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## **GLOBAL DEVELOPMENT: CHALLENGES OF PREDICTABILITY AND MANAGEABILITY**

The globalised nature of the world we live in has had a transformative effect on both a micro and macro level. It has helped construct a geo-economic new normal, which has been steadily transforming global affairs. The ripple effect of globalisation has reached far and wide. It has opened markets to an unprecedented extent, creating new opportunities and lifting millions out of extreme poverty. These changes, coupled with significant new developments including the Belt and Road initiative, are substantially re-drawing the economic map of Eurasia.

As economies mature, they increasingly need to change and deregulate to sustain their rate of growth. It is important to focus on innovation, improving its productivity and continue adding value. Developing countries should progress from producing components or goods which are then sold under another company's brand name, to developing its own internationally recognised brands. They should focus more on research and development in order to develop high-tech products which can be exported around the world.

Three quarters of a century after the end of the Second World War, we are also faced with a rapidly changing geopolitical environment. The power balance is no longer weighted to the West, as Asia gains more and more prominence. We are increasingly seeing that the global centres of influence are evolving. We are experiencing a United States which is increasingly withdrawing from the world stage – whether in the role it plays in the Middle East or by its calls for other nations to play a larger role within NATO. The role of existing multilateral alliances is also diminishing, with several key global players being increasingly preoccupied with domestic over international concerns. At the same time, some of the old Cold War rivalries have been re-emerging.

Many countries appear to be at an inflexible point. The old world order has been eroding – but a new structure for the maintenance of peace and security among nations has yet to emerge. As a result, we rely on ways of cooperating, and institutions to foster this cooperation, which are clearly outdated. At the same time, we are riding the tide of an even more fundamental global transformation. In the past century, our world has changed more fundamentally than it did over the history of mankind. The pace of change is accelerating at a record speed.

The challenges facing us, in our increasingly interconnected and globalized world, are also more wide-reaching

than ever. They include the spread of extremism and terrorism, the threat of economic crises, cyber-attack, epidemics and the fallout from conflict. The great challenge of our globalized world is that issues which arise in far-flung countries have the potential to affect us all.

On a global level, connectivity is the true driver of growth. Countries must focus on building lasting linkages and interdependencies as a way to boost jobs, economic activity and encourage development. With its forward-thinking Belt and Road initiative, China has made an important step in mobilising more than 60 nations to make a commitment to greater connectivity – thus indicating that the shift to this new paradigm is finally in sight for the world community. However, for the shift to focussing on connectivity to truly take root, continued engagement of all these countries – as well as other nations – is absolutely vital. The growing divisions in other parts of the world, and within society – on everything from racial and religious divides to the growing levels of income and opportunity inequality, need to be recognised and addressed without being allowed to escalate. It will be important for the countries that are making a commitment to boosting connectivity to, in time, demonstrate the positive impact it has had on their growth, prosperity and society. This is in order to present the attractive side of the new, even more interconnected world – a world where territorial conflict finally moves to be a thing of the past.

One of the greatest challenges we collectively face as a world is one of demographics. In the developed countries, this manifests itself in the form of shrinking and ageing populations, which places ever greater strain on the welfare state. Conversely, many parts of the world are witnessing a rapid population boom. With such demographic trends, broad-based educational reforms are vital. Young people trying to join the labour force should be equipped with the required skill sets, to boost the number of opportunities open to them. As populations expand, broad-based educational reforms are needed. Young people joining the labour force must have required skill sets, which limits the number of opportunities open to them. If they don't, the world runs the risk of having an alienated generation which feels no sense of investment and ownership in society – which can lead to a number of socio-economic and political issues. It runs the risk of having an alienated generation with a limited sense of disengagement with society. Conversely, unlocking the potential talent and capacity to work in these young people could be huge boost for the world. Policy makers should focus on making the most of this talent and capacity to work in these young people could be huge boost for all countries, increasing growth and prosperity.

About 800 million people still live in extreme poverty and suffer from hunger. In countries affected by conflict, the proportion of out-of-school children increased from 30

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per cent in 1999 to 36 per cent in 2012. Substantial progress has already been made – as witnessed by the progress made since the Millennium Development Goals (MDGs) were agreed upon. The United Nations has referred to the MDGs as the “most successful anti-poverty movement in history”. The number of people living on less than \$1.25 a day has been reduced from 1.9 billion in 1990 to 836 million in 2015. While significant gains have been made for many of the MDG targets worldwide, progress has been uneven across regions and countries, leaving significant gaps.

Still, more work needs to be done to lift the remaining 800 million people out of extreme poverty. In 2015, the United Nations outlined the Sustainable Development Goals (SDGs), which aim to continue the work to eradicate global poverty and fundamentally improve the lives of people across the world by its targeted date of 2030. It focuses on a holistic approach, and its goals include improving gender equality, spreading quality education, as well as building sustainable cities and achieving more environmentally-friendly growth.

Clearly, where there is absolute poverty – such as in cases of handicap, old age or illness – cash interventions are needed. But for sustainable long term development, targeted investment into areas that can make the most difference is key. Poverty is best fought not by subsidies and grants but by generating economic activity and giving people opportunities to earn money. For any development initiative to have a long term effect, the people it helps must feel a sense of ownership over it. For many developing countries reliant on agriculture, the provision of cheaper fertiliser, pesticides, quality seeds can have a significant effect in boosting economic activity. Ultimately all development and growth has to be needs-driven, and the needs of any one country will differ from another. Development agencies or governments or multinational organisations providing assistance must be able to adapt to these needs.

Above all, it is important to create an environment where people have the means and opportunity to start an enterprise and generate income. The roll out of microfinance – or small-scale loans – can have a transformative effect, offering new opportunities to start small businesses and boost activity. Dr Muhammad Yunus, the Nobel Peace Prize winner and founder of microcredit, has led the way in this – indeed, after following his work Pakistan was one of the first countries in the world introduce a regulatory framework for microfinance. The availability of microfinance allowed millions of people access to credit for the first time. Some banks catered specially for women and as a result a large proportion of loans were taken out by female borrowers, which became a crucial source of empowerment. Several other banks opened in rural and urban areas.

It is a government's responsibility towards making efforts to manage welfare provision and the public health system, as well as ensure that poverty figures are monitored carefully and needs can be adequately addressed to generate economic activity and income where it is most needed. Skills and vocational training are a vital part of generating economic activity. However, countries should realise that helping their less well off neighbours will ultimately boost activity and help maintain security in the region as a whole. Helping your neighbour develop and prosper will help you in the long run, too. It is in the interest of every country to have prospering, stable neighbours at their borders.

Conflicts remain the biggest threat to human development, with fragile and conflict-affected countries typically experiencing the highest poverty rates. Gender inequality still persists despite the fact that more girls are now in school and women have gained ground in parliamentary representation in nearly 90 per cent of the 174 countries with data over the past 20 years. Women continue to face discrimination in access to work, economic assets and participation in private and public decision making.

One of the biggest challenges for many countries is not only how to encourage growth, but how to make sure it is equitable. With growth comes the problem of inequality. The economist Thomas Picketty has provided us with a stark warning about the dangers of the increasingly widening gap between the rich and poor. He has argued that inequality is a systemic feature of capitalism because capital accumulates on wealth faster than labour generates it, and that the rate of return from capital is higher than from labour by a ratio of about five to one. This means extra resources should be set aside to manage the problems created by inequality, with wide-ranging social sector reform being implemented. If prudent policies are not undertaken to manage this transition, the social implications could be significant. Capitalising on the opportunities presented by technology – from increased automation to so-called “disruptive” innovation, which can transform old industries for the better – could be a step towards bringing our economies into the 21st century and unlocking new opportunities.

Countries need to develop a way to better safeguard their systems from future economic crises. Many are still feeling the effects of the last global crash – but the nature of economic cycles means there will always be another downturn. However, prudent policy-making and a commitment to ongoing structural reform can guard us against potential shocks. As economies mature, they need to have continuous reform programmes in place to create new approaches, opportunities and improve productivity. Structural reform will help open up industries to world-class standards of management, while making them more competitive. Foreign investment brings global standards, innovation, lowers the chance for corruption – and it does not impact sovereignty.

It is only through continuous reform that we can stay ahead of the curve. It is the best way to create the absorptive capacity for growth and ensuring a prosperous future for all countries. The more established economies are making way for countries which are pursuing dynamic structural reform programmes. There isn't a country – or an organisation – that is exempt from the urgent need to adapt and reform. Our technological changes make this more relevant than ever before. All policymakers should recognise that, in order to thrive, economies need to be subject to a continuing programme of broad-based structural reforms. Reforming a country should be an ongoing effort – change is the only constant.

Countries usually benefit from implementing an effective reform structural agenda involves opening up markets, increasing competitiveness, encouraging domestic and foreign investment. It is important to create an enabling environment for growth, and encouraging entrepreneurship and innovation. The government has a responsibility to provide good regulation and to ensure law and order is respected. It is also important to combine structural economic reforms with social sector improvements, boosting literacy rates,

providing opportunities to all citizens and improving gender equality. This will help empower people and give them a better future. Most importantly, we must remember that reform is a continuous process. This applies to developed and developing countries alike. If you stand still, you are in fact moving backwards.

We are living in the golden age of unprecedented technological change. We are buying goods and services that are cheaper and better than those of the past. Meanwhile, health, life expectancy and quality of life are improving. The “uberization” of the economy brings together supply and demand in a new and exciting way. More and more services are in the hands of the consumer. The ever-expanding frontiers of technology can be a huge boost for governments across the world. It can bring the following improvements in the delivery of public services for citizens, such as access to healthcare, and allow for a more efficient use of resources. Developments in e-governance could encourage good governance, transparency and allow for a smaller margin of error. Reducing people-to-people contact in all parts of government minimises the possible window for corruption.

However, where there are opportunities, there are also challenges. There will be consequences to these transformations that range from the socio-economic to the geopolitical. The way people work and live is rapidly changing. For some, automation means loss of jobs and the loss of livelihood. Policymakers across the world are finding ways to deal with significant changes in society, as well

as a more uncertain and splintered world. They must find a way to retrain workers who have lost their jobs to machines, providing them with adequate training and new adaptable skills. The rising problem of inequality and the gulf between rich and poor has the potential to bring serious tensions if not managed correctly. Our multilateral institutions are, at times, missing in action – we need a reformed and more effective United Nations to deal with future challenges and ensure and maintain global peace. Overall, the complexity of everything we do, both on a domestic and an international level, is presenting new challenges for all countries.

This means that we need strategic, far-sighted leadership to make the most of the opportunities that globalisation, the increasing interconnected world we live in and the technological revolution can bring. All countries need effective change management. Governments should focus on reforming our regulatory systems to reflect the changing world, but do it in a way that is careful not to stifle innovation. They should harness the opportunities technological change brings for social mobility, while guiding businesses through this transitional period and educating people how innovation can benefit them. They must provide access to the relevant skills training to unlock the opportunities all these changes can bring. This way, countries can ensure they build on the successes which increased cooperation has brought about so far, while continuing to work towards a brighter, more prosperous future.