to come.

GLOBAL GOVERNANCE IN THE TWENTY-FIRST CENTURY

The twenty-first century has already been characterised by growing economic *integration* and shifting power balances among nations: the decline of the post-World War II powers; the inexorable rise of new powers such as China and India; the increased role of regional and sub-regional blocs such as the African Union, Comesa (East and Southern Africa), Caricom (Caribbean), or ASEAN (East Asia); and the sometimes precipitate collapse of poor countries on the margins of these tectonic shifts. The institutions of global governance were built on an order that is rapidly eroding, and will have to evolve to keep pace with new challenges.

With all its limitations, global governance holds out the promise of building some fairness and predictability into international relations by reining in the powerful, ensuring that poor nations have sufficient policy space and resources to work their way out of poverty, and helping the most vulnerable. The challenge is to make sure that global governance resembles a safety net more than it does a trap.

The current institutions of global governance fall far short of fulfilling that hope: the fledgling G20 veers between offering new, more inclusive global leadership and a 'G zero', with no one taking responsibility; the UN struggles to reform itself into the kind of effective organisation that can implement its newly agreed 'responsibility to protect'; the World Bank and the IMF remain in the grip of a largely outdated and ideological economic doctrine that does great harm in many countries, and the same goes for the WTO; aid agencies move slowly to overcome their inefficiencies and to spend new aid money in ways that strengthen, and do not undermine, fledgling democracies.

Moreover, from a development point of view, there are gaping holes in the fabric of global governance. Issues of vital importance to poor countries, such as migration or access to knowledge, receive only the lightest of touches, whereas the issues that matter to the powerful countries, such as access to markets, capital movements, or protecting their technological edge, are rigorously enforced. Thus far, the profound systemic challenge posed by climate change and the need for rich and poor countries alike to move to a low-carbon model of development dwarf the response.

Yet in spite of all this, recent developments provide grounds for optimism that global governance can do better. For all its flaws, the G20 is better than the neocolonialism of the G8. The international community has offered important support to the uprisings of the Arab Spring. The creation of the International

Criminal Court should deter future generations of dictators and torturers who might previously have banked on remaining immune from prosecution. Resurgent developing countries have created new coalitions to challenge the West's dominance in organisations such as the WTO. Public awareness in the West of global poverty and inequality has never been higher, and politicians from all parties appear increasingly concerned about those global issues, such as climate change, that require global responses. The upsurge in civil society organisation worldwide provides a strong impetus for further progress.

Beneath the froth of news and events, attitudes and beliefs are changing. International human rights laws and treaties are slowly acquiring weight and traction in the minds of governments and citizens. Even the most egregious dictators now pay lip service to the rhetoric, if not the practice, of rights and democracy; international rules on weapons and trade have mitigated some of the worst predatory behaviour of the powerful; and international co-operation has motivated investment in global public goods. And perhaps most important of all, international systems have provided a vehicle for solidarity with the struggles of poor women and men. Nevertheless, the urgency and scale of the challenge means that global governance needs to go much further.

Prediction and ambition invariably fall short of what history actually delivers. In 1812, few foresaw the end of slavery; in 1912, New Zealand was the sole independent nation with universal suffrage (and even there, women could not yet stand for parliament). What changes of comparable magnitude will this new century bring? Will it, as some predict, be the 'Asian Century' and see China and India eclipse the old powers of Europe and the USA? Is the rise of a global 'middle class' of emerging nations akin to the rise of national middle classes that heralded the downfall of autocracy and the rise of democracy and, if so, will we move towards a system of one country, one vote or (much more radical, but more justifiable in terms of rights) of one person, one vote in global institutions? Either would be preferable to the one dollar, one vote system that prevails today in institutions such as the IMF.

And what of the UN? Will it come of age as something akin to a form of global government, perhaps with the UN Security Council expanding its remit from political to economic and environmental security (a process that is already under way, following its discussions on climate change)?

As international institutions, laws, and treaties proliferate, something resembling a global government is starting to rise from the morass, but its shape is unclear and its progress is beset with reversals. It looks like a saviour to some, a monster to others. In some lights it appears to be ruled by principles of the survival of the fittest, in others of global co-operation – Darwin or Gandhi, we do not yet know who will prevail. But we do know that the outcome will be critical in shaping the environment in which citizens and states struggle to eradicate poverty and tackle inequality, suffering, and the threat of environmental collapse over the course of this century.