All around the world, regions are struggling to reconcile growth with sustainable development. Inequality, unemployment and corruption are felt in every corner of society and need to be addressed in their specific regional context. In this chapter, we deep dive into specific regional issues and ask four experts from the Global Agenda Councils for innovative proposals.

To feel the irresistible force of the world’s fastest-growing economy first-hand, take a trip to People’s Square station in Shanghai during the morning rush hour. More than 400,000 people pass through this station every day, making it the busiest in China, as it serves a city that has grown by around 40% in the last decade. And Shanghai lags well behind Guangzhou, Beijing and Shenzhen in the growth stakes, the latter expanding almost 60% during the same period.

Asian respondents to the Survey on the Global Agenda named inequality (14%) and the role of China (11%) as the issues they are most concerned about. Take a 20-minute drive from Xintiandi, Shanghai’s glitziest retail hub, to the sprawling shantytown made from shipping containers near its docks and you can’t help but be struck by these twin challenges.

For Fu Jun, Professor of Political Economy at Peking University, and Vice-Chair of the Global Agenda Council on New Growth Models, the solution to sustainable Chinese growth hinges upon more domestic consumption, a more equal society and more efficient use of energy and resources. “For the Chinese economy to move forward, you need a balance between supply and demand,” he explains. “In the past, the balance manifested itself in exports, investment and consumption. The recent economic slowdown in the US...”
and Europe, however, put downward pressures on Chinese exports. To shore up growth, a huge amount of money was injected into the economy. But this kind of investment was mostly government-led and resulted in overcapacities, thus making it unsustainable. That leaves consumption.”

So, while a chastened US and Europe are having to tweak their economies in terms of overspending and over-reliance on the financial sector, China must work to redirect economic growth towards domestic consumption. Fu Jun says that this process will have to be finessed to involve the creation of better institutions to deal with monopolies of various kinds and to improve education, health and social issues, as well as the distribution of wealth.

The danger, he warns, “is complacency with China’s status quo (i.e., halfway between plan and market economy) expressed in various administrative monopolies. “For growth to be sustainable,” he argues, “China must continue to press ahead with market-oriented reforms, not just about goods and services, but also about factors of production, such that you build a truly level playing field.”

Given the resources, says Fu Jun, economic growth is a function of population multiplied by technology. Thanks to globalisation, China has managed to narrow the technology gap with advanced economies. “There is a catching-up process,” he explains. “And when you multiply this technology variable with a huge population, you get dramatic growth. The implications on resources are obvious and the answer to the challenge lies in energy-saving technologies. By technology, I mean not only hardware, but also institutional technology. Examples would include corporate governance, anti-trust, the rule of law, carbon trade and better integration into the world system. I would also add universities. Built on the principle of academic freedom, universities facilitate growth – albeit indirectly – by shaping norms, generating new ideas and pushing the frontier of human knowledge.”

Thus, to make growth more sustainable and inclusive in the future, China must also catch up and innovate in terms of institutional technology. “What is involved in sustainable growth is not only a good balance between man and nature, but also a good balance between state and market,” he says. “In addition to anti-corruption measures, maybe recalibrating the role of the state vis-à-vis that of the market will be high on the reform agenda of the new Chinese leadership.”

One region where economic reforms have pulled millions more people into the middle class – in part because of its freshly implemented $260 billion annual trade with China – is Latin America, an area bursting with commodities and energy. Brazil is now the world’s second-largest emerging market behind China and Latin American respondents to the Survey identified it as the country to focus on in their region. But they also picked out the many challenges facing Latin America, including inequality (30%), economic growth (14%) and education (13%).

It’s an assessment that Enrique García, President of CAF Development Bank of Latin America and Chair of the Global Agenda Council on Latin America, would agree with. “Yes, exports have grown, macroeconomic policies have improved after the hyper-inflation and the ‘lost decade’, but now we need to look at the micro-economy. It’s time for a bigger investment in education, technology and infrastructure,” he says.

“Overall, inequality throughout Latin America has not improved, which has not helped to incentivise people and has harmed our reputation worldwide. If our children now do not have the opportunity to study, it will be hard for us to accumulate the human capital required for the productive transformation and the structural changes we need,” he continues. “We have to work on better education, particularly in the tech field, but in order to do that we need a consensus among governments and society as a whole for their vision to develop a long-term agenda.”

Latin America – the search for equitable growth

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Middle East – planning for peace

Another part of the world struggling with a large informal economy and chronic joblessness is the Middle East, a region also dealing with political volatility ranging from regime change to civil war. This, compared to Latin America, makes long-term economic planning seem daunting. From Cairo, the economist and writer Mohamed El Dahshan points out that “in business you want to be able to plan five years ahead. In the Middle East, you can barely plan five months ahead – we are navigating through very thick smoke.”

Nevertheless, he insists, there are fundamentals that have to be changed. “We still need to make sure children enter school, that syllabuses are relevant and teachers are respected. So regardless of who comes into power, there are some deep-rooted challenges and some long-term reforms that need to be implemented. But it is possible – putting it into context, and comparing it with, say, the South Africa of 1984, we have seen countries come back from worse situations than this.”

Survey respondents across the Middle East and North Africa cite unemployment (45%) and political instability (27%) as the biggest challenges facing the region, but El Dahshan says that despite sectarian issues, it is the economy that will ultimately lift the Middle East and North African countries. “People’s primary concern is when their next pay cheque will arrive,” he says. As in pockets of South America, the ‘informal’ sector is when their next pay cheque will arrive,” he says. “Creating a company shouldn’t be a 10-month endeavour that costs two years of salary and involves kickbacks.

“Instead of giving out government contracts, you need to create an entrepreneur-friendly climate, whether people are running a kiosk or building the next Facebook,” says El Dahshan. The resources needed are financial, legal and human, with banks that know how to handle small companies and institutions that operate free of corruption.

“In this particular regard, the Middle East needs to learn from the West.”

What are the key challenges facing the Middle East in 2014?

- Political instability: 45%
- Unemployment: 27%
- Education: 7%
- Economic instability: 7%
- Poverty: 6%

Source: Survey on the Global Agenda 2013

Africa – fighting against corruption

Inequality and corruption do not only affect emerging countries. “Inequality is a fundamental issue facing every country. There are inequalities within countries and between countries,” says Huguette Labelle, Chair of Transparency International and a Member of the Global Agenda Council on Responsible Mineral Resources Management.

“Power and greed are part of the reason and corruption is a common denominator, but it is managed in different ways. In Western industrialised countries we see tax evasion, illicit trade and collusion on contracts. In poor countries the theft of public assets by some leaders remains a problem, but petty bribery has a crippling effect. Unless you successfully tackle corruption, you won’t reach equality of access and greater peace.”

Labelle says that corruption prevents developing countries from reaping the benefits when they exploit their natural resources. “In 2006, for example, the Treasury Department of the Democratic Republic of Congo received only $86,000 despite around $1 billion worth of minerals being exported from the country. Around $2.5 billion of gold has been taken out of Tanzania but the government there has received only $28 million a year over an eight-and-a-half-year period.”

She points out that there is “30–45% more chance of civil wars in countries with perceived corruption. “After seven years, I have seen, through the language and the content of the Global Agenda Councils, very important leadership being displayed in bringing the world community together to find practical solutions. I also notice that we have an increasing number of business leaders who are taking a much more direct and important role in pressing not just for clean business, but for governments to operate in a different way.”

El Dahshan agrees that research by the Global Agenda Councils becomes particularly useful as more developing countries adjust their economic tools to an urban setting. “Problems are increasingly complex, particularly where local communities don’t have all the answers. It is good that multiple councils are addressing such defined issues, rather than discussing one-size-fits-all solutions.”