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## International relations in 2030: the transformative power of large developing countries

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International relations in 2030:  
The transformative power of large  
developing countries

Lauren M. Phillips

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## Abstract

This paper sets out a vision for international relations and development cooperation for the year 2030. It argues that the major transformation of the international political economy between 2007 and 2030 is likely to be the rise of large developing countries to great power status. Current trends in the growth of the economic and political power of such countries are examined, as are risks to their continued growth. These trends suggest that by 2030, it is highly likely that China, and potentially other developing countries will have become major powers, and that the international distribution of power will be multipolar. This multipolarity is less likely to be conflictual than in previous periods of historical multipolarity because of the growth of international institutions and because of the economic interdependence of major powers. The implications of this rise of large developing countries on poorer, smaller countries are not clear cut: while smaller developing countries may benefit from an increased diversity of development paradigms and reformed international institutions, conflict amongst great powers for power and influence could be played out on their territory. However, conflict between North and South over development goals and objectives is not thought to be a major risk. The overall vision for 2030 is an optimistic one, but this optimism depends both on the actions of existing and new powers in the coming 25 years.

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## 1 Introduction: Futurology and its risks

Predicting the future of international relations is probably a task best left to clairvoyants as most of what makes up political and economic history consists of as unexpected discontinuities from established trends (Doran 1999). Given this, predicting the way the world will be shaped in 25 years is a particularly difficult task as these very discontinuities have an impact on future trends in an ongoing and iterative manner. To give a concrete example, imagine attempting to predict the world of 2005 from the year 1980. Even the best thinkers did not predict major events which shaped the next 25 years of history and the resulting constellation of power in 2005: the fall of the Soviet Union, the Latin American debt crisis, the outbreak of AIDS and its transformation of the health situation in large swaths of sub-Saharan Africa, the financial crises of the 1990s, the spectacular economic transformation of China, the rise of trans-national terrorist groups, the alteration of trade and finance through the internet and other technological improvements, etc.

Nonetheless, this paper sets out to do the impossible. It seeks to paint a broad picture of what the world of international relations and development will look like in 2030 from the vantage point of 2007. It is organised around a central premise: that the major changes in the international political economy likely to occur over the coming 25 years are primarily related to the rise of emerging powers such as China, India, Brazil and South Africa. This is just one of several potential alternative visions for the coming quarter century that could have been articulated. As Humphrey and Messner note, since the early 1990s, at least six alternatives have been expressed for the future of international relations: Fukuyama's "end of history" which anticipated conflict between democratic and a small minority of non-democratic states; Mearsheimer's vision of security based conflicts stemming from nuclear proliferation (and later authors who adapted the argument to global terrorism); Huntington's "clash of civilizations"; Kennedy and Kaplan's vision for increasing contestation between the have and have not's; and Friedman's vision of conflict around a gap of globalization (Humphrey / Messner 2006a, 3).

The paper examines the rise of developing countries – which is in effect an extension of the last two visions articulated above – as the primary change in the next 25 years of international relations for two reasons: first, developing economies, and China as well as India in particular, make up an increasingly large percentage of global production and consumption, and due to their size, have a strong impact on the production and consumption patterns and possibilities of other countries. India and China's combined population accounts for more than 35 % of global population, and India continues to grow rapidly as both countries become richer. By the end of 2007, China will be the third largest economy in the world, as its GDP in real Dollar terms will slightly surpass Germany's. Other developing countries like Brazil and India (the world's 10<sup>th</sup> and 13<sup>th</sup> largest economies, respectively) are also growing rapidly and are changing competition in industries such as bio-fuel and computer technology.

Second, the increasing role of large developing countries in the international economy means increasing power in the sphere of international relations, particularly for the largest states or regional leaders. The growing power and wealth of China is of particular interest because it has some characteristics possessed only by so-called "great powers" (e.g. a substantial nuclear arsenal, a large standing army, a veto in the UN Security Council, etc.) and therefore its ascendancy is likely to provoke a stronger response from existing powers be-

cause of both the perception of its “threat” to current power structures and the reality of its impact. But the rise of other developing countries will also have, and indeed has already begun to have, strong impacts on systems of global governance and on development more broadly defined. Room will have to be made in existing international organisations for these countries if the institutions are to remain relevant bodies through which to govern the international political economy.

While the central premise of the paper is that the world of 2030 could look quite different given the rise of new global powers, the growth of large developing countries from 2007 to 2030 is not assumed to be a pre-ordained fact, nor is it assumed that patterns of growth will be homogenous or smooth. There are a number of risks that could prevent any of these countries from becoming major powers in the next 25 years. These include, but are not limited to, environmental risks such as climate change, resource constraints, domestic political concerns, the maintenance of international financial stability and demographic challenges. Furthermore, the rise of large developing economies will be highly uneven across a number of metrics. Some countries are more likely to rise than others – groupings such as Brazil, Russia, India and China, or the “BRICs,” a term whose origins and assumptions are discussed in greater depth in a later section – obscure rather than illuminate the likely changes in the world economy because of the vastly different economic and political conditions that exist in the countries they encompass.

Additionally, the impact of their rising power and influence will also be widely different: while China’s rise has the ability to transform relations *amongst* developed nations, it is unlikely that the growth and assertiveness of Mexico, for example, would have the same effect even if it were to occur. And finally, the impact of their rise will also be different on other developing countries. Africa’s economic prospects are constrained differently by the rise of China than India, and many of Latin America’s poorest countries would be more affected by the rise of an assertive Venezuela than an assertive China. These variations in probability and impact are kept in mind throughout the paper to such an extent that the discussion about the probable rise of China is treated separately from the discussion of the rise of other developing nations.

The rise of large developing states is not likely to be the only significant change in the fields of international politics and development between now and 2030. The discussion on rising powers generally tends to overlook the Middle East, despite the increasing wealth and influence of a number of countries in the region and the impact that it has on broader themes in international relations. Additionally, internal political and economic dynamics will drive Africa’s development prospects to as much or greater an extent than either the aid regime or economic relations with the West, China and other powers. And while the inclusion of India in the rising power discussion sheds light on a large part of South Asia, it still overlooks remaining countries in the region as well as countries in Central Asia. A similar observation can be made about Central America and most Andean countries. All of these issues are of critical importance, but given the difficulties established in the opening paragraphs of making precise predictions about events that will shape these regions, the lens of rising powers is employed as a general framework in which to understand the ways that the world will be organised in 2030.

The paper starts with a necessary discussion of the current world order, drawing heavily on theories from the field of international relations. This description of the current world



order is broken into two component parts. First, using realist international relations theory, the current constellation of power in the international political economy is described. These works are used to discuss to what extent current US power can be described as either unipolar, hegemonic or both, and what the weaknesses are in this power structure if any. Second, using liberal international relations theory, the current constellations of agreements and institutions which characterise the international sphere are described. The thrust of this argument is that while international institutions play an important role in shaping states' behaviour and setting rules and norms about international action, the current constellation of international institutions has been weakened by a number of challenges to their legitimacy which have been left unanswered. Therefore, both major strands of theory lead to a similar conclusion: the current international order does not look particularly strong or stable and therefore, probability of change in the medium term is enhanced.

The third part of the paper outlines the broad argument around the rise of large developing states, looking at current evidence and future trajectories of economic and political power. It also discusses three constraints to the continued growth of developing states power: environmental problems, especially climate change, domestic political stability and international financial stability. Section IV is focused particularly on how the rise of China might transform relations amongst so-called great powers, while section V looks at three different scenarios for international order in 2030: conflictual bipolarity (China and US), conflictual multipolarity, and non-conflictual multipolarity. The third is considered to be the most likely. The final substantive sections of the paper seeks to do almost everything else – that is to say, to provide a quick overview of the implications of the trends discussed in this paper on all other developing countries as they progress towards 2030 and to discuss the implications of this new constellation of power on international development cooperation. This is obviously a highly superficial treatment, but it is meant to provide some insight into how the above constellations of power could affect other developing countries and how international development cooperation will be affected. A final brief section concludes.

## **2 The status quo: A view of the current world order, from different ends of the IR theoretical spectrum**

A reflection on the current world order is necessary if one is to make accurate or at least realistic predictions about the future of international relations. Additionally, while considering international relations related to development cooperation is the primary purpose of this article, it is impossible to divorce the fate of development from the fate of great powers who lead the current world order. Therefore, this section attempts to briefly overview the state of current international relations, as perceived by two different and predominant schools of theory.

## 2.1 The realist vision of current international relations and balance of power theory

A core theoretical concept in the realist and neo-realist school of international relations<sup>1</sup> is balance of power theory which argues that much can be understood about the state of international relations by understanding how power is distributed amongst countries and how countries are likely to respond to the current constellation of power. The concept of balance of power is therefore used in this section to understand the current and potential future shape of international relations.

There is wide-spread agreement amongst realist scholars of international relations that the collapse of the Soviet Union (USSR) ended a long period in which two great powers, the United States and the USSR, controlled or held sway over correspondingly large swaths of the global political economy. This balance of power system was described by most as “bipolarity”: an international system in which power was balanced among two great states. There is a general perception that bipolarity is one of the most stable possible world systems, a conclusion which is largely driven by 20<sup>th</sup> century historical observation. Bipolarity in this framework is contrasted to previous periods where there were multiple significant powers or “multipolarity,” the situation generally used to describe Europe before and during the World Wars, which is perceived to be highly unstable. This instability is said to stem from the need for competing powers to balance one another – small gains in power of one state lead to a race by others to catch up and a fear of predominance which can lead to conflict.

Both of these systems are in turn compared to “unipolarity,” the term used by almost all realist scholars to describe the period from the end of the Cold War to the present (see Krauthammer 1991 for an early and pivotal piece describing the “unipolar moment”).<sup>2</sup> US economic, military and social / ideological power is unrivalled by any other nation state. This judgement is made by looking at a combination of “hard” power such as GDP, military strength and population (Mearsheimer 2001) and “soft” power including social and cultural persuasiveness (Nye 2002). The stability and longevity of unipolar systems are actively debated but most believe that it is the least stable of possible international power configurations. As the father of neo-realism Kenneth Waltz explains: “Unipolarity appears as the least stable of international configurations. Unlikely though it is, a dominant power may behave with moderation, restraint, and forbearance. Even if it does, however, weaker states will worry about its future behaviour ... Faced by unbalanced power, states try to increase their own strength or they ally with others to bring the international distribution of power into balance” (Waltz 1997, 915). He further makes the point that while the unipolar state, in this case the US, might believe that it is using its powers to promote principles such as human rights, justice and democracy, there are undoubtedly times in which rivals will see US action as self-serving and in violation of those stated principles.

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1 Referred to as realist for simplicity throughout the paper, despite differences between realism and neo-realism.

2 There are other distributions of power. Wilkinson provides a set of global power-configurations ordered as to increasing centralisation: “nonpolarity, multipolarity, tripolarity, bipolarity, nonhegemonic unipolarity, hegemony, and universal state / universal empire” (Wilkinson 1999, 142).

While there is relatively little disagreement amongst realists about the current configuration of power (see Wohlforth 1999 for a notable exception), there is some controversy about whether US power can accurately be described as both unipolar and hegemonic. A hegemon is a dominant power that is able to shape the world order and the behaviour of other states as it sees fit – it is a situation which encompasses and goes beyond unipolarity. Wilkinson describes this situation in the following way:

*“If hegemony is understood as a unipolar configuration of politico-military capability with a structure of influence that matches capability, unipolarity without hegemony is a configuration where the preponderant capability of a single state is not matched by a predominant influence”* (Wilkinson 1999, 143).

Wilkinson argues that the US is a non-hegemonic unipolar power because it cannot usually get other large powers to do what it wants, and sometimes fails with small or medium sized powers. While the distinction between non-hegemonic unipolarity and hegemony might seem pedantic, it is important because the two assumptions have different implications for understanding how international relations is likely to progress over the coming 25 years. A hegemonic American power, or one perceived as such by the country’s political leaders, is more likely to be upset by rising powers than a non-hegemonic one.

Overall then, realist scholars believe that the current world order is characterised by a unipolar configuration in which the US is predominant in all major components of power: economic, military, technological, and geopolitical. Most agree that this system is unlikely to persist indefinitely, and indeed, the consensus view is that unipolarity is a highly unstable power configuration which already shows strain. As Waltz states: “Multipolarity is developing before our eyes: To all but the myopic, it can already be seen on the horizon” (Waltz 1997, 915). He cites China and Japan as two states that are actively attempting to restore a balance of power towards bi- or multipolarity; more recent scholarship has emphasised the potential transformative role of China and India to “unstable multipolarity” (Humphrey / Messner 2006b). This debate is taken up under the section entitled the Rise of China (IV), where the Chinese ability and desire to challenge US power is evaluated. A brief treatment of the potential rise of other power rivals (including a more unified Europe) is also provided in section V.

## 2.2 The world through institutions: Liberal views of the current world order

In contrast to realists whose primary interest in understanding international relations is through the lens of power, liberal international relations theorists are more interested in the norms and codes of behaviour – whether formalised or non-formalised – which characterise and guide inter-state relations. Liberal theory comprises a wide array of scholarship, but in this section, the primary focus is on institutional theories of international relations. Unlike realists, who see the state system as an anarchical one driven purely by the national interest of the powerful, institutionalists argue that there are rational reasons that explain the cooperation of even the most powerful states with the rules established by international organisations. For example, powerful states can delegate monitoring of commitments to rules they had some part in shaping to international organisations, reducing the burden of monitoring and information gathering on a state to state basis (Milner 1997). States also benefit from some level of shared understanding about what behaviour is generally within

agreed norms of “international society” (Bull 1977). Institutions are thought to play a key role in maintaining peace and security (Keohane 1993).

Given this focus on international institutions and other non-institutionalised norms of behaviour guiding inter-state affairs, it is appropriate to determine the status quo of international relations by examining the health of international institutions and the strength of non-institutionalised norms of international society. While it is generally agreed amongst liberal international relations scholars that the post-war era marks an exceptionally high level of international institutionalisation which has in turn contributed to and reinforced “complex interdependence” among nations (Keohane / Nye 1977) and later globalisation (Keohane / Nye 2000), there is also a prevalent view that international institutions at present look ill-suited to purpose and are, almost across the board, facing a crisis of legitimacy (Nye 2001) and a severe “democratic deficit” (Dahl 1999; Held / Koenig-Archibugi 2004; Moravcsik 2004). These problems are found, to varying degrees, over a number of international institutions including those governing the international economy (the WTO, IMF and World Bank), “private” international institutions such as regulatory networks established by corporations, environmental institutions and others. Exacerbating these shortcomings are the extent to which scholars believe that international institutions cannot operate effectively if they do not provide sufficient voice to all members, including the poorest countries (Woods 2001; Woods / Narlikar 2001). Many liberal scholars believe that reform of the institutions is inevitable if their crisis of legitimacy is to be solved.

The ongoing effectiveness of non-institutionalised norms of behaviour in the field of international relations also leads to pessimism. While there was wide spread belief that there was an “expansion of international society” taking place in the 1980s and 1990s as the policy methods, objectives and paradigms of developed and developing countries came more and more to resemble one another (Bull / Watson 1985), developments since the start of this decade seem to signal that developing countries are now taking a more confrontational stance, more akin to the 1970s and previous decades (Hurrell / Narlikar 2006).<sup>3</sup> There is increasing concern about the ways in which rising powers, and China and India in particular, might challenge agreed norms of international behaviour, in particular in realms such as international aid (Manning 2006).

Thus, like realist scholars of international relations who see the current organisation of global political power as unstable and ripe for change, liberal scholars of international relations recognise significant weaknesses in systems of international governance – both in institutionalised and non-institutionalised regimes. The inevitable conclusion of this review is that the status quo of international relations is ripe for change – both in terms of distribution of power and in terms of the ways in which the international political economy is governed on a trans-national basis. The following section suggests that these changes are likely to take the form of the rising power of large developing countries, whose economic and political strength has been growing rapidly since the start of this decade. This growth of power and wealth is likely to accelerate and be consolidated in the years to 2030, reshaping global politics in the process, a vision of which is provided in Section V.

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<sup>3</sup> The authors are careful to document the many ways in which the confrontations of this decade and the 1970s and previous periods are different. Their research is reviewed in more depth in Section III.

### **3 The rise of large developing countries: How far? How fast?**

The Cancun Ministerial of the World Trade Organization held in September 2003 drew international attention to large developing countries involved in the so-called G22, a group of developing countries who had forged a common position on agriculture and used their joint strength to negotiate with larger countries such as the US or the EU trading block. The ministerial collapsed in no small part because the group blocked further discussion on the inclusion of so-called “Singapore Issues” (investment, competition, procurement and trade facilitation) in the WTO if discussion on agriculture did not move forward. Increased attention to the rising power of large developing countries began largely after this time – both in academic journals and in the press. Academics were interested in understanding how developing countries had overcome previous collective action problems to maintain a cohesive voting stance within the WTO (Narlikar / Tussie 2004; Narlikar / Wilkinson 2004), whereas the press began to focus on this story as part of a larger rise of developing countries, especially China and India, and to a lesser extent Brazil and other nations.

2003 was also an important year in the discussion about the rise of developing powers because of the publication of a relatively simple piece of research in October by two analysts at the global investment bank Goldman Sachs. Entitled “Dreaming With BRICs: The Path to 2050,” the report argued that the world economy would be dramatically transformed in the coming 50 years by the growth of four emerging market economies – Brazil, Russia, India and China (Wilson / Purushothaman 2003). The authors forecasted that of the current “G6” (the US, Japan, Germany, France, Italy and the UK) only two would remain on the list in 2050 – the US and Japan. Brazil, Russia, India and China (collectively, the BRICs) would take the other four slots. They expected China to become the second largest economy in the world as early as 2015, and surpass the US by sometime around 2040. While the assumptions and conclusions of this report are discussed in greater detail in the following sub-section, the piece was important because it introduced a new and very popular acronym for describing large developing countries and their increasing power. The UK’s Department for International Development, for example, adopted the BRICS (the additional “S” added for South Africa) terminology as a central component of their 2008–2013 research agenda stating that: “A seismic shift in geo-politics will accompany changes in the world economy. The economic growth of India and China will result in a multi-polar world order. The impact of the BRICS’ economies on poorer countries needs to be assessed now, as do BRICS’ own development experiences and their aid policies.”

These two events were watersheds because they marked the first major indicators that economic and political relations were changing amongst developed and developing countries, with developing countries becoming a much more important force in the international political economy. This subsequent section looks at to what extent large developing countries have already attained new economic and political powers, and also evaluates forecasts of the development of these two realms of power over the next 25 years. While distinguishing between political and economic power is necessarily arbitrary, it helps to focus attention on economic forecasts separately from changing constellations of power in international institutions and other global forums.

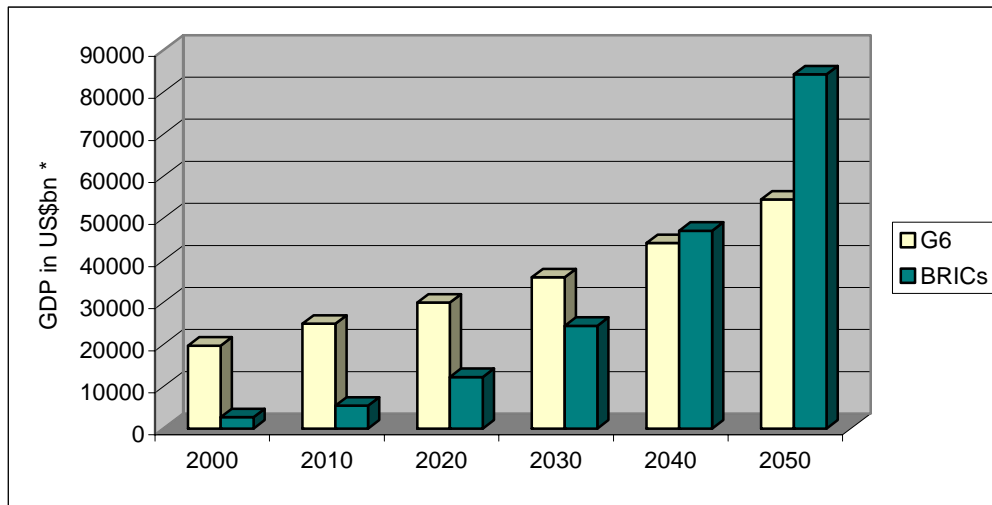
### 3.1 The new drivers of the global economy: BRICS and beyond

The BRICs research piece that started a storm of interest in large developing economies was a relatively straight-forward forecast of how these four economies were expected to grow between 2003 and 2050. The article side-stepped a number of potential issues that could retard the growth of these economies (and indeed also overlooked transformations that would help the US and European economies to grow much more quickly), and instead made the key assumption that “the BRICs maintain policies and develop institutions that are supportive of growth.” While acknowledging that “each of the BRICs faces significant challenges in keeping development on track,” the authors noted that “if the BRICs come anywhere close to meeting the projections set out ... the implications for the pattern of growth and economic activity could be large.” (Wilson / Purushothaman 2003, 2). The primary differences in attributed growth rates between the four economies was due to variation in expected total factor productivity, which took into account demographic and skill constraints as well as existing infrastructure and use of technology in each of the four economies (see Table 1 below).

In %	<b>Brazil</b>	<b>China</b>	<b>India</b>	<b>Russia</b>
2000-2005	2.7	8.0	5.3	5.9
2005-2010	4.2	7.2	6.1	4.8
2010-2015	4.1	5.9	5.9	3.8
2015-2020	3.8	5.0	5.7	3.4
2020-2025	3.7	4.6	5.7	3.4
2025-2030	3.8	4.1	5.9	3.5
2030-2035	3.9	3.9	6.1	3.1
2035-2040	3.8	3.9	6.0	2.6
2040-2045	3.6	3.5	5.6	2.2
2045-2050	3.4	2.9	5.2	1.9
Source: Goldman Sachs				

Simply summarised, the main finding of the research piece was that while the BRICs economies were only 15 % of the G6’s combined GDP in the year 2000, by 2025 it was possible that they would be 50 % as big and by 2050 surpass the G6 altogether (see Figure 1 below). Among these nations, China and India would be dominant, but Russia and Brazil were forecasted to become two of the six largest economies by 2050. Figures 2 and 3 demonstrate the predicted economic growth of China in particular against the US and against four selected Eurozone economies.

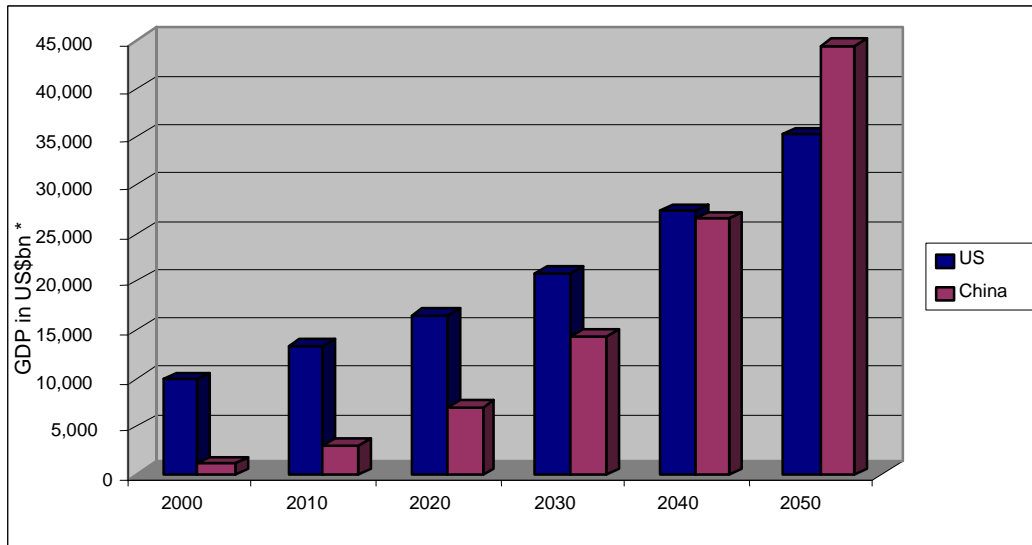
**Figure 1: G6 vs. BRICs: 2000–2050**



Goldman Sachs projections (\* prices in 2003)

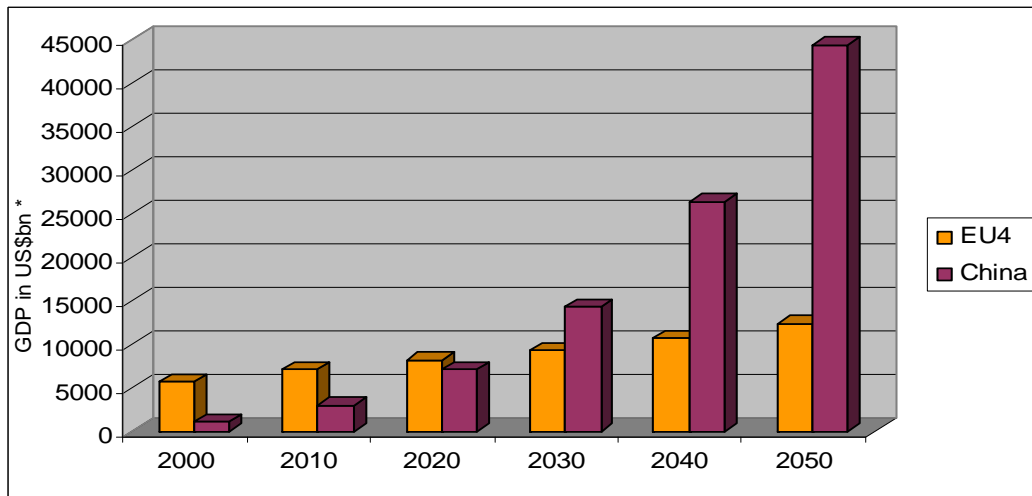
While the forecasted growth of these four countries might seem staggeringly high, it is worth noting that Middle Income Countries as a group – which under the World Bank definition includes 86 widely diverse countries over all regions of the world – have grown much faster than either developed countries or low income countries. Average growth from 2000 to 2005 was 5 %, and 3.7 % in the previous five year period, suggesting that middle income developing countries are to some extent “**catching up**” with developed economies. Poverty has also been reduced – most notably in China but also in other large developing countries (IEG 2007). Other expectations of Chinese and Indian growth have been largely consistent with the Goldman Sachs estimates (Winters / Youssef 2007). The authors estimate that China will compose 8 % of the global economy by 2020, increased from its current 4.7 %, by growing at an annual rate of 6.6 %. India is expected to grow at 5.5 % and estimates on Brazilian growth rates were also broadly consistent at around 3.6 %.

**Figure 2: China vs. US: 2000–2050**



Goldman Sachs projections (\* prices in 2003)

**Figure 3: China vs. EU4 (Germany, France, UK and Italy) 2000–2050**



Goldman Sachs projections (\* prices in 2003)

While the growth story of large developing countries is interesting, more intriguing is an analysis of the numbers underlying these trends and what they signify about international production and consumption patterns in the years till 2030. The manner in which India and China are transforming the global economy has been well explored in academic papers and the press. It is worth highlighting quickly several of these trends: The “Asian Drivers” research programme undertaken at the Institute for Development Studies (IDS) has argued that among other impacts, China and India have reversed the terms of trade so that manufacturing prices globally are declining and prices for commodity prices are rising (Kaplinsky 2005). Their share of manufacturing value added has increased massively, exports



from China have grown to a significant market share in both Europe and the US from almost none 10 years ago, demand for base metals and other commodities are increasing rapidly and India and China are among two of the largest producers of carbon emissions globally.

### 3.2 New places at the table: The increased political power of large developing countries

This section started with a description of the role large developing countries played in determining the outcome of the WTO's Cancun Ministerial in 2003. The behaviour of developing countries in this context led to a new research agenda, which is broadly categorised by two questions. First, has the increasing power and negotiating capability of developing countries witnessed in the WTO been replicated in other forums? And second, was this event telling of a broader shift in international relations towards a more confrontational relationship between North and South? This sub-section addresses both of these questions in turn.

#### 3.2.1 Changing roles for developing countries in other forums

The importance of incorporating large developing countries into the management of the global economy was initially recognised in 1999, when the G7, which is a regular meeting of finance ministers, expanded to a larger group, the G20. This occurred in response to the devastating financial crisis in the developing world throughout the 1990s. While there are other forums in which large developing countries still lack sufficient voice, the G20 includes Argentina, Brazil, China, India, South Africa, Turkey and a number of other developing countries. The mandate of the organisation is to “promote discussion, study and review policy issues among industrialized countries and emerging markets with a view to promoting international financial stability,”<sup>4</sup> but the effectiveness of the organisation in being more than a talking-shop has been questioned: recent research has emphasised that the compliance rate with G20 commitments is only 41 %, 10 % lower than compliance with G7 commitments. Additionally, the majority of the commitments that are honoured are in non-financial issue areas such as environment and energy (100 % compliance) while compliance on issues relating to the governance of the world economy and trade are much lower at 33 % (Kokotsis 2005).<sup>5</sup> Nonetheless, the existence of the G20 and the recent delegation of major issues of global governance demonstrate that leaders of the G8 coun-

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4 [www.g8.utoronto.ca](http://www.g8.utoronto.ca)

5 The reasons for this relative ineffectiveness appear to be two-fold. First, the G20 relies on existing institutions such as the United Nations (UN), World Bank, International Monetary Fund (IMF) and WTO to carry out its initiatives whereas the G8 is underpinned by national level institutions such as links to national level foreign ministries and overall “strong domestic bureaucratic institutional units” (Kokotsis 2005, 20). Second, G8 leaders enjoy “deep public support for Summit leaders and the commitments they embrace [which] grants the leaders an enormous amount of political capital thereby allowing them to more effectively follow through with their Summit commitments” (Kokotsis 2005, 22). In contrast, leaders of developing country members of the G20 either come from less democratic nations (e.g. China) or have less political capital to spend on international issues given pressing development issues at home (e.g. India).

tries acknowledge that it is difficult to confront major problems in the international economy without the right “players at the table.” The question still remains however whether the G20 represents a shift in power relations between North and South, or whether it is largely a forum used by the G8 to broaden consensus on G8 generated ideas (Kirton 1999).

In fact, one of the most important current undertakings of the G20 is to coordinate negotiating positions on reform of the governance structure of the IMF and World Bank. The reform process, which began in earnest in the spring of 2006, is motivated by the desire to preserve the legitimacy of the institution by making sure that the largest economies have sufficient voice in the institution so as not simply “walk away” from it altogether, a prospect which has become more likely as developing countries have developed huge foreign exchange reserves which make the need to borrow from the Fund redundant. While accurately representing developing countries in the Bretton Woods institutions has been a reform priority of scholars of international institutions for at least a decade (Woods 1999; Buirra 2003; Beltran 2005), policy makers in the developed world did not publicly acknowledge that the very legitimacy of the Fund was at risk if exclusion of large developing countries continued until 2005. A speech by the Under Secretary for International Affairs in the US Treasury in 2005 stressed that

*“... the governance of the IMF should evolve along with the world economy, so that countries have a rightful stake in the institution. The world economy has evolved considerably, as some countries have grown more quickly than others.”* (Timothy D. Adams, US Department of the Treasury: Speech at the Institute for International Economics, 23 September 2005, Washington DC)

Governor of the Bank of England, Mervin King, suggested the same thing in 2006 in even stronger terms:

*“... The membership of the top table must change with circumstances – the group of big players is no longer an exclusive group of rich countries. Low and middle income countries can now affect the global economy. India and China have to be at the table.”* (Mervin King, Governor of the Bank of England: Speech at the Indian Council for Research on International Economic Relations (ICRIER), 20 February 2006, New Delhi, India)

The negotiations are at present mired with controversy and resistance, particularly from several other European states who are currently over-represented and face losing power if a larger role is given to developing economies. There is relatively widespread agreement that the governance reform resulting from this round is likely to be a moderate improvement over previous attempts at governance reform, but that it is highly unlikely to transform the IMF or World Bank in any radical way.

Finally and briefly, in the WTO, the G22 has persisted, and several developing countries – most notably Brazil and India – have remained highly engaged in determining the outcome of the Doha Development Round. The Cancun ministerial appears to have been the start to a more assertive period of developing country interaction in the realm of trade, not a one off event (Hurrell / Narlikar 2006).

### 3.2.2 Renewed North-South confrontation?

The second research question suggested by the Cancun ministerial was whether the changes witnessed in that forum ushered in a new era of hostile relations between developed and developing countries, harkening back to the alliances of the New International Economic Order (NIEO) and Non-Aligned Movement. Hurrell and Narlikar argue that the aggressive trade negotiations undertaken by developing countries in the WTO during and since the Cancun ministerial are markedly different from the strategy in the 1970s: first, the countries involved have taken positions based on careful research and are making specific rule-consistent demands, thus having learned lessons from failed strategies in the 1970s. And second, today's coalitions are issue-based and flexible rather than ideology-based blocks of developing countries (Hurrell / Narlikar 2006). The authors also argue that while there is rhetoric around trade negotiations as one forum of a changing and more assertive foreign policy for developing countries, the evidence that developing countries are actively pursuing a more aggressive foreign policy strategy are mixed. There is limited evidence of a shift of this sort in India, and in Brazil, while there is some movement towards a new more assertive foreign policy, "the specific role played by developing country coalitions represents only one aspect of a complex globalist foreign policy" (Hurrell / Narlikar 2006, 418).

Research on the trilateral dialogue forum between India, Brazil and South Africa (IBSA) created in the summer of 2003 leads to similar conclusions: while the forum is an important declaration of both the central role that these three countries play in their respective regions and their desire to organise developed countries more broadly around common goals such as the reform of international institutions, to date, the IBSA initiative is characterised by

*"the absence [...] of any clear strategy on the part of trilateralist partners that goes much beyond the notion of being regional claimants to a seat at the table of recognised power in international institutions. While the impulse for structural change remains a feature of the rhetoric of all three governments, there is little demonstrable commitment to representing regional interests collectively in a multilateral negotiating forum ..."* (Alden / Vieira 2005, 1092).

While arguing that the IBSA countries do indeed have a specific agenda which they are actively cooperating on, Flemes notes that their coherence is undermined by the fact that the IBSA states cannot and do not speak on behalf of all developing countries and by the fact that the interests of the three countries are not always consistent (Flemes 2007).

The overall conclusions are therefore that large developing countries are taking a more active role in the leadership of the global political economy, and that their strategies for doing so are new. However, change is still progressing slowly, with only moderate influence and change accomplished in most of the forums investigated above. The extent to which recent assertiveness of some large developing countries in various international forums represents a major shift in their foreign policy and the likely advent of a multi-lateral era remain less clear. This is examined in further depth in Section V below.

### 3.3 Risks to the rise

As stated in the introduction, the forecasted growth of the economic and political power of developing states is not without risks and potential for derailment. The phenomenal economic growth rates experienced by China, India and other large developing countries in the past decade could be undermined by a number of factors, three of which will be highlighted here: environmental constraints including the impacts of global climate change, domestic political concerns and the maintenance of international financial stability. It is anticipated that if the growth trajectory of these countries was strongly and adversely affected by any of the above, further advancements in the political representation and power of developing countries would also be at risk.

#### 3.3.1 Environmental constraints

Among the primary constraints that developing countries could face as they continue their economic expansion are those that will occur naturally – through environmental pressures. There are a number of well known and oft-repeated statistics on environmental degradation in the developing world: China has surpassed the US as the largest emitter of carbon dioxide (Vidal / Adam 2007), the country contains 16 of the 20 most polluted cities in the world,<sup>6</sup> and 54 % of all of China's river water is "unsafe for human consumption" (World Bank / SEPA 2007, xi). A recent report on the economic cost of China's air and water pollution co-authored by the World Bank and the State Environmental Protection Administration of China placed the estimated cost of pollution in 2003 between 2.7 % and 5.8 % of GDP depending on the methodology used (World Bank / SEPA 2007). Similar in-depth statistics are not available for India and other developing countries, but India has already entered the top three of global polluters, with high costs in terms of human quality of life and GDP.

But the cost of national development in large developing countries is not of course limited to their national territory – global climate change also presents a massive challenge for developing and developed countries alike. The Stern Review on the Economics of Climate Change assumes that a likely 2–3 °C degree rise in temperatures until 2050 will have impacts including: the melting of glaciers and corresponding risks of flooding and reduced water supplies; declining crop yields on marginally arable land; increased health risks from extreme temperatures and the spread of tropical diseases; rising sea levels with accompanying flooding; and massive loss of biodiversity (Stern 2006). The economic costs of these changes are high: the cost of damage from extreme weather is anticipated to be between 0.5–1.0 % of global GDP, with costs disproportionately higher for developing countries, and total cost of climate change is estimated to be as high as 3 % (Stern 2006).

These risks for countries like China, India and Brazil are high, especially when coupled with the damage at the national level created by current highly polluting development strategies. Access to water in China and Brazil is already a problem, particularly in the north of both countries, and India suffers annually from floods. Many large developing countries have a large percentage of rural population still reliant on subsistence farming,

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6 <http://www.cbsnews.com/stories/2007/06/06/eveningnews/main2895653.shtml>.

which will become increasingly challenged by climate change. However, there is increasing evidence that developing countries are aware of the challenges that the environment pose for their continued development. The Chinese government recently admitted that the Three Gorges Dam is at risk because of environmental changes caused by the dam (including landslides and silting of the Yangtze river), hinting at the Communist Party's interest in making sure that continued development does not sacrifice the environment (Anderlini 2007). These themes were repeated at the recent Communist party convention where President Hu Jintao reiterated the government's desire to balance economic growth with sustainable use of natural resources, stressing the need for greater attention to environmental and social welfare (McGregor 2007). Brazil is investing heavily in bio-fuels as an alternative to petrol and many large developing countries have recently participated in discussions about post-Kyoto agreements and the US' ongoing parallel dialogue. Given this, there is little reason to believe that the environmental challenges will completely halt growth in large developing economies. However, there is sure to be an economic cost in terms of human health as well as in upgrading technologies and energy so as to prevent further damage and improve currently low levels of environmental protection. These costs are likely to have some impact between now and 2030 – potentially reducing “future” GDP growth in China by as much as a percentage point or more – but the overall impact is not enough to significantly change the trajectory of growth predicted in the sections above.

### 3.3.2 Domestic political concerns

A second potential risk which could disrupt the growth path of developing countries is major upheaval of domestic politics. The country which is at highest risk of having its growth pattern disrupted by changes to domestic politics is China. Much is made of the possibility for social or political unrest to undermine the Chinese growth miracle – as Wilkinson notes:

*“For China to [...] attain superpower equality, it would have to find an unbroken sequence of dedicated and highly competent individual great helmsmen, consistently supported by scrupulous party elites, stably committed to a policy of rapid, ecologically sound economic growth: no major changes of course, no more Great Leaps Backward”* (Wilkinson 1999, 162).

Other scholars concur that the challenges are great – Thornton argues that among the challenges China faces are:

*“popular dissatisfaction with local government, environmental degradation, scarce national resources, an underdeveloped financial system, an inadequate health-care system, a restless rural population, urbanization on a massive scale, and increasing social inequality,”*

all of which, he argues, can only be overcome by excellent leadership, which is in short supply in China due to the pull of careers in the private sector (Thornton 2006, 133). Whether China can manage these challenges and others – such as the growing divide between rich and poor in rural and urban regions – without a dramatic collapse of its political system is an open question, and the outcome cannot be easily predicted.

But again, based on current trends, the Chinese state seems capable of managing dissent without placing a heavy stress on its sustainability: there has been a slow expansion of decentralisation and economic freedoms which seems to indicate that the Party is betting on their ability to slowly transition the country more towards a liberal state. Unexpected changes in this trend would be just that – unexpected – and are therefore difficult to use as a basis for forecasting the state of international relations in 2030.

While India, Brazil and other large developing countries are democracies and therefore regime stability is not as large a risk to continued growth, there are number of challenges which come with reforming the economy and maintaining growth under conditions of democratic governance. Reforms to economic systems in democracies tend to be slower as it requires building supportive coalitions and particularly in the post Washington Consensus era, democratic constituencies demand not only growth but also decreasing inequality, presenting challenges for governments in finding new or more efficient ways of redistributing income gained through growth. India also faces unique opportunities and challenges as its population is growing quickly and will remain young for some time. A young population will assist India in continuing to grow well into the future (an aging population is one of the challenges China will face in the coming 25 years) but sufficient employment opportunities must be created to ensure that India's youth continue to support the economic policies put in place by various democratic governments.

### 3.3.3 International financial stability

The third and final major risk that could undermine the growth of developing countries is instability in the international financial system. Liquidity and volatility conditions in the international markets in the past 5 years have been exceptionally low, making it easier for developing countries to borrow cheaply on the international markets and making it more attractive for foreign investors to put money into developing economies. However, as the recent credit disturbances in the US which are slowly filtering through to other economies (including several European countries and China) demonstrate, stable financial markets are not assured, and contagion continues to be a problem in international markets.<sup>7</sup> In fact, some might argue that the risk of contagion is higher than even given the increasing extent to which Asian, European and American markets are integrated and dependent on each other for export markets. While the massive accumulation of foreign exchange reserves by Central Banks in many large developing economies provides a cushion against the impact of such crises, a major international financial crisis, akin to the East Asian crisis of 1997 or the series of financial crisis which rocked Latin America during the same period, could certainly put a significant dent in growth prospects of countries whose financial systems are highly integrated to the global economy. China and India are slightly more insulated from such risks than Latin American and Southeast Asian economies given the extent to which their capital accounts remain closed / regulated. However, it is worth noting that even the disastrous East Asian financial crisis of 1997 did not *permanently* dent the upward growth trajectories of the economies involved – 10 years on, most of the economies

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<sup>7</sup> See for example reports of how the credit crisis has already affected Brazil – indirectly. <http://www.ft.com/cms/s/0/5c1d715c-4c2a-11dc-b67f-0000779fd2ac.html> and <http://www.ft.com/cms/s/0/29bc98fa-4b76-11dc-861a-0000779fd2ac.html>.

look stronger than they did at the time of the crisis. The risk of financial crisis is therefore higher for countries like Brazil – which remain dependent on international financing – than China or India.

## 4 The rise of China

*“Let China sleep, for when she wakes, she will shake the world” – Napoleon*

The previous sections of this paper have made the case that large developing countries are transforming both international economics and international politics as they grow in wealth and power. However, as was emphasised at the outset, the implications of their growth are not likely to be uniform. The transformative power of the two Asian giants, India and China, is disproportionate precisely because of their size and because of the fact that China already enjoys many elements of “great power status.” This section takes for granted that growth of such nations continues, and looks specifically at what the consequence of China’s rise is likely to be on international relations amongst the great (i.e. Western) powers.

While there is a case to be made that India’s rise will also have a strong impact on the shape of great power relations between now and 2030 as it continues to grow, India has received less attention in the international relations literature for at least two reasons. First, as a democracy, India is perceived to be less of a threat than China by scholars of international relations, who assume (perhaps naively) that its regime type will lead its interests and values to coincide more with those of the West than China’s authoritarian system. Second, India’s rise is less problematic to its region (South Asia) than China’s is in East Asia, where many scholars anticipate that conflict might arise between a growing China and the regions other great powers – Japan, and to a lesser extent Korea. The dynamic between China, Japan and other Asian states is highly salient to the US because of the web of formal and informal security arrangements which have been in place since the end of the Second World War with Japan, South Korea and Taiwan. Indeed, international relations of East Asia are generally referred to as international relations of the Asia-Pacific region, with the Pacific ending somewhere near Washington DC. The potential for conflict between India and Pakistan, while deeply troubling to western observers, would not automatically involve the US in the same way that aggression between for example, China and Japan would. Thus, this section looks exclusively at the rise of China as the major transformative shift in great power relations in the coming 25 years.

### 4.1 International relations theory and the Chinese threat

If one confined their reading on the rise of China and its likely implications to theorists with a realist or liberal background, the outcome for global order would look relatively bleak. Realists, concerned about a rising China’s ability to disrupt the current unipolar world order and usher in a period of potential conflict amongst multiple poles of power, believe that the rise of China will precipitate a period of great uncertainty and potential war in international relations (see the excellent discussion of the perception of Chinese threat in Broomfield 2003). While scholarship on the topic has become less explicitly

rabid than it was in the mid 1990s during a low point in American – Sino relations (Friedberg 1993), the overwhelming lens through which China is viewed one heavily tinted towards security threat and destabiliser of the current unilateral world order.

The liberal institutionalist view is equally bleak: Asia, which is substantially less institutionalised than Europe / the West, is doomed to conflict that will spill over to involve the US, because there are not agreed upon methods for addressing common problems (see critiques of the so-called ‘ASEAN way’ hypothesis, e.g. Khoo 2004). Additionally, as current institutions of global governance are not adequately representative of China and other rising powers, they are unlikely to be able to significantly restrain Chinese action. The coming period, to again cite an applicable term coined by Humphrey and Messner, will be one of “turbulent multilateralism” (Humphrey / Messner 2006a). Finally, liberals are concerned about China’s lack of democracy – the fact that it is an authoritarian market economy makes it more threatening and less amenable to the institutions put in place by the West’s liberal democracies at the end of the Cold War. The only optimistic view from the field might be from interdependence scholars, who would argue that while tensions might rise between the US and China as its economy continues to grow, the increased integration of China into the international trade and financial system over the past 10 years and the growing dependence of Europe and the US on Chinese goods and markets would make active hostilities between the West and China increasingly unlikely.

#### 4.2 Competing paradigms of international relations and the Chinese “threat”

Fortunately, one is not confined to these rough applications of international relations theory, which were strongly shaped by the experience of the Westphalian European state system, to predict China’s behaviour or implications of its rise. Scholars of East Asia, and particularly those that study Asia in depth from a historical and international relations standpoint, present a number of different and dramatically more nuanced views. In contrast to most realist scholars, Avery Goldstein makes a convincing argument that China is a rising power aiming to carefully reassure its neighbours of its non-hostile intent and manage its relationships with other powers so as not to disrupt the international system (Goldstein 2003; 2005). While he does not deviate from realist thinking that the current unipolar world order is likely to give way to multipolarity (and in fact emphasises that this is precisely what the Chinese would like to see happen), he believes that historical examples used to describe China’s rise (Wilhelmine or Nazi Germany, Imperial Japan, the Soviet Union) are highly flawed and that a more appropriate analogy would be Germany under the leadership of Bismarck. He explains:

*“Beijing [...] claims that it harbours no hegemonic ambitions [...]. Instead it has devised a distinctive set of policies that emphasize reassurance, linkage, and flexibility in its international with other states.[...] China is, like Bismarck’s Germany, a nationalist rising power whose interests sometimes conflict with others’, but one that so far lacks any obvious ambition or reason to indulge a thirst for international expansion, let alone dominance” (Goldstein 2003, 62 f.).*



To support this hypothesis, he demonstrates how the Chinese government changed strategy in the mid-1990s from one that was interpreted by the US in particular as aggressive to one he calls a new “grand strategy,” which emphasises collaborative “strategic partnerships” with various powerful countries, including Russia, Japan and the US. These partnerships are designed to be reassuring to other powers and to formalise expectations of action and relations between the signatories.

David Kang also presents an interesting hypothesis as to why the rise of China may not generate inter-Asian (and therefore cross-Pacific) hostilities, as predicted by many realist scholars who see China’s rise as inevitably conflictual with Japanese, Korean or even Indian interests. He argues that until the intrusion of Western powers in Asian international relations in the nineteenth century, Asia was consistently a more peaceful and stable region than the West, with very occasional conflict. He attributes this to a different system of inter-state relations between European and Asian states. In Europe, the Westphalian system was characterised by formal equality between states via the concept of sovereignty, and no formal hierarchy of relations. This set of relations repeatedly led to conflict as purportedly equal states sought to balance each other’s power. In contrast,

*“Asian international relations emphasized formal hierarchy among nations, while allowing considerable informal equality. Consisting of China as the central state, and the peripheral states as lesser states or “vassals,” as long as hierarchy was observed that was little need of interstate war” (Kang 2003, 164).*

This situation, he argues, has four implications on likely behaviour of Asian states: less powerful states are more likely to bandwagon – i.e. seek the protection of the central state by agreeing with it rather than attempting to balance against it; stability is more likely but periods of conflict will be more dramatic because they will coincide with the breakdown of the hegemon; a common and understood set of norms set by the central state guide behaviour and make misunderstandings more unlikely; and the central state is unlikely to interfere in the affairs of smaller states. Because the Asian international relations system was characterised for the large majority of its long history by a dominant China, whose cultural norms, language and government system (e.g. centralised and well organised bureaucracy) were widely accepted by other Asian states, Kang is more optimistic that the continued rise of China will be treated by other Asian states as an inevitable reversion to the previous hierarchical system and will have little reason to fear or challenge the change.

The liberal institutionalist view of an Asia doomed for conflict because of its weak institutions is challenged by scholars of the region as well. Johnston argues that Asian institutions are different from, but not inferior to, Western institutions (Johnston 2003). Asian institutions place more emphasis on socialising actors to the importance of discourse and cooperation rather than compelling cooperation through legalistic means, and are therefore successful at promoting regional peace and stability when not measured in a comparative fashion.

## **5 Contrasting visions for 2030**

Given the above arguments, it is possible to construct a number of alternative visions for international relations between now and 2030. Three primary visions are sketched here: a)

conflictual bipolarity between China and the US; b) conflictual multipolarity amongst China, the US and a number of other states including potentially a more unified Europe, and c) non-conflictual multipolarity amongst the same number of states. The third – non-conflictual multipolarity is considered by this author to be the most probable outcome for a number of reasons explained below. Another possible vision, Chinese hegemony or unipolarity, is not considered, as it is unlikely that China will be able to dominate international relations between now and 2030 given the scale of its remaining development challenges, the fact that by 2030 its economy is still forecasted to be smaller than that of the US even under highly optimistic growth scenarios, the still substantial gap between US and Chinese power on a number of metrics, and the fact that such a scenario would involve not only the demise of the US as a great power but concurrently requires limited progress in unifying and strengthening Europe. However, as was emphasised in the opening paragraphs of this paper, international relations is often determined by major and previously unpredictable events. The possibility that an event such as a major financial crisis which undermines US dollar hegemony and therefore tips the power balance dramatically in favour of China cannot be completely excluded, but neither can it be forecasted on current trends.

As a caveat, international relations theory generally does not describe constellations of power as conflictual or non-conflictual because, as stressed throughout this paper, the theory itself makes predictions about the resulting level of conflict given a certain power constellation. Nonetheless, for the purposes of this article, it is useful to give an indication of not only what power grouping may arise, but what the likely relations between powers will be.

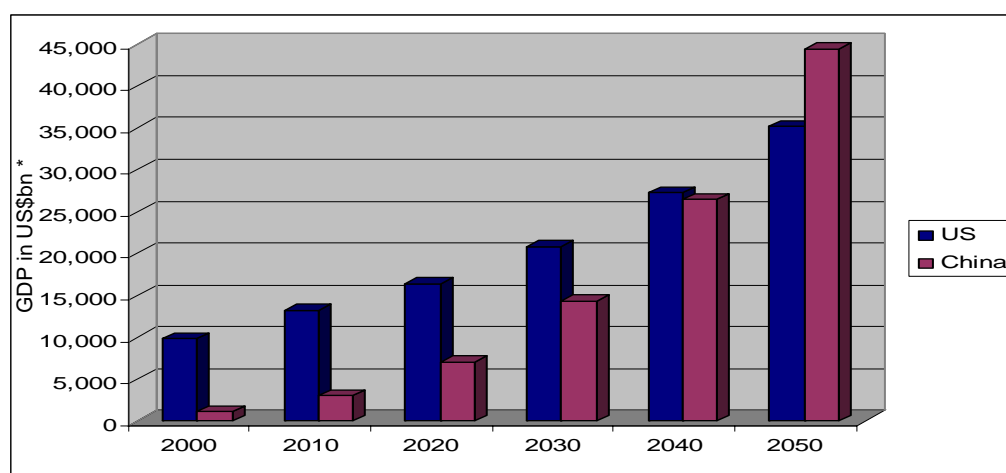
## 5.1 Conflictual bipolarity

The first potential vision for international relations in 2030 is one in which China has risen to a position which allows it to rival the power of the United States, therefore re-establishing a bipolar order. While theory posits that bipolarity is a highly stable system, history of US / Soviet relations demonstrates that the stability of bipolarity is problematic particularly at the outset of such a constellation of power relations when both sides are still striving to understand the other's strengths and likely actions (see the Cuban missile crisis for an obvious example), and potentially dangerous for countries that either attempt to switch "allegiance" from one pole to the other or are undeclared zones of power (note the number of "proxy wars" in developing regions during the height of US / Soviet power).

Additionally, the manner in which bipolarity arises is also important for predicting the level of conflict. Bipolarity in the Cold War Era arose from a previous period of European multipolarity. Instead, the transition to a US / Chinese bipolar order would arise from the current unilateral moment – implying that the US would be losing power to a rising China. It is likely that under these conditions, the transition to bipolarity would be less smooth, as theory posits that the downfall of unilateral hegemonic regimes are particularly conflictual. The fate of international institutions under this scenario is highly unclear. It is almost certain that China would not want to preserve the current American post-war order of international institutions, but the alternative is as of yet unclear.

Thus, as any likely bipolar order would still be relatively new in 2030 with the US and China in transition to this new role, their powers yet untested, we can expect that the period would be marked by conflict. But how likely is a bipolar order? A Chinese / American bipolar system requires several things. First and most obviously, it requires China to continue growing without environmental, domestic political or financial crises. Secondly, it requires China's continued growth to be unparalleled by other emerging countries, and India in particular. It also requires continued failure of European nations to pool power and become a third potential pole of global power. Finally, a bipolar order requires an accommodating stance from the US while the rise is going on (so that the "threat" of China's rise does not prompt pre-emptive action and therefore undermine the rise). The question is whether in less than 25 years China's economic, military and soft power will have grown sufficiently to consider it an equal to US power. The optimistic BRICs assumptions hypothesise that by 2030 China's economy will still be significantly smaller in market terms than the US (Figure 4). It is more likely that China could be considered an equivalent power by something like 2040, assuming that this period of growth also saw the continued upgrading of Chinese military technology and the further diffusion of Chinese soft power through, for example, its development and political model or through other of its values. The rising power of China and its ability to project an alternative set of soft-power values is already being witnessed in Africa where it has become a major trading partner, investor and aid partner. Western aid donors (and European countries in particular) are concerned about how China's engagement on the continent challenges emerging norms on human rights, democracy and transparency in aid and investment. More is said about this in the final section of the paper.

**Figure 4: China and the US in 2030 – Still unbalanced**



Goldman Sachs projections (\* prices in 2003)

Thus, there is a possibility of a bipolar world order in 2030, but not the most likely scenario of international distribution of power. And if it were to occur, it would be a relatively new distribution of power, and therefore likely to be highly conflictual as the United States and China form expectations about the others behaviour and battle for realms of influence. However, the world in 2030 might be quickly moving in the direction of this power distribution so that it emerges by sometime around mid-century.

## 5.2 Conflictual multipolarity

In order to discuss a situation in which multipolarity (either conflictual or non) has arisen as the primary feature of international power relations in 2030, it is necessary to quickly diverge from the strict discussion of China / US relations and engage in two side discussions: the potential rise of Europe as a unified power and the potential rise of other large developing countries. Each of these sub-conditions will be taken quickly in turn prior to outlining a multipolar vision.

### 5.2.1 A unified Europe

It is clear that if European states are to remain great powers in the coming 25 years, they will have to act as a unified whole rather than as independent states. The international institutions established in the immediate aftermath of the Second World War gave them high levels of individual representation – levels which currently look outdated given both the advancement of the European Union as a project and the growth of other countries. Indeed, the European Union as a single entity would undoubtedly be one of today's great powers if it was more unified on a number of key topics including foreign and fiscal policy, and if the Union spoke with a more consistently unified voice on matters of international importance. This is evident from the EU's unquestionable status as a major power in arenas related to trade – an area in which the European Commission enjoys competence.

Thus, the probability of a multipolar order in 2030 which includes European countries as major players is exclusively dependent on the continued integration of Europe under the European Union (Wilkinson 1999). There are many areas where further integration is blocked, but three are worth noting: first, despite advancement in monetary union, there is lack of harmonisation in broader political economy issues including – but not limited to – fiscal policy; second, on services, efforts to unify Europe remain blocked by capitals concerned about social dumping; and third there is a lack of progress in unifying European foreign policy in all aspects including development and security. Progress on the third element, and most important from the standpoint of this paper, has recently moved ahead through the recently agreed Lisbon Treaty, which replaces the failed EU constitution. The Treaty increases the length of the presidency of the European Council to 2.5 years and combines the jobs of the external affairs commissioner and the high representative for foreign policy (currently Javier Solana) in an attempt to provide Europe with more clout and a more unified voice on the world stage. It also makes other changes such as redistributing of voting power between member states, increasing the powers of the European Commission, Parliament and Court of Justice in areas related to justice and home affairs, and reduces the number of EU commissioners.

Understanding the probability of further removing these political stumbling blocks to deeper integration requires in depth investigation of the current institutional and legal framework of the EU, which is outside of the scope of this paper (though for an excellent overview see Hix 2007 and on fiscal policy see Hodson 2004). While the current mood in capitals is not particularly encouraging for the vision of a unified Europe despite recent progress on the Lisbon Treaty, these moods have been shown to adapt given new external and internal circumstances. Therefore, the possibility of greater integration during the period in question remains uncertain, though highly desirable. For the purposes of this paper,

full-scale integration of Europe from a foreign policy stance is only considered of moderate probability between now and 2030.

### 5.2.2 The rise of other large developing countries

A scenario for 2030 which focuses on multipolarity also needs to make a strong case for the likely rise of large developing countries other than China in the world order. India is an obvious choice, but other countries such as Brazil, South Africa, Iran and Russia could also become (or become again, in the case of Russia) major centres of power. Unfortunately there is not much literature which sheds light on how developing countries have or could transfer to great power status – the historical example of the rise of the US to hegemonic status is generally focused on the transition between British and US hegemony in monetary affairs through the process of the World Wars. However, there is a literature on “middle powers” which investigates the characteristics and behaviour of countries such as Canada, Australia and the Netherlands. Generally, middle powers are identified by their behaviour: they are thought to be keen multilaterals, and have gained substantial representation in international organisations. As Alden and Vieira note:

*“They justify their positions within these institutions not on the basis of economic or military importance on the global stage but through their activism in the name of international norms and / or their position as an intermediary for those states (developing countries in fact) excluded from the ranks of power.”* (Alden / Vieira 2005, 1079)

Middle powers are likely to catalyse work on specific issues at the global level, facilitate organisation of coalitions or manage norms and compliance within their region (Cooper et al. 1993). This suggests that overall, OECD middle powers are likely to be what realists call “status-quo” powers, not disputing the international balance of power or the predominant norms that govern.

The applicability of this theory to large developing countries is questionable. Given the evidence presented on the political rise of such countries in Section III, it appears that large developing countries already possess a number of qualities of middle powers. But their behaviour may not be consistent with the theory because “traditional” middle powers above are a) already highly integrated to existing systems of norms and governance and b) not “rising further.” New middle powers are likely to act as catalysts and facilitators, but their willingness to uphold existing norms will be weaker as those norms have often been formed without their participation. They are only likely to be keen multilateralists if the governance structure and norms of international institutions suit their needs. Breaking away from all of the traits of “status-quo” states and being more “revisionist” will be a signal that large developing countries are indeed transitioning from new middle powers to great powers, and this political assertiveness is likely to occur under conditions of continued economic growth, environmental sustainability and stable domestic political conditions.

Thus, the idea that there could be more than two great powers in the world system seems reasonable, though this very brief analysis has suggested that the additional powers are more likely to come from the developing world than a united Europe, especially as many authors believe that the current system is already a de facto multipolar one – or one mov-

ing quickly in the direction of multipolarity. The question is whether such a world order would be conflictual and turbulent as theory and other authors have suggested, or peaceable and stable. The argument for a conflictual multipolarity is supported by at least two facts. The first is that similar to the argument above regarding conflictual bipolarity, the multipolar order would be a new organisation of power amongst states in 2030, with a number of complicated balancing strategies amongst new powers (e.g. Europe and Russia, India and China, the US and Brazil etc.). These powers would still be trying to understand and accurately predict each others reactions and strategies in the new world order, and international institutions representing this constellation of power would be new or recently reformed and therefore relatively untested in managing conflict and enforcing obligations. The second is the historical record of multipolarity, which provides a note of caution about the risks of alliances amongst a groups of relatively well balanced powers and the complicated diplomatic situations which can arise as these alliances are tested. Nonetheless, the scenario below is considered to be more likely.

### 5.3 Non-conflictual multipolarity

A separate case could be made, however, that the return of a multipolar order to international politics is less likely to lead to conflict now than at any time in history given the degree to which major powers in particular are interdependent for their economic well being, and the importance of maintaining economic stability in democracies (which most of the potential powers, with the notable exception of China, are). Europe, China, Japan other parts of Asia, and the United States are highly interconnected through a web of finance and trade which would make serious conflict between any of the three poles highly costly for all actors. Additionally, while existing international institutions are certainly at risk of losing legitimacy with the growth of big countries, there is a moderate effort going on to reform some of them, and to date, developing countries have become more than less engaged in their governance, with the potential exception in issues related to international finance where 1) a number of regionally based financing alternatives have been created and 2) developing countries have high levels of foreign reserves which both provide them self-insurance if crises arise and have allowed them to repay their loans to the IMF and World Bank more quickly than expected. And there is insufficient evidence to suggest that emerging powers are actively advocating highly different international norms – as the research reviewed in section III stressed, developing countries activism seems to be more pragmatic and issue based than in previous periods where the states sought to bring about new systems of international order. China and other developing countries have sought to reassure Western powers that they are not interested in disrupting the international system, and instead are “playing by the rules.”

Finally, and also very importantly, US foreign policy to date has seemed to be accommodating rather than hostile to new powers. There are a number of examples including the expansion of the G7 to the G20 and US leadership (despite European resistance) on the reform of the Bretton Woods institutions. Restraint has been exercised on dialogue with China about trade and exchange rate policy (despite pushing from the US Congress and interest groups against Chinese policy), and Brazil’s desire to cease dialogue on the integration of North and South America under the Free Trade Agreement of the Americas (FTAA) has been honoured.

The vision for a non-conflictual multipolar order in 2030 is an optimistic one as it assumes that the US will accept a relative and indeed absolute loss of power quietly, that large developing countries including China will rise without threatening or provoking fear, and that new powers in the global system will work cooperatively to reform existing international institutions or create new ones in their wake. However, it is the most consistent vision with the trends to date, and therefore the one that seems the most probable.

#### 5.4 The fate of the rest

In the above scenarios, how are smaller, poorer developing countries likely to fair? The rise of large developing countries, as has been well examined in the press and scholastic literature on the rise of China and India in particular, has already started to have strong impacts on the economic opportunities and development strategies of developing countries. Competition from China in manufacturing and India in services has made it harder for some countries to find a niche for viable exports – Mexico and Central American countries who export textiles and other relatively low-skill manufactured goods to the US are competing with China; small textile producers in Africa have been wiped out. But these are immediate effects. What are the longer term effects of a new distribution of power in which the US in particular has less power, or shares power with China and a number of other potential powers?

In terms of economic opportunity, as large developing countries become richer, they are likely to produce goods that are higher up in the value chain, requiring more technology and skills, leaving space for poorer countries to recapture market share in low skilled goods. There is already some evidence that this is beginning to occur and Chinese and other governments are spending more money on research and development (R&D) to help with this process. The OECD reports, for example, that this year China will become the world's second largest spender in R&D – outpacing Japan. The average growth rate of R&D spending since 1980 has been some 20.4 % a year and now comprises 1.2 % of GDP. Additionally, the rise of China and other powers may encourage a more open discourse about methods and outcomes of development, which may end up being positive for countries that can utilise some lessons from these new powers to develop their own economies. Finally, from the standpoint of politics and representation, if through the process of their rise large developing countries are able to change existing institutions so that representation is more equitable, small developing countries are likely to gain. This is particularly the case if coalitions of developing countries utilise the greater research and negotiating capacity of large developing countries to assist in causes which they share in common with smaller, poorer developing nations.

Despite all of these potential benefits of a more pluralistic international balance of power in 2030, there are also some drawbacks for smaller, poorer countries. The ongoing process of industrialisation in China and other large countries will continue to have adverse environmental impacts at the global scale – both in terms of utilisation of raw materials from developing nations and in terms of impacts on global climate change. As the Stern Review clearly argued, the poorest countries are likely to suffer disproportionately from such changes. Additionally, economically, while spaces may re-open at the low end of the value chain, it is less clear that this represents a viable development path for the smallest

and poorest of countries. Paths to exporting low-skilled manufacturing goods have been open for many decades, and many countries have not moved into these sectors. Additionally, there is a flip side of the diversification of development paradigms (one which appears frequently in the press) that these new paradigms may overlook human rights, governance and other desirable political norms.

Finally, with regards to international politics, it is clear that in two of the cases outlined above – conflictual bipolarity and conflictual multipolarity – if there is to be conflict between new powers over power, resources and ideas (soft and hard power) than some of these battles will inevitably be fought in the developing world as zones of power and influence are carved out. This seems a particularly likely outcome in the case of a bipolar order, based on historical experience of competition between the US and the Soviet Union and based on the fact that the soft power values that China and the US are likely to advocate may come into conflict. Thus, the implications for other developing countries of the rise of large developing countries into positions of power are not clear cut. There will be some advantages and some disadvantages to these new constellations of power, and different countries will experience these potential outcomes to a differing degree.

## 5.5 Impacts of new constellations of power on development policy

The final remaining question, related to the discussion above, is how a non-conflictual multipolar constellation of power impact will impact international development policy and current initiatives led by existing Western powers. The past decade has seen a very active interest in the establishment of multilateral development norms, goals and policies led by the Development Assistance Committee (DAC) of the Organisation for Economic Development (OECD). Some of these initiatives include the Paris Agenda, which attempts to make aid more effective by increasing country ownership and requiring donors to harmonise their policies, and the Millennium Development Goals (MDG) agenda which sets out a number of global targets for poverty reduction and quality of life improvements for the world's poor. The dominance of western countries in framing the terms and content of such debates will necessarily be eroded by the rise of large developing countries, who not only present alternative paths of development as examples to poorer countries, but also are themselves taking on an active role in aid, trade and investment in developing countries. There will be more money available as well as a greater diversity of aid sources as large developing countries continue to rise, which will be accompanied by greater South-South cooperation.

But is this change in development paradigms and leading actors likely to be conflictual between new powers and existing powers? The evidence seems to indicate that on the whole it will not be for at least two reasons. First, western donors are already keen to incorporate new donors into existing forums for managing aid. Richard Manning, head of the DAC, argues that “emerging donors” are not new in the aid business. Throughout the past 50 years, non-Western states including Arab countries and the Eastern Block played a strong role in providing support for developing countries outside of the Western aid



norm.<sup>8</sup> Thus, the current period of new donors is actually a return to previous patterns of aid distribution where Western donors did not enjoy a monopoly over the money provided for the poorest states. Additionally, the OECD and other forums are keen to incorporate new players in the aid field, and China and India in particular, into their discussions on norms and standards for aid.

Second, as has already been argued in the section entitled “Renewed North-South Confrontation,” relations between Northern and Southern countries are different today than they were during the 1970s, a period marked by conflict. Coalitions of developing countries tend to be more issue based and flexible than in the past, and claims are more strongly grounded in research. Therefore, a strong ideological clash between the West and say China or India about the appropriate development path for other countries to take is unlikely for at least two reasons. First because this type of discourse has been absent from North-South relations in the recent past and second because most large developing countries assistance and interventions in other countries are categorised by a less strident sense of imposing their own development preferences and leaving more leeway to Southern governments to implement policy programmes that they see appropriate. This can be seen both in the current foreign aid programmes of Brazil and in China’s role in Africa.

To examine the first, Brazil provides technical assistance primarily to lusophone African states, sharing Brazilian “best-practice” in policy areas where the state has been particularly successful such as the reduction of HIV / AIDS rates and using conditional cash transfer programmes to enhance income of the poorest. This is a very different model of giving than Western donors undertake in the same countries: differences attributable both to a lack of sufficient funds in Brazil to lend or give on a larger basis, but also an ideological choice to offer experiences in lesson learning rather than imposed manner.

China, in contrast, is engaging with a number of African and other developing states (particularly in the Asian region) in a number of ways including through lending and aid partnerships. Chinese aid policy is guided by a number of general principles and objectives: sincerity, friendship and equality; mutual benefit, reciprocity and common prosperity; mutual support and close coordination; learning from each other and seeking common development. A realist vision of Chinese aid in Africa would provide a short-hand for these policies: “don’t ask, don’t tell.” Chinese lending and aid is highly sensitive to national sovereignty, and therefore does not impose political, governance, environmental or other types of conditionality. While this has generated concerns in the West (mentioned in a previous section), this policy alone is unlikely to be a major source of conflict between North and South, especially as Northern aid donors are committed, at least in principle, through the Paris Declaration, to country ownership which should imply that they cannot tell African and other low income countries appropriate terms to borrow and receive aid from China or other new emerging donors.

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8 See lecture by head of DAC Richard Manning given at the Overseas Development Institute on 9 March 2006, “Will Emerging Donors Change the Face of International Cooperation.” Available online at [http://www.odi.org.uk/events/apgood/international\\_development/9thmar/ODI%20Lecture%20\(2\).pdf](http://www.odi.org.uk/events/apgood/international_development/9thmar/ODI%20Lecture%20(2).pdf).

## 6 Conclusions

This paper has sought to provide a vision for how international relations will be organised in the year 2030 by focusing on the possible political and economic rise of large developing countries. It has argued that there are clear indications both in terms of economics and politics that countries such as China, India, Brazil and others are changing the shape of the international political economy, and that their prospects for continuing to do so remain great despite risks to their growth path. The paper explored not only assumptions about their economic growth, but also about their ability to take on new roles in global politics, while keeping in mind some potential stumbling blocks such as the environment and resource capacity, domestic peace and the stability of the international financial system.

Additionally, it has explored the particular role of China in international politics in the coming years, and has outlined three potential scenarios of future world order, suggesting that the most likely outcome – a peaceful multipolar system – is possible and indeed likely. While the implications of such an international order on smaller developing countries are not clear cut, it appears that there are substantial benefits for smaller countries in encouraging this outcome instead of the more conflictual possibilities that could arise.

The world in 2030 will certainly look very different than it does today – and it may not look at all like what has been outlined here. But the broad trend towards new powers looks relatively unshakable from the vantage point of 2007, and is something that the international community should begin to prepare for.

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